DANISH SHIP FINANCE

Annual Report 2024

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Danish Ship Finance *at a glance*

Danish Ship Finance is a dedicated lender to the shipping industry, providing financing to reputable shipowners in Denmark and internationally. We are dedicated to offering high-quality service to our clients, maintaining best-in-class loan loss track record, and generating attractive returns for our shareholders while supporting the shipping industry in its transition towards net zero emissions.

Danish Ship Finance was founded in 1961 with a mandate to finance Danish-built vessels. We remain very closely engaged with the Danish shipping community, even as our business has evolved alongside the shipping industry. We began building a presence with select international clients in the late 1990s and are now a top 25 lender to the shipping industry globally and one of the largest dedicated ship financing institutions. We have been awarded a no. 1 or 2 ranking for ship financing globally in the Prospera industry survey for three out of the past four years.

Our ability to raise financing on competitive terms through covered bond issuance remains a cornerstone of our business. We are very proud that our covered bonds are rated a very solid investment grade AA- (Stable) by Standard & Poor's, following an upgrade in January 2025.

We strive to conduct our business in a proper and highly professional manner. We remain a long-term partner to our clients and investors. Upholding our highly robust capital and liquidity position continues to be a priority and we work hard to maintain a class-leading credit performance while serving our clients through the cycle.

WE HAVE A LOAN BOOK OF DKK 27.4 BILLION[1], COLLATERALISED BY 533 VESSELS

On average, our Senior Client Executives have 19 years of shipping industry experience

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

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

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

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

Letter to our *stakeholders*

Firstly, on behalf of the whole of the Danish Ship Finance A/S (DSF) staff, we welcome our new shareholder, Magellan Capital Holdings PLC (Magellan). We look forward to this new chapter in DSF's journey under Magellan's stewardship.

On to shipping markets, which continued to perform well in 2024. The ClarkSea shipping rate index remained in positive territory relative to the prior year. Nevertheless, the index finishing at a year-low may be a harbinger of more challenging times to come. Rate developments for the major shipping segments already show clear signs of moderation.

In 2024, the shipping industry benefited from robust freight rates, driven by increased transport volumes and longer trade distances due to Red Sea dynamics. However, emerging weakening trends, compounded by historically high order books in some segments, may indicate that more challenging times lie ahead. This is evident in various sectors: Earnings for Bulk Carriers reached a 15-month low in 2024 following a persistent downtrend. Similarly, Car Carrier rates have significantly declined from the exceptionally high levels seen in previous years. The trend is reflected across major shipping segments.

Fleet growth was 3.4% in 2024 and new ordering activity remained strong, particularly for Container vessels and Gas Carriers. Due to strong markets in most vessel segments throughout 2024, only a modest amount of scrapping was conducted. We saw a high level of vessel sales and purchase activity in Bulk, Tanker and Container vessels, driven by owners' desire for fleet renewal and some opportunistic transactions.

The industry reached a watershed moment in 2024, with around half of tonnage on order comprising dual-fuel capable or dual-fuel 'ready' vessels. We view this as unequivocally positive for the sustainable evolution of the shipping industry, even if the predominant second fuel choice remains the transition fuel LNG while end-state fuels, such as methanol and ammonium, still take up much smaller shares.

We remain positive about the prospects of the industry. Shipowners have fortified their balance sheets following several years of sustained sea transport demand and corresponding healthy freight rates. Owners have thus gained much financial flexibility and resilience to buffer against a deterioration in market conditions. Market pressure may particularly apply in segments, such as Container and Gas, where the order book appears the most outsized. However, even if adverse trends should worsen, we expect our clients to be sufficiently well-bolstered to weather those headwinds for the foreseeable future.

Turning to corporate matters, as already mentioned, Magellan completed their acquisition of the majority of the shares in Danish Ship Finance Holding A/S (DSH) on 10 July 2024. Magellan's shareholder, Hassan Elali, has over 40 years of experience as an owner-operator in the maritime sector, having founded both ZMI Holdings, which was sold to ADNOC Logistics & Shipping in 2022, and HEA Energy.

The transition to a long-term majority owner after a three-year sale process allows management to focus on DSF's long-term objectives of delivering best-in-class financing solutions to our clients, expanding our offering to ship owners and facilitating the transition towards greener shipping. We will do this while remaining focused on maintaining credit quality and a diversified client base.

"Danish Ship Finance delivered a very satisfactory full-year 2024 net profit of DKK 414 million."

Our new shareholder has a long-term view of the industry, allowing DSF to maintain high capitalisation levels, in order to withstand headwinds in the market.

Immediately following the change of ownership, the Group structure was streamlined by merging DSH into DSF. The reorganisation has resulted in a simpler and more transparent structure, now consisting solely of the operating company.

Early in January 2025, Standard & Poor's upgraded the rating of covered bonds issued by DSF to high investment grade 'AA- (Stable)'. The upgrade is attributed to a strong jurisdictional level of support for ship covered bonds. We view the upgrade as an endorsement of our robust and conservative business model and will build on this trust as we engage with both existing and new investors.

We are very pleased with DSF's net profit of DKK 414 million for 2024. The result is within the guidance set out in last year's Annual Report. Absent accounting effects related to the merger of DSH-DSF (see section The Year in Summary below for more detail) DSF's result exceeds guidance.

We are also pleased with the ability of DSF's lending business to navigate a challenging market backdrop for ship financing. Despite intense competition and shipowners' lower-than-normal financing requirements, we welcomed nine new clients in 2024 and lending continued apace with DKK 8.3 billion of accepted loan offers made. However, shipowners demonstrated a continued desire to deleverage their balance sheets, resulting in a substantial DKK 7.0 billion of loan pre-payments. The sheer volume of pre-payments reduced the loan book year-on-year. Over the past two years, loans equal to 70% of the outstanding loan book balance have been repaid through ordinary instalments and pre-payments.

The credit quality of the loan book remains highly robust. As at 31 December 2024, all loans were interest-bearing and only loans to one client were classified as non-performing, pending their reclassification upon meeting the required criteria. Reversal of prior-year loan impairment charges, including recovery on loans previously written off, made a pre-tax income contribution of DKK 147 million in 2024. Should conditions worsen, we expect our ECL allowance account to provide ample headroom to protect against potential credit losses.

Overall, the financial markets backdrop in 2024 was benign. Major central banks increasingly signalled success in taming excessive inflation. As central banks instead embarked on a gradual trimming down of interest rates, markets took heart from their very measured approach. Markets found further support from still-firm economic realities and the absence of a feared 'hard landing'.

This market environment was supportive of our investment strategy. Our portfolio of mostly 'AAA'-rated fixed-income securities performed well, and the very satisfactory investment result of DKK 395 million for the year, pre-tax, was realised with very little volatility.

DSF paid a total of DKK 1,741 million in dividends in 2024. In addition to the ordinary dividend, this included two extraordinary dividends to Magellan in relation to the acquisition. We are also very pleased that DSF's total dividend contribution to the Danish Maritime Fund since inception will this year reach more than DKK 1 billion.

We remain optimistic about the dynamic going forward. For several years now, high shipping sector earnings and abundant liquidity in the banking system have combined to shield shipowners from repricing of credit as has taken place elsewhere. We see signs of market conditions for ship financing gradually normalising and expect tightly priced loans to become less common. As EU banks start phasing in higher CRR III capital requirements, we expect loan margins to trend higher. These trends will benefit our lending business and we retain ample capacity to support the financing needs of both existing and new clients.

We look back at a year in which the organisation once again delivered tangible value to its shareholders, supported the ownership transition and achieved a good financial result, well-balanced across different business areas, while navigating highly competitive lending markets. We focus on building and developing our most important resource - internal talent. Credit quality remains very strong and our solvency ratio of 23.6% gives ample headroom to grow the business.

Looking forward, we seek to remain a thought leader and enabler of shipping's ESG journey, seeking out innovative solutions to support the fleet transition. We continue our efforts to strengthen our relationships globally and deepen our in-house expertise to provide even greater value to clients.

Since closing the acquisition, Magellan has been hands-on in supporting the business and proactive in working with DSF management to set our strategy going forward. Our priority is to make long-term decisions for the benefit of our stakeholders, delivering attractive shareholder returns, and preserving our class-leading credit quality.

Eivind Kolding
Chairman

Peter Nyegaard
Vice Chairman

Ahmed Omar
Vice Chairman

Highlights

In a year that had the shipping industry riding the tail end of a long wave of elevated freight rates, while financial markets transitioned through peak interest rates, we achieved the following:

Generated a very satisfactory net profit of DKK 414 million

Welcomed a new majority owner, Magellan Capital Holdings PLC

Welcomed nine new clients

Reduced emission intensity of our financed emissions by 9% to 95 tonnes CO_2e per DKK million of lending

Settled 37% of new loans by volume as loans with sustainability incentives

Maintained a strong regulatory solvency ratio of 23.6%

Realised an investment return of 4.0%, corresponding to pre-tax investment income of DKK 395 million

Reported actual emissions data for a full 95% of the loan book

Maintained solid credit quality with all loans interest-bearing and 94% of the outstanding loan volume having a loan-to-value ratio of 40% or lower

Made significant progress in structuring sustainability data and performing a first CSRD double materiality assessment in preparation for reporting next year

In 2024, we distributed total dividends of DKK 1,741 million. With our planned dividend to the Danish Maritime Fund of DKK 62 million for 2024, which will be distributed following the annual general meeting on 20 March 2025, our total contributions to the DMF since inception will reach DKK 1,024 million, surpassing the milestone of DKK 1 billion.

Magellan Capital Holdings PLC acquired the majority of the shares in Danish Ship Finance Holding A/S (DSH) on 10 July 2024. Following the acquisition, DSH was merged into Danish Ship Finance A/S (DSF), with DSF as the continuing company.

The merger followed the merger method and took accounting effect from 1 January 2024. Comparative figures in this Annual Report have been restated accordingly. Commentary throughout this report relates to restated figures, except where explicitly noted.

The year *in summary*

Net profit of DKK 414 million for the financial year 2024 was very satisfactory and fully met the expectations we communicated in our Annual Report for the previous year.

DSF's annual result was achieved against a backdrop of still-buoyant shipping markets, as shipowners continued to ride the long wave of successive demand shocks and trade disruptions that have boosted freight rates and vessel values for several years now. Market dynamics differed across the major segments. Tankers remained firm, underpinned by longer travel distances and high fleet utilisation. Container shipping recovered as longer routes avoiding the Red Sea and the Suez Canal absorbed fleet growth. The Dry Bulk segments had a strong start to the year but weakened towards year-end.

Our clients continued to consolidate their finances and reduced debt on the back of healthy earnings. Even as new lending activity remained healthy, with DKK 5.8 billion of new loans disbursed during the year, extraordinary loan pre-payments offset that to the tune of DKK 7.0 billion. Combined with ordinary loan instalments of DKK 4.8 billion, loan repayments more than offset the volume of new lending. The loan book at year-end stood at DKK 27.4 billion, DKK 4.6 billion lower than the previous year-end. Competitive pressure in ship financing remained intense and margins on new loans remained low by historical standards.

On 10 July 2024, Magellan Capital Holdings PLC acquired a majority of the shares in the Group holding company Danish Ship Finance Holding A/S (DSH). Upon completion of the acquisition, the subordinated Tier 2 capital notes held in DSH were redeemed in full with approval from the Danish FSA. Also in July 2024, the Group structure was simplified, with DSH merged into the operating company Danish Ship Finance A/S (DSF). The merger has resulted in a very simple and transparent structure, with the operating company as the sole DSF entity.

In connection with the acquisition and merger, the equity capital base of DSF was increased by DKK 417 million, adding a further 1.0 percentage point to the regulatory solvency of DSF. Accrued Tier 2 interest expenses in DSH for 2024 until the merger date were brought into DSF's accounts, reducing its reported net profit by DKK 98 million. Excluding this effect, DSF would have reported a net profit for 2024 of DKK 512 million. The effects of the merger are incorporated in the restated comparative figures accordingly.

Net income from lending declined in 2024, due to a smaller loan book and continued margin pressure. At DKK 384 million, this was DKK 51 million below the prior-year figure.

The net funding result, including residual funding costs not directly attributable to clients, amounted to a cost of DKK 23 million, compared to an income of DKK 12 million in 2023.

Relatively modest funding demand from net new lending meant only a limited volume of new bond issuance in 2024. On those occasions when we did elect to tap the market, the bond issuances met good demand. Reflecting a healthy market situation, DSF's net cost of funding declined over the course of the year.

The upgrade by Standard & Poor's of our covered bonds to AA- (Stable) in January 2025 validated the strong credit quality of our bonds. We expect the upgrade to underpin increased investor demand for DSF bonds. Engagement with investors remains a top priority for the coming year.

Investment income of DKK 395 million from our portfolio of mostly AAA-rated fixed-income assets contributed significantly to the total result for the year. The investment result was meaningfully higher than the also-solid 2023 result of DKK 350 million. In this Annual Report, in addition to the investment result, interest expenses of DKK 135 million on the DSH Tier 2 subordinated capital notes are also presented, under "Investments" for 2024 and DKK 245 million for 2023.

Operating costs of DKK 196 million benefited from positive one-off effects in the first half of 2024. Costs in 2024 were thus DKK 10 million (5%) lower than in 2023, driven by the partial reversal of performance-based compensation provisions from previous years.

