DANISH SHIP FINANCE

Interim Report
First half - 2024

CVR NO. 27 49 26 49

shipfinance.dk

Company *information*

Company
Danish Ship Finance A/S
Company reg. no. (CVR): 27 49 26 49

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Municipality of registered office: Copenhagen

Board of Directors
Eivind Drachmann Kolding (Chairman)
Ahmed Omar Mohamed Abdelmonem (Vice Chairman)
Peter Nyegaard (Vice Chairman)
Marcus Freuchen Christensen
Omar Elali
Henriette Søgaard Fabricius
Povl Christian Lütken Frigast
Thor Jørgen Guttormsen
Andreas Hertz-Poulsen
Jacob Balslev Meldgaard
Christopher Rex

Executive Board
Erik I. Lassen
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Mid-year update to our *stakeholders*

The first half of 2024 was a good period for Danish Ship Finance. The period witnessed satisfactory financial performance, positive trends in the loan book with the addition of six new clients, again very strong credit quality supported by continued strength in major shipping sectors, healthy investment income and not least completion of the final steps in a planned change of ownership for the company.

Financial performance was good. Net profit of DKK 358 million, DKK 20 million higher than in the also-strong first-half of 2023, was at the high end of our expectations.

A total of DKK 3.8 billion of new loans was disbursed in the first half of 2024. Extraordinary loan prepayments in the first half year were sharply down from the prior year, to DKK 1.1 billion. The loan book as at 30 June stood at DKK 33.5 billion, DKK 1.5 billion higher than the year-end 2023 figure.

Shipowners' healthy earnings, strong balance sheets, and generally disciplined approach to ordering new tonnage meant that the sector's net financing requirements remained muted in the first half of 2024. Although pricing discipline seemed to improve somewhat, the low number of financing deals coming to market has kept competition for deals more intense than normal.

We expect the competitive situation for ship financing to develop favourably in the medium term. Loan demand will benefit from increased ordering of new vessels in major segments as owners seek to maintain their ability to service demand for seaborne transportation by renewing their fleets and in some cases increasing capacity. Loan demand will also benefit from a normalisation of sector earnings, as owners again will look to externally finance more of their investment activity. We expect increased loan demand and a rebasing of banks' funding costs to gradually lead to repricing of shipping loans from current compressed levels.

We have previously highlighted the strong and improving credit quality of our loan book and are pleased to confirm that this trend continued in the first half of 2024. Key shipping sectors remain very healthy following a prolonged period of favourable market conditions. In the first half of 2024, loan impairment charges amounted to an income of DKK 106 million, primarily driven by the recovery of DKK 73 million on loans previously written off. Non-performing loan (NPL) exposure reduced to DKK 643 million, equal to an NPL ratio of 1.9%. As at 30 June 2024, all loans on the balance sheet were interest-bearing, and the weighted loan-to-value (LTV) ratio across the loan book after loan impairment charges stood at a very healthy 38%. We maintained a very robust solvency ratio of 21.2%, well above the regulatory minimum of 13.4%.

"Net profit of DKK 358 million, DKK 20 million higher than in the also-strong first-half of 2023, was at the high end of our expectations."

The transition to environmentally sustainable shipping remains high on the industry's agenda and shipowners small and large are taking the challenge very seriously. Many owners have built up the financial resources necessary to invest in the sustainability transition. We have for some time already observed clients making proactive investment in green technologies in anticipation of increasingly stringent requirements. A sizeable number of vessels are now being ordered with dual-fuel capability (around 33% of the current orderbook is alternative-fuel capable) and/or emission-reducing technologies. We view this development favourably and strive to assist our clients in navigating the transition. Our corporate strategy "Financing the transition" continues to be at the core of everything we do.

The investment portfolio contributed very positively to the half-year result. Investment income of DKK 232 million represented an increase of DKK 84 million on the same period in 2023. We maintain a conservative investment strategy, which gives us confidence in navigating financial market conditions in the second half of the year.

Funding requirements remained muted over the period. Our focus was on selectively extending funding maturities in anticipation of increasing demand for shipping loans. Investor response has been good and the uptake of ship covered bonds healthy, with a total of DKK 4.0 billion issued.

Administrative expenses including personnel costs remained in line with expectations. We continue to invest in operational excellence while delivering on new requirements. This includes the ESG agenda and ESG reporting, to which we are dedicating significant resources.

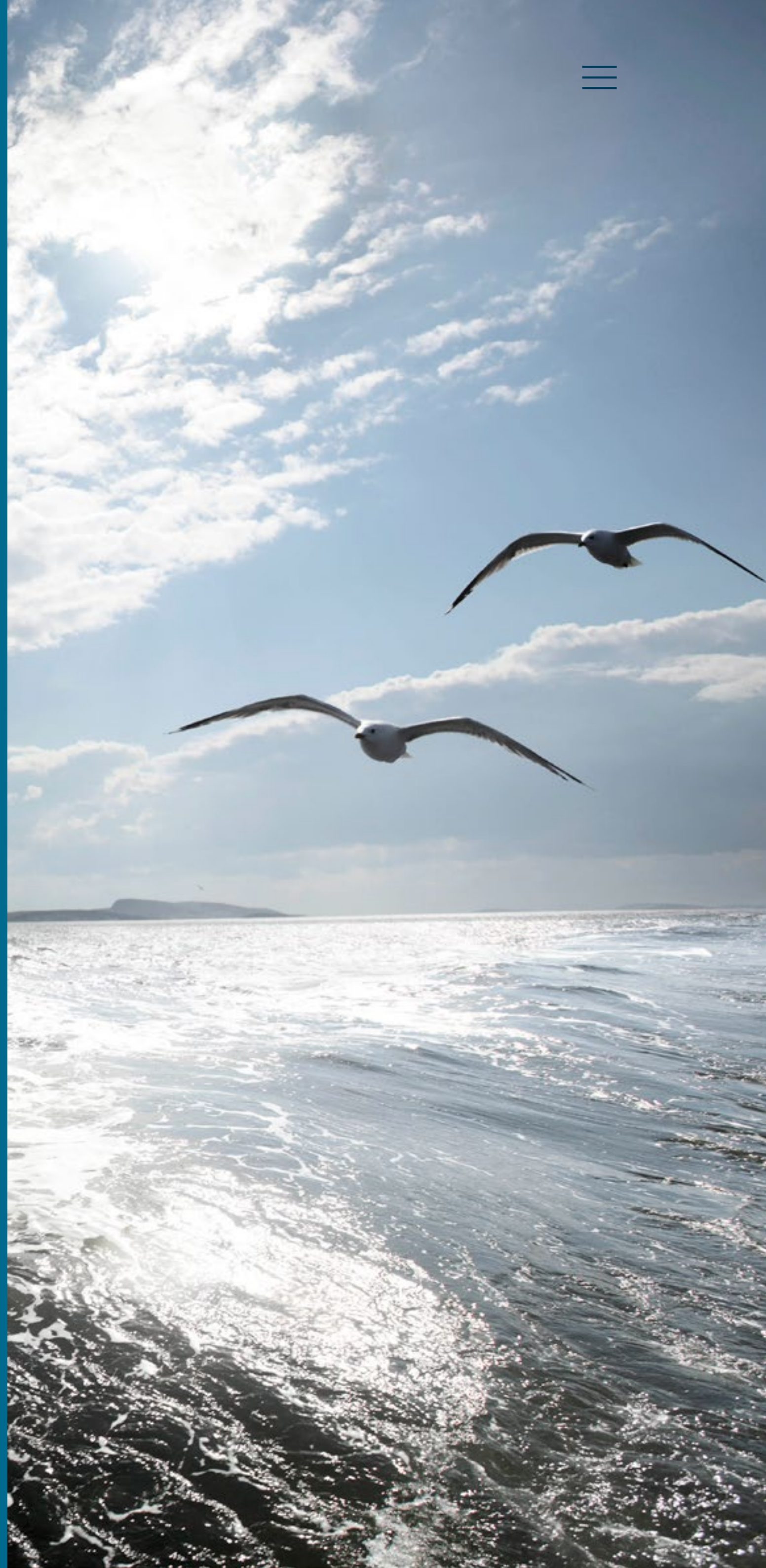
At the half year, we are on track to meet the expectations, set out in our most recent Annual Report, of delivering attractive financial results and long-term sustainable value to our owners and stakeholders.

