DANISH SHIP FINANCE

Annual Report 2022

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Letter to our *stakeholders*

2022 marked another eventful year for global shipping. Most segments experienced periods of high freight rates and increasing ship values, taking the ClarkSea rate index to an all-time annual high.

The strong performance of many shipping segments helped the credit quality of our loan book strengthen further to a level not seen for more than a decade. The positive credit trends culminated in the announcement on 10 November 2022 of a significant upward revision to our net profit guidance for 2022 on the back of large reversals of loan impairment charges. We are very proud of the patient and meticulous credit work that preceded this revision.

We are equally pleased that Danish Ship Finance's net profit for 2022 reached DKK 663 million, a 161% increase on the 2021 result and markedly above the guidance of DKK 275-335 million that we set out in our Annual Report one year ago.

In cyclical shipping markets, our clients behave prudently, and often prioritise reducing debt or selling off vessels during market upswings. This generated a high level of loan prepayments in 2022 and dampened demand for new lending. Moreover, when ship values are high, we screen metrics such as loan-to-value (LTV) even more closely for new loans to ensure that our loan portfolio remains resilient when the market inevitably turns. This, and our focus on ensuring adequate compensation for risk, led to a temporarily reduced, but even more robust, loan book by year-end 2022.

Inflationary pressures, an economic slowdown and geopolitical turmoil are expected to affect seaborne trade volumes negatively in 2023, but longer trade distances and local infrastructural bottlenecks will continue to underpin trading conditions in some segments, especially Tankers. Moreover, supply/demand conditions in many segments remain favourable, as orderbooks are limited and parts of the global fleet are approaching the end of their serviceable life due to owners having been reluctant to scrap vessels amid the recent strong markets.

In 2022, high inflation finally brought to an end the long-running Central Bank-sponsored negative interest rate regime in European financial markets. This caused turbulence in fixed income markets for much of the year as investors positioned themselves for the new reality. Bond spreads widened, even for high-grade AAA bonds.

Very defensive investment positioning throughout the year helped us navigate the market transition. Although the overall investment return for 2022 was negative, the net income contribution from the portfolio was positive in the second half of the year and we expect returns to remain significantly positive in the years ahead.

Covered bonds were not immune to the turbulence in bond markets as new issuance spreads increased in the second and third quarters. Hence, the nominal return on new lending was temporarily compressed, even though actual issuance volumes were minimal due to our strategy of pre-funding. Funding levels significantly normalised in the fourth quarter of 2022.

We maintained close dialogue with investors during the year and supported the market with meaningful two-way liquidity in our own bonds. However, the big theme in our conversations with investors remains sustainability. This proves to us that we are right to continue engaging deeply in the shipping industry's sustainable transition and continuously increase our ambitions in this space.

For the first time, we hereby release data on our financed emissions, which will be an important measure of success as we continue our long journey towards our ultimate commitment of achieving a loan book with net zero carbon emissions by 2050. See our Sustainability Report for more on this data and our announced targets.

In our Interim Report in June 2022, we announced that the majority owners in Danish Ship Finance Holding had initiated a review of their future ownership of the company. The process is ongoing and we feel confident that the outcome will support DSF in realising its growth ambitions going forward.

"For the first time, we release data on our financed emissions, an important measure of success as we continue our long journey towards net zero emissions"

During such a process, an extra load is placed upon many employees who are asked to contribute extensively. We would like to extend our gratitude to our employees for once again stepping up and delivering on these efforts while ensuring that daily operations continue to run smoothly. As an organisation, we are in a very good place and ready to pick up the pace further in the coming year.

Overall, we are very pleased with the achievements and financial results of Danish Ship Finance in 2022. The shipping industry and Danish Ship Finance both enter 2023 from a position of strength, and in this environment we expect to be able to deliver very satisfactory financial results. We will remain focused on our core principles of supporting our clients' financing needs through the cycles, balancing lending growth with high credit quality and playing an active part in the shipping industry's journey towards net zero emissions.

Eivind Kolding
Chairman

Erik I. Lassen
Chief Executive Officer

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 carbon neutrality while generating attractive returns for our shareholders.

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

Today, while Danish clients still account for a little more than one-quarter of our loan book, we are one of the largest dedicated lenders in ship financing and a top 20 financier to the global shipping industry.

Once again in 2022, we were ranked No. 1 globally for ship finance in the Prospera survey.

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, which was confirmed by Standard & Poor's in 2022.

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 35.0 BILLION[1], COLLATERALISED BY 678 VESSELS

On average, our Senior Client Executives have 15 years of shipping 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 thus 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.

Vision

We strive to continuously strengthen our competitive position and to be the obvious choice in ship finance.

An essential aspect of our vision is to remain a low-risk institution, carefully adhering to our proven credit policy while optimising long-term returns from our lending business.

Vision

Clients
Supporting reputable shipowners across shipping cycles

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

Owners
Leveraging our unique business model to provide an attractive return

The obvious choice in ship finance

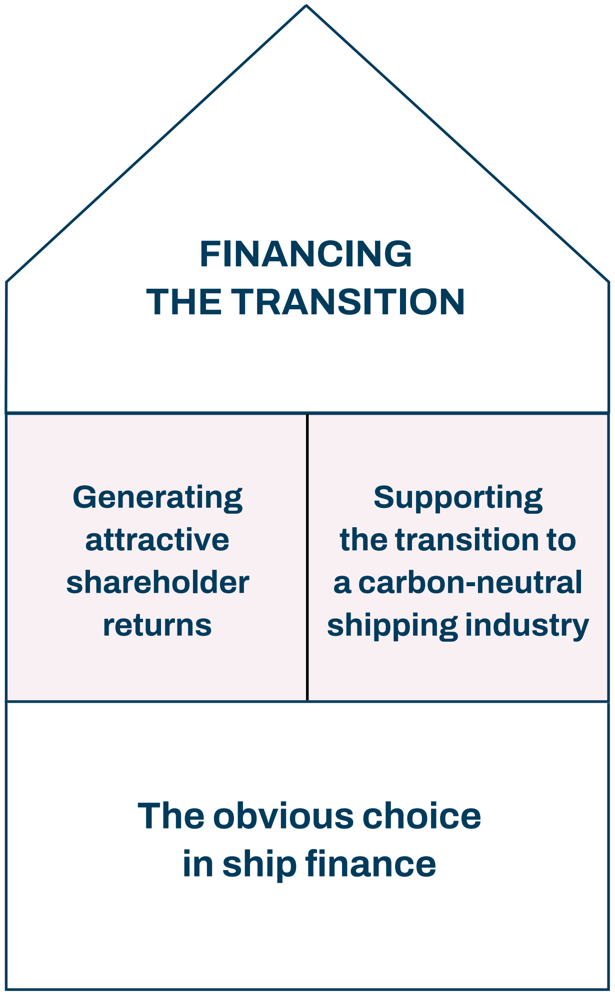
Investors
Utilising our strong shipping expertise to create a stable investment for bondholders

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

Financing *the transition*

Generating attractive shareholder returns by building a strong lending business has always been the top strategic priority for us, and now, financing the transition to a carbon-neutral shipping sector will be another. As a financier to the shipping industry, we take responsibility for supporting the industry in this transition. We intend to work even more closely with our clients and other stakeholders to deliver on this goal in the coming years.

As part of our "Financing the transition" strategy, we aim at supporting and encouraging our clients in furthering their transition and ensuring that we continuously integrate sustainability even further into our core business. Our targets are described in the sustainability section of this report and detailed in the companion Sustainability Report.



Highlights

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

- Supported our clients' businesses when they had financing needs
- More than doubled our net profit year-on-year
- Gained nine new clients
- Introduced further ambitious sustainability targets
- Increased the share of new loans with margins linked to carbon emissions to 37%
- Published our financed emissions for the first time along with our third annual Poseidon Principles reporting
- Maintained a strong regulatory solvency ratio of 21.9%
- Saw a negative investment return of 0.8% in turbulent markets, with a positive contribution for the second half of the year
- Redeemed our inaugural EUR covered bond issuance issued in 2019
- Maintained very strong credit quality, as evidenced by the reversal of DKK 583 million of loan impairment charges

This year we will, for only the second time, make the maximum DKK 83 million dividend payment to the Danish Maritime Fund and hence contribute the maximum amount to "Blue Denmark". Our total contributions since 2005 now total DKK 879 million.

The year *in summary*

Net profit of DKK 663 million for the financial year 2022 represents an increase of 161% on the previous full-year result.

Net income from lending of DKK 554 million pre-tax was DKK 10 million lower than the 2021 result.

Throughout 2022, credit quality improved once again as asset values appreciated and our clients took advantage of healthy earnings in buoyant shipping markets to consolidate their financial positions.

Net income from funding (excluding costs directly attributable to clients) was a negative DKK 31 million, against a negative DKK 8 million in 2021.

The net loss from investments of DKK 87 million in 2022 was on a par with the result for the previous two years. Contrary to the recent past, however, the shift to a positive market interest rate regime enabled portfolio performance to move structurally into positive territory. The income contribution for the second half of the year was DKK 48 million.

Operating costs of DKK 187 million were DKK 20 million or 12% higher than in 2021, primarily driven by higher discretionary compensation on the back of the very strong net profit. Underlying operating costs were comparable to the level in previous years.

We are very pleased that credit quality once again improved from an already robust level. We managed to resolve several legacy non-performing loans in 2022, and the volume of non-performing loans decreased by nearly DKK 0.7 billion (-35%) to a relatively modest DKK 1.2 billion at year-end 2022, largely related to legacy exposures in the Offshore segment.

We were able to reverse DKK 583 million of loan impairment charges in 2022. This compares favourably to a reversal of DKK 39 million in 2021.

The year's result was achieved against a backdrop of buoyant shipping markets, in which strong rates and high asset values were sustained throughout most of the year. Momentum early in the year was particularly strong in the Container and Dry Bulk segments. Both segments saw a reversal to more normal levels at the end of 2022. Conversely, the Gas, Tankers and Offshore segments ended the year on a strong note, due to ongoing changes to demand and disruption of historical trade patterns as the war in Ukraine sadly continued to unfold.

Very strong client balance sheets, high asset values, and credit margins trailing the general increase in credit spreads for part of the year all meant that new lending activity was relatively subdued for much of 2022.

The loan book at the end of the year stood at DKK 35.0 billion, a decrease of DKK 2.5 billion on the previous year-end, in part due to elevated prepayments of DKK 4.8 billion.

We have significant capacity to support our clients in the months and years ahead.

In May, Standard & Poors once again confirmed our covered bond rating of A with a Stable outlook. Our business model, anchored by solid capitalisation and strong liquidity, continues to provide a stable platform for lending to top-tier shipowners.

Engagement with investors remains a top priority. We expect our sustainability efforts to remain a focus in conversations with investors. This year, we provide investors with an even higher level of transparency in the Sustainability Report.

Our sustainability efforts continued apace in 2022. We are particularly pleased to release comprehensive data on financed emissions for the first time and to be an active participant in the efforts to prepare science-based target trajectories under the Poseidon Principles initiative. Our Poseidon Principles reporting this year (on the existing basis and reporting on 2021 performance) showed an effectively unchanged performance, at 5.7% from previously 5.6%.

We continued to increase the share of sustainability-linked new loans, meeting our 2022 target of at least 30% of new lending. In 2022, 37% of new lending had sustainability-linked margins.

Income by business area[1]

DKK million	2022	2021
Lending	554	563
Funding	(31)	(8)
Investments	(87)	(100)
Income	436	455

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

Management Report

Sustainability

OUR TARGETS

Sustainable finance

Long-term objective:
We are committed to supporting the shipping industry in its sustainable transition by targeting a net zero loan book by 2050

Milestones:

2023 >50% of new lending is sustainability-linked

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

2025 Loan portfolio is fully aligned to the Poseidon Principles trajectory

Our direct impact

Long-term objective:
We are committed to being a responsible employer with a diverse and inclusive culture and a strong focus on neutralising our direct environmental footprint

Milestones:

2023 Annually reduce our own direct climate impact by at least 5%

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

2025 Minimum 40% of the underrepresented gender in leadership positions

Sustainability

It is imperative that seaborne trade becomes carbon neutral, and in the coming years and decades, financing this transition will be an integral part of our mission.

Sustainability constituted one of the two main pillars in our 2022 strategy, and we formulated ambitious targets for the path towards our overall goal of a carbon-neutral portfolio for the first time. Throughout the year, we continued to work with these targets, and when we revisited the strategy at the end of the year, we decided to carry over our long-term targets and we sharpened the short-term targets for our continued focused work in 2023 and beyond.

In the short term, the challenge will be to work not just with companies that have already fully prepared for the sustainable transition. We see our role as also to engage with clients and potential clients that are committed to the transition but need support and financing during the process.

Key events in 2022

In parallel with our sustainability targets, we continue our sustainability engagement with clients and other stakeholders.

During 2022, we continued to rate the sustainability performance and transparency levels of our clients.

We also continued to offer sustainability-linked loans to strengthen clients' incentive to contribute to the transition of the shipping industry. With 37% of new lending in 2022 having been sustainability-linked we successfully met our target of 30% for the year, and have thus increased our target to 50% for 2023.

We published our third annual portfolio climate alignment report in line with the Poseidon Principles. Our climate alignment result was effectively unchanged at +5.7%, compared to 5.6% in 2021. The result is still on a par with peers. The data remains a valuable source of information, providing us with nuanced insight into our portfolio's climate performance, and this insight will increasingly inform our lending decisions.

Internally, we also made progress towards meeting our target of having 40% of the underrepresented gender in leadership positions. In 2022, this share reached 36%, up from 25% in 2021.

Sustainability Report 2022

In this report, we build on our 2022 strategy, focus on the short-, medium- and long-term targets set as an integral part of the strategy, and assess our current progress towards meeting these targets.

Finally, this year we also publish data on our financed emissions for the lending portfolio. In the methodology, ship values are a key part of calculating this metric. Ship values are highly volatile, and therefore we are likely to see large volatility in the financed emissions data that we publish from year to year. For this reason, we urge readers not to focus on single datapoints in isolation, but instead to consider the overall trends as more data becomes available.

Read more about our sustainability strategy and targets, and our current progress in the Sustainability Report 2022 on our website.

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

Funding the loan book and macro hedging risks

Investing the company's funds in liquid instruments partly to meet regulatory requirements

Financial review *by business area*

Lending

Maintaining a strong and competitive lending business is a key value driver. Led by our highly specialised and experienced client relations, credit and research teams, we work with many of the industry's most reputable shipowners. Our dedication to clients, disciplined approach to credit risk and focus on long-term sustainable results are imbued across the organisation and in every new lending transaction.

By leveraging our strong internal competencies across research, lending, sustainability, marine legal, technical survey and insurance, we strive to expand the role we play in the industry and to engage with clients on a broader range of issues than just their financing needs.

2022 in brief

We were pleased that the shipping industry once again managed to adjust and prosper in a highly volatile macroeconomic and market environment in 2022. Many of our clients performed very strongly throughout the year and enter the new year from a position of strength. The credit quality of our loan book improved even further, reflecting clients' healthy balance sheets, their market- and financial acumen, and strong vessel values in still-buoyant markets.