Depreciation and impairment of property, plant and equipment amounted to DKK 20 million, primarily due to a partial impairment of construction costs relating to our new Langebrogade 5 domicile, which is undergoing refurbishment.

Vessel values remained solid throughout the year, underpinning the solid credit quality of the loan book. A full 94% of the loan book

Income by business area[1]

DKK million	2024	2023
Lending	384	435
Funding	(23)	12
Investments[2]	260	105
Income	622	552

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

2) The 2023 figure has been restated following the merger of DSH into DSF. The restated figure includes accrued DSH Tier 2 capital note interest costs of DKK 245 million compared to DKK 135 million in 2024.

after ECL charges was within a 40% loan-to-value ratio at year-end 2024.

We are pleased to have been able to reverse DKK 147 million of loan impairment charges in 2024, a very positive outcome, even if it did not match the very substantial DKK 506 million of reversals in 2023.

Non-performing loans as a share of the loan book declined for the eighth year in a row. The only remaining non-performing loans at year-end, amounting to a moderate total exposure of DKK 190 million with healthy collateral coverage, was to a client predominantly in the Offshore segment.

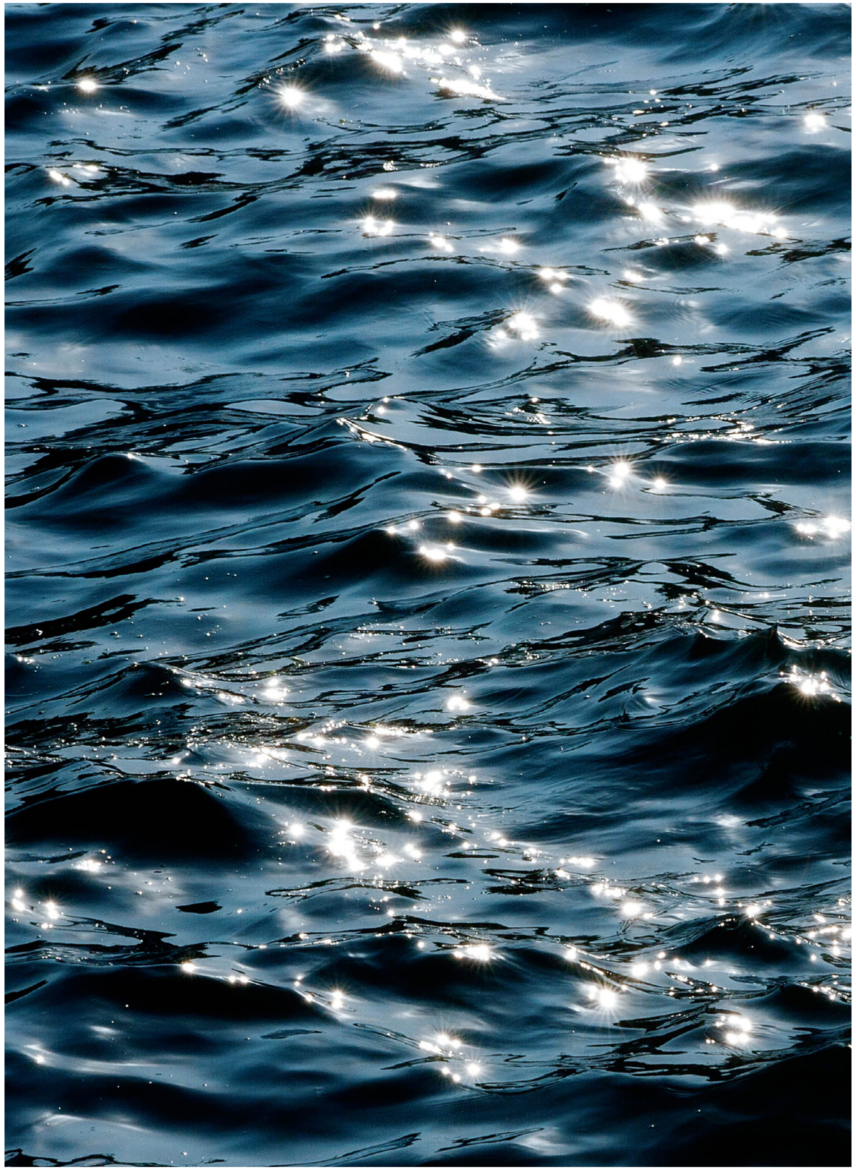
Sustainability remains an important element of our strategy. This year, for the second time, we have included extensive sustainability information in our Annual Report. In anticipation of future legal CSRD reporting requirements the sustainability information has been presented in a single section of the report for ease of reference.

At year-end 2024, we were within touching distance of our target for at least 40% of leadership positions to be held by women, as women filled 36% of the leadership positions. The comparable figure was 42% in 2023 and, as of January 2025, the proportion once again exceeds 40%.

Our reported Poseidon Principles portfolio climate alignment this year was +12.6% against the "minimum" trajectory and +18.1% against the "striving" trajectory (based on 2023 data). This represents an increase compared to the alignments of +12.0% and +16.2% reported last year. The increase in our climate alignment scores was largely influenced by stricter alignment trajectories and changes within our portfolio composition.

For the third time, this year we released comprehensive data on financed emissions. The emission intensity of our financed emissions decreased to 95 tonnes CO2e per DKK million of lending (from 104 tonnes CO2e in the previous year's reporting).

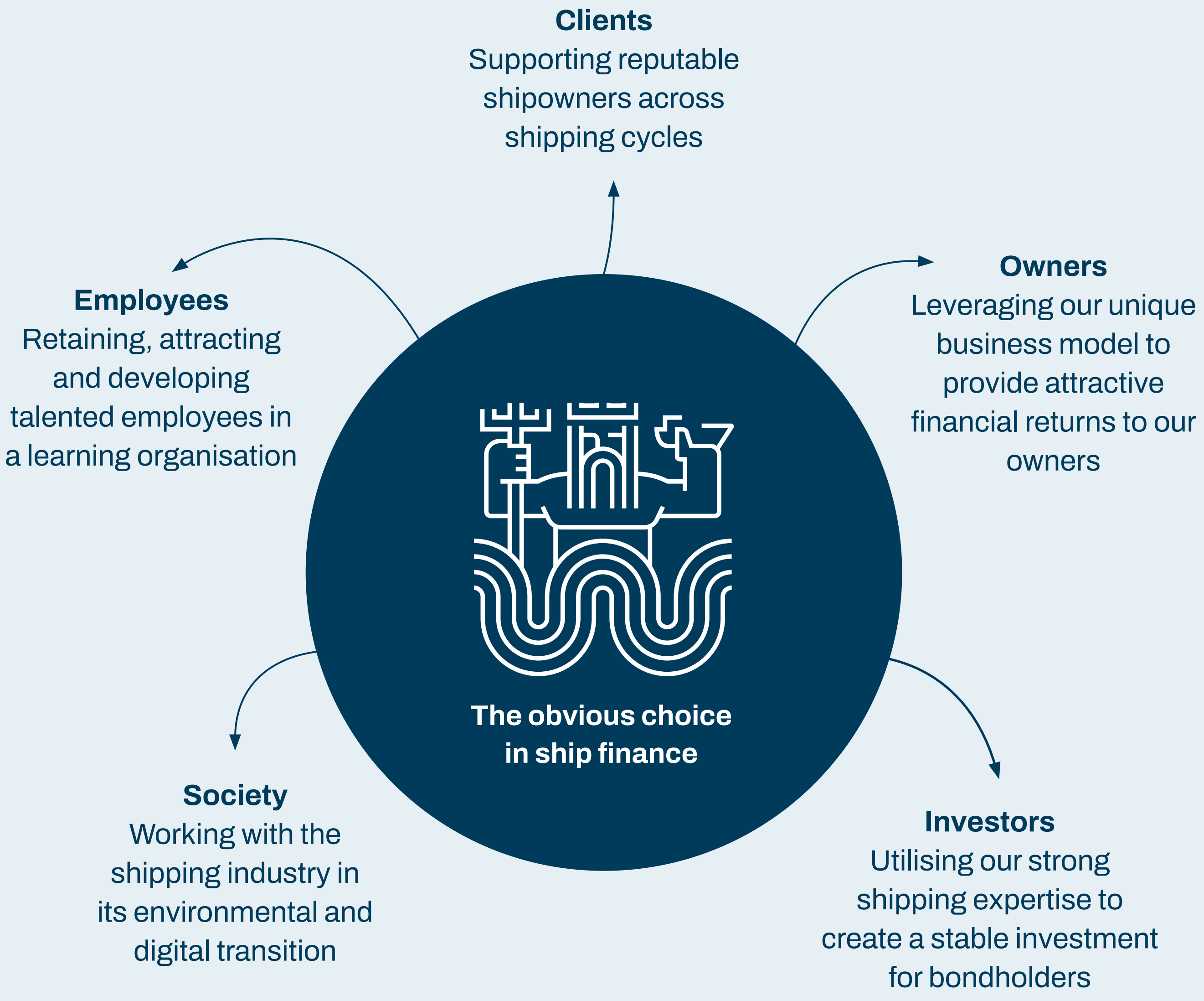
We will continue working closely with our clients on their sustainable transition in the years ahead. We remain fully committed to financing the transition to sustainable shipping and have the capacity to support both existing and new clients on this essential journey.



Vision

We strive to be the obvious choice in ship finance and remain fully committed to serving our clients. This can only be accomplished through complete dedication to understanding our clients and the wider shipping sector and an unwavering focus on delivering long-term value.

We are committed to shipping for the long run, and our unique competitive position is built on consistent application of our enduring core strengths. An essential aspect of our vision is to remain a low-risk institution, carefully nurturing our proven loan loss track record, ensuring longevity while providing satisfactory returns to our owners.



Financing *the transition*

Our strategy is built on the twin pillars of generating attractive returns to shareholders from prudent lending to reputable shipowners and financing the shipping industry's transition to a sustainable future. We believe this will allow us to prosper and remain relevant long term.

Our strategic work on supporting shipping's transition is guided by the ambitious overarching objective of having a net zero emission loan book by 2050. This meets the IMO's ambitious revised GHG strategy, which sets a clear net zero emissions target for the shipping industry.

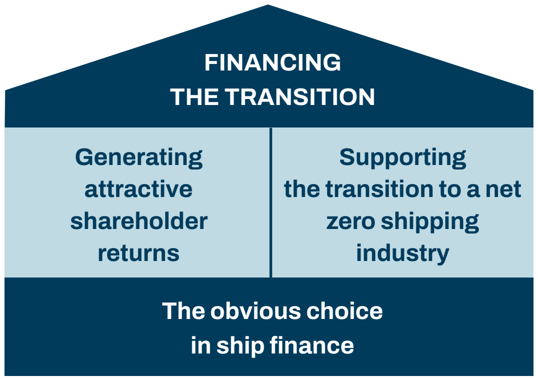
With even more demanding EU regulation, such as FuelEU Maritime and the inclusion of shipping in the EU ETS[1], having come into force in 2024, we are confident that the industry will continue to progress, making the required investments in sustainable technology and operations and ultimately succeeding in reaching the 2050 net zero emissions target.

While the road will inevitably be bumpy, especially at first, we fully expect to see a reduction in financed emissions in our loan book over time. This will eventually be the yardstick for success.

We will naturally support our clients as they take steps to steer the shipping industry towards a net zero emissions future, and have defined sustainable finance targets including intermediate targets that we will work with towards 2050. Most immediately, for 2025 we have set very ambitious goals:

- We will offer new loans only to clients who are actively engaged in the sustainable transition;
- More than 35% of our loan book must have sustainability incentives;
- More than 10% of the investment portfolio must comprise sustainable bonds; and
- The environmental performance of the loan book must align with the Poseidon Principles trajectories.

Nevertheless, while our ability to support the shipping industry as a responsible lender remains the single biggest lever, we have set direct impact targets to reduce the emissions footprint of our own operations.



1) FuelEU Maritime aims to drive the adoption of low- and zero-carbon fuels in shipping by setting stricter emissions requirements for vessels. In parallel, the EU ETS extension to maritime activities will make emissions more costly, encouraging operators to invest in cleaner technologies and aligning the sector with the EU's broader decarbonization goals.

SUSTAINABLE FINANCE TARGETS

2025

- More than 35% of our loan book must have sustainability incentives
- More than 10% of the investment portfolio must comprise sustainable bonds
- New loans only to clients who are actively engaged in the sustainable transition
- The environmental performance of the loan book must align with the Poseidon Principles trajectories

2050

- Achieve a net zero loan book

OUR OWN IMPACT TARGETS

2025

- Reduce the climate footprint from our own operations by 5% annually compared to a 2023 baseline
- 12.5% of Board members to be of the underrepresented gender
- Minimum 40% of leadership positions to be held by the underrepresented gender

Management Report

Financial review *by business area*

OUR BUSINESS MODEL IS FOCUSED AND TRANSPARENT

Our areas of activity are as follows:

Lending to our shipowning clients

Issuing bonds and hedging financial risks

Conservatively investing our own funds

Lending

Operating a leading international lending business able to meet the needs of our clients on competitive terms remains our key value driver. We work with many of the industry's most reputable shipowners. These efforts are led by highly specialised teams and experienced professionals. Our dedication to clients, disciplined approach to risk management and unwavering focus on long-term sustainable results are imbued across the organisation and in every loan.