At the same time, we welcome new owners, Magellan Capital Holdings PLC who in July 2024 acquired a majority stake in Danish Ship Finance and look forward to continuing the journey in the coming years and decades.

We enter the second half of 2024 with strong profitability and good ability to serve the needs of our clients. We remain confident that Danish Ship Finance will have a significant role to play in financing the transition to a sustainable shipping industry and remain fully committed to our ambition of being "the obvious choice in ship finance".

Eivind Kolding
Chairman

Erik I. Lassen
Chief Executive Officer



Financial *highlights*

Key figures

DKK million	H1 2024	H1 2023	FY 2023
Net interest income from lending[1]	220	191	413
Net interest and fee income from lending[1]	230	199	428
Net interest income from investment activities[1]	128	100	189
Net interest income	348	291	602
Net interest and fee income	359	299	617
Market value adjustments	113	74	175
Staff costs and administrative expenses	(94)	(106)	(201)
Loan impairment charges	106	181	506
Profit before tax	484	448	1,097
Net profit for the period	358	338	818
Loan book[2]	33,529	35,098	31,980
Issued bonds	43,183	40,281	43,595
Total equity	10,445	9,926	10,407
Total assets	62,433	58,916	64,228
Common Equity Tier 1 capital after deductions	8,990	9,280	9,952

Key ratios

	H1 2024	H1 2023	FY 2023
Return on equity after tax (%)	3.4	3.4	8.1
Return on investment activities (%)	2.3	1.5	3.4
Common Equity Tier 1 capital ratio (%)	21.2	21.6	23.6
Internal capital adequacy requirement incl. combined capital buffer requirement (%)	13.4	13.4	13.3
Cost/income ratio (%)	19.9	28.4	25.4
Equity as a % of loan book	31.2	28.3	32.5
Loan impairment ratio for the period (%) (avg.)	(0.3)	(0.5)	(1.5)
Accumulated loan impairment charges as a % of loan book (end of period)	1.8	1.8	2.0
Weighted average loan-to-value ratio after loan impairment charges (%)	38	41	40
Proportion of loans covered within 60% of market value (%)	100	99	100
Net write-offs on loans as a % of avg. loan book	(0.2)	(0.3)	(1.3)

1) The link between income in the income statement and the business areas can be seen in note 3.
2) The link between loans in the balance sheet and the loan book can be seen in note 8.

Unless otherwise indicated, the key ratios have been calculated in accordance with requirements stipulated in the Danish FSA's executive order on financial reports for credit institutions and investment companies, etc. For definitions, see note 2 in Danish Ship Finance's annual report for 2023.

Management's *report*

The Board of Directors of Danish Ship Finance A/S has today considered the Interim Report for the first half of 2024. Danish Ship Finance A/S presents its financial statements in accordance with the rules set out in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (Executive Order on Financial Reports). The Interim Report has been reviewed by our auditors.[1]

Income statement

- Net profit for the period amounted to DKK 358 million, a satisfactory increase of 6% compared to the DKK 338 million reported for the first half of 2023.
- Net interest and fee income from lending in the period was DKK 230 million including pre-funding and hedging costs, up 16% compared to the first half of 2023. The increase was primarily due to extraordinary interest income from prior non-accrual loans.
- Interest income from investment activities for the first half of 2024 amounted to a net income of DKK 128 million, compared to DKK 100 million in the same period in 2023, reflecting a sustained normalisation of market interest rates.
- In total, net interest and fee income increased to DKK 359 million, up by DKK 60 million from DKK 299 million in the first half of 2023.
- Market value adjustment of securities and foreign exchange in the period generated a net income of DKK 113 million, up from DKK 74 million in the first half of 2023, primarily due to a positive result from investment activities.
- Loan impairment charges for the first half of 2024 were an income of DKK 106 million, against an income of DKK 181 million in the same period in 2023.
- Staff costs and administrative expenses totalled DKK 94 million, compared to DKK 106 million for the same period in 2023. The decrease was primarily driven by reversal of performance-based compensation provisions related to previous years.
- The cost/income ratio of 19.9% was significantly improved from the 28.4% reported for the same period last year, driven by the higher result from investment in the first half of 2024 and lower costs compared to the same period last year.

Balance sheet and capital structure

- Total assets amounted to DKK 62.4 billion as at 30 June 2024, against DKK 64.2 billion as at 31 December 2023.
- The loan book increased to DKK 33.5 billion as at 30 June 2024, from DKK 32.0 billion as at 31 December 2023. New loans of DKK 3.8 billion were disbursed in the period compared to DKK 6.6 billion in the same period last year. Loan repayments and prepayments amounted to DKK 3.3 billion. A higher USD/DKK exchange rate contributed positively by DKK 1.0 billion to the loan book measured in DKK. As at 30 June 2024, all loans were interest-bearing.
- The average loan book was up 1% compared to the same period in 2023.
- The total allowance account was reduced to DKK 0.6 billion as at 30 June 2024, from DKK 0.7 billion as at 31 December 2023.
- Issued bonds totalled DKK 43.2 billion as at 30 June 2024, a decrease of DKK 0.4 billion from 31 December 2023. Bond issuance in the first half of 2024 was DKK 4.0 billion. Bond maturities and own bond buybacks totalled DKK 4.2 billion.
- As at 30 June 2024 the total capital ratio of 21.2% remained robust, with a comfortable buffer to regulatory minimum requirements. Net profit for the first half of 2024, exclusive of expected dividend distribution, was recognised in Common Equity Tier 1 capital as at 30 June 2024. The capital ratio was 23.6% at year-end 2023.

1) The interim report has been reviewed in accordance with the review standard ISRE 2410 Review Of Interim Financial Information Performed By The Independent Auditor Of The Entity.

Business areas

Performance across the three main business areas resulted in total net income of DKK 473 million for the first half of 2024, an improvement of 26% compared to first half of 2023. Compared to the same period last year, net income from lending was DKK 13 million lower, while net income from the business areas funding and investment was higher with DKK 28 million from net funding income and DKK 84 million from net investment income, respectively.

Management commentary on income developments in each main business area can be found below.

Income by business area

DKK million[1]	H1 2024	H1 2023	FY 2023
Lending	209	222	435
Funding	32	4	12
Investments	232	148	347
Income	**473**	**374**	**794**

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

Lending

The lending activity comprises lending to ship owning clients, funded by issuance of ship covered bonds.

Net income from lending was down 7% to

Income, lending

DKK million	H1 2024	H1 2023	FY 2023
Net interest income	198	214	421
Net fees and commission	10	7	15
Income	**209**	**222**	**435**

DKK 198 million in the first half of 2024 compared with DKK 214 million for the same period in 2023. Net fees & commissions amounted to DKK 10 million in the first halt 2024, an increase of 43% compared to the first half of 2023.

The reduction in net interest income derived from lending is attributed to lower net margins, despite maintaining an average loan book of DKK 32.8 billion in the first half of 2024, in comparison to DKK 32.5 billion for the same period in 2023. The increase in Net fees & commission of DKK 3 million is primarily driven by an increase in commitment fees received on financings with long forward starts.

The credit quality across the loan book continued to be strong throughout the first half of 2024 with no loan defaults.

Funding

Funding activities consist of the issuance of ship covered bonds, with the proceeds warehoused until being disbursed to fund new lending to clients, buybacks of own bonds, and the net costs of hedging financial risks.