New loans of DKK 6.6 billion were disbursed during the year and new loan offers accepted equalled DKK 5.0 billion (at year-end exchange rates). As at 31 December 2022, our loan book amounted to DKK 35.0 billion, 7% lower than at year-end 2021. The reduction was due to a combination of some clients' subdued financing needs, a cautious credit approach in the face of high asset values, and elevated prepaymenys during a period when our strict discipline on pricing enabled some competitors to bid competitively for certain deals.

Net income from lending decreased by DKK 10 million year-on-year, driven by a decline in income from fees of DKK 19 million compared to the higher-than-normal level in 2021. The loan book at year-end 2022 was collateralised by a total of 678 vessels.

Income, lending

DKK million	2022	2021
Net interest income	540	531
Net fees and commission	14	32
Net income	**554**	**563**

Loan book development
Loan book at year-end

2022

35.0

DKK Billion

2021

37.5

DKK Billion

Key credit ratios
Loan impairment charges for 2022 amounted to an income of DKK 583 million, against an income of DKK 39 million in 2021, corresponding to an annual loan impairment ratio of -1.61% in 2022 compared to -0.11% the year before. The highly positive development in loan impairment charges was attributable to improved credit quality across the loan book, successful workouts on non-performing loans and recovery on loans previously written off.

During the past six years, default levels have normalised from the elevated levels in 2016, when the Offshore and Dry Bulk segments in particular experienced severe downturns. There were no loan defaults in 2022.

At year-end 2022, the weighted average loan-to-value ratio after loan impairment charges stood at a very healthy 43%, and a full 100% of the loan book after loan impairment charges was secured within 60% of the values of the mortgaged ships.

Gross NPL decreased by nearly DKK 0.7 billion to DKK 1.2 billion. The net NPL ratio declined to 2.1% at year-end 2022, from 3.0% the year before.

Accumulated loan impairment charges of 2.1% of the loan book at year-end 2022 continue to provide adequate protection for future credit losses.

Competition
The inflationary pressure in 2022 affected nominal interest levels as well as credit spreads, particularly in the first three quarters. Our funding spreads increased in line with the market.

At the same time, strong shipping markets led some financial institutions to take a more benign view on risk weightings and capital needs for lending to shipowners . As a result, we saw increased appetite for lending among competitors, especially to shipowners with solid balance sheets and strong earnings.

Key ratios, lending

	2022	2021
Loan impairment charges as % of average loan book (Annual loan impairment ratio)	(1.6)	(0.1)
Net write-offs on loans as % of average loan book	(0.9)	0.8
Weighted average loan-to-value after loan impairment charges	43	44
Proportion of loans covered within 60% of market values	100	99
Gross NPL ratio	3.6	5.1
Net NPL ratio	2.1	3.0
Accumulated loan impairment charges as % of loan book (year-end)	2.1	2.6

MACRO TRENDS

2022 was a year marked by geopolitical tensions that rekindled global inflation and pushed up interest rates while lowering global economic growth. The year started off with a continued recovery of the global economy from the steep declines experienced during the pandemic. However, the recovery came to an abrupt halt upon the Russian invasion of Ukraine in February, which has sent ripple effects throughout the global economy.

Western economies have imposed widespread sanctions against Russia, impacting the global supply of energy and food. Food and energy prices have soared globally, resulting in a higher cost of living, lower consumption and diminishing savings. Europe has experienced inflation rates of over 10%. Central banks and governments around the world have tightened monetary and fiscal policies in order to curb the high inflation rates.

The Chinese economy has continued to lose momentum as ongoing Covid-19 lockdowns have taken a toll on economic activity. The Chinese property sector, which represents about a fifth of the country's economy, has been weakening, in turn weighing heavily on economic growth and seaborne trade.

World seaborne trade volumes remained steady in 2022. Seaborne oil and gas trade volumes increased due to a continued rebound in global oil demand. Average fleet utilisation rates strengthened accordingly in these segments. Seaborne Container and Dry Bulk volumes, on the other hand, declined during 2022, as increased living costs shifted consumption towards food and energy.

In effect, some financial institutions only partially reflected the increased market credit margins in the prices of loans offered to the shipping industry. We anticipate a trend of increasing credit margins for new loans offered to shipowners in 2023 as banks gradually phase in the increased cost of their own senior funding.

Many European banks sought to recapture ship finance market share in 2022, and we expect that this trend will continue into 2023. Asian banks, ECAs and leasing providers continue to play an important role, especially in the financing of newbuild vessels.

ESG-related factors have increased in importance for both access to and the price of loans to the shipping sector. This trend is primarily driven by European lenders, but we expect this to be more geographically widespread in 2023. Currently, CO_2 emissions are the main determining factor for sustainability-linked loans, but we expect this to be broadened to potentially include other ESG parameters too going forward.

The shipping industry

Shipping markets continued to perform strongly during 2022, underpinned by longer travel distances, continued supply chain inefficiencies and modest fleet growth. The overall index, the ClarkSea Index, is within the highest 10% since 2000, having peaked at USD 43,000 per day in May. However, freight rates have lost some momentum since then due to significant declines in the Container and Dry Bulk segments. The ClarkSea index ended 2022 at around USD 33,800 per day.

Volatility in the shipping industry is common and shipowners are used to adjusting accordingly. During the first few months of 2022, shipowners in the Container and Dry Bulk segments benefited from extremely high earnings, but then sentiment weakened, and freight rates tumbled accordingly. The Russia-Ukraine war, and the subsequent sanctions on Russia, sent Tanker earnings skyrocketing, as shifts in global oil and gas trade flows lengthened distances and lowered the fleet's cargo-carrying capacity.

Contracting activity was still high in the first half of 2022, with orders for newbuild Container and Gas Carriers continuing to fill capacity at shipyards. The appetite for new Container vessels fell sharply in the second half of 2022 as the outlook for the segment became more challenging – although the Container orderbook is still at a very high level. Few Tanker and Dry Bulk vessels were contracted in 2022.

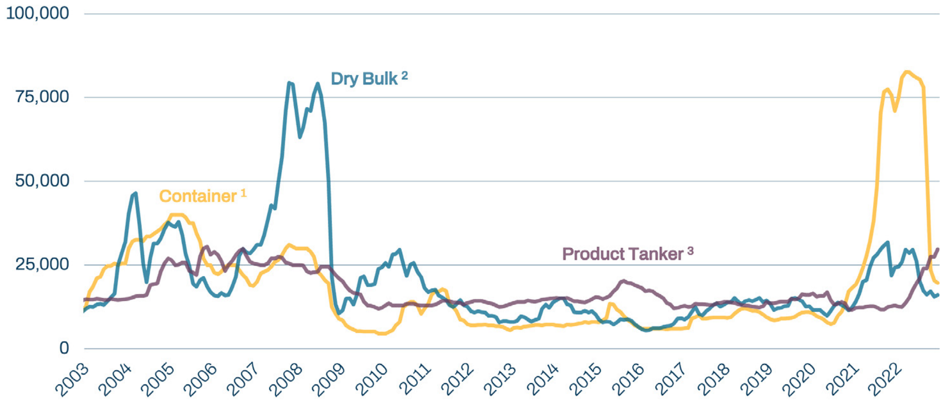
World seaborne trade volumes are expected to increase moderately in 2023. The contributions to the growth will remain uneven, with oil and gas volumes continuing to drive the increase.

CONTAINER

The Container market experienced a rollercoaster ride during 2022. Freight rates peaked at all-time highs in March before tumbling by more than 70% in a matter of eight months. Easing port congestion expanded the fleet's effective cargo-carrying capacity even before high food and energy inflation coupled with soaring interest rates increased the cost of living globally. Higher energy and food prices have reduced consumers' disposable incomes and their demand for containerised goods. Fleet utilisation started to weaken even before the large inflow of new vessels scheduled to enter service in 2023 and 2024 begins.

Timecharter rates

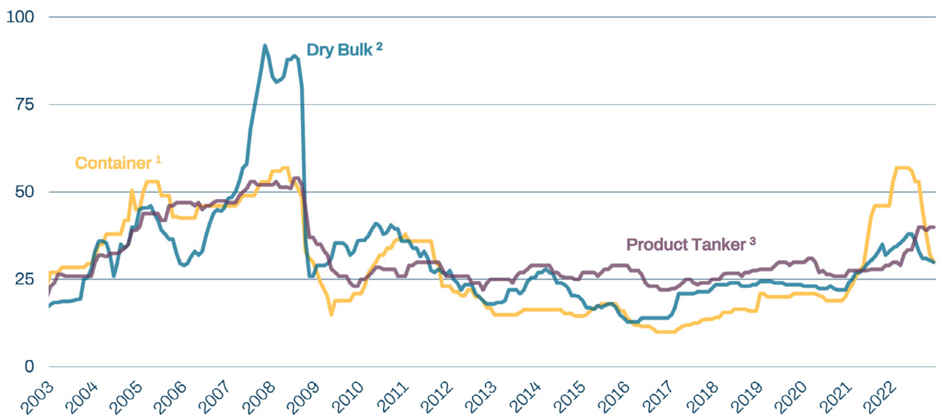
USD PER DAY



Note: 1 3,500 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

USD MILLION



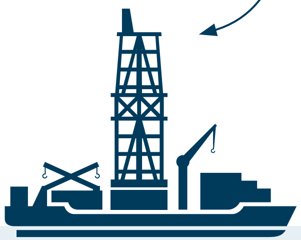
Note: 1 3,500 teu 5 year old 2 Panamax 5 year old 3 MR 5 year old **Sources:** Clarksons, Danish Ship Finance

DRY BULK

High energy prices, easing port congestion and fleet growth outpacing demand have put pressure on freight rates. Secondhand prices have decreased accordingly, with larger vessels in particular experiencing a steep fall. The Chinese property sector is expected to deteriorate further, which is likely to have a major impact on Dry Bulk demand in 2023, especially for Capesize vessels. Small and mid-sized vessels seem less exposed, and the age profile of their fleets makes them better positioned to handle a period of surplus capacity.

OFFSHORE

The market for Offshore Supply vessels in 2022 remained on its upward trajectory established in 2021, partly driven by a high energy price environment in the aftermath of the Russian invasion of Ukraine. Average fleet utilisation increased by approximately 5 percentage points during 2022, ending the year at 69%. Day rates improved further as a result of firm demand, while the rise in secondhand prices was more moderate. The outlook for 2023 is relatively bright, as the geopolitical situation has prompted many countries to secure energy independence and invest more in upstream greenfield activities.



OIL TANKERS

Following the lifting of Covid-related restrictions, global oil demand rebounded during 2022. Increased oil demand coupled with limited fleet growth has kept both fleet utilisation and freight rates high among Crude and Product Tankers. Freight rates are expected to remain strong in the medium term, driven by continuously high fleet utilisation and an ongoing shift towards more long-haul trading. Still, the outlook is burdened by the potential negative consequences from a global recession, Western sanctions on Russian oil, ongoing Covid restrictions in China and oil supply cuts from OPEC.

CAR CARRIERS

Global sales of cars boomed in the first half of 2022, which fuelled high growth in demand for Car Carriers. The fleet's productivity was reduced by port congestion, and consequently timecharter rates rose to all-time highs. High energy and food prices combined with rising interest rates are impacting global consumers and may reduce global car sales in 2023. The Car Carrier fleet could experience lower demand and surplus vessel capacity at the end of 2023.

GAS CARRIERS

High gas demand in Asia and Europe created strong market conditions during 2022. Increased production and high trade volumes have benefited large carriers – in both the LNG and LPG segments – as Europe continues to reduce its dependence on Russian energy supplies. Freight rates are expected to stay elevated into 2023, supported by strong seasonal demand. However, a large orderbook continues to weigh on the outlook for Gas Carriers.

RO-RO/FERRIES

Ro-Ro vessels have experienced high earnings in the past two years due to the firm Container market. However, with the Container market normalising, demand for Ro-Ro vessels has also started steadily normalising. Ferries experienced a rebound at the start of 2022, driven by higher regional traffic, but activity has also slowed due to weakening economic conditions.

“World seaborne trade volumes are expected to increase moderately in 2023. The contributions to the growth will remain uneven, with oil and gas volumes continuing to drive the increase”

Funding

We maintain ongoing funding access in domestic and international financial markets. Our Treasury department manages liquidity, issuance of bonds, and financial hedging transactions.

2022 in brief
2022 saw a significant repricing of both the outright level of interest rates and credit spreads, as a result of tightening of monetary policies by central banks as well as geopolitical tensions. These effects increased the costs of funding for most bond issuers and the effect was also felt in our covered bond programme. Despite the negative macro environment, our funding position remained good throughout the year and our prefunding model provided ample flexibility for timing market access opportunistically over the year.

Throughout 2022, we were active in both issuing new longer-dated bonds and buying back existing shorter-dated bonds.

Investor engagement was significant, with the long-awaited return of physical investor meetings a valuable complement to the virtual interactions that had become standard in recent years.

By year-end 2022, we had DKK 41 billion of issued bonds at amortised cost with an average maturity of 3.3 years, of which 15% were denominated in EUR. All bond issuances are subject to the Danish specific balance principle.

Market funding costs structurally increased in 2022. As a result, we saw a widening of our DKK funding costs. Movements in cross-currency basis spreads further increased the effective USD funding costs for European-based issuers such as ourselves.

Funding costs not covered[1] amounted to DKK 16 million in 2022 compared to DKK 13 million in 2021, primarily reflecting timing differences in interest rate fixings which remained volatile throughout much of the year.

Costs related to warehousing of temporary excess liquidity from bond issuances pending loan disbursements, and associated hedges, were DKK 19 million in 2022. This is satisfactory given the conservative risk profile of the portfolio and the challenging macro backdrop.

Non-accrual loans contributed a negative DKK 12 million in foregone interest income, shown as negative income under non-business activities. Although the volume of non-accrual loans decreased in 2022, the cost of foregone interest was higher than in the previous year, reflecting the increase in LIBOR rates during the year. FX hedging of credit margins contributed a negative DKK 39 million, which was offset by higher net interest income, both driven by the significant strengthening of the USD against the DKK. Buy-backs of issued bonds in 2022 provided a net income of DKK 50 million. A revised method for determining CVA and DVA charges resulted in a net positive fair value adjustment of DKK 2 million. In total, net income from non-business activities amounted to DKK 4 million in 2022.

In total, the cost of funding and hedging after loan funding charges to lending was DKK 31 million.

Income, funding

DKK million	2022	2021
Funding costs not covered	(16)	(13)
Warehousing	(19)	0
Non-business activities	4	4
Net income funding	(31)	(8)

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 own funds are primarily invested in a portfolio of high-grade fixed income instruments, comprising Danish AAA government bonds, mortgage bonds and, to a limited extent, other highly rated core EU government bonds and highly rated covered bonds from Scandinavian issuers.