We strive to expand our role in the industry, leveraging strong internal competencies in the Client Relations team and the many areas supporting our world-class client coverage – Credit, Treasury, Sustainability & Research, Marine Legal, Technical Survey and Insurance. We engage with clients on a broader range of issues than just their financing needs and seek to make a meaningful contribution as the industry steers towards a net zero emissions future.

Income, lending

DKK million	2024	2023
Net interest income	364	421
Net fees and commission	21	15
Net income	**384**	**435**

2024 in brief

2024 was another strong year for the shipping sector. Events such as the war in Ukraine and the disruptions in the Red Sea continued to redirect trade flows. The result was longer travel distances and a reduction in the supply of vessels, which in turn led to higher freight rates.

Shipowners' balance sheets are still strong and their need for new borrowing remains subdued. We expect this trend to reverse when global trade disruptions ease and shipping markets rebalance back to lower freight rates and vessel values. We believe the demand for ship financing will increase as our client segment will take renewed interest in the secondhand vessel market and will to a large extent be reliant on external financing again.

Disbursed loans in 2024 amounted to DKK 5.8 billion, which was below the high level of activity in 2023. The overall size of the loan book was again affected by elevated pre-payments. A staggering 70% of the loan book on 1 January 2023 has since been turned over in just two years due to ordinary repayments and extraordinary pre-payments. The loan book at year-end 2024 stood at DKK 27.4 billion, 14% below the year-end 2023 figure. Net income from lending of DKK 384 million was DKK 51 million lower year-on-year, which

Loan book development
at year-end

2024
27.4
DKK billion

2023
32.0
DKK billion

we find unsatisfactory but is a reflection of our clients' strong balance sheets and the fierce competition among lenders as shipping banks bid aggressively to defend their shrinking loan books.

Key credit ratios

Loan impairment charges for 2024 amounted to an income of DKK 147 million compared to an income of DKK 506 million in 2023. This corresponds to an annual loan impairment ratio of the average loan book of -0.5% in 2024 compared to -1.5% the year before. This favourable outcome is attributable to solid credit quality, successful workouts on non-performing loans, and recovery on loans previously written off.

Over the past eight years, the volume of non-performing loans has continuously decreased year-on-year, starting from the elevated levels in 2016, when the Offshore and Dry Bulk segments in particular experienced severe downturns. There were no loan defaults in 2024 or 2023.

At year-end 2024, the weighted average loan-to-value ratio after ECL charges stood at a very healthy 37%, and 100% of the loan book after ECL charges was secured within 60% of the value of the mortgaged vessels. A full 94% of the loan book after ECL charges was secured within 40% of the value of the mortgaged vessels. Non-performing loans (NPL) decreased by DKK 712 million to DKK 190 million at year-end 2024, equivalent to an NPL ratio of 0.7%, down from 2.8% the year before. Similarly, the net NPL ratio declined to 0.6% at year-end 2024, down from 1.6% the year before. We believe that the total ECL allowance account, amounting to 1.9% of credit exposure at year-end 2024, continues to provide ample headroom to protect against future loan losses.

Competition

The trends in the ship finance market observed last year have persisted into 2024, with clients benefiting from strong competition amongst lenders, leading to continued pressure on loan margins. At the same time, most shipping segments experienced robust earnings throughout the year. Coupled with generally low investment activity, especially in the second-hand market due to elevated asset prices many of our clients focused on deleveraging their balance sheets, thereby reducing the demand for bank financing. Over the last period of the year, investment activities in newbuildings picked up, which should eventually lead to higher demand for financing from our client base.

We have seen increased competition from Asian lenders and regional banks in Europe entering or re-entering the ship finance market with highly competitive terms. Many of our competitors continue to benefit from substantial deposits at costs below wholesale market funding rates, allowing them to remain competitive on pricing. However, upcoming higher capital requirements with the implementation of Basel IV have notably impacted the behaviour of the larger shipping banks, whereas smaller regional banks (on the standard approach) and non-European

Key ratios, lending

	2024	2023
Loan impairment charges as % of average loan book (Annual loan impairment ratio)	(0.5)	(1.5)
Net write-offs on loans as % of average loan book	(0.3)	(1.3)
Weighted average loan-to-value after ECL charges (%)	37	40
Proportion of loans covered within 60% of market values (%)	100	100
NPL ratio (%)	0.7	2.8
Net NPL ratio (%)	0.6	1.6
ECL allowance account (loans) as a % of loan book (year-end)	1.9	2.0
Total ECL allowance account as a % of credit exposure (year-end)	1.9	1.9

banks (slow implementation of the Basel IV guidelines) are less impacted.

We believe the impact of Basel IV will continue into 2025, primarily for the larger European shipping banks. Competition from Asian lenders, especially, will likely to continue as they appear able to lend on terms rarely seen among European banks. Geopolitical tensions could impact clients' financial strategies with respect to funding, and perhaps a greater preference for funding sources closer to their geographical nexus.

We anticipate the demand for ship financing to rise in 2025, fuelled by increased new vessel contracting activity across most segments. The majority of our clients are strategically well positioned to capitalise on investment opportunities in the second-hand vessel market, which should fuel additional demand for financing.

Macro trends

The global economy has shown remarkable resilience in bouncing back from the multiple economic disruptions of the last few years. Growth remained steadfast in 2024, with global GDP expanding by 3.2%, only slightly down from 3.3% in 2023.

The US has stood out as a beacon of economic strength. Despite tighter monetary conditions early in the year, the country defied expectations with robust consumer spending and a resilient labour market. Growth in the US has outpaced that of most other advanced economies, reinforcing the country's role as a stabilising force in an otherwise uneven global recovery. Europe's story paints a more subdued picture. Germany, traditionally the industrial powerhouse of the eurozone, is facing a prolonged manufacturing downturn, casting a shadow over the region's broader performance. While signs of recovery have emerged, driven by easing monetary policies and improving demand, the path forward for Europe remains fraught with challenges, including energy concerns and sluggish consumer sentiment. In contrast to consumer behaviour in the US, consumers across Europe remain reluctant to spend, exemplified by the steady rise in household savings to above pre-pandemic levels.

China's narrative has been one of slowing momentum. The country continues to grapple with a troubled property sector and cautious consumer confidence. Government stimulus efforts have, so far, fallen short of reigniting the rapid expansion of previous decades, leaving the world's second-largest economy with reduced capacity to act as a global growth driver.

Amid these regional stories, a quieter but critical subplot has unfolded: the long battle against inflation has begun to bear fruit. After a few years of elevated price pressure, global inflation has eased (although it is still above pre-pandemic levels), falling to 5.7% in 2024 from 6.7% in 2023 and to 2.6% for advanced economies. Central banks have gradually shifted their stance, reducing interest rates to support growth. This policy pivot has offered relief to businesses and consumers alike, marking a turning point in the post-pandemic economic recovery cycle.

The shipping industry

Since 2020, shipping markets have experienced one disruption after another. Recently, shipowners and operators were quick to respond to the risk of attacks in the Red Sea by rerouting vessels around the Cape of Africa. This resulted in longer travel distances and inefficiencies in supply chains. Shipping markets consequently delivered an overall strong performance in 2024.

The Clarksea market index has in 2024 been roaming in the top 30% highest rates observed since the year 2000. Strong earnings in the Tanker markets helped sustain the index at elevated levels until June whereafter strong Container earnings kept the index at high levels. However, towards year-end 2024, the index showed a slight weakening as earnings in Tanker markets cooled off and the Dry Bulk sector struggled to regain momentum. The Clarksea Index stood at USD 22,400 per day in December 2024, slightly down on the year but still in the top 40% observed since 2000.

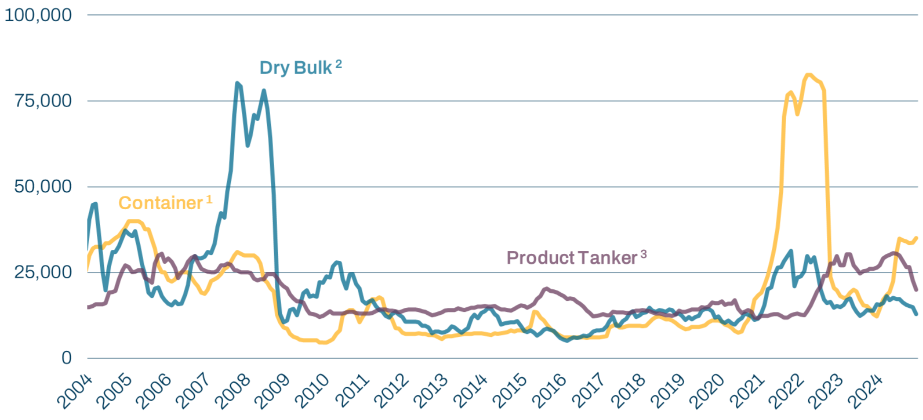
In response to the high freight rates in the Tanker segments, shipowners have increasingly opted to prolong the service life of many older vessels. This illustrates how market players adapt to the volatile nature of the industry.

Clarksons estimates that world seaborne trade volumes increased by 2.4% in 2024. Longer travel distances are estimated to have added another 3.8% to distance-adjusted demand. In particular, the Container, Gas and Product Tanker segments have experienced longer voyage distances due to the Red Sea crisis. The growth in distance-adjusted demand is expected to weaken in 2025, assuming distances normalise. Should this materialise, fleet utilisation may decline in nearly all major shipping segments.

New build vessel contracting activity revived in 2024, driven by a new ordering spree for Container vessels and a continued appetite for Tankers and Gas Carriers. The order book now accounts for around 15% of the fleet, unevenly distributed across segments.

Timecharter rates

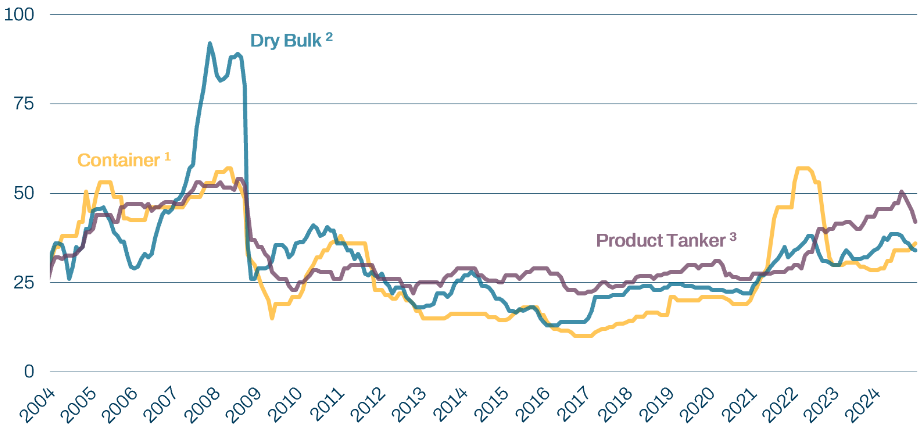
USD PER DAY



Sources: Clarksons, Danish Ship Finance

Ship prices by segment

USD MILLION



Sources: Clarksons, Danish Ship Finance

CONTAINER

The Container market experienced a strong recovery during 2024. The disruptions managed to absorb the high fleet growth in the segment, leading to a substantial increase in freight rates and vessel prices. Furthermore, the high earnings rekindled the appetite for ordering new Container vessels at shipyards, with the current orderbook now accounting for over 26% of the fleet. As such, when the situation in the Red Sea normalises, we may see the market flooded with a vast amount of capacity in addition to the usual delivery schedule of the orderbook.

DRY BULK

Firm seaborne demand growth across most Dry Bulk commodities coupled with an uptick in voyage distances provided quick relief for Dry Bulk Carriers in 2024. Dynamics on the supply side seem positive across some subsegments, with mainly larger vessels expected to see limited fleet growth. Meanwhile, the demand side remains at the mercy of further developments in the Chinese economy, although the country's seaborne imports of coal and iron ore proved resilient during 2024.

GAS CARRIERS

Gas Carriers faced softer market conditions in 2024 compared to the previous year. In the LPG segment, transitory capacity shortages in 2023 pushed earnings to record highs, but rates softened in 2024 as these constraints eased. In the LNG segment, earnings continued to decline, as fleet growth outpaced modest demand gains. While global seaborne gas demand is expected to increase in the medium to long term, led by energy transitions and the petrochemical sector, substantial orderbooks weigh on the short-term market outlook, with fleet expansion accelerating.

OIL TANKERS

The Oil Tanker market remained firm in 2024, supported by increased travel distances due to sanctions on Russian barrels and tensions in the Middle East. These factors have kept fleet utilisation and freight rates high across both Crude and Product Tankers. While geopolitical disruptions have continued to benefit the market, heightened tensions in the Middle East raise the risk of volume losses. Additionally, a more subdued outlook for Chinese demand could weigh on the medium- to long-term outlook. However, a modest orderbook and an ageing fleet could help sustain earnings even if headwinds escalate.