Income, funding

DKK million	H1 2024	H1 2023	FY 2023
Funding costs not covered	(2)	(15)	9
Warehousing	(19)	(8)	(40)
Non-business activities	52	27	42
Income	**32**	**4**	**12**

In total, income from funding activities increased by DKK 28 million year-on-year to a net income of DKK 32 million in the first half of 2024, up from DKK 4 million in the first half of 2023.

During the first half-year of 2024, bonds in the notional amount of DKK 4.0 billion were issued and own bonds in the amount of DKK 3.4 billion were repurchased, primarily shorter-dated bonds. This activity effectively extended the funding profile.

The net cost of warehousing pre-funding proceeds by investing in liquid AAA-rated government and covered bonds was DKK 19 million, representing an increase of DKK 11 million relative to the first half of 2023. The warehousing portfolio volume was higher than normal over the first half of 2024 as a result of large pre-payments in 2023 as well as early pre-positioning for large bond redemptions in January 2025. The warehousing portfolio had a present value of DKK 11.3 billion as at 30 June 2024.

Funding costs not covered resulted in a net loss of DKK 2 million in the first half of 2024. Non-business activities generated a profit of DKK 52 million in the first half of 2024. The majority of this relates to extraordinary interest recovered from non-accrual loans. Interest amounts saved due to prior buybacks of own bonds further contributed to the reported figure.

Investments

The investment activities consist of investment of the company's own funds, core equity and amounts held in the allowance account.

Income, investments

DKK million	H1 2024	H1 2023	FY 2023
Net interest income	128	100	189
MV adjustments	104	48	158
Income	**232**	**148**	**347**

Own funds are placed in high-grade bonds subject to limits set by the Board of Directors. The bond portfolio consists mainly of Danish AAA-rated government and covered bonds, some Northern European bonds with similar risk profiles, and associated hedges.

The investment portfolio performed well in the first half of 2024. Compared to the first half of 2023, the portfolio benefitted from higher money market interest rates as well as tightening of credit spreads and benign market conditions. The conservative investment approach was continued. The use of leverage increased somewhat compared to the first half of 2023.

Net income from investments in the first half-year was a profit of DKK 232 million, equal to an annualised return on invested capital of approximately 5%.

Sustainable finance

The shipping industry has to move towards net zero emissions over the coming decades. As a dedicated provider of financing to reputable shipowners, we are committed to supporting and promoting this transition. Under our strategy “Financing the Transition”, we strive to generate attractive shareholder returns through responsible lending while actively financing the industry’s transition to net zero.

In alignment with the International Maritime Organization’s (IMO) ambitious greenhouse gas strategy, our overarching goal is to achieve a net zero emission loan book by 2050. With upcoming EU regulations such as FuelEU Maritime and the integration of shipping into the EU Emission Trading System (ETS) from January 2024, we are confident that the industry will continue advancing on its journey towards more sustainable operations while eventually reaching its net zero emission target by 2050.

In the first half of 2024, we continued to push for new loans to include sustainability incentives, encouraging borrowers to achieve specific sustainability goals by linking the loan margin directly to the borrower’s ability to meet predefined sustainability targets. In the first half of 2024, 34% of new lending incorporated sustainability incentives, an increase from 24% of loan disbursed in 2023. While we have not yet reached our target of 50% for this year, we are actively working to increase participation while engaging in active discussions with our clients to promote sustainability-linked financing. Although the margin incentives may still be modest in absolute amounts, they provide an incentive and reward for ship owners moving towards net zero in line with established trajectories, including the revised Poseidon Principles trajectory.

Furthermore, this year, we have committed to investing a minimum of 10% of our investment portfolio in sustainable bonds. As of 30 June 2024, sustainable bonds account for 13% of our investment portfolio.

Our direct impact

In line with our commitment to sustainability, we have reorganised our internal resources to better leverage our data capabilities and our understanding of the shipping markets for informed decision-making on sustainability matters.

We are actively preparing to comply with the new reporting requirements of the Corporate Sustainability Reporting Directive (CSRD). We are subject to the CSRD with the reporting for the financial year 2025, to be published in early 2026.

In 2024, we will conduct a comprehensive double materiality assessment. This will enhance our understanding of key ESG risks and opportunities, ensuring that our sustainability strategy is robust and aligned with stakeholder expectations.

We target gender diversity in leadership positions and at the Board level. The percentage of women in leadership roles has decreased slightly, with 36% representation in the first half of 2024, compared to 42% at the end of 2023.

Finally, we purchase sustainable aviation fuel (SAF) to offset part of our “own” emissions. We consider this a meaningful way to compensate for these emissions, which we recognise as part of our relationship-driven and client-centric business model. We commit to compensating for 5% of our estimated own total emissions, equivalent to 8 tonnes of CO_2e for the first half of 2024.

Sustainable finance targets

2024	>50% of new lending is sustainability-linked and/or supports the sustainable transition ***Status:*** *34%*
2024	>10% of investing portfolio in sustainable bonds ***Status:*** *13%*
2025	Loan portfolio is fully aligned with the Poseidon Principles trajectories ***Status:*** *in progress*
2026	New loans only to clients who are actively engaged in the sustainable transition ***Status:*** *in progress*

Our direct impact targets

2024	Reduce our own direct climate impact by at least 5% annually ***Status:*** *5%*
2025	12.5% of board members to be of the underrepresented gender ***Status:*** *0%*
2026	40% of leadership positions to be held by the underrepresented gender ***Status:*** *36%*

The shipping market

The global economy has, so far, remained remarkably resilient as inflation gradually returns to target levels in many countries. Growth is projected to hold steady at around 3.2% in 2024 and 3.3% 2025, while global inflation is expected to decline from 6.7% in 2023 to 5.9% in 2024 and 4.4% in 2025.

However, numerous challenges persist. The reduction in global inflation rates has primarily been driven by a decline in energy prices and goods inflation. Still, price inflation in services remains stubbornly high, which could disrupt the disinflation path. Furthermore, global growth also masks diverging trends. The US economy has shown exceptional performance with resilient consumption and investment activity, while the EU and China are struggling with slower growth and enduring structural issues.

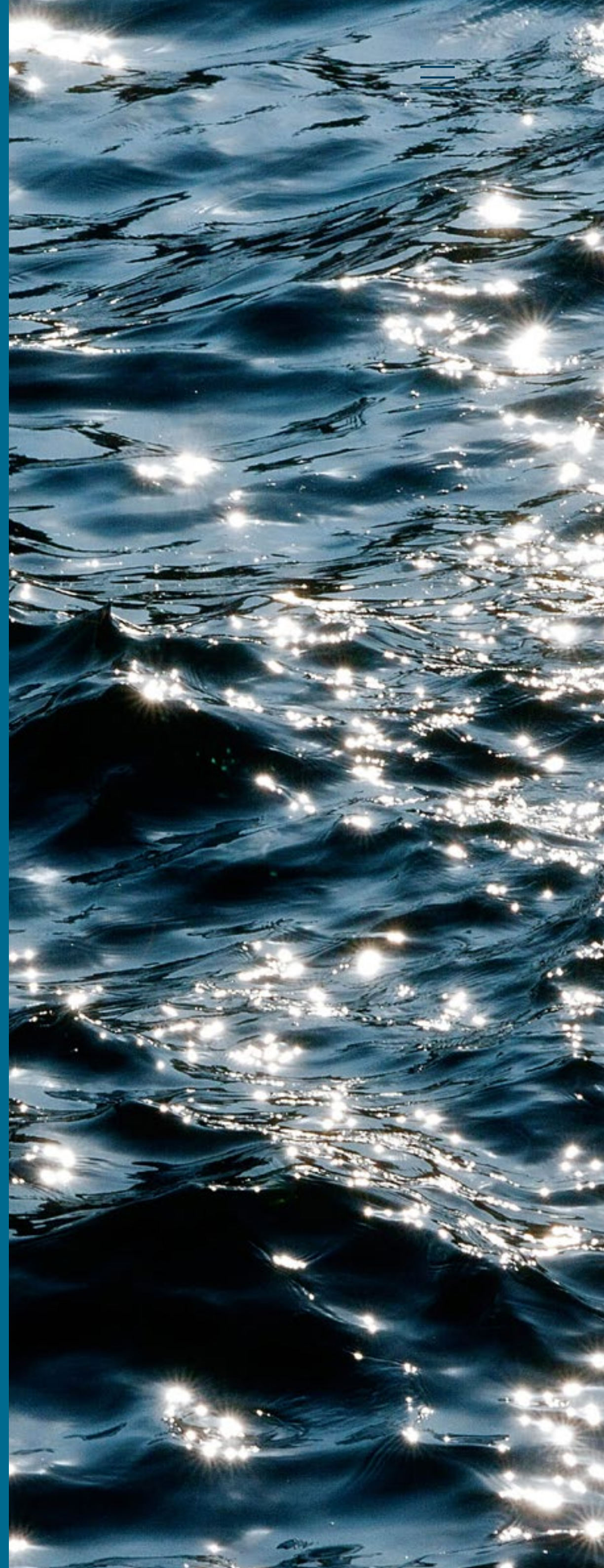
Geopolitical tensions pose a risk to the global economy, causing the world to become more fragmented. Western countries continue to impose sanctions against Russia, which could further impact the global supply of commodities, such as oil, gas, steel products, fertilizers etc.. There is also a risk that the ongoing conflict between Israel and Palestine will escalate into a broader conflict in the Middle East while already having caused widespread consequences for ships transiting through the Suez Canal.