The portfolio is managed within prudent risk limits defined by the Board of Directors. While the risk of outright default is viewed as very remote, the portfolio is exposed to changes in the credit spreads of these instruments. The interest rate risk in the investment portfolio is very limited, as the portfolio is to a very large extent hedged with derivative instruments. In Q3, a hold-to-maturity position of short-dated AAA rated mortgage bonds was established and, unlike the traded portfolio, this was not interest rate hedged.

The financial markets

Inflationary pressure increased across developed markets in 2022. Led by the Federal Reserve, central banks in most developed markets began an aggressive cycle of hiking policy rates to combat accelerating inflation. This in turn drove interest rates higher in all currencies relevant for us. Sharply escalating geopolitical tensions drove risk premia sharply higher. The resulting macro-economic environment created significant headwinds for almost all fixed income portfolios.

Credit spreads for all DKK fixed income instruments widened significantly over the year, topping out around September, only to find some relief towards the end of the year. Likewise, virtually all fixed income assets in the EUR market underperformed German government bonds. Any portfolio with exposure to interest rates and credit spreads was therefore prone to experiencing mark-to-market losses in 2022. Interest rate exposure was very limited in the traded portfolio, although the portfolio was exposed to some level of credit spreads and generated a negative result in 2022.

2022 in brief

The investment result for the year was better than for many external fund managers but nevertheless unsatisfactory at a negative DKK 87 million, primarily attributable to mark-to-market losses on DKK mortgage bonds.

Throughout 2022, the investment portfolio was managed conservatively and only small movements in day-to-day profit and loss were observed. The dedicated hold-to-maturity portfolio was established to enable us to lock-in a level of interest income reflecting the significant increase in the absolute level of interest rates. The interest rate risk is limited even for this portfolio, however.

The investment result for 2022 corresponds to a return of a negative 0.8%.

Income, investments

DKK million	2022	2021
Net interest income	65	(37)
Market value adjustments	(152)	(62)
Net income investments	(87)	(100)

Management Report

Summary *of financials*

Summary *of financials*

Financial trends

Financial highlights

Key figures, DKK million[1]	2022	2021	2020	2019	2018
Net interest income from lending[2]	562	541	501	516	477
Net interest and fee income from lending[2]	576	573	522	543	509
Net interest income from investment activities	65	(37)	41	115	163
Total net interest income	626	504	542	631	640
Net interest and fee income	640	536	562	657	672
Market value adjustments	(206)	(82)	(150)	(197)	(135)
Staff costs and administrative expenses	(187)	(167)	(158)	(166)	(158)
Loan impairment charges	583	39	(100)	2	(35)
Profit before tax	830	326	154	296	343
Net profit for the year	663	254	117	227	262
Loan book	35,005	37,544	33,576	41,440	39,591
Issued bonds	41,402	43,228	42,477	47,738	43,549
Equity	9,755	9,325	9,275	9,260	9,229
Total assets	55,974	54,457	59,804	66,824	62,349
Common Equity Tier 1 capital after deductions	9,263	9,131	9,156	9,065	8,972

1) The link between income in the income statement and the business areas can be seen in note 3 and the link between loans in the balance sheet and the loan book can be seen in note 17
2) The key figures are calculated in accordance with Appendix 5 of the Danish FSA's instructions for financial reports for credit institutions, etc.

Financial highlights

Key ratios	2022	2021	2020	2019	2018
Return on equity after tax (%)	7.0	2.7	1.3	2.5	2.8
Return on investment activities (%)[3]	(0.8)	(0.9)	(0.9)	(0.6)	0.5
Common Equity Tier 1 capital ratio (%)	21.9	20.1	22.3	18.5	19.0
Combined capital buffer requirement (%)	13.0	11.6	12.0	12.5	11.2
Cost/income ratio (%)[4]	43.2	36.8	38.3	35.5	29.1
Equity as a % of loan book	27.9	24.8	27.6	22.3	23.3
Annual loan impairment ratio[5]	(1.6)	(0.1)	0.3	0.0	0.1
Accumulated loan impairment charges as a % of loan book (year-end)	2.1	2.6	3.9	4.9	6.3
Weighted average loan-to-value ratio after loan impairment charges (%)	43	44	54	51	52
Proportion of loans covered within 60% of market value (%)	100	99	98	99	98
Net write-offs on loans as a % of avg. loan book[5]	(0.9)	0.8	2.1	1.2	0.7

3) Return on financial activities is calculated exclusive of the return from shares and currency.
4) The calculation of the cost/income ratio does not include loan impairment charges.
5) The average balance is calculated as a simple average of the opening and closing balance.

Unless otherwise indicated, the ratios have been calculated in accordance with Appendix 5 of the Danish FSA's instructions for financial reports for credit institutions, etc.

Income

Net interest income from lending, including fee income of DKK 14 million, was DKK 576 million in 2022, an increase of DKK 2 million versus 2021. New lending activity was lower than in 2021 with DKK 5.0 billion of loan offers made and accepted.

Net interest income from investment activities of DKK 65 million in 2022 reflected the shift to positive market interest rates during the year and compared favourably to a negative net interest income of DKK 37 million in 2021.

Market value adjustments of securities and foreign exchange generated a negative income of DKK 206 million, mostly due to AAA-rated DKK bonds and their associated derivative hedges.

Expenses

Staff costs and administrative expenses totalled DKK 187 million, compared to DKK 167 million in 2021. This represents an increase of approximately 12%, which was primarily due to higher performance-based variable pay with a smaller effect from e.g. a higher volume of client-related travel.

Operating costs included temporary expenses of approximately DKK 2 million for operating our new domicile at Langebrogade 5 in 2022. A renovation of the domicile is currently under way and the plan is to move into the building during 2023, at which time our current domicile at Sankt Annae Plads 3 will be vacated and handed over to its new owner.

In 2022, the cost/income ratio (which excludes impairment charges) was 43.2%, compared to 36.8% in 2021.

Loan impairment charges

Credit quality across the loan book strengthened from an already good level in 2021, positively impacted by increased freight rates in several shipping segments. Successful workouts of non-performing loans and recovery on loans previously written off meant that total loan impairment charges for the year amounted to an income of DKK 583 million, compared to an income of DKK 39 million in 2021.

The total ECL allowance account amounted to DKK 736 million at year-end 2022, down from DKK 1,007 million at year-end 2021, primarily as a result of reversal of loan impairment charges following workouts of legacy non-performing loans.

Tax

Tax for the year represented an expense of DKK 166 million, against an expense of DKK 72 million in 2021. This translated into an effective tax rate of 20.0% for 2022 versus 22.0% in 2021.

In 2022, the Danish Parliament adopted a special tax for financial companies taking effect from 1 January 2023. According to this, taxable income is calculated via a factor model for financial companies whereby the corporate tax rate for these companies is 25.2% for 2023 and 26.0% for 2024 onwards.

The special tax entails a change in the value of deferred tax items corresponding to an income of DKK 7 million, which is recognised in the income statement for 2022.

Equity

Equity stood at DKK 9,755 million at year-end 2022, against DKK 9,325 million at year-end 2021.

The Board of Directors has proposed a dividend of DKK 167 million. The proposed dividend covers the mandatory preferred dividend to the Danish Maritime Fund, 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 2023.

The amount of Common Equity Tier 1 (CET1) capital, which is the most important capital concept in relation to capital adequacy rules, is determined exclusive of the proposed dividend, cf. note 30.

CET1 capital totalled DKK 9,263 million at year-end 2022, compared to DKK 9,131 million at year-end 2021. The core capital ratio was 21.9% at year-end 2022, against 20.1% at year-end 2021. There were no supplementary capital instruments on the balance sheet date and the total capital ratio equalled the core capital ratio.

TRENDS

- Net profit for the year amounted to DKK 663 million, an increase of DKK 409 million (161%) compared to 2021.
- The loan book declined in 2022, reflecting not only cyclically high loan pre-payments, but also our discipline in defending risk-adjusted profitability, while shipping markets experienced an unusual degree of price competition until markets adjusted to the new financial realities.
- Similarly, net interest income from lending was up in 2022, while fee income from lending declined from the elevated level seen in 2021.
- Staff costs and administrative charges increased in 2022, primarily driven by performance-based variable pay.
- Loan impairment charges were reversed, mainly through the resolution or reduction of certain NPL exposures and recovery of amounts on loans previously written off.

FINANCIAL RESULTS RELATIVE TO OUTLOOK

In last year's Annual Report, we set out expectations of moderate net profit growth in the order of 20% in 2022. The result that we finally realised for the year significantly exceeded those expectations. Net profit of DKK 663 million represents an increase of 161% on the previous year and the highest annual net income since 2014. As laid out in our company announcement on 10 November 2022, the successful resolution of legacy non-performing loans positively impacted the 2022 net result.

Underlying trading conditions in 2022 were satisfactory and aggregate business performance was in line with expectations. At a more granular level, we saw temporary shifts in activity across business areas compared to our expectations going into the year.

We did not, after all, realise an investment return close to break-even in 2022, as the repricing of fixed income markets caused mark-to-market losses on our mostly AAA-grade bond portfolio in the first half of the year in particular. Defensive positioning mitigated the effects of this, and we saw strong positive momentum in the second half of the year, with money market interest rates reaching firmly positive levels for the first time in almost six years

Loan growth was less than expected as many shipowners prioritised fortifying their balance sheets over fleet expansion. However, this did not have a significant effect on our net profit for the year. Additionally, we took a cautious view on loan-to-value ratios for new loans in the face of elevated vessel values, and on pricing, as loan markets were slow to adjust pricing to new higher funding costs.

Issuance needs were relatively muted in 2022, although we saw somewhat elevated funding costs for a period in the second and third quarters as volatile bond markets strove to reprice for a new environment of higher interest rates. These effects significantly normalised in the fourth quarter. We remained actively engaged particularly with domestic investors during much of the year, and sustainability topics remain at the forefront of our dialogue with investors.

Already very strong loan book credit quality was bolstered by the resolution of legacy non-performing loans of nearly DKK 0.7 billion, leading to a reversal of loan impairment charges amounting to DKK 583 million in 2022.

Operating costs developed largely as expected, albeit with higher variable compensation costs related to the net profit increase of 161% year-on-year. Our Operational Excellence efforts continued and were, again, largely executed by means of internal resources.

Liquidity and solvency ratios remained at very healthy levels in 2022, as expected.

The evaluation of the Group capital structure envisaged in 2022 was eventually put on hold pending the ongoing review of the future ownership of Danish Ship Finance Holding.

No material market impacts relating to upcoming regulations were observed in 2022.

Shipping markets performed strongly overall in 2022 and the shipping market outlook that we set out in the 2021 Annual Report largely materialised. In some cases, developments were more positive than we foresaw a year ago. Demand for Container vessels and earnings in the segment remained at high levels for much of the year and Tanker demand recovered strongly, as expected. Dry Bulk saw higher-than-expected demand and earnings on the back of disruptions caused by, among other things, the war in Ukraine. These trends were particularly pronounced for Dry Bulk and Container in the first half of the year, with some moderation taking place in the second half of 2022.

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 description in note 1.

Material risks

The most material risks are described in detail in note 41, to which reference is made.

Events after the balance sheet date

No events occurred in the period up to the presentation of the Annual Report which materially affect the financial position.

Outlook for 2023

Following several years of extraordinary conditions in shipping markets, we expect market activity to moderate and shipping sector earnings overall to return to more normalised levels in 2023.

Expected normalisation of vessel values, as earnings in many shipping segments retreat from the elevated levels of recent years, will provide a favourable environment for us to prudently increase our new lending volume while sustaining strong credit metrics and comfortable loan-to- value ratios.

“Our expectation, in the current market, is for a very robust operating performance in 2023 and net profit in the range of DKK 425-525 million”

The macro-economic backdrop will again be challenging as the global economy experiences a slowdown in 2023, with still-high goods and energy prices, wage pressures and reduced global consumer spending all dampening transportation demand. The Container and Dry Bulk segments seem most exposed to a slowdown in demand, but global energy demand may come under pressure from high prices and low economic growth, which could affect the Tanker and Gas segments.

The low orderbook for delivery in 2023 means there will be little immediate supply-side pressure on freight rates. Over time, surplus vessel capacity is likely to build in the Container and LPG segments, while Tankers appear better positioned. Dry Bulk could maintain the current market balance in 2023, although a further deterioration in the Chinese property sector presents a significant downside risk to the outlook.

The appetite for ordering new vessels is expected to be modest in 2023, but vessels are likely to be actively traded during the year. Secondhand prices are expected to decline, particularly in segments where increased scrapping activity lowers older vessels’ economic lifetimes. Container, Capesize Bulk and VLGC vessels seem most exposed.

Going into the new year, our engagement with clients and momentum in loan financing dialogue are good, which supports our conviction in a higher level of lending activity in 2023. We aim to grow the loan book significantly over the next 12 months.

We anticipate accessing Danish and European covered bond markets in 2023, at terms that underpin our ability to offer attractive loan financing to clients.

We are upbeat on the outlook for our investments businees area. As previously indicated, the new environment of positive market interest rates is favourable for our high-grade investment portfolio, and concrete effects of this already materialised in the second half of 2022. We expect a strongly positive investment result in 2023, even maintaining a conservative investment strategy.

Notwithstanding inflationary pressures, we expect operating costs to decline in 2023, partly reflecting a normalisation of variable compensation which tracked higher in 2022 following the exceptional financial result for the year. We will continue investing in Operational Excellence initiatives and further streamline and digitalise core processes in 2023 to enable efficient growth, support a higher volume of loan transactions, and implement more granular sustainability reporting, while maintaining headcount at around the current level.

We expect the credit quality of the loan book to remain stable, and we do not anticipate a need for additional loan impairment charges in 2023. We aim to resolve further legacy non-performing loans in 2023 and expect these to be adequately covered by the existing ECL allowance account.

Our robust credit quality, solvency and liquidity give us headroom to grow the business in a sustainable manner.

Our expectation, in the current market environment, is for a very robust operating performance in 2023 and net profit in the range of DKK 425 million to DKK 525 million.

The ongoing review of the ownership of Danish Ship Finance Holding A/S, announced in our half-year 2022 report, may lead to a reassessment of the Group ownership and capital structure in 2023.

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 736 million provides adequate coverage for future credit losses, adverse credit performance remains a risk to our outlook for 2023.

Macro outlook

The global economy faces steep challenges shaped by geopolitical tensions and persistent and broadening inflationary pressures. The severity of the challenges depends to a large extent on the outcome of the Russia-Ukraine war. The IMF projects the global economic growth to fall from 3.4% in 2022 to 2.9% in 2023 before rising to 3.1% in 2024. Although the global economy is forecasted to grow in the short and medium term, about 90% of the advanced economies are expected to see a decline in growth in 2023. For many, 2023 will feel like a recession as inflation erodes not only real incomes, but also private savings.

Global trade volumes regained a large part of the ground lost in 2021. However, rising inflation and weakening demand – especially in three of the world's largest economies (the US, the EU and China) – have put a lid on growth in global trade volumes. The IMF estimates growth in global trade volumes to slow from 5.4% in 2022 to 2.4% in 2023 and 3.4% in 2024. The lower growth projection for 2023 is largely a result of the slowing economic activity in advanced economies, while emerging market and developing economies are slowly expected to regain their grounds during 2024.