CAR CARRIERS

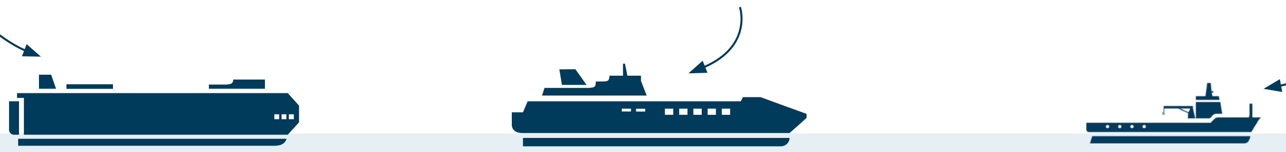
Following two years of robust performance, growth in global car sales weakened in 2024, particularly affecting European automakers due to intensified competition in the automotive industry. This had a significant impact on Car Carriers, with freight rates declining by approximately 20% from the start of the year. However, despite the drop, rates remain elevated relative to historical levels. The outlook for the Car Carrier market is increasingly pressured by the substantial fleet growth expected in the coming years, along with heightened geopolitical tensions between the West and China, which may further dampen growth in seaborne car trade.

RO-RO/FERRIES

A lack of available tonnage in the Ro-Ro market continued to keep earnings and secondhand prices high during 2024. However, economic headwinds in Europe may pressure freight rates in the short term. The orderbook primarily consists of large vessels, which are expected to replace old small and medium-sized vessels. Market conditions have generally been positive for Ferries, but weakening economic conditions may pose a risk.

OFFSHORE

Following two years of consistent growth, the Offshore Vessel market in 2024 saw day rates stabilise above pre-2014 crisis levels across most categories. Although further growth has been limited, the elevated levels are continuously underpinned by persistent global demand for energy infrastructure and constrained vessel availability. Strong investments in offshore-related activities, together with a low orderbook and an ageing fleet, indicate confidence in a prolonged market upcycle. Sustained optimism in the offshore market may also be backed by the expected energy policy of the new US administration, although it remains to be seen whether these policies will favour both onshore and offshore projects. The positive market sentiment for Offshore Vessels is expected to gain further support from investments in the offshore wind industry, although rising costs across the supply chain may dampen growth in the near term.



Funding

Our funding model entails regular issuance of ship mortgage bonds and ship covered bonds. We maintain ongoing access to domestic and international financial markets, enabling the issuance of these instruments to a broad range of investors. Our bond investors are key stakeholders with whom we interact regularly, and we enjoyed significant engagement with domestic and international investors in 2024.

Although shipping remains the most efficient and environmentally friendly method of transporting large volumes over long distances, it is an industry with high absolute CO2 emissions. Improving shipping's actual emissions will thus have a real and significant impact. Investors can make a measurable difference in supporting shipping's sustainable transition. They seek hard data as evidence of this impact; fortunately, such data is becoming increasingly available in shipping. We aim to deliver ever-increasing transparency around sustainability in shipping, working with investors to provide detailed information on the sustainability performance of shipping.

2024 in brief

In 2024, the monetary tightening cycle of the past two years came to an end as major central banks embarked on a cycle of reducing interest rates, delivering their first interest rate cuts. In particular, the European Central Bank began lowering its policy rate in June and ended the year with a cumulative reduction in its deposit rate of 100 basis points. Credit markets performed well during the year, resulting in a tightening of credit spreads coupled with relatively low market volatility. The notable exception was the Euro Sovereign, Supranational and Agency (SSA) bond market. The poor market performance of German and French government bonds led to an adverse performance in this segment of the bond market in 2024.

Against this market backdrop, our funding position was well-supported by ample liquidity and also benefited from a general tightening of the spreads at which our bonds were issued. In addition, movements in cross-currency basis spreads made it even less costly to finance our largely USD-denominated lending with bonds issued in DKK and EUR. These factors significantly reduced our all-in USD funding costs. During the year, we were active in issuing new bonds and buying back existing, shorter-dated, bonds following our established pre-funding strategy.

At year-end 2024, we had DKK 39 billion of issued bonds outstanding with an average maturity of three years, of which 23% were denominated in EUR. All our bond issuances, regardless of currency, are subject to the Danish balance principle.

The costs of warehousing temporary excess liquidity, stemming from bond issuances pending loan disbursements, extraordinary loan pre-payments and associated hedges, amounted to DKK 74 million in 2024, up from DKK 40 million in 2023. The increase was primarily due to an elevated volume of liquidity warehoused, owing to an unusually high DKK 7.0 billion of loan pre-payments.

Funding costs not covered amounted to a cost of DKK 13 million in 2024 compared to an income of DKK 9 million in 2023. This primarily related to unscheduled pre-payments of USD loans funded with EUR or DKK bonds and hedged with cross-currency swaps, as pre-payment proceeds were reinvested at the prevailing, less favourable, market rates.

Net income from non-business funding activities amounted to DKK 64 million in 2024, benefiting from the reversal of foregone interest on prior non-performing loans in the amount of DKK 42 million. Prior buy-backs of own bonds contributed income of a further DKK 27 million to the funding area. CVA and DVA derivative charges resulted in a net negative fair value adjustment of DKK 1 million.

In total, the result of the Funding activity amounted to a DKK 23 million net cost in 2024, against an income of DKK 12 million in 2023.

Income, funding

DKK million	2024	2023
Funding costs not covered [1]	(13)	9
Warehousing	(74)	(40)
Non-business activities	64	42
Net income funding	(23)	12

1) Funding costs not covered comprise the actual incurred costs of external funding less funding costs charged to the Lending business area

Investments

The Investments area consists of our own funds, invested in high-grade fixed income instruments. These instruments primarily comprise Danish AAA-rated government bonds and mortgage bonds, highly rated covered bonds from Scandinavian issuers, and other highly rated core EU government and supranational agency bonds. In addition, a small part of the portfolio is allocated to investment-grade bank debt.

The investment portfolio is managed within prudent risk limits. The risk of losses from outright defaults is viewed as very remote, although the portfolio is exposed to changes in the credit spreads of the instruments held. The interest rate risk in the investment portfolio is limited as the portfolio is to a large extent hedged with derivative instruments.

The financial markets

Inflationary pressures eased during 2024, allowing central banks to lower interest rates. Policy rates in DKK decreased on the back of policy action from the European Central Bank. Political uncertainty affected German and French sovereign bond spreads, while the November US presidential election resulted in a significant strengthening of the US dollar against other developed market currencies.

2024 in brief

The investment portfolio continued to be managed with a very conservative risk profile. Investments generated income of DKK 260 million against comparable income of DKK 105 million in 2023.

The investment portfolio return was supported by short-term interest rates that were higher on average than in previous years. A tightening of credit spreads further supported investment returns. Volatility in the investment portfolio remained low, as a result of conservative risk management and generally benign market conditions. The investment result of DKK 395 million corresponds to a return of 4.0%, compared to a return of 3.4% in 2023. The investment return is calculated excluding interest for the Tier 2 capital notes.

Reported investment net income for 2024 includes interest expenses of DKK 135 million on Danish Ship Finance Holding A/S (DSH) Tier 2 capital notes compared to DKK 245 million in 2023.

Income, investments

DKK million	2024	2023
Net interest income	244	193
Market value adjustments	151	158
Tier 2 interest expense	(135)	(245)
Net income investments	260	105

Management Report

Summary *of performance*

Financial *trends*

Financial highlights

Key figures, DKK million	2024	2023	2022	2021	2020
Net interest income from lending[1] *	351	415	562	529	488
Net interest and fee income from lending[1] *	372	430	575	561	509
Net interest income from investment excluding Tier 2 capital interest *	244	193	65	(37)	41
Net interest income from investment activities[1] *	109	(53)	(119)	(222)	(146)
Total net interest income *	460	362	442	306	342
Net interest and fee income – *reported prior year*	-	617	640	536	562
Net interest and fee income *	481	377	456	338	363
Market value adjustments	141	175	(206)	(82)	(150)
Staff costs and administrative expenses *	(196)	(206)	(189)	(170)	(159)
Loan impairment charges	147	506	583	39	(100)
Profit before tax – *reported prior year*	-	1,097	830	326	154
Profit before tax *	553	851	643	124	(47)
Net profit for the year *	414	626	517	101	(53)
Loan book[2]	27,388	31,980	35,005	37,544	33,576
Issued bonds	38,843	43,595	41,402	43,228	42,477
Subordinated debt *	-	2,000	2,000	2,000	1,990
Total equity – *reported prior year*	-	10,407	9,755	9,325	9,275
Total equity *	9,269	8,430	7,894	7,424	7,345
Total assets *	58,302	64,234	58,802	54,533	59,935
Common Equity Tier 1 capital after deductions *	8,914	8,198	7,481	7,310	7,261

** Comparative figures have been restated following the merger of DSH and DSF in July 2024*
1) The link between income in the income statement and the business areas can be seen in note 3
2) The link between loans in the balance sheet and the loan book can be seen in note 17

Financial highlights

Key ratios	2024	2023	2022	2021	2020
Return on equity after tax (%) *	4.7	7.7	6.8	1.4	(0.7)
Return on investment activities (%)	4.0	3.4	(0.8)	(0.9)	(0.9)
Common Equity Tier 1 capital ratio (%) – *reported prior year*	-	23.6	21.9	20.1	22.3
Common Equity Tier 1 capital ratio (%) *	23.6	19.5	17.6	15.9	17.5
Internal capital adequacy requirement incl. combined capital buffer requirement (%)	13.1	13.3	13.0	11.6	12.0
Cost/income ratio (%) – *reported prior year*	-	25.4	43.2	36.8	38.3
Cost/income ratio (%) *	34.7	37.5	76.3	67.0	75.1
Equity as a % of loan book *	33.8	26.4	22.6	19.8	21.9
Annual loan impairment ratio (%) (avg.)[1]	(0.5)	(1.5)	(1.6)	(0.1)	0.3
ECL allowance account, loans as % of loan book (year-end)	1.9	2.0	2.1	2.6	3.9
Weighted average loan-to-value ratio after ECL charges (%)	37	40	43	44	54
Proportion of loans covered within 60% of market value (%)	100	100	100	99	98
Net write-offs on loans as % of average loan book[2]	(0.3)	(1.3)	(0.9)	0.8	2.1

**Comparative figures have been restated following the merger of DSH and DSF in July 2024.*
1) The key ratio annual loan impairment ratio (%) (avg.) is shown as a negative figure, reflecting loan impairment charges as an income.
2) The key ratio net write-offs as % of average loan book is shown as a negative figure, reflecting recovery on loans previously written off.

For definitions of key ratios, see note 2.

Income

Net interest income from lending totalled DKK 372 million in 2024, including fee income of DKK 21 million. The figure represents a decrease of DKK 58 million compared to the previous year. The decrease was largely driven by a lower loan book during 2024, as extraordinary loan pre-payments of DKK 7.0 billion were only partially compensated for by new lending. Altogether, DKK 5.8 billion of new loans were disbursed in 2024, with DKK 8.3 billion of loan offers accepted, compared to DKK 9.2 billion and DKK 12.0 billion, respectively, in 2023.

Net interest income from investment activities was DKK 244 million in 2024, compared to DKK 193 million in 2023. Both figures exclude accrued interest for DSH Tier 2 capital notes of DKK 135 million and DKK 245 million in 2024 and 2023, respectively.

Market value adjustments of securities and foreign exchange contributed income of DKK 141 million, mostly from AAA-rated DKK bonds and associated derivative hedges.

The total net income from investments contributed very positively to the net profit for 2024.

Expenses

Staff costs and administrative expenses totalled DKK 196 million in 2024, compared to DKK 206 million in 2023. The decrease of 5% was primarily driven by the reversal of performance-based compensation provisions related to previous years. The underlying expenses were largely at the same level as the previous year.

The development of our new domicile at Langebrogade 5 is progressing, although construction has been delayed in 2024. We now expect to move in during Q4 2025, at which time we will vacate our current domicile at Sankt Annæ Plads 3. In 2024, an impairment on the property of DKK 19 million pre-tax was recognised due to changes in the project.

In 2024, the cost/income ratio (excluding loan impairment charges) was 34.7%, compared to 37.5% in 2023. The ratio was positively impacted by higher income from investments.

Loan impairment charges

Credit quality across the loan book was solid throughout the year, supported by robust freight rates across most shipping segments. Successful restructuring activities and DKK 76 million recovery on loans previously written off meant that loan impairment charges for the year amounted to an income of DKK 147 million, compared to an income of DKK 506 million in 2023. There were no loan defaults in 2024.

The total ECL allowance account amounted to DKK 601 million at year-end 2024, down from DKK 672 million at year-end 2023, driven by the continued reduction in non-performing loans, which was only partly offset by management overlays, introduced and built up in 2024, to provide an additional buffer to mitigate potential adverse impacts of macroeconomic and geopolitical uncertainties. As at 31 December 2024, all loans were interest-bearing, and only loans to a single client were classified as non-performing, pending reclassification as performing forborne upon meeting the required criteria.

Tax

Tax expenses for the year were DKK 139 million, compared to DKK 225 million in 2023. This translated into an effective tax rate of 25.1% for 2024 compared to 26.4% for 2023. The Danish corporate tax rate reached 26.0% for 2024 and this will be the applicable rate in the coming years, following the Danish Parliament's enactment of an increase in the corporate tax rate for the financial sector in Denmark. The 0.9 percentage point reduction in the effective rate for 2024 was primarily related to deferred tax assets on the domicile impairment and adjustments to prior years.