Tensions between China and the West have also materialised, with the EU and the US imposing protectionist measures against China.

The WTO expects world trade volumes to grow by 2.6% in 2024 and 3.3% in 2025.

Shipping markets often benefit from geopolitical tensions, sanctions and climate-related disruptions, as these tend to create infrastructural inefficiencies, resulting in longer travel distances that more than outweigh any decline in global GDP. Attacks in the Red Sea have prompted many shipowners to reroute vessels around the Cape of Good Hope. Low water levels in the Panama Canal have limited the number of transits through the Canal (although water levels in the Panama Canal have started to rise in recent weeks). These factors have led to higher freight rates in several shipping segments. Still, the increased travel distances are also expected to have a negative impact on the shipping sector's environmental footprint.

The ClarkSea Index, which measures average earnings across the main shipping segments, showed growth of 6% year-on-year in the first half of 2024, to USD 25,500 per day. Increasing freight rates in the Container and Dry Bulk segments contributed positively. The secondhand price index increased by 18% year-on-year during the same period.

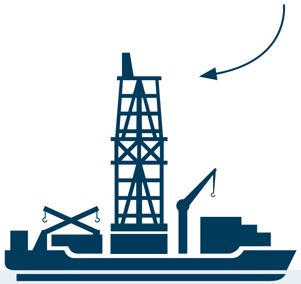


DRY BULK

The Dry Bulk market had a solid start to the year, driven by robust iron ore trade, which notably increased demand for larger Dry Bulk vessels. The disruptions at the Suez and Panama canals have further supported the market. Market fundamentals will likely be supported by positive supply-side dynamics, as a low orderbook will limit fleet growth for some time. However, the demand side remains uncertain – particularly for larger vessels. The weakening Chinese property sector may have a negative impact on seaborne iron ore trade. Furthermore, ongoing investments in renewable energy are expected to impact coal demand in the long term structurally.

OFFSHORE

The Offshore market continued its upward trajectory in the first half of 2024, with firm day rates as a result of increased demand, constrained vessel supply and a supportive energy price environment. Average freight rates are still on par with – or above – 2014 pre-crisis values across most subsegments. Strong investments in Offshore-related activities indicate confidence in a prolonged market upcycle. Sustained optimism in the Offshore market is also backed by the vessel supply side, characterised by a low orderbook and an ageing fleet. The bright outlook for the Offshore market is expected to gain further support from investments in the offshore wind industry, albeit inflationary pressures in the US and UK may ease growth in the near-term.

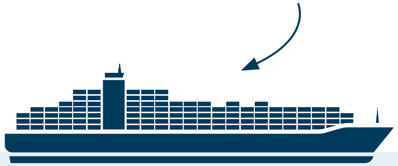


OIL TANKERS

In the first half of 2024, Oil Tanker earnings rose from already elevated levels, with rates currently at or near all-time highs. The reshuffling and rerouting of trade routes prompted by sanctions on Russian barrels, the Red Sea conflict, voluntary OPEC+ cuts, and limited fleet growth have kept fleet utilisation and freight rates firm. Steady volumes and supportive supply-side fundamentals are expected to keep earnings robust in the short to medium term. Meanwhile, the long-term outlook is burdened by expectations of slowing global oil demand growth.

CONTAINER

The Container market has received a short-term boost from disruptions at two of the world's key maritime chokepoints, the Panama Canal and the Suez Canal. Low water levels in the Panama Canal and geopolitical tensions in the Red Sea have intermittently tightened supply chains and almost doubled box rates in the past six months. However, surplus vessel capacity is expected to grow structurally in the coming years, as a massive number of vessels are scheduled to be delivered from 2024 onwards and as global supply chains normalise. This will likely impact freight rates and asset prices negatively.



GAS CARRIERS

Global seaborne gas demand has seen an uptick in 2024. This, along with vessel supply disruptions and geopolitical tensions, kept rates at elevated levels in the first half of 2024. Additionally, gas demand is expected to increase in the short to medium term. Overcapacity looms on the horizon, with large orderbooks continuing to weigh on the outlook. If demand projections are not met, this may create periods of increased freight rate volatility in the latter half of this year.

RO-RO/FERRIES

The Ro-Ro and Ferry markets experienced strong and stable freight rates in the first half of 2024. The supply side looks manageable for the two segments, owing to the positive rebalancing potential. The Car Carrier market experienced a decline in freight rates for the first time since 2020 due to high fleet growth and easing port congestion. In addition, the US and the EU have imposed high import tariffs on Chinese electric cars, which may dampen growth in the seaborne car trade.

"The global economy has, so far, remained remarkably resilient as inflation gradually returns to target levels in many countries."

"The WTO expects growth in world trade volumes of 2.6% in 2024 and 3.3% in 2025."

Competition

The shipping markets remained generally strong into the first half of 2024, and many shipowners continued the trend of strengthening their balance sheets by deleveraging, although not to the same extent as witnessed in 2023. The strong competition in the ship finance market has been amplified by the shrinking loan books, and consequently credit spreads tightened even further in the first half of 2024.

The increase in the orderbook across segments should drive up demand for ship financing. Furthermore, the implementation of Basel IV for primarily western shipping banks should have a positive impact on margins, seen from a lender's perspective. However, we still believe competition in ship finance will remain strong across the various sources of capital.

Sustainability continues to play an important role in shipping, as well as ship finance. Focus on financing the green transition is changing the landscape, with the result that financing vessels that meet environmental targets and reduce financed emissions are increasingly being prioritised. We believe this trend will continue and that it could create business opportunities for both shipowners and ship finance providers. As such, we will continue to focus on introducing sustainability measures into our loan transactions and supporting our clients on their decarbonisation journeys.

Impact of USD on the income statement

The USD/DKK exchange rate for the first half of 2024 averaged 6.89, compared with 6.90 for the same period in 2023. All else being equal, this had a negative impact of DKK 1 million on net interest and fee income in the period. As parts of net interest and fee income in USD were hedged during the comparison period, the net effect is not this exact figure.

The USD/DKK exchange rate of 6.97 as at 30 June 2024 was on the same level as the USD/DKK exchange rate of 6.97 as at 31 December 2023, hence it had no material impact on the loan impairment charges in the first half of 2024.