Central banks and governments are working to balance their efforts to combat high inflation with supporting economic growth. Global inflation is expected to have peaked in 2022 but is likely to remain elevated until 2024.

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, 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.

The five largest credit exposures as at 31 December 2022, including loans and guarantees but excluding credit exposures with financial institutions, were secured by mortgages on 58 vessels split between nine vessel types. The credit exposure to one client group accounted for about 9% of the loan book.

Movements in five largest credit exposures

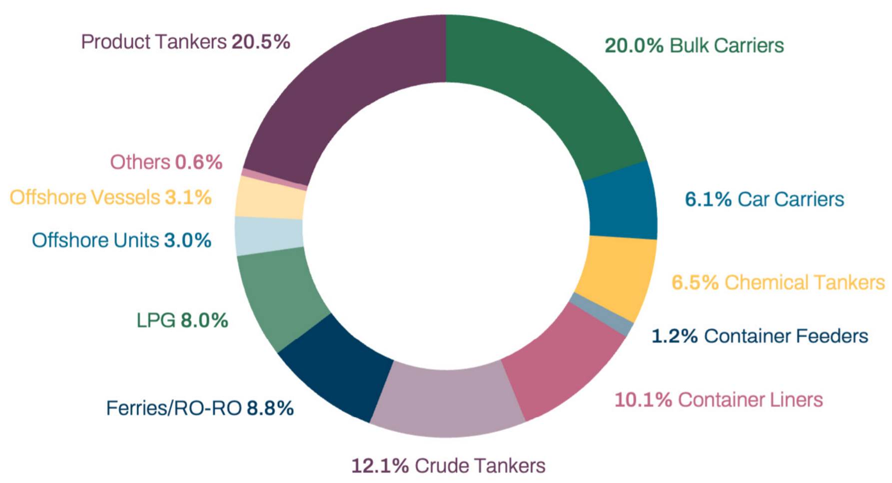
(DKK million)	2022	2021
Five largest credit exposures	9,156	11,467
Loan book	35,005	37,544

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 25 vessels split between two different vessel types: Container Liners and Product Tankers.

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 at 31.12.2022 - DKK 35,005 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 2022, the loan book after loan impairment charges was on average secured by mortgages within 43% 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 loan-to-value (LTV) ratio even with significant changes in the market values of vessels.

Loan impairment charges and write-offs

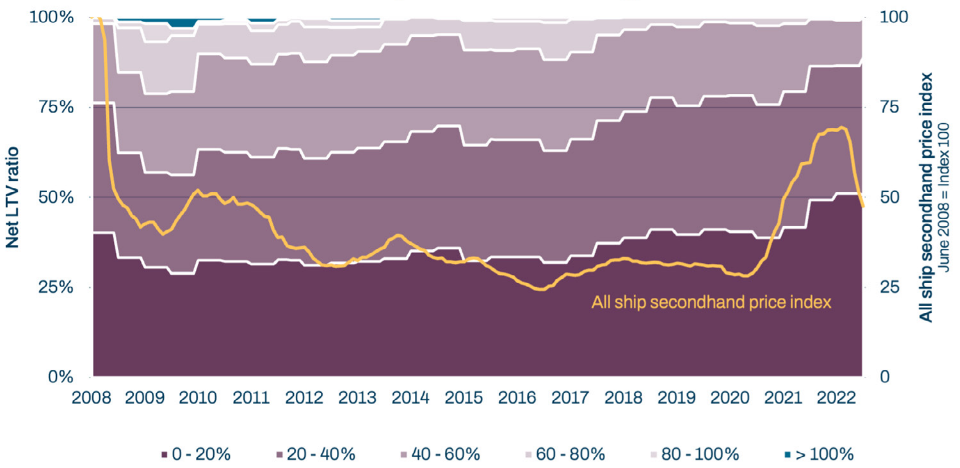
We review all credit exposures on a semi-annual basis, with the purpose of calculating loan impairment charges for expected credit losses (ECL) under the guidelines set out in the Danish FSA's Executive Order on Financial Reports.

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 2022, positively impacted by increased freight rates in several shipping

Net LTV vs price index for all vessel types



Sources: Clarksons, Danish Ship Finance segments, successful work-outs of legacy non-performing loans and recovery on loans previously written off, leading to a DKK 583 million reversal of loan impairment charges for the year, compared to a DKK 39 million reversal in 2021.

At year-end 2022, DKK 85 million in management judgments, relating to uncertainties associated with the restructuring of legacy non-performing loans, was included in the total ECL allowance account, and macroeconomic factors – across all shipping segments on a aggregated basis – were slightly positive in our ECL impairment model.

In 2022, net recoveries amounted to DKK 311 million compared to DKK 284 million in net write-offs in 2021.

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 2022, no performing loans were in arrears/past due. Thus, all loans recognised in Stage 2 were due to assigned DSF Ratings, reflecting significantly increased credit risk since initial recognition or showing signs of weakness, rather than being in arrears/past due.

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 2022, forbearance measures had been granted on a limited number of loans.

The Risk Report 2022 provides more detailed information on our credit risk management.

Covid-19 concessions

Forbearance practices continue to be able to cater for clients materially affected by the Covid-19 pandemic.

We did not receive any client requests for Covid-19 concessions in either 2021 or 2022.

From 1 January 2023, the European Banking Authority (EBA) has decided to repeal guidelines on Covid-19 reporting and disclosure, due to the decreasing prevalence of Covid-19-related public support measures.

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 at 31 December 2022, gross NPL represented 3.6% of the loan book, compared to 5.1% the year before, with an average loan-to-value ratio on NPL after loan impairment charges of 36% at year-end 2022. Net NPL constituted 2.1% of the loan book after loan impairment charges as at 31 December 2022, compared to 3.0% the previous year. The significant decrease in NPL volume was primarily driven by nearly DKK 0.7 billion in repayments following successful workouts.

Note 15 in the Annual Report and the Risk Report 2022 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

Capital, funding *and liquidity*

Capital, funding *and liquidity*

Own funds, total capital ratio and capital requirements

Own funds after deductions were DKK 9,263 million at year-end 2022, up DKK 132 million from year-end 2021. Own funds consist mainly of share capital, tied-up reserve capital and retained earnings from previous years less deductions.

At the annual general meeting held on 29 March 2022, the Board of Directors' proposal to pay dividends of DKK 128 million based on the 2021 result was adopted, and an extraordinary proposal to pay dividends of DKK 105 million to A shareholders was adopted on 29 August 2022. The proposed dividends cover 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.

Calculation of total capital ratio

DKK million / %	2022	2021
Own funds after deductions	9,263	9,131
Total risk exposure amount	42,389	45,477
Total capital ratio	21.9	20.1

The Board of Directors proposes that the annual general meeting on 29 March 2023 resolves to distribute a dividend for 2022 in the amount of DKK 167 million. In the balance sheet, the dividend is not deducted from equity as at 31 December 2022 but is carried for accounting purposes until its approval by the annual general meeting.

For the calculation of capital ratios, the proposed dividend is deducted from own funds as at 31 December 2022.

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 capital (CET1), Additional Tier 1 capital (AT1) 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 2022, our own funds consisted of CET1 only.

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 seven risk areas which are typically 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 on the following page.

We made a Pillar 2 solvency market risk reservation of DKK 641 million in 2022 to cover risk exposure to Danish mortgage bond credit spreads and interest risk from non-trading activities (IRRBB), in accordance with the supervisory guidelines. All other reservations were of minor significance.

As at 31 December 2022, our adequate own funds and the total risk exposure amount were DKK 4,095 million and DKK 42,389 million, respectively. The internal capital adequacy requirement including the combined capital buffer requirement totalled 13.0%. Our own funds after deductions totalled DKK 9,263 million, resulting in a total capital ratio of 21.9%. This corresponds to excess coverage in the amount of DKK 3,745 million, or 8.8 percentage points.

DIVIDEND PROPOSAL

It has been proposed that the A shareholders receive a dividend of DKK 84 million, and that the B shareholder, the Danish Maritime Fund, receives a dividend of DKK 83 million.

If shareholders approve the dividend proposal for 2022, we will, since the conversion of the company in 2005, have made total distributions of DKK 879 million to the B shareholder, the Danish Maritime Fund. The funds are used to develop and promote the Danish maritime sector (Blue Denmark).

Adequate own funds and internal capital adequacy requirement

DKK million	2022	2021
Total risk exposure amount	42,389	45,477
Pillar 1 requirement (8% of total risk exposure amount)	3,391	3,638
Pillar 2		
Earnings		
Growth in lending		
Credit risk		
- Credit risk exposure to large clients in financial difficulty	-	34
- Other credit risk	30	34
- Concentration risk	32	29
Market and liquidity risk	641	358
Operational and control risk	-	-
Leverage risk	-	-
Other risks	-	-
Total adequate own funds	**4,095**	**4,093**

Internal capital adequacy requirement (%)	**9.7**	**9.0**
- Capital conservation buffer (%)	2.5	2.5
- Countercyclical capital buffer requirement (%)	0.9	0.1
Internal capital adequacy requirement incl. combined capital buffer requirement (%)	**13.0**	**11.6**

The combined capital buffer requirement

The combined capital buffer requirement consists of three elements:

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

The regulatory capital conservation buffer is fully implemented 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 countercyclical capital buffer was calculated at DKK 378 million as at 31 December 2022. The capital requirement pertains currently to exposures in Denmark, Hong Kong, Iceland, Luxembourg, Norway and Sweden, which have set the following countercyclical capital buffer rates:

- Denmark: 2.00%
- Hong Kong: 1.00%
- Iceland: 2.00%
- Luxembourg: 0.50%
- Norway: 2.00%
- Sweden: 1.00%

All EU member states may implement a systemic risk buffer applying to domestic exposures. The buffer may apply to the entire sector or to individual subsectors. The systemic risk buffer is aimed at preventing and mitigating long-term, non-cyclical systemic or macroprudential risks not covered by the Capital Requirements Regulation (CRR). Since the Danish systemic risk buffer rate is applied to systemically important financial institutions, it is not relevant for us.

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.

Institution-specific countercyclical capital buffer

	2022	2021
Total risk exposure amount (DKK million)	**42,389**	**45,477**
Institution-specific countercyclical capital buffer requirement (DKK million)	378	62
Institution-specific countercyclical capital buffer requirement (%)	0.9	0.1

For further information on 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 basis swaps. Sourcing USD liquidity relies on an efficient capital market. Internal policies govern the maximum USD funding requirements over time.

Mortgage funding through covered bonds

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 a 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 2022.

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, from which we issued two EUR 500 million benchmark ship covered bond in 2019. In November 2021, we issued a third EUR 500 million benchmark. The first 2019 issuance matured in September 2022.

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. Individual clients have no direct obligations to the bondholders.

The market for covered bonds

We primarily issue in the form of bullet loans denominated in DKK. Our issued bonds totalled DKK 41.4 billion at amortised cost as at 31 December 2022, of which about 85% are denominated in DKK and 15% are denominated in EUR. Except for the CIRR bonds, all our bond issues are listed and traded on Nasdaq Copenhagen.

At the end of 2022, we held own bonds totalling DKK 1.9 billion.

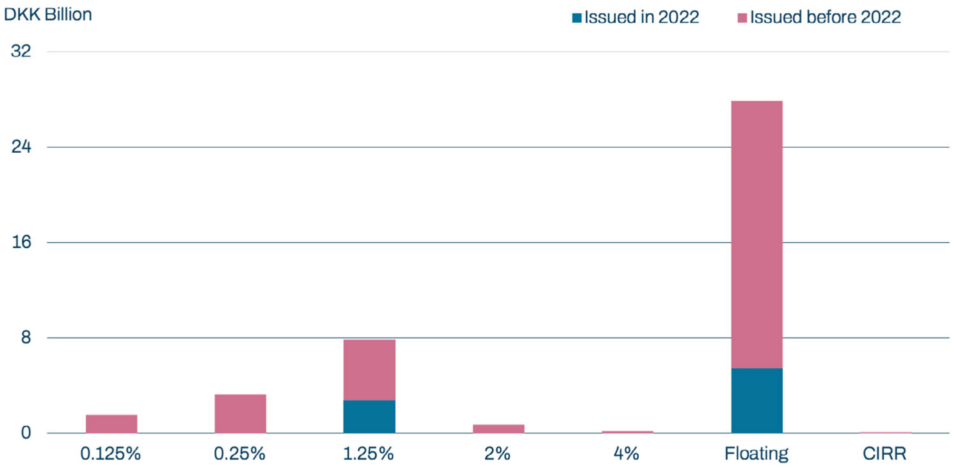
Interest rate risk
There is a risk that the coupon on our floating-rate bonds will be negative, in the event of which we will have a claim against the bondholders. In such a case, we are entitled, but not required, to redeem for settlement at par value, and an amount of bonds equivalent to a value up 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.

Subordinated debt
We did not issue any subordinated debt in 2022 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 2022 or are outstanding.

Issued bonds by type



Issuance schedule for 2023
We expect to issue the equivalent of approximately DKK 8 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:

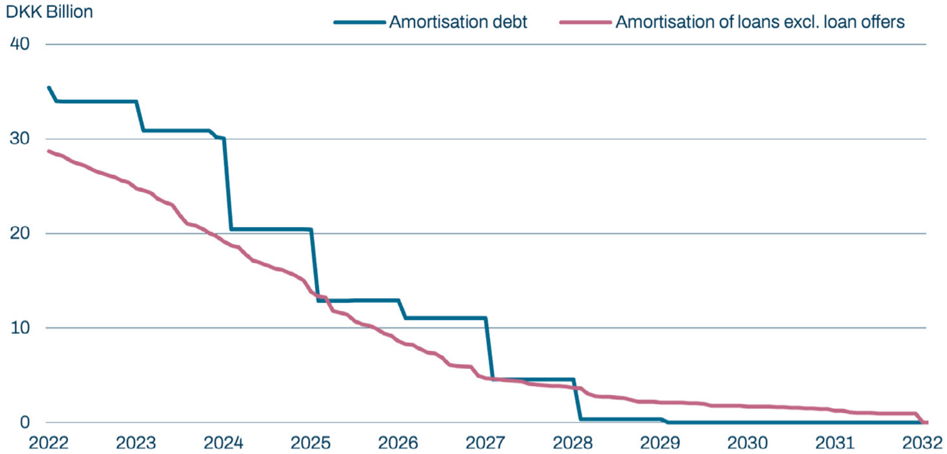
- A disproportionate rise in the cost of funding
- Not being able to meet payment obligations due to a lack of funding

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 downgrade of our external credit rating would not change the robust liquidity position but could lead to higher 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

"Our issued bonds totalled DKK 41.4 billion at amortised cost as at 31 December 2022, of which about 85% are denominated in DKK and 15% in EUR"

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



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, to meet its liquidity needs for a 30-calendar-day liquidity stress scenario.