Equity

Equity stood at DKK 9,269 million at year-end 2024, an increase from DKK 8,430 million at year-end 2023. Equity was affected by the result of DKK 414 million after tax for the year and dividends paid out in 2024 of DKK 1,741 million, of which DKK 1,649 million comprised extraordinary dividends related to the change in ownership. Furthermore debt conversion of the additional Tier 2 capital affected the equity positively by DKK 2,166 million. Total equity was reported at DKK 10,407 million in the Annual Report 2023. The restated equity reflects the merger effects.

The Board of Directors has proposed a dividend of DKK 288 million for 2024. The proposed dividend covers the mandatory preferred dividend to the Danish Maritime Fund, two semi-annual dividends to Magellan Capital Holdings PLC, and associated minority shareholder dividends. This amount is recognised as a proposed dividend in shareholders' equity until approval of the distribution at the general meeting in March 2025.

The proposed dividend has been deducted from Common Equity Tier 1 (CET1) capital (see note 31).

CET1 capital totalled DKK 8,914 million at year-end 2024, compared to DKK 8,198 million at year-end 2023. The CET1 capital ratio was 23.6% at year-end 2024, up from 19.5% at year-end 2023. As at 31 December 2024, DSF had no supplementary capital instruments. Hence, the total capital ratio equalled the CET1 capital ratio. At year-end 2023, the total capital ratio of 24.2% included DSH Tier 2 capital notes of DKK 2,000 million, while the Tier 1 capital ratio of 19.5% equalled the CET1 ratio.

Uncertainty in recognition and measurement

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

Material risks

The most material risks are described in more detail in note 40.

Events after the balance sheet date

In early January 2025, Standard & Poor's upgraded our covered bond rating to high investment grade AA- (Stable), from a previous rating of A (Stable). No other events have occurred after the balance sheet date which materially affect the assessment of the Annual Report 2024.

Financial results relative to outlook

Net profit of DKK 414 million for 2024 was within the range of expectations we guided to in the Annual Report 2023. The reported result includes one-off accounting effects related to a simplification of the Group structure (see section *The year in summary* for more details). Excluding these effects, net profit for the year would have been DKK 98 million higher.

Key drivers of the 2024 financial result were a strong income contribution from the investment portfolio and reversal of prior-year loan impairment charges.

The positive investment result achieved in 2024 benefited from benign conditions in fixed-income capital markets. Our conservative investment strategy comfortably contained the occasional bout of market volatility with only minimal impact. Thus, the year's investment result was realised on a very stable basis.

Notwithstanding healthy new lending activity, the loan book shrank in 2024. Several of our clients applied some of their ample financial resources to pre-pay on existing loans. Pricing of shipping loans remained tight in 2024, as lenders competed vigorously to participate in financing transactions.

We did not have significant funding requirements in 2024, and the maturity profile of the outstanding bonds decreased alongside the maturity of the loan book on an overall basis. However, we did execute maturity extensions for part of the funding on good terms. Funding costs declined throughout the year.

In 2024, the loan book maintained solid credit quality with low loan-to-value ratios. Reversal of prior loan impairment charges continued, contributing net positively by DKK 147 million, including recoveries on loans previously written off.

Operating costs developed favourably, benefiting from certain one-off items. We continued to invest in Operational Excellence and digitalisation efforts to allow resources to be redeployed in the most productive way to support the business.

The previously announced review of the ownership of Danish Ship Finance Holding A/S (DSH) and evaluation of the Group capital structure came to fruition in 2024, as Magellan Capital Holdings PLC acquired a majority stake in DSH in July 2024. The completion of the acquisition allowed a simplification of the Group structure, with DSH being merged into DSF in July. The resulting company structure is very simple and transparent, with just the operating company remaining.

Regulatory solvency and liquidity ratios again remained at very healthy levels in 2024, reflecting our strategy of operating with substantial headroom to minimum regulatory requirements.

No material impacts relating to upcoming regulations were observed during the year.

Shipping markets were characterised by diverging trends in 2024. This was generally in line with the outlook that we set out in the Annual Report 2023. The Container segment experienced a robust recovery, as the Red Sea crisis managed to absorb high fleet growth in the segment. Market fundamentals in the Dry Bulk segments started off strongly early in the year but declined toward year-end, driven by a weakening of Chinese demand. Meanwhile, the Tanker segments remained firm in 2024, underpinned by longer travel distances as a result of vessels being rerouted away from the Red Sea, leading to high fleet utilisation and overall favourable market conditions.

Macro outlook

Global economic growth is expected to remain stable yet underwhelming, with trade tensions and geopolitical stresses representing the main downside risks. The IMF currently projects that the global economy will grow by 3.3% in both 2025 and 2026 – lower than the pre-pandemic average of 3.8% during 2000-2019. While the global economy is forecast to expand in the short and medium term, the pace and strength of growth may vary across regions.

In the US, the Federal Reserve's gradual shift towards more accommodative monetary policies is expected to foster continued economic stability, bearing in mind that risks to an inflation rebound have risen in light of the incoming administration's stated policy objectives. In Europe, looser financial conditions will promote domestic demand, but any improvements are projected to be slow, as persistent weakness in manufacturing is weighing on growth for large European economies such as Germany and Italy. The outlook for China – although still likely to contribute significantly to global economic growth – is also one of the challenges. These include a troubled property market, cautious consumer sentiment and a declining working-age population. A deep contraction in China's property sector may also create negative global spillovers, given China's large footprint in global trade. Even with government stimulus, the spark of past decades seems elusive.

Global inflation rates are on a downward trajectory and are projected to align with central bank targets in advanced economies in 2025 absent major policy change. For businesses and households, this would mark a reprieve after years of elevated prices, supporting the prospects of growth in global trade. The IMF expects that global trade volumes will increase by 3.2% in 2025 and 3.3% in 2026.

Geopolitics weave a complex thread through the fabric of the global economy. Rising protectionism, exemplified by potential tariffs proposed by the incoming US administration, has reignited fears of trade wars – which is particularly concerning for export-heavy regions such as Asia and Europe. In addition, tensions surrounding the South China Sea and the Taiwan Strait and conflicts in the Middle East contribute to a tense international backdrop.

OUTLOOK FOR 2025

Following several years of exceptionally strong performance in core shipping segments, we see signs that the tide is turning. We expect shipping sector earnings in 2025 to trend down towards a normalisation from recent years' elevated levels. Vessel values will normalise in tandem with lower freight rates.

As shipping markets undergo a readjustment to a normal earnings environment following the exuberant levels in recent years, we expect a greater divergence between shipping segments to materialise in 2025. In the Fact Box, we summarise our views on the different segments. These are detailed further in on page 15-17.

In the year ahead, we expect shipping markets to provide a favourable environment for lending to both existing and new clients on a sound commercial basis. We anticipate loan book growth in 2025, as clients' borrowing requirements gradually begin to increase. While we foresee a weakening of shipping market fundamentals, we remain confident that any adverse credit impacts will be well-contained by the quality of the loan book, without compromising our best-in-class loan loss track record. We do not anticipate a need for additional loan impairment charges in 2025.

We have entered 2025 with ample liquidity and expect to tap the Danish and European covered bond markets selectively when good terms can be had during the year, supported by our recently upgraded AA- (Stable) covered bond rating. Combined with a strong solvency position and ample capacity, this provides a solid basis from which to provide competitive loan financing terms to both existing and new clients of Danish Ship Finance.

Market expectations of relatively predictable, albeit slightly lower, interest rates with moderate economic growth but still-solid economic fundamentals bode well for our high-grade investment portfolio and we expect the investment result to be satisfactory again in 2025.

We expect slightly higher operating costs in 2025, as certain one-off items contributed to reducing net costs in 2024 and will not recur. We will continue to invest in Operational Excellence initiatives to underpin growth in the lending business, digitalise core processes, and support our sustainability efforts.

On this basis, we expect a robust operating performance in 2025, with net profit in the range of DKK 325 million to DKK 375 million. The business outlook remains subject to market factors and elements beyond our direct control. Uncertainties related to global politics, macroeconomics, tariffs and global trade, conflict or pandemics may impact shipping markets and the outlook for 2025. 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 rates and foreign exchange markets, may affect financial performance.

While we believe that the total ECL allowance account of DKK 601 million provides adequate coverage for potential future credit losses, unforeseen adverse credit performance remains a risk to our outlook for the coming year.

MARKET VIEW

In 2024, the risk of attacks in the Red Sea prolonged travel distances and increased vessel utilisation, contributing to an overall strong performance for the shipping markets for the year. However, we expect fleet growth to outpace demand in 2025, assuming travel distances normalise. Nearly all major shipping segments are expected to see fleet utilisation decline, with some potentially facing a more challenging period ahead.

Earnings and vessel values in the Oil Tanker market are expected to remain elevated in 2025, albeit softening from 2024 highs. In contrast, the Gas and Container segments may face increased pressure, as both segments are set to see a high inflow of vessels likely to outpace demand, driving down fleet utilisation and freight rates. The Container segment appears particularly vulnerable if conditions in the Red Sea normalise and travel distances return to pre-crisis levels. Bulk vessels are being supported by positive supply-side dynamics, but the segment remains exposed to China's economic fortunes. The slowdown in the Chinese property sector, with real estate investments declining nearly 30% since 2021, continues to weigh on the broader market.

Geopolitical tensions compound the uncertainties further, with growing protectionism raising concerns about trade wars and their potential to disrupt seaborne demand in the short to medium term. Secondhand prices in most major segments are expected to decline, particularly where vessels' economic lifetimes are at risk of being shortened by technological change and declining demand.

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 evaluating a loan request, we assess the client's credit quality through the shipping cycle alongside the market outlook for the relevant shipping segment, the vessel type and age, the client's sustainability rating and the terms of the loan, such as 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 fails to cover the outstanding debt in the event of a client's default on a loan.

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

We adhere to 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 guidelines in place, outlining to what extent and under which conditions we will allow large credit exposures, including credit exposures exceeding 25% of the eligible capital.

At year-end 2024, the five largest credit exposures (related to lending activities) were secured by mortgages on 48 vessels split between seven vessel types, and – contrary to previous years – no credit exposure to a single client group exceeded 25% of the eligible capital.

Movements in five largest credit exposures

(DKK million)	2024	2023
Five largest credit exposures	6,941	10,444
Loan book	27,388	31,980

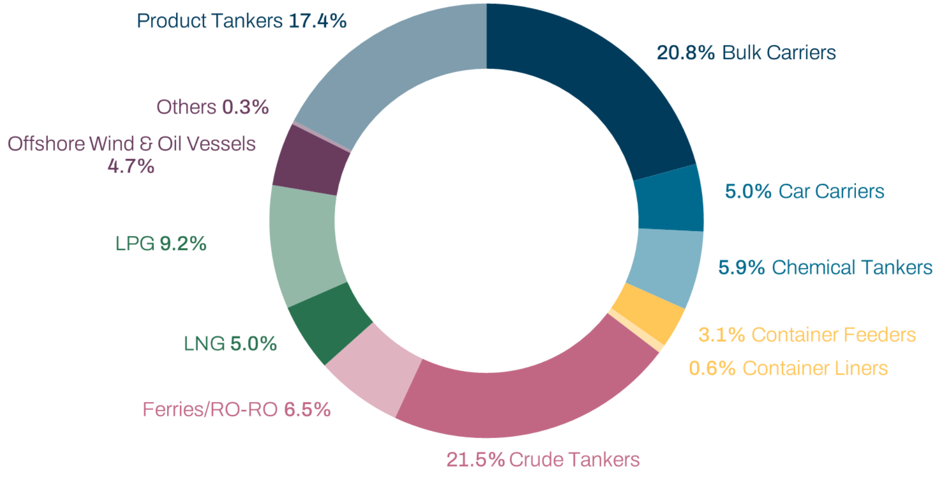
Ongoing credit risk monitoring

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 these at least annually, upon receipt of new information, or in case of risk events.

We assess the credit exposures based on clients' most recent financial information, 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.

Loan book broken down by mortgaged vessel type as of 31.12.2024 - DKK 27,388 million



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

We obtain fair market valuations for all vessels at least semi-annually. The valuations are carried out by external brokers. In rare cases, we may self-assess the values based on, for example, specific independent market values or external valuations of similar vessels.

We have started using algorithm-based valuations to regularly monitor market developments across the most transparent and standardised vessel types.

Market valuations of vessels are, among other things, used to determine the 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. The valuations are also used to monitor compliance with the 60% LTV limit in Capital Centre A.

We always use external brokers to determine the initial LTV ratio in relation to new lending.

Loan-to-value intervals

At year-end 2024, 94% of the loan book after ECL charges was on average secured by mortgages within 40% of the market valuation of financed vessels. A full 100% of the loan book after ECL 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 pre-payment and/or additional collateral if the market values of the mortgaged vessels fall below an agreed threshold. In the chart, the loan-to-value (LTV) intervals are shown together with the development in vessel prices based on a price index obtained from Clarksons across all the major vessel types (the solid line).