Events since the balance sheet date

On 10 July 2024, Danish Ship Finance Holding A/S underwent a change in ownership. Magellan Capital Holdings PLC acquired the shares in Danish Ship Finance Holding A/S from the pension funds PFA and PKA, the private equity firm Axcel, and the minority shareholders. Through this transaction, Magellan Capital Holdings PLC has acquired a majority stake in Danish Ship Finance A/S. Axcel will retain a minority stake for up to two years to ensure a smooth ownership transition. A small number of other minority holders own less than 0.1% of the company and the Danish Maritime Fund maintain its 10% shareholding in Danish Ship Finance A/S through ownership of all B-shares.

Following the change in ownership Michael Nellemann Pedersen, Henrik Sjøgren and Anders Damgaard resigned as members of the board of directors and Ahmed Omar Mohamed Abdelmonem and Omar Elali was elected as new members of the board of directors at an extraordinary general meeting on 11 July 2024.

An extraordinary dividend of DKK 1,164 million was declared by the board of directors and paid to the shareholders on 11 July 2024. The dividend reduced retained earnings in Danish Ship Finance A/S accordingly.

Pursuant to the merger plan as of 31 March 2024, the merger between Danish Ship Finance A/S, as the continuing company, and Danish Ship Finance Holding, as the discontinuing company, was adopted at an extraordinary general meeting on 12 July 2024. The merger takes accounting effect from 1 January 2024 and has been implemented according to the succession principle. The merger of the two companies has a positive impact on the equity in Danish Ship Finance A/S.

No events other than those described above, occurred in the period up to the presentation of the Interim Report 2024 which materially affect the financial position of Danish Ship Finance A/S.

Outlook for the second half of 2024

Taking stock at the mid-point of the year, we maintain positive on the business outlook for Danish Ship Finance.

At year-end 2023, we guided to a full year 2024 net profit for Danish Ship Finance in the range of DKK 400 million to DKK 500 million.

Our financial expectations for the full year are well supported by the first half-year result. The outlook for the second half of 2024 is underpinned by a still-benign shipping environment, our very solid loan portfolio credit quality, and the expected investment income under normalised market interest rates.

Operating performance on its own supports raising our full year net profit guidance for Danish Ship Finance A/S by approximately DKK 100 million. Financial effects from the July 2024 merger of Danish Ship Finance Holding A/S with Danish Ship Finance A/S impact the Danish Ship Finance A/S net result negatively by a similar amount. Considering all these elements, we maintain our net profit guidance for the full year 2024 in the range of DKK 400 million to DKK 500 million.

Full-year net profit may come in at the high end of the guidance range if new lending activity were to accelerate in the coming months, credit quality remains benign, and interest rates remain at, or close to, current levels.

Our credit outlook for the second half of 2024 remains favourable, supported by still-strong overall vessel values and prudent financial management by shipowners. We expect the few remaining problem loans to reduce over time.

The market outlook for most major shipping segments remains supportive in the near term.

Orderbooks are generally well balanced in a historical context, but low growth in seaborne trade volumes may raise the need to retire older vessels. When the Red Sea situation normalises, the Container segment will be severely challenged by the amount of new capacity being delivered, particularly large container vessels. Environmental regulation is likely to cause older and less efficient vessels to slow stream or retire prematurely which supports a balanced medium-term market outlook.

Our operations remain well capitalised, even after planned upcoming shareholder distributions, making us comfortably able to support our clients and giving us ample ability to grow the loan book.

Our baseline scenario remains benign, founded on our assessment of the current market environment. External factors could yet change this assessment. In the box on the next page, we outline sensitivities to our outlook. This list is not exhaustive.

Overall, we remain optimistic that our strategy, supported by very robust solvency and liquidity, gives us the ability to continue growing in a sustainable manner.

RISKS TO THE FULL-YEAR OUTLOOK

The business outlook remains subject to market factors and elements beyond our direct control.

Sharply increased geopolitical tensions or a large-scale conflict, or recessionary economic and financial conditions could challenge our expectations for the second half-year.

Uncertainties related to global politics, conflicts, epidemics, macroeconomics and global trade may impact shipping markets. Unexpected credit or market events could lead to negative credit performance and may cause a reassessment of the business outlook.

Forecast loan volumes and income from lending remain subject to clients' need for secured financing. Temporary periods of supra-normal profits in key shipping segments may lower loan demand, however any impact on current-year net profit is likely be relatively muted. Loan demand measured in DKK is also subject to fluctuations in currency rates, in particular the USD against the DKK.

Adverse conditions in financial markets, in particular Danish and European primary and secondary bond markets, and interest rate and foreign exchange markets, may affect financial performance. Our mostly AAA-rated investment portfolio is exposed to temporary mark-to-market losses in adverse financial market conditions. A significant deterioration of fixed income market conditions could put at risk our expectations for the remainder of the year and business outlook.

Statement *by Management*

The Board of Directors and the Executive Board have today considered and approved the Interim Report of Danish Ship Finance A/S for the period 1 January - 30 June 2024.

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

In our opinion, the interim financial statements give a true and fair view of the company's assets, liabilities and financial position as at 30 June 2024 and the results of the company's activities for the period 1 January - 30 June 2024.

Further, in our opinion, the Management's Report contains a fair review of developments in the activities and financial position of the company and describes the significant risks and uncertainty factors that may affect the company.

Copenhagen, 26 August 2024

Executive Board

Erik Ingvar Lassen
Chief Executive Officer

Lars Jebjerg
Chief Financial Officer

Board of Directors

Eivind Drachmann Kolding
(Chairman)

Ahmed Omar Mohamed Abdelmonem
(Vice Chairman)

Peter Nyegaard
(Vice Chairman)

Marcus Freuchen Christensen

Omar Elali

Henriette Søgaard Fabricius

Povl Christian Lütken Frigast

Thor Jørgen Guttormsen

Andreas Hertz-Poulsen

Jacob Balslev Meldgaard

Christopher Rex

Independent *auditor's report*

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

We have reviewed the interim financial statements of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the period 1 January – 30 June 2024, which comprise income statement, balance sheet, statement of changes in equity, and notes including accounting policies. The interim financial statements are prepared in accordance with the Danish Financial Business Act.

Management's responsibilities for the interim financial statements
Management is responsible for the preparation of interim financial statements that give a true and fair view in accordance with the Danish Financial Business Act and for such internal control as Management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities
Our responsibility is to express a conclusion on the interim financial statements. We conducted our review in accordance with the International Standard on Review Engagement of Interim Financial Information Performed by the Independent Auditor of the Entity and additional requirements applicable in Denmark.

This requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with the Danish Financial Business Act. This standard also requires us to comply with relevant ethical requirements.

A review conducted in accordance with the International Standard on Review of Interim Financial Information Performed by the Independent Auditor of the Entity is a limited assurance engagement. The auditor performs procedures primarily consisting of making enquiries of Management and others within the Company, as appropriate, applying analytical procedures and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those in an audit conducted in accordance with the International Standards on Auditing. Accordingly, we do not express an audit opinion on the interim financial statements.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not give a true and fair view of the financial position of the Company at 30 June 2023 and of the results of the Company's operations for the period 1 January – 30 June 2024 in accordance with the Danish Financial Business Act.