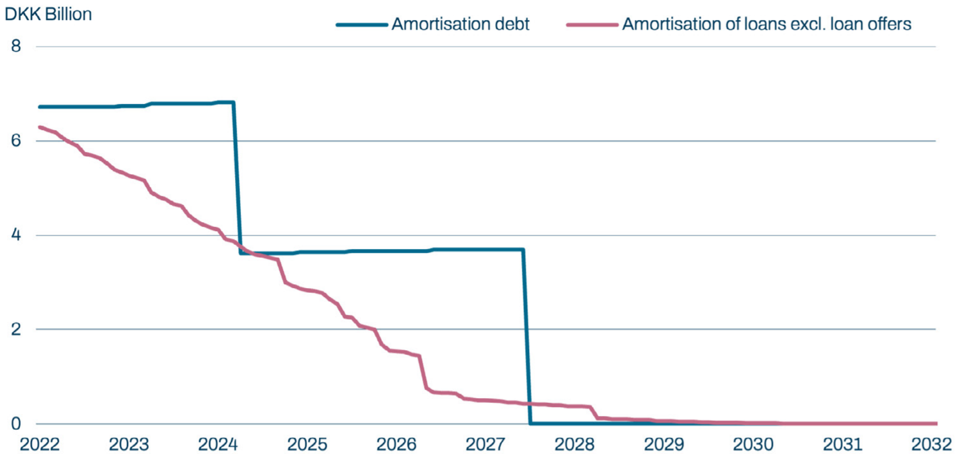
The liquidity coverage ratio (LCR) in DKK as at 31 December 2022 was 560%.

We treat EUR as a significant currency due to the EUR bonds issued in Capital Centre A and accordingly calculate the EUR LCR.

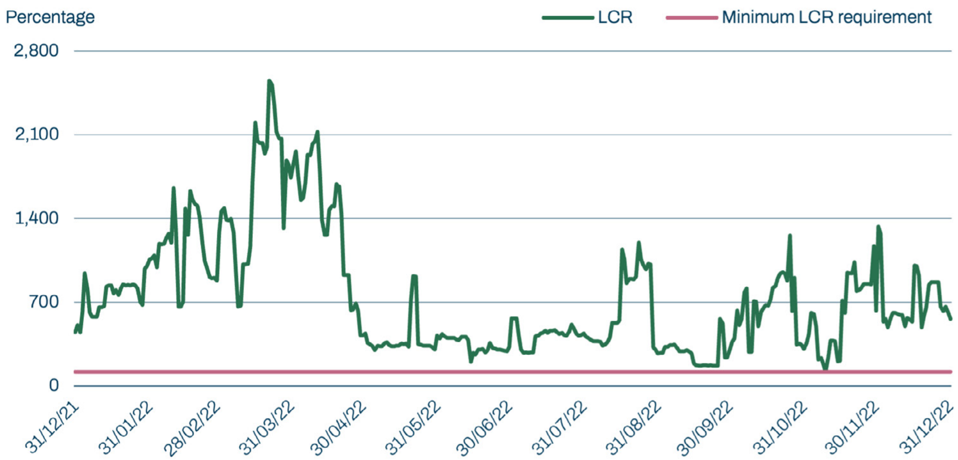
The LCR in EUR as at 31 December 2022 was 2,877%.

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

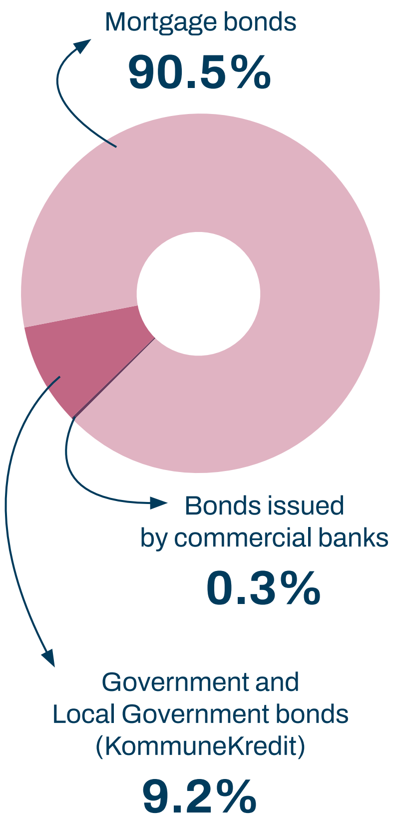
Capital Centre A developments in issued bonds relative to loans



The LCR fluctuates at levels well above the 100% requirement



Distribution of securities portfolio



Our securities portfolio represents a significant part of our assets. The securities portfolio consists 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.

IBOR transition programme

The ongoing Interest Rate Benchmark Reform will replace existing benchmark inter-bank offered rates (IBORs) with alternative risk-free rates.

Our IBOR transition programme has assessed both the financial and operational impact of the transition towards risk free rates and how to engage with clients that have been affected. The programme will continue into 2023 as attention turns to the USD LIBOR contracts and the transition of these ahead of the 30 June 2023 deadline.

By adhering up to the industry standard ISDA IBOR Fallbacks Protocol the derivatives book is already prepared for transition. The remaining USD LIBOR legacy exposure on derivatives therefore only relates to fixings taking place before 30 June. In addition, we have to actively trade SOFR based derivatives.

On the lending side, all new USD lending in 2022 have been done on SOFR based terms. Our legacy loan book is continuously being transitioned. As a number of clients have been awaiting greater clarity on emerging standards, the transition activity is expected to be backloaded towards the 30 June deadline. We expect many clients either to refinance existing USD LIBOR loan into new SOFR based loans or convert existing loans relatively late.

Management Report

Investor *relations*

Investor *relations*

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:

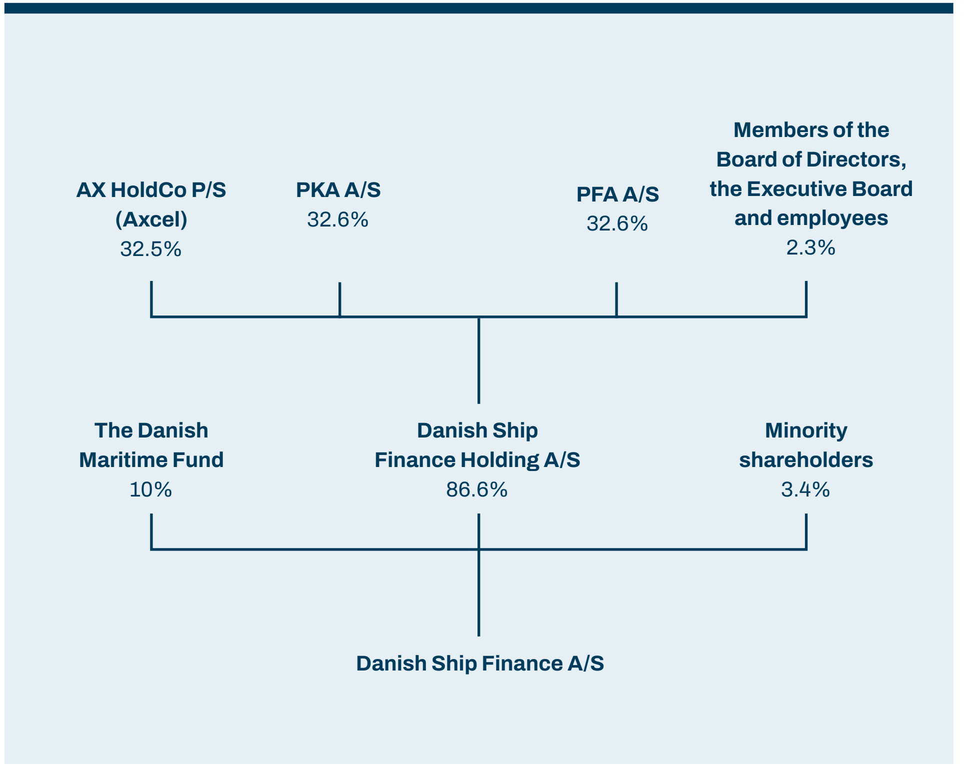
- 97.7% of DSH is owned by a consortium consisting of Axcel, PFA and PKA
- The remaining 2.3% is owned by members of the Board of Directors, the Executive Board and current or former employees of DSF

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 ownership structure is displayed in the following chart :



Organisation *and responsibilities*

General meeting

Our highest decision-making authority is the general meeting. In 2022, the annual general meeting was held on 29 March. Our Articles of Association are available at 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 29 March 2023.

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, with the next election to be held prior to the annual general meeting in 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 2022, the Board of Directors held 35 meetings, of which seven were ordinary scheduled meetings and the rest were extraordinary meetings due to 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 95% in 2022.

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

In December 2021, the Board of Directors carried out the annual 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 2023.

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 2022, the Audit Committee held three meetings: 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. 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
- Michael Frisch, CCO

Senior management consists of:

- The Executive Board
- Flemming Møller, Head of Credit and Executive Vice President
- Jacob Vammen, Head of Finance and Senior Vice President

Targets and policies for the underrepresented gender

The Board of Directors currently consists of 12 members, eight of whom are elected by the general meeting and four of whom are elected by our employees. Ten board members are male and two are female.

In our "Financing the transition" strategy, we have updated our previously defined target and policy for the gender composition of the Board of Directors. The target is for at least 25% of the Board of Directors to be of the underrepresented gender (excluding employee-elected members) by 2024. At year-end 2022, all were men. Moreover, we have set a target for at least 40% of leadership positions to be held by the underrepresented gender.

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.

More information on our efforts for the underrepresented gender is provided in the Sustainability Report 2022 on our website.

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 the association 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.

Remuneration report

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

Only one individual, CEO Erik I. Lassen, received a salary 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 8 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 2022 on our website.

Material risk takers
At year-end 2022, a total of 22 risk takers were identified:

- Members of the Board of Directors: 12
- Members of the Executive Board: 3
- Other material risk takers: 7
- The principles for identifying “other material risk takers” are approved annually by the Board of Directors in accordance with current regulations.

Details on our remuneration policy and practices are available at 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.

Human *resources*

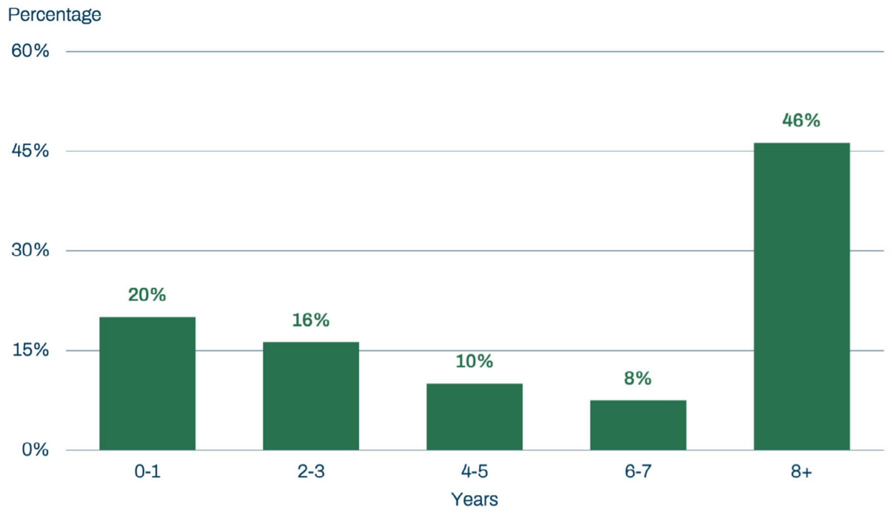
Based on the good experience of remote working during the Covid-19 pandemic, we sought feedback on more permanently expanding on work-from-home opportunities, running an extensive trial offering employees the opportunity to work remotely for up to eight days a month. This was warmly welcomed.

It continues to be very important to us that our employees thrive, and we are therefore planning further initiatives and events to strengthen the identity of the workplace, as we consider this to be of great importance at a time when demand for labour is greater than supply.

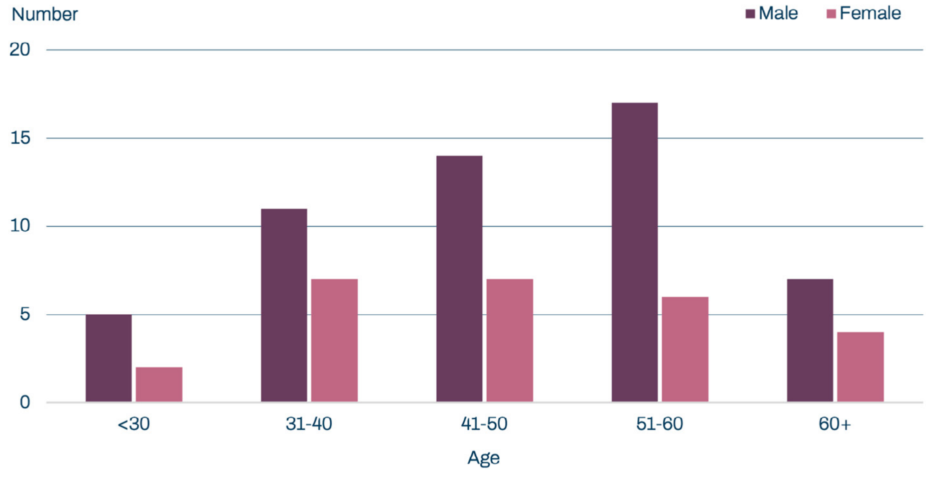
We experienced higher employee turnover in 2022 than in 2021. This was broadly the case across the whole country.

At the end of 2022, we had 80 employees, of whom 26 were female and 54 were male. Our employees possess a high level of professionalism and deep knowledge of the industry, as well as an average seniority of 10 years.

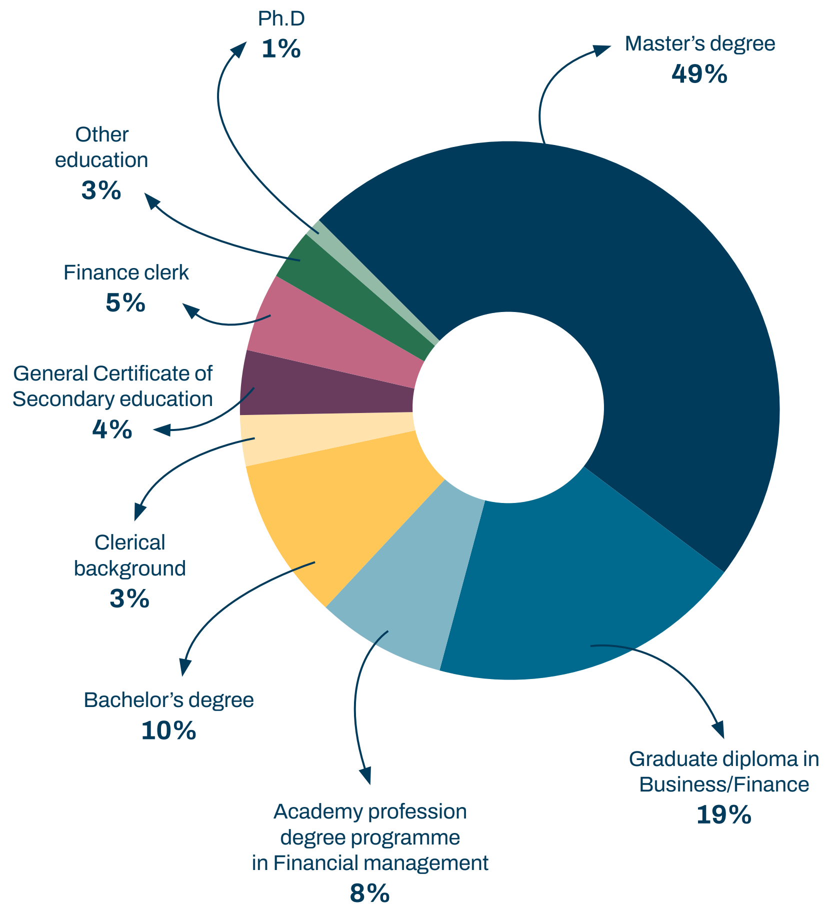
Seniority



Age distribution by gender



Seniority, education and age distribution



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- and internal control processes 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, business processes and procedures.