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

Loan impairment charges and write-offs

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

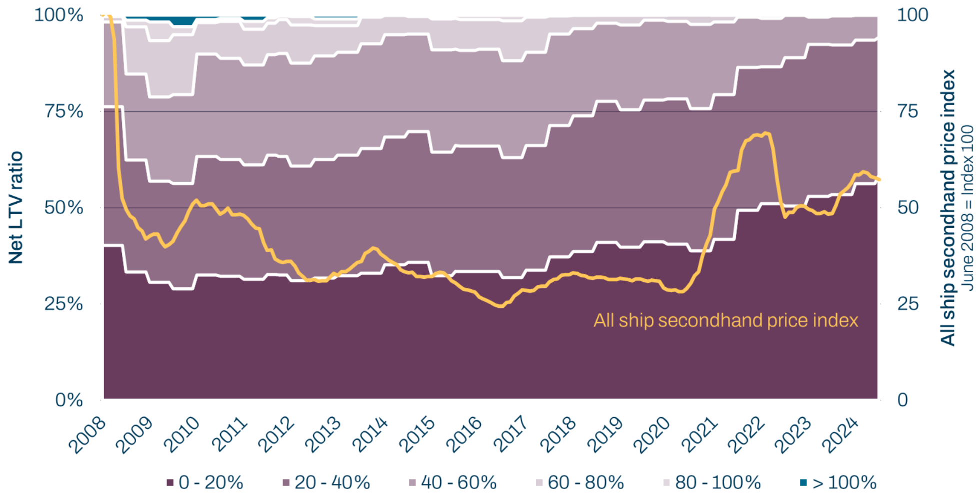
The IFRS 9 impairment rules form the basis for staging of credit exposure and calculating loan impairment charges for ECL, as set out in the table on the following page. The stage migration for the purpose of calculating loan impairment charges for ECL is closely linked to the development of clients' DSF Ratings.

Note 17 provides more detailed information.

The credit quality of the loan book was solid throughout the year with no loan defaults recorded, supported by healthy freight rates across most shipping segments, successful workouts of legacy non-performing loans and recovery on loans previously written off, leading to a DKK 147 million reversal of loan impairment charges for the year, compared to DKK 506 million in 2023.

At year-end 2024, DKK 25 million in management judgments and DKK 200 million in management overlays were included in the total ECL allowance account. Macroeconomic factors – across all shipping segments on an aggregated basis – were negative in our

Net LTV vs price index for all vessel types



ECL impairment model.

In 2024, recovery on loans previously written off amounted to DKK 76 million compared to DKK 442 million in recoveries in 2023.

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

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 2024, no performing loans were in arrears/past due, and no loans were recognised as being in Stage 2.

Loans subject to forbearance measures

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

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

Given the cyclical nature of shipping, temporary forbearance measures are not uncommon 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 2024, forbearance measures had been granted on loans to only one client.

The Risk Report 2024 provides more detailed information on our credit risk management.

Non-performing loans

NPL encompass all credit-impaired loans (DSF Rating of 11) and all defaulted loans (DSF Rating of 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 2024, NPL represented 0.7% of the loan book, compared to 2.8% the year before, with an average loan-to-value ratio on NPL after ECL charges of 28% at year-end 2024. Net NPL constituted 0.6% of the loan book after ECL charges as at 31 December 2024, compared to 1.6% the year before. The significant decrease in NPL volume was primarily driven by successful restructuring activities.

Note 15 in the Annual Report and the Risk Report 2024 provide more detailed information on NPL.

Stages of credit exposure

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

Management Report

Sustainability

The shipping industry's *decarbonisation journey*

The shipping industry is maintaining course on its decarbonisation journey. Global and regional regulators are paving the way for continuous improvements in energy efficiency and increased uptake of alternative fuels. Industry pioneers are leading the way with green corridors and dual-fuel vessels, while many shipowners are working to upgrade existing vessels. Still, few of these new initiatives have reached sufficient maturity where scale can begin to build.

Sustainable shipping fuels are expensive and in limited supply. The shipping industry has not yet identified a winning pathway; multiple decarbonisation strategies are still being explored. As with many other industries, the primary challenge is a fragile business case for higher costs and large-scale investments.

A critical global infrastructure

Ocean transportation is a pivotal infrastructure within the global economy, facilitating the conveyance of 86% of global trade. It connects economies, industries, sectors and people. It is crucial in enabling global flows of goods, food, energy and people.

Maritime transport represents the most cost-effective and energy-efficient method for the bulk movement of goods across vast distances. The shipping industry emits 2% of global emissions (GHGe).

According to Clarksons, global CO_2 emissions increased by 18.9% from 2008 to 2024. During the same period, distance-adjusted seaborne transportation grew by 61.3%, while emissions from the global shipping fleet declined by 14.2% (measured in well-to-wake emissions). Consequently, the shipping industry has achieved an average annual reduction of 3.9% in emissions per transport work between 2008 and 2024.

Firmly guided by global regulation

The shipping industry's decarbonisation journey is firmly guided by a global regulatory framework formulated by the International Maritime Organisation (IMO), which is further tightened at the regional level, for example by the European Union.

The IMO has formulated a broader strategy to reduce greenhouse gas emissions from international shipping but has not explicitly recommended any particular fuel pathway for the industry. Instead, it provides a regulatory framework and sets targets to reduce greenhouse gas (GHG) emissions.

Meeting the 2030 targets seems possible

There is much to indicate that the industry can meet its 2030 emission targets, which will require a structural change in industry dynamics. Retrofitting of existing vessels alone cannot unlock the world fleet's full potential for energy efficiency.

OVERVIEW OF IMO LEGISLATION

The International Maritime Organisation (IMO) has set ambitious targets to reduce greenhouse gas (GHG) emissions from international shipping, aiming for net zero emissions by or around 2050.

2030 targets

- Carbon intensity reduction: Achieve at least a 40% decrease in CO_2 emissions per transport work, compared to 2008 levels.
- Total GHG emissions reduction: Attain at least a 20% reduction in total annual GHG emissions, striving for 30%, relative to 2008 levels.
- Uptake of low-emission energy: Ensure that zero or near-zero GHG emission technologies, fuels and energy sources constitute at least 5%, striving for 10%, of the energy used by international shipping.

2040 indicative checkpoints

- Total GHG Emissions Reduction: Attain at least a 70% reduction in total annual GHG emissions, striving for 80%, relative to 2008 levels.

2050 targets

- Net zero GHG emissions: Achieve net zero GHG emissions from international shipping by or around 2050, taking into account different national circumstances.

There is significant abatement potential. The current business model, whereby many shipowners profit most from speculating on ship price fluctuations, does not sit easily with climate targets that can only be met through long-term investments and behavioural changes.

The course for 2050 is set but the tactics remain unclear

The IMO has given shipowners the flexibility to chart their own course towards 2050, provided they comply with regulations, but the shipping industry is a niche sector that cannot dictate or single-handedly introduce a new energy source. The industry will need to adopt fuel choices that benefit multiple sectors and industries to reap the benefits of government support to reach global scale.

The lack of a clear market direction

Parts of the shipping industry are scouting a route to 2050 that is based on hydrogen-based decarbonisation strategies, but there is significant uncertainty as to which industries will ultimately adopt hydrogen-based energy systems, how quickly they will do so, and at what scale. Competing decarbonisation technologies, such as electrification, biofuels and synthetic fuels, are also advancing.

This lack of a clear market direction is discouraging large-scale investments in green hydrogen projects. If other sectors do not adopt hydrogen at scale, there may be less incentive to develop the global infrastructure needed to supply green hydrogen for the production of green methanol or green ammonia to the shipping industry.

The shipping industry's current appetite for hydrogen-based decarbonisation strategies risks playing a relatively minor role in national decarbonisation efforts until such time as more industries have been decarbonised.

ABOUT THIS SUSTAINABILITY SECTION

We present our sustainability targets and progress and provide an overview of how sustainability is managed in DSF.

The report also represents DSF's Communication on Progress to the UN Global Compact. This integrated Annual Report fulfils the requirements in Sections 151 and 152 of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

DSF will be subject to requirements implementing the Corporate Sustainability Reporting Directive (CSRD) for the financial year starting on 1 January 2025 and our first CSRD reporting will take place in our Annual Report 2025 in accordance with the European Sustainability Reporting Standards (ESRS).

Sustainability in *Danish Ship Finance*

Sustainability is integral to our work

Sustainability has grown to become a central pillar of our strategy and a key business imperative. Global climate targets are transforming industry dynamics and introducing new perspectives and metrics, reshaping the shipping industry, financial markets and our operations.

While our heritage from 1961 remains intact, we are also innovating our strategy to support the shipping industry on its decarbonisation journey. We are committed to financing the transition.

In 2024, the organisational anchorage of our sustainability efforts changed, with sustainability being integrated into the Innovation & Research team. This allows us to embed our cutting-edge shipping research and ESG ambitions effectively into our strategy while establishing standardised and data-driven processes and reporting.

The new organisational structure has enabled us to enhance our data collection, data architectures and reporting processes, thereby preparing us for the Corporate Sustainability Reporting Directive (CSRD). This includes improving data availability and quality, implementing robust assurance processes, and ensuring that ESG data is effectively utilised to inform decision-making and drive sustainability initiatives.

These changes are crucial for meeting the growing demand from regulators, investors and other stakeholders for ESG transparency. The CSRD plays a significant role in this, emphasising the need for accurate, comprehensive and transparent ESG disclosures.

Corporate Sustainability Reporting Directive

Danish Ship Finance is subject to the CSRD, which came into effect on 1 January 2025 and which will require CSRD-compliant reporting for the financial year 2025. In 2024, we conducted an initial comprehensive double materiality assessment. This is a key step in aligning with the EU's CSRD and an updated 2025 assessment will be presented in our next year's Annual Report. The initial double materiality assessment has already enhanced our understanding of key ESG impacts, risks and opportunities and provided valuable insights to stakeholder expectations.

Many of our clients and investors are also subject to increased requirements for sustainability reporting, including the CSRD. Hence, in addition to our work with CSRD, we have been supporting our value chain in preparing for sustainability reporting and have participated as stakeholders in several double materiality assessments. We greatly appreciate being invited to provide input in these processes and are always happy to contribute.

The dialogue with our stakeholders strengthens our understanding of the broader sustainability challenges and fosters collaboration across the value chain. This reflects our commitment to being a steadfast partner in our clients' sustainability journeys. We are dedicated to supporting our clients for the long term, providing our view of the challenges and opportunities that the transition may bring.

Sustainable *finance*

STATUS ON OUR TARGETS

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

2024

More than 50% of new loans must have sustainability incentives

Status: *In 2024, 37% of new lending was linked to sustainability incentives. This was an increase from 24% in 2023. Although we did not meet our target, we committed to encouraging clients to engage in lending with sustainability incentives.*

Updated 2025 target: *More than 35% of our loan book must have sustainability incentives. We have revised our target to encompass our entire loan portfolio rather than solely new lending. By expanding the scope of the target, we aim to align our overall loan portfolio with our sustainability ambitions.*

2024

More than 10% of the investment portfolio must consist of sustainable bonds

Status: *We are proud to have reached our target: in 2024, 13% of our investment portfolio consisted of sustainable bonds. The proceeds from sustainable bonds must be used for purposes that contribute positively to the environment and/or society.*

Updated 2025 target: *We have decided to maintain this target in 2025, reflecting our continued dedication to embedding sustainability into our core investment strategy.*

2025

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

Status: *In 2024, we worked with establishing structured and consistent criteria and thresholds. We are now using our internal sustainability rating framework to assess whether clients are sufficiently engaged in the sustainable transition.*

2025

The environmental performance of the loan book must align with the Poseidon Principles trajectories

Status: *In 2024, we reported a portfolio alignment score of +12.6% and +18.1% against the IMO's "minimum" and "striving" net zero trajectories, respectively. This represents an increase compared to the previous year, largely influenced by stricter alignment trajectories and changes within our loan portfolio. We continue to aim for full alignment as a stretched target.*

2050

Achieve a net zero loan book

Status: *We are working towards achieving a net zero loan book by supporting our clients in their sustainable transition. We adhere to the Poseidon Principles methodology for calculating our total climate footprint. Net zero, or climate neutrality, is achieved when there is a balance between the greenhouse gases added to the atmosphere and those removed, resulting in no net effect on the climate.*

Sustainable *finance*

Clients

Before we embark on new client relationships, we diligently ensure that we preserve our reputation and track record by only engaging with reputable shipowners (see illustration to the right). We have integrated due diligence processes into our lending to new and existing clients. As in previous years, our extensive screening procedures have not revealed any problematic client relationships. Our lending portfolio consists of leading Danish and international shipowners with whom we often have long-term relationships.

Client sustainability profile

We are in the process of implementing a sustainability profile for each of our clients. These profiles will feed essential data into our sustainability rating while offering a more nuanced perspective than the ratings alone. Although many clients operate within the same shipping segment, each has a distinct business model and operational profile. By leveraging these unique sustainability profiles, we will be able to take a structured, data-driven approach to tracking progress across all three ESG domains.

The client sustainability profiles will help facilitate discussions about each client's sustainability journey, highlighting strengths, challenges and areas for improvement. We aim to foster a more meaningful dialogue by tailoring our support to each client's unique challenges. Ultimately, these profiles will serve as a cornerstone of our commitment to partnering with clients on their journey towards a more sustainable future. Thus, the sustainability profiles will become a critical tool for ongoing client engagement, while our sustainability rating framework enables us to compare performance across the loan book.

Assessment of clients

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

Sustainability ratings

Sustainability ratings form part of the credit approval process. New and existing clients are rated annually to assess how they manage risks and opportunities related to sustainability. From 2025, we will only offer new loans to clients who are actively engaged in the shipping industry's sustainable transition.