Frederiksberg, 26 August 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard
State Authorised
Public Accountant
mne28632

Thomas Hjortkjær Petersen
State Authorised
Public Accountant
mne33748

Income statement

NOTE	DKK million	H1 2024	H1 2023	FY 2023
	Interest income	4,319	1,625	5,023
	Interest expenses	(3,970)	(1,333)	(4,421)
	Net interest income [1]	**348**	**291**	**602**
	Fee and commission income	10	7	15
	Net interest and fee income	**359**	**299**	**617**
4	Market value adjustments	113	74	175
	Other operating income	1	1	2
	Staff costs and administrative expenses	(94)	(106)	(201)
	Depreciation and impairment of property, plant and equipment	(1)	(1)	(1)
7	Loan impairment charges	106	181	506
	Profit before tax	**484**	**448**	**1,097**
	Tax	(126)	(110)	(278)
	Net profit for the period	**358**	**338**	**818**
	Comprehensive income for the period	**358**	**338**	**818**

1) A DKK 0.0 million component of interest income reflects negative interest rates in the 1st half of 2024 (1st half of 2023: DKK 0.0 million) and a DKK 0.1 million component of interest expenses reflect negative interest rates in the 1st half of 2024 (1st half of 2023: DKK 0.8 million).

Balance sheet

NOTE	DKK million	At 30 Jun 2024	At 30 Jun 2023	At 31 Dec 2023
	ASSETS			
	Due from credit institutions and central banks	757	2,320	2,818
5,6	Loans and other receivables at amortised cost	32,775	34,298	31,187
	Bonds at fair value	21,195	13,915	21,155
	Bonds at amortised cost	4,323	4,941	4,963
	Shares	0	100	0
	Land and buildings			
	Domicile properties	449	364	421
	Other tangible assets	7	6	8
	Current tax assets	104	-	326
	Deferred tax assets	14	121	79
	Other assets	2,811	2,851	3,271
	Total assets	**62,433**	**58,916**	**64,228**

NOTE	DKK million	At 30 Jun 2024	At 30 Jun 2023	At 31 Dec 2023
	LIABILITIES AND EQUITY			
	Liabilities			
	Due to credit institutions and central banks	5,612	4,606	6,249
9	Issued bonds at amortised cost	43,183	40,281	43,595
	Current tax liabilities	-	507	310
	Other liabilities	3,152	3,571	3,620
	Total liabilities	**51,947**	**48,964**	**53,774**
	Provisions			
	Other provisions	41	26	47
	Total provisions	**41**	**26**	**47**
10	**Equity**			
	Share capital	333	333	333
	Tied-up reserve capital	8,343	8,343	8,343
	Revaluation reserves	70	70	70
	Retained earnings	1,699	1,180	1,341
	Proposed dividends for the financial period	-	-	320
	Total equity	**10,445**	**9,926**	**10,407**
	Total liabilities and equity	**62,433**	**58,916**	**64,228**
	Off-balance sheet items			
	Other contingent liabilities	3,224	2,282	3,093
	Total off-balance sheet items	**3,224**	**2,282**	**3,093**

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 2023	**333**	**8,343**	**70**	**842**	**167**	**9,755**
Dividends paid for the financial year 2022	-	-	-	-	(167)	(167)
Comprehensive income	-	-	-	338	-	338
Equity as at 30 June 2023	**333**	**8,343**	**70**	**1,180**	**-**	**9,926**
Comprehensive income	-	-	-	161	320	481
Equity as at 31 December 2023	**333**	**8,343**	**70**	**1,341**	**320**	**10,407**
Dividends paid for the financial year 2023	-	-	-	-	(320)	(320)
Comprehensive income	-	-	-	358	-	358
Equity as at 30 June 2024	**333**	**8,343**	**70**	**1,699**	**-**	**10,445**

The Danish Maritime Fund has a right to receive 15% of the Net profit for the financial year in mandatory preferred dividend, which can however amount to no more than 1% of the tied-up reserve capital in Danish Ship Finance A/S. The mandatory dividend is proposed at year end based on the Net profit.

List of notes

NOTE 1 ACCOUNTING POLICIES

The Interim Report has been prepared in accordance with the Danish Financial Business Act, including the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (Executive Order on Financial Reports).

The interim financial statements are presented in Danish kroner (DKK), which is the functional currency of DSF and rounded to nearest million, unless otherwise stated.

The accounting policies are unchanged from the policies applied in the Annual Report 2023. Note 1 in the Annual Report 2023 provides a detailed description of the accounting policies, including the definitions of the ratios used, which are calculated in accordance with the definitions laid down in the Executive Order on Financial Reports.

The preparation of the interim financial statements is based on Management's estimates and judgments of future events that may significantly affect the carrying amounts of assets and liabilities. As was the case in the Annual Report 2023, the amounts most influenced by critical estimates in the Interim Report are the fair value of financial instruments as well as measurement and impairment of loans.

NOTE 2 KEY FIGURES

DKK million	H1 2024	H1 2023	FY 2023
Net interest income	348	291	602
Net interest and fee income	359	299	617
Market value adjustments	113	74	175
Staff costs and administrative expenses	(94)	(106)	(201)
Loan impairment charges	106	181	506
Profit before tax	484	448	1,097
Net profit for the period	358	338	818
Loans and other receivables at amortised cost	32,775	34,298	31,187
Bonds	25,517	18,856	26,118
Total equity	10,445	9,926	10,407
Total assets	62,433	58,916	64,228

NOTE 2 CONTINUED KEY RATIOS

DKK million	H1 2024	H1 2023	FY 2023
Common Equity Tier 1 capital ratio (%)	21.2	21.6	23.6
Tier 1 capital ratio (%)	21.2	21.6	23.6
Total capital ratio (%)	21.2	21.6	23.6
Return on equity before tax (%) [1]	4.6	4.6	10.9
Return on equity after tax (%) [1]	3.4	3.4	8.1
Income/cost ratio (including loan impairment charges)	(41.5)	(5.0)	(2.6)
Income/cost ratio (excluding loan impairment charges)	5.0	3.5	3.9
Foreign exchange position (%)	4.5	4.8	4.3
Gearing of loans	3.1	3.5	3.0
Growth in lending for the period (%)	5.1	0.8	(8.4)
Loan impairment ratio for the period (%)	(0.3)	(0.5)	(1.6)
Accumulated loan impairment charges as a % of loan book	1.8	1.8	2.0
Rate of return on assets (%)	0.6	0.6	1.3

1) Return on equity is calculated as profit for the period as a percentage of average equity hence biannual ratio is not comparable to annual ratio.

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

H1 2024 **DKK million**

NOTE 3 RECONCILIATION OF BUSINESS AREAS

Business areas		Net interest income, lending	Net interest income, investment activities	Fees and commission	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	**198**	198							0	
Net fees and commission	**10**			10						
Funding										
Funding costs not covered	**(2)**	(8)			7					
Warehousing	**(19)**	(28)			9					
Non-business activities	**52**	58			(7)	1				
Investments										
Net interest income	**128**		128							
MV adjustments	**104**				104					
Total income	**473**	220	128	10	113	1	-	-	0	-
Staff costs and adm. expenses	**(95)**						(94)	(1)		
Loan impairment charges before reclassification of interest	**106**								106	
Profit before tax	**484**									484
	Total	**220**	**128**	**10**	**113**	**1**	**(94)**	**(1)**	**106**	**484**

H1 2023 **DKK million**

NOTE 3 CONTINUED RECONCILIATION OF BUSINESS AREAS

Business areas		Net interest income, lending	Net interest income, investment activities	Fees and commission	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	**214**	214							-	
Net fees and commission	**7**			7						
Funding										
Funding costs not covered	**(15)**	(18)			3					
Warehousing	**(8)**	(25)			16					
Non-business activities	**27**	19			7	1				
Investments										
Net interest income	**100**		100							
MV adjustments	**48**				48					
Total income	**374**	191	100	7	74	1	-	-	-	-
Staff costs and adm. expenses	**(107)**						(106)	(1)		
Loan impairment charges before reclassification of interest	**181**								181	
Profit before tax	**448**									448
	Total	**191**	**100**	**7**	**74**	**1**	**(106)**	**(1)**	**181**	**448**