In accordance with applicable legislation, the Board of Directors, including 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.

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

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 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.

In March 2018, we were granted permission to extend the whistleblower scheme to include economic crime.

As in previous years, no reports were made in 2022.

Financial *statements*

Income statement

NOTE	1 January - 31 December DKK million	2022	2021
4	Interest income	2,314	1,129
5	Interest expenses	(1,687)	(625)
6	**Net interest income**	**626**	**504**
7	Fee and commission income	14	32
	Net interest and fee income	**640**	**536**
8	Market value adjustments	(206)	(82)
	Other operating income	1	1
9,10	Staff costs and administrative expenses	(187)	(167)
22,23	Depreciation and impairment of property, plant and equipment	(2)	(2)
16	Loan impairment charges	583	39
	Profit before tax	**830**	**326**
11	Tax	(166)	(72)
	Net profit for the year	**663**	**254**
	Other comprehensive income	-	-
	Tax on other comprehensive income	-	-
	Other comprehensive income after tax	**-**	**-**
	Comprehensive income for the year	**663**	**254**

NOTE CONTINUED	1 January - 31 December DKK million	2022	2021
	AMOUNT AVAILABLE FOR DISTRIBUTION		
	Distributable reserves	346	325
	Comprehensive income for the year	663	254
	Total	**1,009**	**579**
	PROPOSED ALLOCATION OF PROFIT		
	Distribution	167	128
	Other comprehensive income transferred to revaluation reserves	-	-
	Distributable reserves	842	451
	Total	**1,009**	**579**

Balance sheet

NOTE	At 31 December DKK million	2022	2021
	ASSETS		
12	Due from credit institutions and central banks	22	388
13,14,15,16,17	Loans and other receivables at amortised cost	34,029	36,293
18,19,20	Bonds at fair value	15,297	16,007
18,19,20	Bonds at amortised cost	4,920	
21	Shares, etc.	75	-
	Land and buildings		
	Owner-occupied property	340	332
23	Other tangible assets	6	6
	Current tax assets	7	7
28	Deferred tax assets	48	-
24	Other assets	1,229	1,425
	Total assets	**55,974**	**54,457**
	LIABILITIES AND EQUITY		
	Liabilities		
25	Due to credit institutions and central banks	2,786	758
26	Issued bonds at amortised cost	41,402	43,228
	Current tax liabilities	331	60
28	Deferred tax liabilities	-	108
20,27	Other liabilities	1,690	962
	Total liabilities	**46,209**	**45,117**

NOTE	At 31 December DKK million	2022	2021
	Provisions		
	Other provisions	9	16
	Total provisions	**9**	**16**
29	**Equity**		
	Share capital	333	333
	Tied-up reserve capital	8,343	8,343
	Revaluation reserves	70	70
	Retained earnings	842	451
	Proposed dividend for the financial year	167	128
	Total equity	**9,755**	**9,325**
	Total liabilities and equity	**55,974**	**54,457**
	Off-balance sheet items		
31	Contingent liabilities	85	101
32	Other contingent liabilities	2,667	3,356
	Total off-balance sheet items	**2,752**	**3,457**

Statement of changes in equity

DKK million	Share capital	Tied-up reserve capital	Revaluation reserves	Retained earnings	Proposed dividend	Total
Equity as at 1 January 2021	**333**	**8,343**	**70**	**471**	**59**	**9,275**
Dividends paid for the financial year 2020	-	-	-	-	(59)	(59)
Extraordinary dividends	-	-	-	(146)	-	(146)
Comprehensive income	-	-	-	126	128	254
Equity as at 31 December 2021	**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 at 31 December 2022	**333**	**8,343**	**70**	**843**	**167**	**9,755**

List of notes

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 2021, except for the addition of policies regarding hold-to-maturity ('HTM') bonds at amortised cost.

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 will 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. 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:

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

The fair value of more complex financial instruments, such as swaptions, interest rate caps and floors and other OTC products and unlisted holdings, is measured based on internal models, many of which are based on generally accepted valuation techniques.

NOTE 1 CONTINUED

BALANCE SHEET

Amounts due from credit institutions and central banks
Amounts due from credit institutions and central banks include amounts due from other credit institutions. Reverse transactions, that is purchases of securities from credit institutions to be resold later, are recognised as amounts due from credit institutions and central banks. 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
The current impairment rules, pursuant to IFRS 9, became effective as at 1 January 2018, introducing 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), 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.

With the entry into force of the current impairment rules as at 1 January 2018, transitional arrangements were agreed, allowing institutions in determining own funds to add back an amount to their CET1 capital over a five-year transition period. DSF opted not to apply these transitional arrangements.

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.

NOTE 1 CONTINUED

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.

Owner-occupied property
On initial recognition, the domicile property used for DSF's own operations is measured at cost. The domicile property is subsequently measured at the revalued amount plus property improvement expenditures and less depreciation and impairment charges. Revaluations and any reversals of previous revaluations are made via 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 typically three years.

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

Issued bonds at amortised cost
Issued bonds comprise ship mortgage 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.

Other liabilities
Other provisions are recognised and measured as the best estimate of the costs required to settle the liabilities 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 liabilities include accrued interest, prepayments, derivatives with a negative market value and other provisions such as provisions relating to guarantees. 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.

NOTE 1 CONTINUED

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.

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

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.

NOTE 2 KEY FIGURES

DKK million	2022	2021	2020	2019	2018
Total net interest income	626	504	542	631	640
Net interest and fee income	640	536	562	657	672
Market value adjustments	(206)	(82)	(150)	(197)	(135)
Staff costs and administrative expenses	(187)	(167)	(158)	(166)	(158)
Loan impairment charges	583	39	(100)	2	(35)
Profit before tax	830	326	154	296	343
Net profit for the year	663	254	117	227	262
Loans	34,029	36,293	31,950	39,082	36,735
Bonds	20,217	16,007	24,319	25,027	22,470
Equity	9,755	9,325	9,275	9,260	9,229
Total assets	55,974	54,457	59,805	66,824	62,349

NOTE 2 CONTINUED KEY RATIOS

DKK million	2022	2021	2020	2019	2018
Common Equity Tier 1 capital ratio (%)	21.9	20.1	22.3	18.5	19.0
Tier 1 capital ratio (%)	21.9	20.1	22.3	18.5	19.0
Total capital ratio (%)	21.9	20.1	22.3	18.5	19.0
Return on equity before tax (%)	8.7	3.5	1.7	3.2	3.7
Return on equity after tax (%)	7.0	2.7	1.3	2.5	2.8
Income/cost ratio[1]	(1.1)	3.5	1.6	2.8	2.8
Income/cost ratio (excluding loan impairment charges)	2.3	2.7	2.6	2.7	3.4
Foreign exchange position (%)	5.8	3.1	2.9	2.8	4.8
Gearing of loans	3.5	3.9	3.4	4.2	4.0
Annual growth in lending (%)	(6.2)	13.6	(18.2)	6.4	6.5
Annual loan impairment ratio (%)	(1.6)	(0.1)	0.3	0.0	0.1
Accumulated loan impairment charges as a % of loan book	2.1	2.6	3.9	4.9	6.3
Rate of return on assets (%)	1.2	0.5	0.2	0.4	0.4

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

1) In accordance with the instructions, the income/cost ratio must be calculated including loan impairment charges.

2022 **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 property, plant and equipment.	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	0	0	0
Staff costs and adm. 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**

2021 **DKK million**

NOTE 3 CONTINUED 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 property, plant and equip.	Loan impairment charges	Profit before tax
Income										
Lending										
Net interest income	**531**	531							0	
Net fees and commission	**32**			32						
Funding										
Funding costs not covered	**(13)**	(14)			1					
Warehousing	**0**	(19)			20					
Non-business activities	**4**	44			(41)	1				
Investments										
Net interest income	**(37)**		(37)							
MV adjustments	**(62)**				(62)					
Total income	**455**	541	(37)	32	(82)	1	0	0	0	0
Staff costs and adm. expenses	**(169)**						(167)	(2)		
Loan impairment charges before reclassification of interest	**39**								39	
Profit before tax	**326**									326
	Total	**541**	**(37)**	**32**	**(82)**	**1**	**(167)**	**(2)**	**39**	**326**

NOTE 4 INTEREST INCOME

DKK million	2022	2021
Due from credit institutions and central banks	7	15
Loans and other receivables	1,422	936
Bonds	147	138
Other interest income	3	0
Derivatives		
Interest rate contracts	735	37
Foreign exchange contracts	0	2
Total interest income[1]	**2,314**	**1,129**
Of this amount, income from genuine purchase and resale transactions recognised in:		
Due from credit institutions and central banks	5	16

1) A DKK 0.4 million component of interest income reflects negative interest rates in 2022 (2021: DKK 0.6 million).

NOTE 5 INTEREST EXPENSES

DKK million	2022	2021
Credit institutions and central banks	(14)	(6)
Bonds	(1)	(6)
Issued bonds	(244)	(138)
Other interest expenses	(50)	(135)
Derivatives		
Interest rate contracts	(1,379)	(340)
Total interest expenses[1]	**(1,687)**	**(625)**
Of this amount, interest expenses for genuine sale and repurchase transactions recognised in:		
Due to credit institutions and central banks	(14)	(12)

1) A DKK 0.7 million component of interest expenses reflects negative interest rates in 2022 (2021: DKK 6.1 million).

NOTE 6 NET INTEREST INCOME

DKK million	2022	2021
Net interest income from lending		
Loans and other receivables	1,422	936
Bonds	38	46
Due from credit institutions	(13)	3
Interest to credit institutions	(1)	(5)
Issued bonds	(244)	(138)
Other interest income	3	0
Derivatives		
Interest rate contracts	(644)	(303)
Foreign exchange contracts	0	2
Total net interest income from lending	**562**	**541**
Net interest income from financial activities		
Bonds	107	87
Due from credit institutions	20	12
Other interest income	0	0
Interest to credit institutions	(13)	(2)
Other interest expenses	(49	(135)
Total net interest income from financial activities	**65**	**(37)**
Total net interest income	**626**	**504**

NOTE 7 FEE AND COMMISSION INCOME

DKK million	2022	2021
Guarantee commission	1	2
Fee and other commission income	12	31
Total fee and commission income	**14**	**32**

NOTE 8 MARKET VALUE ADJUSTMENTS

DKK million	2022	2021
Market value adjustment of bonds	(1,325)	(459)
Market value adjustment of shares	0	0
Exchange rate adjustments	(5)	1
Market value adjustment of derivatives	1,124	376
Total market value adjustments	**(206)**	**(82)**

DKK million	2022	2021

NOTE 9 STAFF COSTS AND ADMINISTRATIVE EXPENSES

Remuneration of Board of Directors and Executive Board		
Board of Directors	(3)	(3)
Executive Board	(25)	(15)
Total remuneration of Board of Directors and Executive Board	**(28)**	**(18)**
Staff costs		
Salaries and wages	(91)	(87)
Pensions	(9)	(9)
Social security costs and financial services employer tax	(22)	(21)
Total staff costs	**(122)**	**(116)**
Other administrative expenses	(37)	(32)
Total staff costs and administrative expenses	**(187)**	**(167)**
Number of employees - full-time equivalents	82	79
Average number of employees - full-time equivalents	81	79

NOTE 9 CONTINUED INFORMATION ON REMUNERATION POLICY

Information about remuneration policy and practice for the Board of Directors, the Executive Board and other employees whose activities have a material impact on the company's risk profile.

The remuneration policy and remuneration report were adopted at the annual general meeting on 29 March 2022.

The remuneration policy and remuneration report are available on our website.

In accordance with the remuneration policy, variable remuneration may be provided to the Executive Board and other employees whose activities have a material impact on the company's risk profile as well as employees in key functions.

Incentive bonus granted in a financial year relates to the performance of the preceeding year and may differ from the amount reserved in the preceeding year.

		Variable salary			
2022	**Fixed salary/fee**	**Incentive**	**Adjustment of variable pay for previous years**	**Total salary/fee**	**Number of recipients**
Board of Directors	2,950	-	-	2,950	12
Executive Board	15,214	5,058	3,197	23,469	3
Other employees whose activities have a material impact on the company´s risk profile	13,148	2,365	1,115	16,628	7
Total	**31,312**	**7,423**	**4,312**	**43,047**	

NOTE 9 CONTINUED

Detailed information about the remuneration for the Board of Directors and the Executive Board can be found in the company's remuneration report which includes information on variable salary for the 2022 performance.

The variable remuneration of the Executive Board and other employees was provided as a bonus in the form of equity-like instruments (Total Shareholder Return) with a deferral period of five years for the Executive Board and four years for other employees, as well as a lock-up for one year.

The pension plans of all employees are defined contribution plans.

Variable salary

2021	Fixed salary/fee	Incentive bonus	Adjustment of variable pay for previous years	Total salary/fee	Number of recipients
Board of Directors	2,950	-	-	2,950	12
Executive Board	14,871	-	402	15,273	3
Other employees whose activities have a material impact on the company´s risk profile	12,169	1,075	196	13,440	7
Total	**29,990**	**1,075**	**598**	**31,663**	

For the Executive Board the incentive bonus for 2020 was replaced by warrants in Danish Ship Finance Holding A/S.

The related costs are recognised in Danish Ship Finance Holding A/S.

The variable remuneration terms and pension plans for 2021 for other employees are were identical with the terms for 2022.

NOTE 10 AUDIT FEES

DKK million	2022	2021
Fees for statutory audit of financial statements	(0.8)	(1.0)
Fees for tax advisory services	(0.1)	0
Fees for non-audit services	(0.3)	0
Fees for other assurance engagements	(0.1)	(0.1)
Total fees	**(1.3)**	**(1.2)**

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	2022	2021
Tax on profit for the year		
Estimated tax on profit for the year	(331)	(52)
Changes in deferred tax	149	(20)
Adjustment of prior-year tax charges	8	0
Adjustment to deferred tax due to higher corprate tax rate 1 January 2023 (financial special tax)	7	-
Total tax	**(166)**	**(72)**

The estimated tax on the profit for the year is calculated at a tax rate of 22,0%, while deferred tax items are calculated at a tax rate of 26,0% according to the financial special tax.