Each client is assessed according to this framework on a 12-step scale, ranging from 12 to 1 (worst to best performance). Clients rated between 12 and 10, described as "poor performance" are classified as unengaged. From 2025, new loans will only be granted to clients with a sustainability rating of 9 or better.

We are working to improve the rating framework to ensure that our assessments are aligned with society's expectations, in particular regarding human rights issues. The rating framework is evaluated once a year to incorporate increasing stakeholder expectations and changing regulatory requirements. We are currently making a more extensive revision, reflecting the rapid and wide-ranging improvements in ESG data and reporting. We strive to make the sustainability rating more data-driven to improve its objectivity.

In the revised framework, we will focus on corporate governance, operational performance and annual improvements for environmental, social and governance aspects. This framework will be aligned with the results of our double materiality analysis, which will ensure that the framework addresses the most material ESG topics for our business and stakeholders.

Furthermore, we are reviewing the requirements set by external ESG rating agencies and the new EU rules they must follow regarding their methodology. While we are not directly subject to these rules, we aim to incorporate comparable data points into our framework. Doing so ensures alignment with established benchmarks and provides a more robust, transparent and meaningful assessment of ESG performance.

We have seen steadily improving transparency among our clients in recent years. However, we understand that every client differs in terms of their ESG performance and possibilities depending on company size, ship segment, business model, operational profile, etc.

2025

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

Sustainability rating framework

We assess all clients on the following ESG issues:

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

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

Ship recycling

Recycling of ships is an important sustainability issue for Danish Ship Finance, and is part of the screening process through the sustainability rating. Responsible ship recycling is key in minimising risks to the environment as well as human health and safety. Failure to scrap vessels responsibly can result in significant human costs, environmental degradation and serious reputational risks for shipowners.

The Hong Kong Recycling Convention, adopted in May 2009, was ratified in 2023. The convention will enter into force at the end of June 2025. The Hong Kong Convention requires, among other measures, an inventory of hazardous materials onboard the ship to be maintained and the shipowners to undertake due diligence of the yards used for ship recycling.

In 2021, we joined the Responsible Ship Recycling Standards (RSRS) for banks. This initiative is a collaboration between global shipping banks to create common standards for ship recycling and incorporate these into new loan documentation. At the end of 2024, 13 banks were members of the RSRS initiative. Since becoming part of the initiative, we have introduced a covenant on this key issue. This illustrates the strong dedication of our client base to upholding these standards.

Human rights, health and safety

Human rights, as well as health and safety, are vital priorities for Danish Ship Finance. Due diligence on these sustainability issues is central to our lending process. In rating our clients, we evaluate their reported human rights practices and engage in constructive discussions to address potential concerns. We assess whether our clients have adequate policies regarding human rights. These should at least address human rights in general, as well as labour rights issues such as workplace discrimination, fair working conditions and wages, and freedom of association.

Danish Ship Finance has an in-house ship surveyor who performs thorough analyses during the lending process, including monitoring port state control inspections. When relevant, our surveyor conducts physical inspections of the vessels. The performance of technical managers is also assessed where relevant. These inspections help mitigate risks of sustainability issues.

Through these practices, we aim to ensure that our lending practices promote respect for human rights and prioritise health and safety. Our commitment to upholding these standards is reinforced through our business relations code of conduct. This framework guides our engagement with business partners. It includes our commitment to adhere to:

- UN Global Compact’s Ten Principles on Human Rights
- The UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises

At Danish Ship Finance, we have evaluated our own adverse impacts according to these international standards. We expect all our business partners to do the same. Furthermore, we continue to engage in dialogue with stakeholders on the important issues related to human rights and health and safety.

HUMAN RIGHTS COMMITMENT

We formally acknowledge our commitment to upholding human rights across our supply chain. We believe everyone deserves to work in a safe, respectful and fair environment. We commit to the following principles and expect the same from our clients and suppliers:

- Ensuring safe working conditions and providing necessary safety training and equipment
- Guaranteeing fair wages and reasonable working hours in compliance with local laws
- Supporting workers' rights to unionise and engage in collective bargaining without interference
- Strictly prohibiting child labour and forced labour
- Ensuring clean, safe and acceptable living conditions for workers
- Promoting a workplace free from discrimination, with equal opportunities for all
- Enforcing fair and respectful disciplinary practices, prohibiting physical punishment and abuse

See more in our business relations code of conduct

Loans with sustainability incentives

In 2024, we continued to encourage clients to engage in lending with sustainability incentives. For loans with sustainability incentives, the interest rate is determined by the borrower's ability to achieve one or more of the sustainability goals set before the loan is granted. The credit margin can thus be lowered or increased marginally, reflecting the performance of the shipowner.

The share of loans with sustainability incentives in the total loan book has seen a steady increase since 2020. At year-end 2024, it reached 32% of the total loan book. This represents a significant increase from 23% at year-end 2023, 18% in 2022 and 10% in 2021. Further, 37% of new loans had sustainability incentives in 2024, up from 24% in 2023.

The primary part of these loans is linked to emissions and draws upon the Poseidon Principles methodology. This is important for aligning the loan portfolio with the Poseidon Principles trajectories. We assess our clients' environmental performance holistically, evaluating their entire fleets rather than focusing solely on the environmental metrics of the individual vessels we finance. This approach ensures a more accurate representation of clients' overall sustainability performance, in recognition of the fact that the operational performance of individual vessels may not fully capture the owners' broader operational and environmental practices.

We believe that as more owners deepen their commitment to the industry's transition, loans with sustainability incentives will continue to play a vital role. We are committed to increasing our portfolio with more loans with sustainability incentives and supporting our clients in their decarbonisation journeys.

Sustainable investments

In addition to our lending activities, we acknowledge the role our investment portfolio plays in the sustainable transition. In 2024, 13% of our investment portfolio was invested in sustainable bonds, reflecting our dedication to embedding sustainability into our core investment strategy.

Proceeds from sustainable bonds must be used for purposes that contribute positively to the environment and/or society. Thus, these bonds represent a critical tool for driving positive environmental and social outcomes, aligning financial returns with the broader goals of sustainability.

We have decided to maintain the target to commit to a minimum of 10% of our investment portfolio in sustainable bonds in 2025.

2025

More than 35% of our loan book must have sustainability incentives

2025

More than 10% of the investment portfolio must consist of sustainable bonds

POSEIDON PRINCIPLES

In 2019, we were one of the founding signatories of the Poseidon Principles initiative, a global framework for responsible ship finance. The initiative currently encompasses 35 leading banks representing 80% of global ship finance. In 2024, we once again maintained our seat on the Poseidon Principles Steering Committee, a position we have used to support the high level of ambition within the association.

In 2023, Poseidon Principles signatories approved a significant revision of the framework to incorporate the 2023 IMO GHG Strategy ambition of reaching net zero emissions from international shipping "by or around" 2050, on a well-to-wake basis. Two indicative checkpoints of 20% (striving for 30%) in 2030 and 70% (striving for 80%) in 2040 have also been included. The ambitious targets set by the IMO and adopted by the Poseidon Principles are important in tackling harmful emissions from international shipping. Accordingly, significantly steeper emission reduction trajectories were introduced.

Methodological changes compared to last year
A review of the Poseidon Principles methodology revealed a calculation error in the development of the passenger and Car Carrier trajectories used in the 2023 Poseidon Principles Annual Disclosure Report. The error resulted in trajectories significantly more stringent for the passenger and Car Carrier segments than should have been the case. Correcting this resulted in less stringent trajectories for the passenger and Car Carrier segments. This is described further in the Poseidon Principles Annual Disclosure Report 2024, page 20.

The emissions factor for LNG fuel consumption has also been updated to better reflect the higher emissions intensity from producing and consuming the fuel.

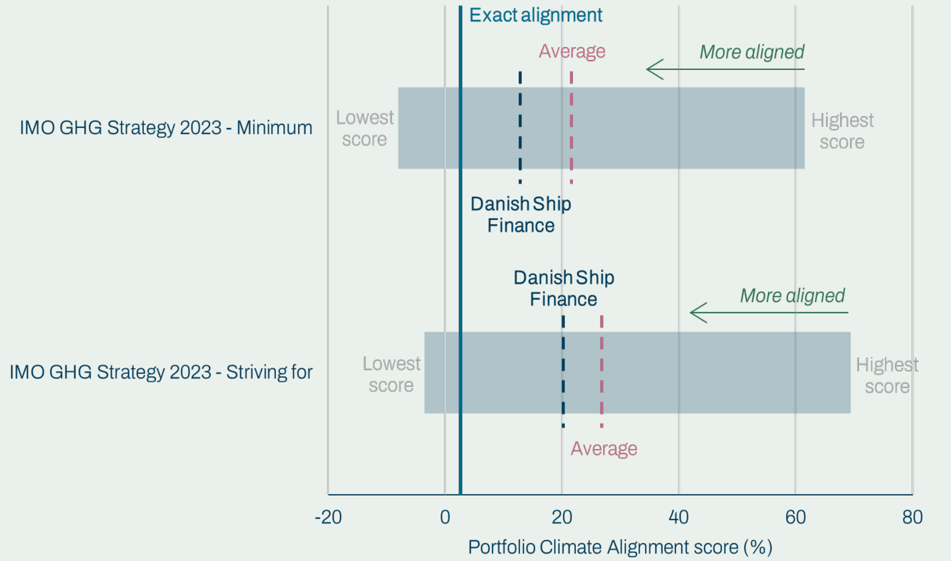
We rank in the top 30% out of 35 banks
We report our climate alignment scores against two trajectories: one against the "minimum" trajectory and one based on the "striving for" trajectory. Our results came in at 12.6% and 18.1%, respectively. These climate alignment scores increased compared to the previous year, which was largely explained by stricter alignment trajectories and changes in our portfolio composition. We are pleased that our results rank in the top 30% out of 35 banks. The fact that 96% of the loan portfolio covered by the Poseidon Principles framework reported data illustrates our clients' high level of commitment and contribution.

The Poseidon Principles framework has provided valuable, data-driven insights into the environmental performance of our shipping portfolio, helping us sharpen and enhance our internal assessments of our clients' sustainability performance. Leveraging this data has led to concrete actions, such as including emission-linked incentives in new loan agreements that align with the ambitious decarbonisation targets set by the Poseidon Principles.

2025

The environmental performance of the loan book must align with the Poseidon Principles trajectories

Poseidon Principles portfolio climate alignment results



FINANCED EMISSIONS FROM LENDING

Emissions from financed vessels account for by far the majority of our activities' climate impact. While maritime transport represents the most cost-effective and energy-efficient method for the bulk movement of goods, it remains one of the hardest-to-abate sectors in the global economy. It is, therefore, our key priority to steer our loan portfolio in the direction of lower emissions by supporting our clients in their sustainable transition.

Increased our coverage to comprise nearly all our lending activities

Our reporting of financed emissions is based on data collected directly from clients. In previous years, we have reported only those financed emissions from our lending activities covered by the scope of Poseidon Principles. However, in 2024 we increased our coverage to comprise nearly all our lending activities. Thus, our reporting percentage in 2024 increased to 95% of the loan book, from 89% in 2023. The increase in the share of the portfolio covered by emissions data primarily stemmed from the addition of Offshore Vessels. The investment portfolio is not included in the metric.

Methodological considerations

We use the methodology developed by Finance Denmark (FIDA) in its sector guidelines for CO2 disclosures, since the Partnership for Carbon Accounting Financials (PCAF) does not currently include specific guidelines for shipping. The guidelines developed by FIDA are nevertheless fundamentally in alignment with PCAF. Due to data constraints in the attribution factor, we use the loan-to-value ratio between the outstanding loan amount and the current ship value. We note that other banks publishing similar data have made the same methodology adjustments.

The inclusion of ship values in the calculation has its drawbacks. Ship values are highly volatile and are impacted by market conditions and outside factors. This makes individual years' results for financed emissions difficult to analyse in isolation, as they can be greatly influenced by movements in ship values from year to year. Therefore, we urge readers to interpret data cautiously and always analyse trends over several years.

Results

The emissions intensity from our lending activities decreased by 9% from 104 tonnes CO2e per DKK million in the reporting year 2023 to 95 tonnes CO2e per DKK million in the reporting year 2024. The decrease was driven by a decline in emissions intensity in most major segments.

CORRECTIONS TO METHODOLOGY

In this Annual Report, we made a correction to the methodology for calculating financed emissions. The corrected methodology takes account of syndicate shares in the calculation, whereas in previous years we included a higher share of emissions even if we only financed a fraction of the vessel. The updated methodology hence represents a significantly more accurate estimate of our financed emissions. The results from previous years have been restated based on the corrected methodology.