FY 2023 **DKK million**

NOTE 3 CONTINUED

RECONCILIATION OF BUSINESS AREAS

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

NOTE 4 MARKET VALUE ADJUSTMENTS

DKK million	H1 2024	H1 2023	FY 2023
Market value adjustment of bonds at fair value	(6)	29	347
Market value adjustment of shares	(2)	-	-
Exchange rate adjustments	1	(2)	(4)
Market value adjustment of derivatives	120	47	(167)
Total market value adjustments	**113**	**74**	**175**

NOTE 5 LOANS AT AMORTISED COST

DKK million	At 30 Jun 2024	At 30 Jun 2023	At 31 Dec 2023
As at 1 January	31,187	34,029	34,029
Additions	3,766	6,622	9,240
Ordinary repayments and redemptions	(2,175)	(2,301)	(4,440)
Extraordinary repayments	(1,119)	(3,550)	(7,534)
Net change concerning revolving credit facilities	109	(105)	650
Exchange rate adjustment of loans	967	(487)	(855)
Change in amortised cost	12	(8)	(4)
Depreciation, amortisation and impairment	26	98	102
At the end of the period	**32,775**	**34,298**	**31,187**
Gross loans at exchange rates at the balance sheet date	33,373	34,926	31,812
Accumulated loan impairment charges	(598)	(629)	(624)
Total loans	**32,775**	**34,298**	**31,187**
Total loans			
Loans at fair value	33,018	34,141	31,221
Loans at amortised cost	32,775	34,298	31,187

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

NOTE 6 NON-PERFORMING LOANS

DKK million	At 30 Jun 2024	At 30 Jun 2023	At 31 Dec 2023
Impaired loans (DSF Rating 11)			
Loans subject to forbearance or otherwise impaired, gross	643	1,172	903
Accumulated loan impairment charges	(276)	(438)	(406)
Impaired loans, net	**367**	**734**	**497**
Defaulted loans (DSF Rating 12)			
Loans in default, gross	-	-	-
Accumulated loan impairment charges	-	-	-
Defaulted loans, net	**-**	**-**	**-**
Non-performing loans, gross (NPL)	**643**	**1,172**	**903**
Non-performing loans, net (net NPL)	**367**	**734**	**497**
NPL ratio	**1.9%**	**3.3%**	**2.8%**
Net NPL ratio	**1.1%**	**2.1%**	**1.6%**

NPL ratio definition: NPL divided by loan book.

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

Note 8 provides detailed information on loan-to-value intervals for the total loan book and for non-performing loans.

NOTE 7 LOAN IMPAIRMENT CHARGES

DKK million	At 30 Jun 2024	At 30 Jun 2023	At 31 Dec 2023
The following loan impairment charges/loss allowances were made on loans/credit commitments			
Accumulated loan impairment charges	598	629	624
Accumulated loss allowances for credit commitments	41	26	47
Total	**639**	**655**	**672**
As a % of the loan book			
Accumulated loan impairment charges	1.8	1.8	2.0
Total	**1.8**	**1.8**	**2.0**
Reconciliation of total allowance account			
As at 1 January	672	736	736
New loan impairment charges/loss allowances	137	324	176
Reversal of loan impairment charges/loss allowances	(170)	(405)	(239)
Gross write-offs debited to the allowance account	-	-	0
Total	**639**	**655**	**672**
Loan impairment charges for the period			
New loan impairment charges/loss allowances	(137)	(324)	(176)
Reversal of loan impairment charges/loss allowances	170	405	239
Reclassification of interest	0	0	1
Recovery on loans previously written off	73	100	442
Loan impairment charges	**106**	**181**	**506**

NOTE 8 CREDIT RISK

DKK million	At 30 Jun 2024	At 30 Jun 2023	At 31 Dec 2023
Reconciliation of loans and guarantees (loan book)			
Balance sheet			
Loans at amortised cost	32,775	34,298	31,187
Other receivables	156	172	169
Accumulated loan impairment charges	598	629	624
Total balance sheet items	**33,529**	**35,098**	**31,980**
Total guarantees	**-**	**-**	**-**
Total loans and guarantees	**33,529**	**35,098**	**31,980**
Reconciliation of other contingent liabilities			
Credit commitments	3,224	2,282	3,093
Total other contingent liabilities	**3,224**	**2,282**	**3,093**
Reconciliation of financial exposure			
Due from credit institutions and central banks	757	2,320	2,818
Bonds	25,517	18,856	26,118
Shares	0	100	0
Derivatives	2,301	2,391	2,711
Total financial exposure	**28,576**	**23,667**	**31,647**
Total credit risk from loans, guarantees, credit commitments and financial exposures	**65,329**	**61,047**	**66,720**

NOTE 8 CONTINUED

RATING CATEGORY BREAKDOWN

The 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 30 Jun 2024	Loans and guarantees 30 Jun 2023	Loans and guarantees 31 Dec 2023
1 - 2	-	-	-
3 - 4	6,238	7,307	6,186
5 - 6	15,037	16,148	13,760
7 - 8	11,611	10,471	11,132
9 - 10	-	-	-
11 (impaired)	643	1,172	903
12 (default)	-	-	-
Total	**33,529**	**35,098**	**31,980**

DKK million

NOTE 8 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 30 Jun 2024
1	-	-	-	-
2	-	-	-	-
3	2,073	-	-	2,073
4	4,165	-	-	4,165
5	6,046	-	-	6,046
6	8,991	-	-	8,991
7	10,017	-	-	10,017
8	1,594	-	-	1,594
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	643	643
12 (default)	-	-	-	-
Total	**32,887**	**-**	**643**	**33,529**

DKK million

NOTE 8 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 30 Jun 2024
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	1,102	-	-	1,102
7	2,086	-	-	2,086
8	35	-	-	35
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	**3,224**	**-**	**-**	**3,224**

DKK million

NOTE 8 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 30 Jun 2023
1	-	-	-	-
2	-	-	-	-
3	2,040	-	-	2,040
4	5,268	-	-	5,268
5	6,667	-	-	6,667
6	9,481	-	-	9,481
7	8,847	-	-	8,847
8	1,625	-	-	1,625
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	1,172	1,172
12 (default)	-	-	-	-
Total	**33,927**	**-**	**1,172**	**35,098**

DKK million

NOTE 8 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 30 Jun 2023
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	911	-	-	911
7	1,181	-	-	1,181
8	190	-	-	190
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	**2,282**	**-**	**-**	**2,282**

DKK million

NOTE 8 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 31 Dec 2023
1	-	-	-	-
2	-	-	-	-
3	2,007	-	-	2,007
4	4,178	-	-	4,178
5	4,448	-	-	4,448
6	9,313	-	-	9,313
7	10,234	-	-	10,234
8	898	-	-	898
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	903	903
12 (default)	-	-	-	-
Total	**31,078**	**-**	**903**	**31,980**

DKK million

NOTE 8 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 31 Dec 2023
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	846	-	-	846
7	1,904	-	-	1,904
8	343	-	-	343
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	**3,093**	**-**	**-**	**3,093**

DKK million

NOTE 8 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 2024	266	-	406	672
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	137	-	-	137
Reversal of loan impairment charges/ loss allowances	(40)	-	(130)	(170)
Gross write-offs for the period	-	-	-	-
Total ECL allowance account as at 30 June 2024	**363**	**-**	**276**	**639**
Of which:				
- Accumulated loan impairment charges	322	-	276	598
- Accumulated loss allowances for credit commitments	41	-	-	41
Of which:				
- Management judgments	-	-	25	25
- Management overlays	75	-	-	75

DKK million

NOTE 8 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 2023	210	12	514	736
Transferred to Stage 1 during the period	12	(12)	-	-
Transferred to Stage 2 during the period	-	-	-	-
Transferred to Stage 3 during the period	-	-	-	-
New loan impairment charges/loss allowances	59	-	266	324
Reversal of loan impairment charges/ loss allowances	(63)	-	(342)	(405)
Gross write-offs for the period	-	-	-	-
Total ECL allowance account as at 30 June 2023	**217**	**-**	**438**	**655**
Of which:				
- Accumulated loan impairment charges	191	-	438	629
- Accumulated loss allowances for credit commitments	26	-	-	26
Of which:				
- Management judgments	-	-	50	50
- Management overlays	-	-	-	-

DKK million

NOTE 8 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 2023	210	12	514	736
Transferred to Stage 1 during the period	12	(12)	-	-
Transferred to Stage 2 during the period	-	-	-	-
Transferred to Stage 3 during the period	-	-	-	-
New loan impairment charges/loss allowances	125	-	50	176
Reversal of loan impairment charges/ loss allowances	(81)	-	(158)	(239)
Gross write-offs for the period	-	-	-	-
Total ECL allowance account as at 31 December 2023	**266**	**-**	**406**	**672**
Of which:				
- Accumulated loan impairment charges	219	-	406	624
- Accumulated loss allowances for credit commitments	47	-	-	47
Of which:				
- Management judgments	-	-	75	75
- Management overlays	-	-	-	-

DKK million

NOTE 8 CONTINUED

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

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

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

The Risk Report 2023 provides more detailed information.