DKK million	2022	2021
Tax on other comprehensive income		
Deferred tax	-	-
Total tax	**-**	**-**

Effective tax rate	**Pct.**	**Pct.**
Tax rate in Denmark	22.0	22.0
Non-taxable income and non-deductible expenses	(0.1)	0
Adjustment for reduction of corporation tax rate	(0.9)	-
Adjustment of prior-year tax charges	(1.0)	0
Effective tax rate	**20.0**	**22.0**

NOTE 12 DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

DKK million	2022	2021
Genuine purchase and resale transactions (reverse repo)	(0)	367
Other receivables	22	21
Total due from credit institutions and central banks	**22**	**388**
Broken down by due date		
Demand deposits	22	21
Up to 3 months	0	367
Total due from credit institutions and central banks	**22**	**388**

The company has no term deposits with central banks.

NOTE 13 LOANS AT AMORTISED COST

DKK million	2022	2021
As at 1 January	36,293	31,950
Additions	6,577	9,380
Ordinary repayments and redemptions	(5,765)	(4,962)
Extraordinary repayments	(4,779)	(3,047)
Net change concerning revolving credit facilities	(573)	461
Exchange rate adjustment of loans	2,017	2,152
Change in amortised cost for the year	(5)	36
Depreciation, amortisation and impairment for the year	265	323
As at 31 December	**34,029**	**36,293**

NOTE 14 LOANS AT AMORTISED COST BROKEN DOWN BY DUE DATE

DKK million	2022	2021
Gross loans at exchange rates at the balance sheet date	34,756	37,284
Accumulated loan impairment charges	(726)	(991)
Total loans	**34,029**	**36,293**
Total loans broken down by due date		
Up to 3 months	1,428	1,981
From 3 months to 1 year	3,924	4,230
From 1 to 5 years	23,715	25,329
Over 5 years	4,962	4,753
Total loans	**34,029**	**36,293**
Total loans		
Loans at fair value	34,155	37,066
Loans at amortised cost	34,029	36,293

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

NOTE 15 NON-PERFORMING LOANS

DKK million	2022	2021
Impaired loans (DSF Rating 11)		
Loans subject to forbearance or otherwise impaired, gross	544	635
Accumulated loan impairment charges	(218)	(231)
Impaired loans, net	**326**	**404**
Defaulted loans (DSF Rating 12)		
Loans in default, gross	701	1,276
Accumulated loan impairment charges	(296)	(569)
Defaulted loans, net	**405**	**707**
Non-performing loans, gross (NPL)	**1,245**	**1,911**
Non-performing loans, net (net NPL)	**731**	**1,111**
NPL ratio	**3.6%**	**5.1%**
Net NPL ratio	**2.1%**	**3.0%**

NPL ratio definition: NPL divided by loan book.

Net NPL ratio definition: Net NPL divided by loan book after loan impairment charges.

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	2022	2021
The following loan impairment charges/loss allowances were made on loans/credit commitments		
Accumulated loan impairment charges	726	991
Accumulated loss allowances for credit commitments	9	16
Total	**736**	**1,007**
Accumulated loan impairment charges as a % of the loan book	2.1	2.6
Reconciliation of total allowance account		
As at 1 January	1,007	1,330
New loan impairment charges/loss allowances	253	277
Reversal of loan impairment charges/loss allowances	(523)	(307)
Gross write-offs debited to the allowance account	(2)	(293)
Total	**736**	**1,007**
Loan impairment charges for the period		
New loan impairment charges/loss allowances	(253)	(277)
Reversal of loan impairment charges/loss allowances	523	307
Reclassification of interest	0	0
Recovery on loans previously written off	313	9
Loan impairment charges	**583**	**39**

NOTE 17

CREDIT RISK

DKK million	2022	2021
Reconciliation of loans and guarantees (loan book)		
Balance sheet		
Loans at amortised cost	34,029	36,293
Other receivables	164	160
Accumulated loan impairment charges	726	991
Total balance sheet items	**34,920**	**37,444**
Guarantees	85	101
Total guarantees	**85**	**101**
Total loans and guarantees	**35,005**	**37,544**
Reconciliation of other contingent liabilities		
Credit commitments	2,667	3,356
Total other contingent liabilities	**2,667**	**3,356**
Reconciliation of financial exposure		
Due from credit institutions and central banks	22	388
Bonds at fair value	20,217	16,007
Shares, etc,	75	-
Derivatives	775	1,153
Total financial exposure	**21,089**	**17,548**
Total credit risk from loans, guarantees, credit commitments and financial exposures	**58,761**	**58,449**

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 2022	Loans and guarantees 2021
1 - 2	0	-
3 - 4	4,495	4,659
5 - 6	16,646	17,188
7 - 8	12,588	13,188
9 - 10	31	598
11 (impaired)	544	635
12 (default)	701	1,276
Total	**35,005**	**37,544**

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

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

DSF Rating	Stage 1	Stage 2	Stage 3	Loans and guarantees 2021
1	-	-	-	-
2	-	-	-	-
3	1,953	-	-	1,953
4	2,706	-	-	2,706
5	5,158	-	-	5,158
6	12,030	-	-	12,030
7	7,955	3,228	-	11,183
8	2,005	-	-	2,005
9	-	204	-	204
10	-	394	-	394
11 (impaired)	-	-	635	635
12 (default)	-	-	1,276	1,276
Total	**31,807**	**3,827**	**1,911**	**37,544**

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 2021
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	741	-	-	741
5	142	-	-	142
6	1,213	-	-	1,213
7	914	-	-	914
8	346	-	-	346
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	**3,356**	**-**	**-**	**3,356**

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 at 1 January 2022	171	37	800	1,007
Transferred to Stage 1 during the period	7	(7)	-	0
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 at 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

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 at 1 January 2021	135	144	1,051	1,330
Transferred to Stage 1 during the period	-	-	-	-
Transferred to Stage 2 during the period	-	-	-	-
Transferred to Stage 3 during the period	-	-	-	-
New loan impairment charges/loss allowances	117	-	160	277
Reversal of loan impairment charges/ loss allowances	(81)	(107)	(118)	(307)
Gross write-offs for the period	-	-	(293)	(293)
Total ECL allowance account as at 31 December 2021	**171**	**37**	**800**	**1,007**
Of which:				
- Accumulated loan impairment charges	155	37	800	991
- Accumulated loss allowances for credit commitments	16	-	-	16
Of which:				
- Management judgments	-	-	75	75

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 2022 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.

Covid-19 concessions

Forbearance practices continue to be able to cater for clients materially affected by the Covid-19 pandemic.

We did not receive any client requests for Covid-19 concessions in either 2021 or 2022.

From 1 January 2023, the European Banking Authority (EBA) has decided to repeal guidelines on Covid-19 reporting and disclosure, due to the decreasing relevance of Covid-19 related public support measures.

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 1.5% on average in 2022.

NOTE 17 CONTINUED Loan book after loan impairment charges broken down by loan-to-value interval

Loan-to-value interval	Share of loans 2022	Share of loans 2021
0 - 20 %	50%	49%
20 - 40 %	38%	37%
40 - 60 %	11%	13%
60 - 80 %	0%	1%
80 - 90 %	0%	0%
90 - 100 %	0%	0%
Over 100 %	0%	0%

The table above shows that at year-end 100% (2021: 99%) 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 43% (2021: 44%).

NOTE 17 CONTINUED Non-performing loans after loan impairment charges broken down by loan-to-value interval

Loan-to-value interval	Share of loans 2022	Share of loans 2021
0 - 20 %	60%	48%
20 - 40 %	37%	37%
40 - 60 %	3%	15%
60 - 80 %	0%	1%
80 - 90 %	0%	0%
90 - 100 %	0%	0%
Over 100 %	0%	0%

The table above shows that at year-end 100% (2021: 99%) 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 36% (2021: 47%).

NOTE 18 BONDS

DKK million	2022	2021
Bond portfolio		
Own non-callable bonds (amortised cost)	1,925	3,225
Non-callable bonds (fair value)	14,944	15,626
Non-callable bonds, hold-to-maturity (amortised cost)[1]	4,920	-
Callable bonds (fair value)	353	381
Total portfolio of bonds	**22,142**	**19,232**
Own bonds (offset against issued bonds at amortised cost)	(1,925)	(3,225)
Total bond portfolio	**20,217**	**16,007**

DKK million	2022	2021
Bond portfolio		
Own bonds (amortised cost)	1,925	3,225
Government bonds and bonds issued by KommuneKredit (fair value)	1,537	2,385
Mortgage bonds (fair value)	13,760	13,622
Mortgage bonds, hold-to-maturity (amortised cost)	4,920	-
Total portfolio of bonds	**22,142**	**19,232**
Own bonds (offset against issued bonds at amortised cost)	(1,925)	(3,225)
Total bond portfolio	**20,217**	**16,007**

1) The calculated ECL as of 31 December 2022 for hold-to-maturity bonds was zero.

Fair value of mortgage bonds, hold-to-maturity amounts to DKK 4,822 million (2021: DKK 0 million)

NOTE 19 BONDS BY TIME TO MATURITY

DKK million	2022	2021
Bond portfolio		
Bonds with a maturity up to and including 1 year	2,757	4,107
Bonds with a maturity over 1 year and up to and including 5 years	15,964	8,774
Bonds with a maturity over 5 years and up to and including 10 years	974	1,417
Bonds with a maturity over 10 years	522	1,709
Total bonds specified by time to maturity	**20,217**	**16,007**

NOTE 20 CSA COLLATERAL

DKK million	2022	2021
Collateral under CSA agreements		
Collateral received	1,621	12
Collateral delivered	(827)	(1,274)
Net value of collateral under CSA agreements	**794**	**(1,262)**

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	2022	2021

NOTE 21 SHARES, ETC.

DKK million	2022	2021
Listed shares	75	0
Unlisted shares recognised at fair value	-	-
Total shares, etc.	**75**	**0**

NOTE 22 LAND AND BUILDINGS

DKK million	2022	2021
Owner-occupied properties		
Valuation, as at 1 January	334	325
Acquisition	-	-
Property improvements during the year	8	9
Revaluation	-	-
Valuation including improvements, as at 31 December	**342**	**334**
Accumulated depreciation, as at 1 January	2	2
Depreciation for the year	0	0
Accumulated depreciation, as at 31 December	**2**	**2**
Total valuation, as at 31 December	**340**	**332**

NOTE 22 CONTINUED

The owner-occupied properties are the office properties at Sankt Annae 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 properties have 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 owner-occupied properties.

In mid-July 2020, we entered into an agreement for the sale of our current domicile property at Sankt Annae 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 offices, expected to be in 2023.

NOTE 23 OTHER TANGIBLE ASSETS

DKK million	2022	2021
Cost, as at 1 January	13	12
Additions during the year	1	0
Disposals during the year	1	0
Cost, as at 31 December	**14**	**13**
Accumulated depreciation, as at 1 January	7	6
Disposals during the year	0	0
Depreciation during the year	1	1
Accumulated depreciation, as at 31 December	**8**	**7**
Total other tangible assets	**6**	**6**

NOTE 24 OTHER ASSETS

DKK million	2022	2021
Interest receivable	379	147
Prepayments to swap counterparties	12	17
Derivatives	775	1,153
Miscellaneous receivables	63	107
Total other assets	**1,229**	**1,425**

NOTE 25 DUE TO CREDIT INSTITUTIONS AND CENTRAL BANKS

DKK million	2022	2021
Repo transactions	2,786	509
Other amounts due	0	249
Total due to credit institutions and central banks	**2,786**	**758**
Broken down by due date		
On demand		
Up to 3 months	2,786	758
From 3 months to 1 year	-	-
From 1 to 5 years	-	-
Over 5 years	-	-

NOTE 26 ISSUED BONDS AT AMORTISED COST

DKK million	2022	2021
As at 1 January	43,228	42,477
Additions in connection with pre-issuance	8,189	9,600
Amortisation of cost	(87)	(89)
Adjustment for hedge accounting	(1,204)	(71)
Exchange rate adjustment	0	(2)
Own bonds	1,289	(2,300)
Ordinary and extraordinary redemptions	(10,013)	(6,386)
As at 31 December	**41,402**	**43,228**

Specification of issued bonds

DKK million	2022	2021
Bonds issued in DKK		
Bullet bonds	35,669	35,170
Amortising CIRR bonds	73	161
Total Danish bonds	**35,742**	**35,330**
Bonds issued in foreign currency		
Bullet bonds	7,585	11,123
Amortising CIRR bonds, at year-end exchange rates	-	-
Total bonds issued in foreign currency	**7,585**	**11,123**
Own bonds	(1,925)	(3,225)
Total issued bonds	**41,402**	**43,228**

NOTE 26 CONTINUED

Broken down by term to maturity

DKK million	2022	2021
Up to 3 months	1,428	625
From 3 months to 1 year	49	3,739
From 1 to 5 years	33,754	31,884
Over 5 years	8,096	10,206
Total issued bonds	**43,327**	**46,454**
Own bonds	(1,925)	(3,225)
Total issued bonds	**41,402**	**43,228**

NOTE 27 OTHER LIABILITIES

DKK million	2022	2021
Interest payable	242	124
Derivatives	1,381	779
Other liabilities	67	59
Total other liabilities	**1,690**	**962**

NOTE 28 DEFERRED TAX

DKK million	2022	2021
Deferred tax, as at 1 January	(108)	(68)
Adjustment of prior year	-	(21)
Estimated deferred tax on profit for the year	149	(20)
Adjustment for increase in corporate tax rate	7	-
Total deferred tax	**48**	**(108)**

DSF RATING	2022 Deferred tax assets	2022 Deferred tax liabilities	2022 Deferred tax net	2021 Deferred tax net
Property, plant and equipment	0	(21)	(21)	(21)
Loans	36	-	36	35
Shares, etc.	2	-	2	0
Issued bonds	9	0	9	(134)
Employee obligations	15	-	15	11
Balance of tax losses	0	-	0	0
Adjustment for increase in corporate tax rate1	11	(4)	7	-
Total deferred tax	**73**	**(24)**	**48**	**(108)**

1) Deferred tax items are calculated at a tax rate of 26.0% according to the financial special tax.