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

Credit risk mitigation
All loans are granted against a first line 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 5.1% on average in the first half of 2024.

NOTE 8 CONTINUED

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

Loan-to-value interval	Share of loans 30 Jun 2024	Share of loans 30 Jun 2023	Share of loans 31 Dec 2023
0 - 20 %	56%	53%	53%
20 - 40 %	37%	39%	39%
40 - 60 %	6%	7%	8%
60 - 80 %	0%	1%	0%
80 - 90 %	0%	0%	0%
90 - 100 %	0%	0%	0%
Over 100 %	0%	0%	0%

The table above shows that as at 30 June 2024 100% (31 December 2023: 100%) of all loans were secured within 60% of the market value of the mortgage.

The weighted loan-to-value ratio on the loan book after loan impairment charges was 38% (31 December 2023: 40%).

NOTE 8 CONTINUED

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

Loan-to-value interval	Share of loans 30 Jun 2024	Share of loans 30 Jun 2023	Share of loans 31 Dec 2023
0 - 20 %	69%	59%	63%
20 - 40 %	31%	40%	37%
40 - 60 %	0%	1%	0%
60 - 80 %	0%	0%	0%
80 - 90 %	0%	0%	0%
90 - 100 %	0%	0%	0%
Over 100 %	0%	0%	0%

The table above shows that as at 30 June 2024 100% (31 December 2023: 100%) of non-performing loans were secured within 60% of the market value of the mortgage.

The weighted average loan-to-value ratio for non-performing loans after loan impairment charges was 29% (31 December 2023: 32%).

NOTE 9 ISSUED BONDS AT AMORTISED COST

DKK million	At 30 Jun 2024	At 30 Jun 2023	At 31 Dec 2023
As at 1 January	43,595	41,402	41,402
Additions in connection with pre-issuance	3,955	6,558	15,971
Amortisation of cost	76	1	55
Adjustment for hedge accounting	(302)	(34)	(141)
Exchange rate adjustment	5	10	13
Own bonds	22	20	(622)
Ordinary and extraordinary redemptions	(4,168)	(7,676)	(13,082)
At the end of the period	**43,183**	**40,281**	**43,595**
Specification of issued bonds			
Bonds issued in DKK			
Bullet bonds	35,036	35,379	35,507
Amortising CIRR bonds	-	29	-
Total Danish bonds	**35,036**	**35,408**	**35,507**
Bonds issued in foreign currency			
Bullet bonds	10,859	6,799	10,798
Total bonds issued in foreign currency	**10,859**	**6,799**	**10,798**
Own bonds	(2,711)	(1,926)	(2,710)
Total issued bonds	**43,183**	**40,281**	**43,595**

NOTE 10 EQUITY

DKK million	At 30 Jun 2024	At 30 Jun 2023	At 31 Dec 2023
Share capital			
A shares	300	300	300
B shares	33	33	33
Total share capital	**333**	**333**	**333**
Tied-up reserve capital	8,343	8,343	8,343
Revaluation reserves	70	70	70
Retained earnings	1,699	1,180	1,341
Proposed dividends for the financial year	-	-	320
Total equity	**10,445**	**9,926**	**10,407**

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, and each B share of DKK 1.00 entitles the holder to 1 vote.

The tied-up reserve capital of Danish Ship Finance A/S was established in connection with the conversion from a foundation into a limited liability company in 2005 and has represented an unchanged amount of DKK 8,343 million.

The tied-up reserve capital may be used only to cover losses which cannot be covered by amounts available for dividend distribution. The tied-up reserve capital must as far as possible be restored by advance transfer of profit for the year, if, in prior years, it was wholly or partly used to cover losses. Hence, no dividends may be paid and no distributions may be made in connection with capital reductions until the tied-up reserve capital has been restored to the same nominal amount as the undistributable reserve was before being used wholly or partly to cover losses.

NOTE 11 CAPITAL ADEQUACY

DKK million	At 30 Jun 2024	At 30 Jun 2023	At 31 Dec 2023
Common Equity Tier 1 capital			
Share capital - A shares	300	300	300
Share capital - B shares	33	33	33
Tied-up reserve capital	8,343	8,343	8,343
Retained earnings[1]	1,699	1,180	1,341
Proposed dividends for the financial period	-	-	320
Revaluation reserves	70	70	70
Total Common Equity Tier 1 capital before deductions	**10,445**	**9,926**	**10,407**
Deductions from Common Equity Tier 1 capital			
Proposed dividends for the financial period	-	-	320
Expected dividends	1,305	-	-
Retained earnings [1]	-	338	-
Additional capital charge pursuant to the Executive Order on a Ship Finance Institute	-	-	-
Prudent valuation pursuant to article 105 of the CRR	35	28	37
Deductions for NPE loss coverage	82	246	64
Deductions pursuant to transitional rules regarding B share capital	33	33	33
Total deductions from Common Equity Tier 1 capital	**1,455**	**646**	**455**
Common Equity Tier 1 capital after deductions	**8,990**	**9,280**	**9,952**
Own funds after deductions	**8,990**	**9,280**	**9,952**

1) Danish Ship Finance A/S has applied the Danish FSA for approval to recognise the net profit in the CET1 capital for the first half of 2024.

NOTE 11 CONTINUED

DKK million	At 30 Jun 2024	At 30 Jun 2023	At 31 Dec 2023
Risk exposure amount			
Assets outside the trading book	33,173	35,276	32,842
Off-balance sheet items	1,512	1,141	1,546
Counterparty risk outside the trading book	2,848	2,517	2,995
Market risk	3,729	3,238	3,660
Operational risk	1,050	813	1,050
Total risk exposure amount	**42,313**	**42,985**	**42,093**
Common Equity Tier 1 capital ratio	**21.2**	**21.6**	**23.6**
Tier 1 capital ratio	**21.2**	**21.6**	**23.6**
Total capital ratio	**21.2**	**21.6**	**23.6**
The risk exposure amount for market risk consists of:			
Position risk related to debt instruments	3,323	2,675	3,216
Position risk related to shares	0	118	18
Total currency position	406	444	425
Total risk-weighted exposure amount for market risk	**3,729**	**3,238**	**3,660**

NOTE 12 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 86.6% and more than 20% of the voting rights in the company.

Danish Ship Finance Holding A/S is majority 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 hence are related parties of Danish Ship Finance A/S.

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

Related-party transactions concerning loans and loan offers totalled as at 30 June 2024 a nominal amount of DKK 1,630 million (as at 31 December 2023: DKK 1,308 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 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 referred to above.

NOTE 13 SUPPLEMENTARY NOTES WITHOUT REFERENCE

Reference is made to the description of financial risk and policies for financial risk management provided in the risk management sections in the Annual Report 2023, as no significant changes are deemed to have occurred as at 30 June 2024.

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