NOTE 29 EQUITY

DKK million	2022	2021
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	842	451
Proposed dividends for the financial year	167	128
Total equity	**9,755**	**9,325**

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	2022	2021
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	842	451
Proposed dividends for the financial year	167	128
Revaluation reserves	70	70
Total Common Equity Tier 1 capital before deductions	**9,755**	**9,325**
Deductions from Common Equity Tier 1 capital		
Proposed dividends for the financial year	167	128
Additional capital charge pursuant to the Executive Order		
on a Ship Finance Institute	-	-
Prudent valuation pursuant to article 105 of the CRR	31	24
Deductions for NPE Loss coverage	260	8
Deductions pursuant to transitional rules regarding B share capital	33	33
Total deductions from Common Equity Tier 1 capital	**492**	**194**
Common Equity Tier 1 capital after deductions	**9,263**	**9,131**

NOTE 30 CONTINUED

DKK million	2022	2021
Risk exposure amount		
Assets outside the trading book	34,414	36,856
Off-balance sheet items	1,892	1,678
Counterparty risk outside the trading book	2,645	2,766
Market risk	2,625	3,346
Operational risk	813	829
Total risk exposure amount	**42,389**	**45,477**
Common Equity Tier 1 capital ratio	**21.9**	**20.1**
Tier 1 capital ratio	**21.9**	**20.1**
Total capital ratio	**21.9**	**20.1**
The risk exposure amount for market risk consists of:		
Position risk related to debt instruments	1,994	3,045
Position risk related to shares	93	18
Total currency position	538	284
Total risk-weighted exposure amount for market risk	**2,625**	**3,346**

NOTE 31 CONTINGENT LIABILITIES

DKK million	2022	2021
In the ordinary course of its lending operations, DSF has undertaken guarantee commitments of	85	101
Total contingent liabilities	**85**	**101**

NOTE 32 OTHER CONTINGENT LIABILITIES

DKK million	2022	2021
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	1,117	896
In the ordinary course of its lending operations, DSF has undertaken commitments relating to irrevocable credit commitments in the amount of	1,550	2,460
Total other contingent liabilities	**2,667**	**3,356**

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 as at 31 December 2022 a nominal amount of DKK 1,417 million (as at 31 December 2021: DKK 1,456 million). 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 Annae 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.

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	**0**	**16,019**	**16,352**

2021	Nominal value	Carrying amount	Fair value
Commitments			
Issued bonds	15,250	15,165	15,560
Total commitments	**15,250**	**15,165**	**15,560**
Derivatives			
Interest rate swaps	(15,250)	121	121
Total derivatives	**(15,250)**	**121**	**121**
Net	**0**	**15,287**	**15,681**

DKK million

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:

Receivables	73	161
Credit institutions	59,533	85,578

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

Receivables	-	-
Credit institutions	113,544	132,962

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

Credit institutions	56,423	56,768

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:

Credit institutions	12,966	31,745

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	2022 Positive	2022 Negative	2021 Positive	2021 Negative
Receivables	16	-	19	-
Credit institutions	1,284	92	109	501

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

DKK million	2022 Positive	2022 Negative	2021 Positive	2021 Negative
Receivables	-	-	-	-
Credit institutions	1,123	2,112	1,069	979

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

DKK million	2022 Positive	2022 Negative	2021 Positive	2021 Negative
Credit institutions	2,580	2,821	711	1,278

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	2022 Positive	2022 Negative	2021 Positive	2021 Negative
Credit institutions	250	93	44	121

NOTE 37 CONTINUED

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

DKK million	2022 Positive	2021 Positive
Counterparties with risk weight of 0%	-	-
Counterparties with risk weight of 20%	1,025	525
Counterparties with risk weight of 50%	4,211	1,407
Counterparties with risk weight of 100%	16	26

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

DKK million	2022 Positive	2021 Positive
Counterparties with risk weight of 0%	-	-
Counterparties with risk weight of 20%	1,025	525
Counterparties with risk weight of 50%	4,211	1,407
Counterparties with risk weight of 100%	16	26

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

DKK million	2022 Positive	2021 Positive
Counterparties with risk weight of 0%	-	-
Counterparties with risk weight of 20%	278	580
Counterparties with risk weight of 50%	1,398	2,094
Counterparties with risk weight of 100%	16	26

DKK million

NOTE 38 FOREIGN EXCHANGE RISK AND USE OF DERIVATIVES

Our total unhedged foreign currency position as at 31 December 2022, translated at year-end exchange rates into DKK, amounts to DKK +538 million (DKK -97 million as at 31 December 2021).

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	31,674	1,747	33,421	1,335	34,756
Loan impairment charges	-	-	-	(726)	(726)
Loans as per the balance sheet					34,029
Due from credit institutions and central banks	5	1	6	16	22
Bond portfolio	-	1,555	1,555	18,662	20,217
Interest receivable, other assets, etc.	348	61	409	1,296	1,705
Total assets as per the balance sheet	**32,027**	**3,364**	**35,392**	**20,582**	**55,974**
Issued bonds at year-end exchange rates	0	(6,900)	(6,900)	6,900	0
Issued bonds as per the balance sheet					0
Due to credit institutions and central banks	(292)	(387)	(679)	(2,108)	(2,786)
Interest payable, other payables	(1)	0	(1)	(2,020)	(2,021)
Provisions	-	-	-	(9)	(9)
Total equity	-	-	-	(9,755)	(9,755)
Total liabilities as per the balance sheet	**(293)**	**(7,286)**	**(7,579)**	**(6,992)**	**(14,572)**
Derivatives					
- receivables	5,406	19,849	25,255		
Derivatives					
- payables	(37,003)	(15,526)	(52,529)		
Total net position	**138**	**401**	**538**		

NOTE 39 MARKET RISK SENSITIVITY

DKK million	2022	2021

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.

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:	(94)	(20)
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:	82	(1)

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	2022	2021
An appreciation of the USD exchange rate against the DKK		
Change in net profit for the year and equity	45	30
Percentage change in total capital ratio	(2.0)	(2.1)
A depreciation of the USD exchange rate against the DKK		
Change in net profit for the year and equity	(49)	(31)
Percentage change in total capital ratio	2.5	2.6
An appreciation of the NOK exchange rate against the DKK		
Change in net profit for the year and equity	(25)	(29)
Percentage change in total capital ratio	(0.2)	(0.2)
A depreciation of the NOK exchange rate against the DKK		
Change in net profit for the year and equity	19	22
Percentage change in total capital ratio	0.2	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 14% (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	2022	2021

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	34,029	36,293
Measured at fair value	34,155	37,066
Difference between carrying amounts and fair value-based value of loans, total	**125**	**773**

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

Issued bonds		
Measured at amortised cost, incl. hedging	41,402	43,228
Measured at fair value	41,363	43,842
Difference between carrying amounts and fair value-based value of issued bonds, total	**(39)**	**613**

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 important types of risk are:

- Credit risk: The risk of loss caused by borrowers or counterparties failing to meet all or part of their payment obligations.

- Market risk: The risk of loss resulting from changes in the fair value of the assets and liabilities as a result of changes in market conditions.

CREDIT RISK
Credit risk is the risk of loss caused by borrowers or counterparties failing to meet all or part of their payment obligations, including risk associated with clients in financial difficulty, large exposures, concentration risk and risk on offered, non-disbursed loans.

The overall credit risk is managed on the basis of our credit policy, which the Board of Directors determines together with the overall risk management framework. The key objective of the credit policy is to ensure that earnings and risks are balanced, and that the assumption of risk is always quantified.

The credit process is controlled centrally by the Credit Department. The Executive Board and the Head of Credit have been authorised by the Board of Directors to grant loans up to predetermined limits. The granting of loans must be disclosed at the subsequent ordinary board meeting. Other loans are granted by the Board of Directors. Note 17 includes a more detailed description of credit risk.

We have developed IT tools for managing and monitoring credit risk. The credit analysis system is used for monitoring purposes, and the system records key data regarding credit exposures and clients' financial standings to detect warning signals for exposures at an early stage as well as to monitor portfolios and client groups.

In addition, a number of risk events have been defined as representing credit impairment and default.

NOTE 41 CONTINUED

MARKET RISK
Market risk is defined as the risk of changes in the market value of the company's financial assets and liabilities because of changes in market conditions.

Market risk can be divided into interest rate risk, equity price risk, foreign exchange risk and liquidity risk.

The Board of Directors determines the general policies, frameworks and principles for risk management.

The policies cover the identification and calculation of various types of market risk. The frameworks indicate specific limits on the extent of risk the company is willing to assume. The principles establish the methods to be used in the calculation of various risk targets. The Board of Directors receives continuous reporting on risk developments and the utilisation of allocated risk limits.

The purpose of our market risk policy is to ensure that the market risk at all times is appropriate in relation to the total capital. The objective of the market risk policy is also to ensure that we consistently maintain adequate and appropriate handling and management of market risk.

The Risk Management function is responsible for calculating, monitoring, controlling and reporting market risk to the Board of Directors and Executive Board. The function is independent of the front office department. The market risks are managed and monitored via a risk management system. We follow up on all material types of market risk with respect to all units subject to instructions, and failure to comply with instructions is escalated accordingly to policy.

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, 2022

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	1,185	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	20,386	1,558	21,944
Total assets	**48,221**	**7,753**	**55,974**
Liabilities			
Issued bonds at amortised cost	35,213	6,189	41,402
Other liabilities	4,809	8	4,817
Equity	8,199	1,556	9,755
Total liabilities	**48,221**	**7,753**	**55,974**
Transferrals of capital between capital centres	**501**	**(501)**	**0**

NOTE 42 CONTINUED CAPITAL CENTRES, 2021

DKK million	Capital Centre Institute in general	Capital Centre A	Total
Income statement			
Interest, loans and other receivables	777	159	936
Other interest and fee income, net	(332)	(68)	(400)
Market value adjustments	(108)	27	(82)
Staff costs and administrative expenses	(139)	(29)	(168)
Loan impairment charges	9	30	39
Tax	(45)	(26)	(72)
Net profit for the year	**161**	**93**	**254**
Assets			
Loans and other receivables at amortised cost	28,971	7,322	36,293
Other assets	15,477	2,687	18,165
Total assets	**44,448**	**10,010**	**54,457**
Liabilities			
Issued bonds at amortised cost	35,281	7,947	43,228
Other liabilities	1,899	5	1,904
Equity	7,268	2,057	9,325
Total liabilities	**44,448**	**10,010**	**54,457**
Transferrals of capital between capital centres	**(272)**	**272**	**0**

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 2022. The Annual Report is presented in accordance with the Danish Financial Business Act. Furthermore, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

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 at 31 December 2022 and of the results of its activities for the financial year 1 January to 31 December 2022.

The Annual Report is recommended for adoption by the annual general meeting on 29 March 2023.

Copenhagen, 27 February 2023

Executive Board

Erik Ingvar Lassen
Chief Executive Officer

Michael Frisch
Chief Commercial 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

Anna-Berit Koertz

Ninna Møller Kristensen

Jacob Balslev Meldgaard

Michael Nellemann Pedersen

Christopher Rex

Henrik Sjøgreen

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 2022, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, and notes, including accounting policies. The financial statements have been 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 at 31 December 2022 and of the results of its operations for the financial year 1 January – 31 December 2022 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 have 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 one year up until the financial year 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the financial statements for the financial year 2022. These matters have been 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 has 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 includes 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 consists of loans, which amounted to DKK 34,029 million as at 31 December 2022 (DKK 36,293 million as at 31 December 2021), and provisions for credit losses on loans amounted to DKK 726 million as at 31 December 2021 (DKK 991 million in 2021).

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 the management of credit risk and the review for impairment in more detail in notes 16 and 17 to the financial statements.

In 2022, the following required a high level of management judgement 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 judgement involved in determining expected credit losses for loans in Stage 3.

HOW OUR AUDIT HAS ADDRESSED THE KEY AUDIT MATTER

Based on our risk assessment, our audit comprises a review of relevant business procedures, test of selected internal controls as well as analysis of the loans and the amount of impairment charges. Specifically, the audit includes 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 Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

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 the requirements of the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds. We have not identified any material misstatement of 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 a going concern 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 could 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 2022 with the file name Annual Report 2022 (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 has been 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 includes testing whether the Annual Report is prepared in XHTML format.

In our opinion, the annual report for the financial year 1 January – 31 December 2022 with the file name Annual Report 2022 (XHTML) has been prepared, in all material respects, in compliance with the ESEF Regulation.

Frederiksberg, 27 February 2023
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*

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 2022. 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 Bank A/S
PFA DK Boliger Høj A/S
PFA DK Boliger Lav A/S
PFA Ejendomme Høj A/S
PFA Ejendomme Lav A/S
PFA Europe Real Estate High A/S
PFA Europe Real Estate Low A/S
PFA Europe Real Estate Medium A/S
PFA Kapitalforening
PFA Kollegier ApS
PFA Sommerhuse ApS
PFA US Real Estate Medium P/S
PFA Nordic Real Estate Low P/S
PFA International Real Estate K/S
Finansforeningen

Competencies:
Broad knowledge of financial business (including banking), 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
EKF (Denmark's export credit agency)
Brancheforeningen for Aktive Ejere i Danmark (Active Owners)
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:
Nissens A/S
Associate professor at CBS (Copenhagen Business School)
Danmarks Eksport & Investeringsfond

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:
Chairman of Danish Shipping (Danske Rederier)
Chairman of Grant Compass
Member of the Board of Directors of:
Syfoglomad
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.

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
OPP HoldCo ApS
A/S Kjøbenhavns Ejendomsselskab
Forstædernes Ejendomsaktieselskab
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
Margretheholmen P/S
Komplementarselskabet Margretheholm ApS
PKA Skejby Komplementar ApS
PKA Skejby P/S
Hotel Koldingfjord A/S
Fonden Dansk Sygeplejehistorisk Museum
Poppelstykket 12 A/S
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
Komplementarselskabet Vilvordevej 70 ApS
Ejendomsselskabet Vilvordevej 70 P/S
PKA Private Funds III GP ApS
Rugårdsvej Odense A/S
PKA Venture I GP ApS
Falckgården P/S
PKA AIP A/S
IIP Denmark P/S
IIP Denmark GP APS
PKA Private Funds I GP ApS
PKA Private Funds III GP ApS
PKA Private Funds IV GP ApS
PS Gjellerup
Tuborg Havnevej I/S
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

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

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 PFA
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 Innovation 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 through his position as Head of Innovation & Research at Danish Ship Finance A/S.

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 through her position as Executive Assistant with responsibility for the Project Office of Danish Ship Finance A/S.

Berit Koertz, Senior Client Executive, Danish Ship Finance A/S
Employee representative
Born on 25 June 1957
Nationality: Danish
Joined the Board of Directors on 26 March 2020

Competencies:
Broad knowledge of the international banking and shipping markets, credit and ship finance through her position as Senior Client Executive of Danish Ship Finance A/S. She has ten years of corporate board experience.

Marcus Freuchen Christensen, 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 2022

Attendance rate (%)	Board of Directors	Audit Committee	Remuneration Committee
Eivind Kolding	100		100
Peter Nyegaard	97	100	
Anders Damgaard	91	100	
Christian Frigast	86		100
Thor Jørgen Guttormsen	94		100
Michael N. Pedersen	86	100	
Jacob Meldgaard	86		50
Henrik Sjøgreen	100	100	
Christopher Rex	100		
Ninna Møller Kristensen	100		
Berit Koertz	97		
Marcus F. Christensen	97		

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

Michael Frisch, CCO
Member of the Executive Board since 9 April 2018

Executive positions in other business enterprises:
Member of the Executive Board 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 2023*

27 February

Publication of the Annual Report 2022

29 March

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

29 August

Publication of the Interim Report 2023

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

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SHIP FINANCE