2050

Achieve a net zero loan book

Financed emissions from lending

Reporting year	2024	2023	2022	2021	2020
Absolute financed emissions (million tonnes)	2.9	3.2	4.1	5.3	5.8
- Capital Centre Institute in General	*2.1*	*2.7*	*3.3*	*4.2*	*4.8*
- Capital Centre A	*0.8*	*0.5*	*0.8*	*1.1*	*1.0*
CO2 intensity (tonnes Co2e / DKKm lending)	95	104	130	189	178
Share of portfolio covered by emissions data	95%	89%	84%	83%	79%

Our own *impact*

STATUS ON OUR TARGETS

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

2024

Reduce the climate footprint from our own operations by 5% annually compared to a 2023 baseline

Status: *We are proud to have reduced our emissions, excluding financed emissions, by 5% compared to the 2023 baseline.*

Updated 2025 target: *We maintain our commitment to reducing the climate footprint from our own operations by 5% annually compared to a 2023 baseline.*

2024

12.5% of Board members must be of the underrepresented gender

Status: *In 2024, we did not reach this target. The target does not include employee-elected members, and the underrepresented gender refers to women.*

Updated 2025 target: *We retain our commitment to ensuring that 12.5% of Board members represent the underrepresented gender.*

2025

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

Status: *36% of leadership positions were held by the underrepresented gender as at 31 December 2024. Since this represents a slight decrease from 42% in 2023, we aim to regain an equal gender balance in the company's leadership team.*

Updated 2025 target: *We continue to strive for 40% of leadership positions to be held by the underrepresented gender.*

Environment

Our environmental impact stems primarily from financed emissions through our lending and investing activities. However, we recognise our responsibility to reduce the environmental impact of our own operations, such as buildings, district heating and electricity consumption, company cars, office supplies, water, business travel and more.

We aim to reduce our climate footprint, excluding our financed emissions, by at least 5% annually compared to a 2023 baseline. We are proud to have reduced our emissions, excluding financed emissions, by 6% in 2024 compared to the 2023 baseline. In 2024, we reduced our total emissions primarily through less air travel than in 2023. However, our heating consumption – and consequently, our energy usage and Scope 2 emissions – were abnormally high in 2024, due to the ongoing refurbishment of our new office building. We expect this change to be temporary. In 2024, we purchased sustainable aviation fuel (SAF) to reduce 8 tonnes of CO_2e, resulting in a total reduction in CO_2e in our own operations of 6% compared to a 2023 baseline. We purchased SAF directly from our main airline partner. SAF is produced from feedstock that adheres to rigorous sustainability standards, utilising a range of waste materials as well as agricultural and forestry residues that do not compete with food production.

We have maintained our focus on renewable energy, purchasing electricity with Guarantees of Origin since September 2019. Since October 2022, we have had a contract with an institution which offers the opportunity for companies to contribute to the expansion of the renewable power grid in Denmark by adding new privately financed sustainable energy capacity.

We have focused on sustainability throughout the organisation. This includes, among other things, the refurbishment and design of our new domicile. In addition, we consider the environmental impact when we select suppliers, as described in our business relations code of conduct.

2025

Reduce the climate footprint from our own operations by 5% annually compared to a 2023 baseline

Social

Employment conditions and workplace standards

We firmly believe that our employees constitute our foundations for success. We are dedicated to creating a workplace where individuals thrive, both professionally and personally, and we continue to focus on supporting their well-being and satisfaction in the workplace.

We are committed to maintaining a healthy and safe working environment where discrimination and harassment are not tolerated. To ensure adherence to these standards, we conduct annual surveys that provide valuable insights into workplace conditions. We uphold the rights of employees to freedom of association and collective bargaining as fundamental principles. At the same time, we expect all employees to respect and protect human rights, adhering to our internal guidelines and policies, including our publicly available sustainability policy.

We keep flexibility as a cornerstone of our working culture while prioritising initiatives that facilitate cohesion and a sense of belonging. Throughout 2024, we arranged numerous social and professional events to foster these values and enhance the overall employee experience.

Our employees benefit from a collective labour agreement negotiated between Finans Danmark (which represents employers) and Finansforbundet (which represents employees). This agreement constitutes a fundamental aspect of employment at Danish Ship Finance.

Embracing AI for innovation and efficiency

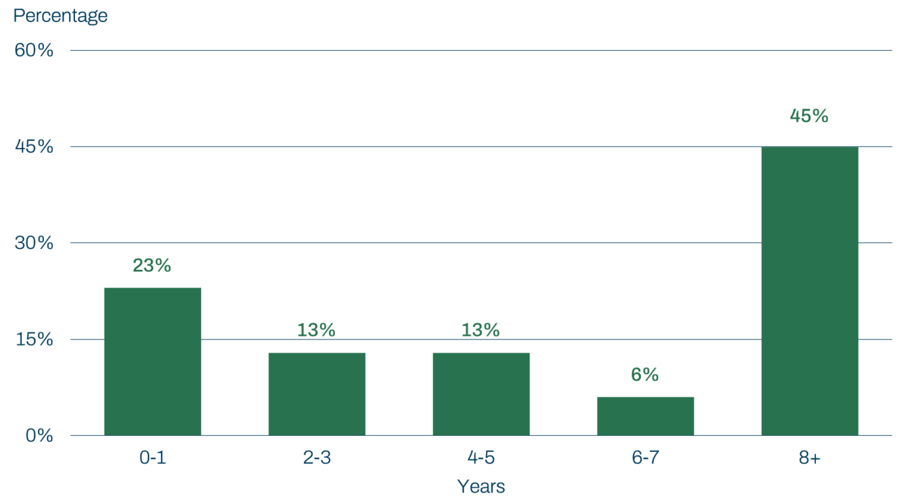
We are committed to empowering our employees by investing in their development and equipping them with the tools to succeed. In 2024, we embraced the potential of artificial intelligence (AI) by rolling out Co-Pilot across the organisation. This initiative is part of our broader effort to adopt innovative technologies that improve the quality of our output.

To support this transition, we organised comprehensive workshops to equip employees with the necessary skills and knowledge. This initiative underscores our dedication to fostering a forward-thinking and innovative organisation, empowering employees to confidently embrace new technologies.

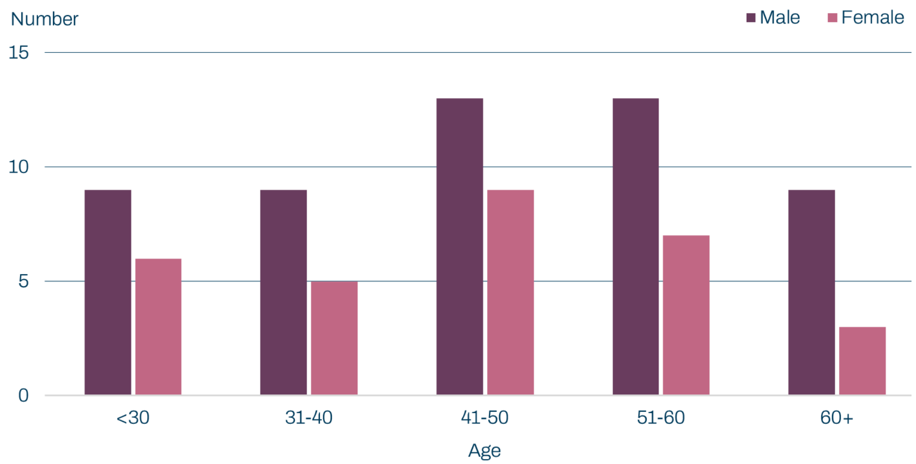
A bright future in new surroundings

Although our move to the new office at Langebrogade 5 has been delayed due to unforeseen circumstances, employee enthusiasm for the project remains high. Before the summer break, employees were invited to a guided tour at the site.

Seniority



Age distribution by gender



Sustainability has been a priority throughout the project, with a focus on preserving elements of the original building and selecting locally sourced, high-quality furniture. These efforts underscore our commitment to creating a workspace that is functional and inspiring and that considers the environment.

A collaborative and inclusive workplace

We are committed to fostering a culture of collaboration and mutual respect. Feedback plays a vital role in this effort, enabling us to strengthen connections and drive continuous improvement across the organisation.

In 2024, we introduced "check-in" feedback sessions as part of our ongoing focus on professional development and teamwork. These sessions encourage employees to reflect on their experiences and share constructive insights from recent cross-functional projects and engagements. We have partnered with an external provider to provide employees with practical tools and a shared language for effective feedback. By embedding feedback as a natural and valued part of our culture, we continue to enhance collaboration and create a workplace where everyone can thrive and grow together.

Well-being and engagement

We prioritise the well-being and satisfaction of our employees. We invite all employees (excluding the Executive Board) to participate in a well-being survey each year. The feedback we receive serves as a guiding tool for shaping initiatives that continuously improve professional development, work-life balance, job satisfaction and overall workplace culture.

In 2024, we achieved a strong response rate of 97% in our well-being survey, slightly improving on last year's high rate of 96%. This consistent engagement reflects our employees' willingness to share their perspectives and contribute to maintaining a positive and thriving work environment. The survey results also showed healthy employee satisfaction of 81.

Our healthy work-life balance score remained steady at 84, reflecting ongoing efforts to support a balanced working environment, while the perception of experiencing longer periods of stress improved from 84 to 85. These results reflect our employees' continued engagement and their positive outlook on the initiatives we have implemented to support well-being, work-life balance and a healthy working environment across the organisation. We remain committed to addressing emerging trends and enhancing areas that matter most to our employees. Additionally, we ensure our workforce is equipped to meet evolving challenges by offering targeted training and development opportunities tailored to individual and organisational needs.

Our people

At year-end 2024, we employed 83 people, including student assistants. Of these, 30 were female and 53 were male. Our employees are characterised as having deep industry knowledge and an average seniority of nine years, which reflects a mix of loyalty and experience with new talent.

Diversity is a key strength of our organisation, and our 2024 hires brought a wide range of backgrounds, competencies and perspectives to the company. New colleagues ranged in age from 23 to 53, underscoring our commitment to building a workforce that reflects industry knowledge and fresh perspectives. We are dedicated to fostering growth and excellence by aligning employee skills with evolving business needs. Through ongoing training and development programmes, we ensure that our team remains confident and well-prepared to meet future challenges.

Targets and policies for the underrepresented gender and diversity in management

We value the diversity of our employees' backgrounds, experiences, qualifications and personal attributes. Each employee contributes unique perspectives that enrich our culture and drive our success. While we have made progress, we recognise the need to reflect society's diversity within our organisation and view diversity through a broader lens that extends beyond gender. We believe a more diverse workforce strengthens our organisation and enhances our overall performance.

We remain committed to our target for the gender composition of the Board of Directors. By 2025, we aim for at least 12.5% of the Board of Directors to be of the underrepre-

2025

12.5% of Board members must be of the underrepresented gender

2025

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

sented gender. As at 31 December 2024, ten Board members were male and one was female. The seven general meeting-elected Board members were all men. The stated target only counts general meeting-elected Board members.

The nomination of candidates for the Board of Directors is determined by the shareholders, meaning the Board itself has limited direct influence. Nevertheless, the Board strives to encourage diversity during the nomination process.

In addition to Board-level targets, we are committed to ensuring that employees of the underrepresented gender hold at least 40% of the leadership positions. At year-end 2024, 36% of the leadership roles were held by the underrepresented gender, a slight decrease from 42% at year-end 2023. While this underscores the need for continuous focus to meet our target, we remain proud of the overall progress achieved over the past five years in advancing gender diversity within our leadership team. We define leadership as the Executive Board and employees with staff management responsibilities who report directly to the Executive Board. At year-end 2024, this group consisted of eleven employees, of whom seven were male and four were female.

We are committed to creating an environment in which diversity thrives and actively helps us to strengthen our efforts. Our objective for 2025 is for at least 40% of the underrepresented gender to be in leadership roles. As of the date of this report, the underrepresented gender once again comprises more than 40% of the leadership team.

Remuneration Report

A comprehensive remuneration policy has been developed to cover remuneration of the Board of Directors, the Executive Board and all other employees.

A detailed overview of the total remuneration provided to the Board of Directors, the Executive Board and employees whose roles significantly influence the company's risk profile is included in note 9 to the financial statements.

The quantitative disclosures in the Risk Report Annex (Template:EU REM1 to REM5) are prepared in compliance with the Danish FSA and EBA Capital Requirements Regulation, article 450, regarding remuneration for material risk takers.

For additional information on our remuneration policy, please visit our website.

The link between remuneration of the Executive Board and the strategy

The remuneration of the Executive Board consists of a fixed salary and a variable part. The variable part is structured as a grant of a share-like instrument, an instrument based on a total shareholder return (TSR) index. This structure ensures alignment between the Executive Board's remuneration and the long-term performance of the company. The remuneration of the Executive Board complies with the remuneration policy laid down by the Board of Directors. The remuneration of the Board of Directors is presented in the Remuneration Report 2024 on our website.

Targets and policies for the underrepresented gender and diversity in management

		2024	2023	2022	2021	2020
Board of Directors (only AGM-elected members)	AGM-elected members of the Board of Directors	7	8	8	8	8
	Share of women who are AGM-elected members of the Board of Directors	0%	0%	0%	0%	0%
	Target for gender diversity on the Board of Directors	12.5%	12.5%	25.0%	25.0%	12.5%
	Expected year for fulfillment of target figure	2025	2025	2024	2023	2021
Other leadership (Level 1 and 2)	Number of employees in leadership positions	11	12	14	13	12
	Share of women in leadership	36%	42%	27%	31%	25%
	Target for gender diversity in leadership	40%	40%	40%	40-60%	n/a
	Expected year for fulfillment of target figure	2025	2025	2025	2030	n/a

Further details are available in our policy "Targets and policies for the underrepresented gender and diversity in management" on our website.

Material risk takers

By the end of 2024, 20 individuals were identified as material risk takers:

- Members of the Board of Directors: 11
- Members of the Executive Board: 2
- Other material risk takers: 7

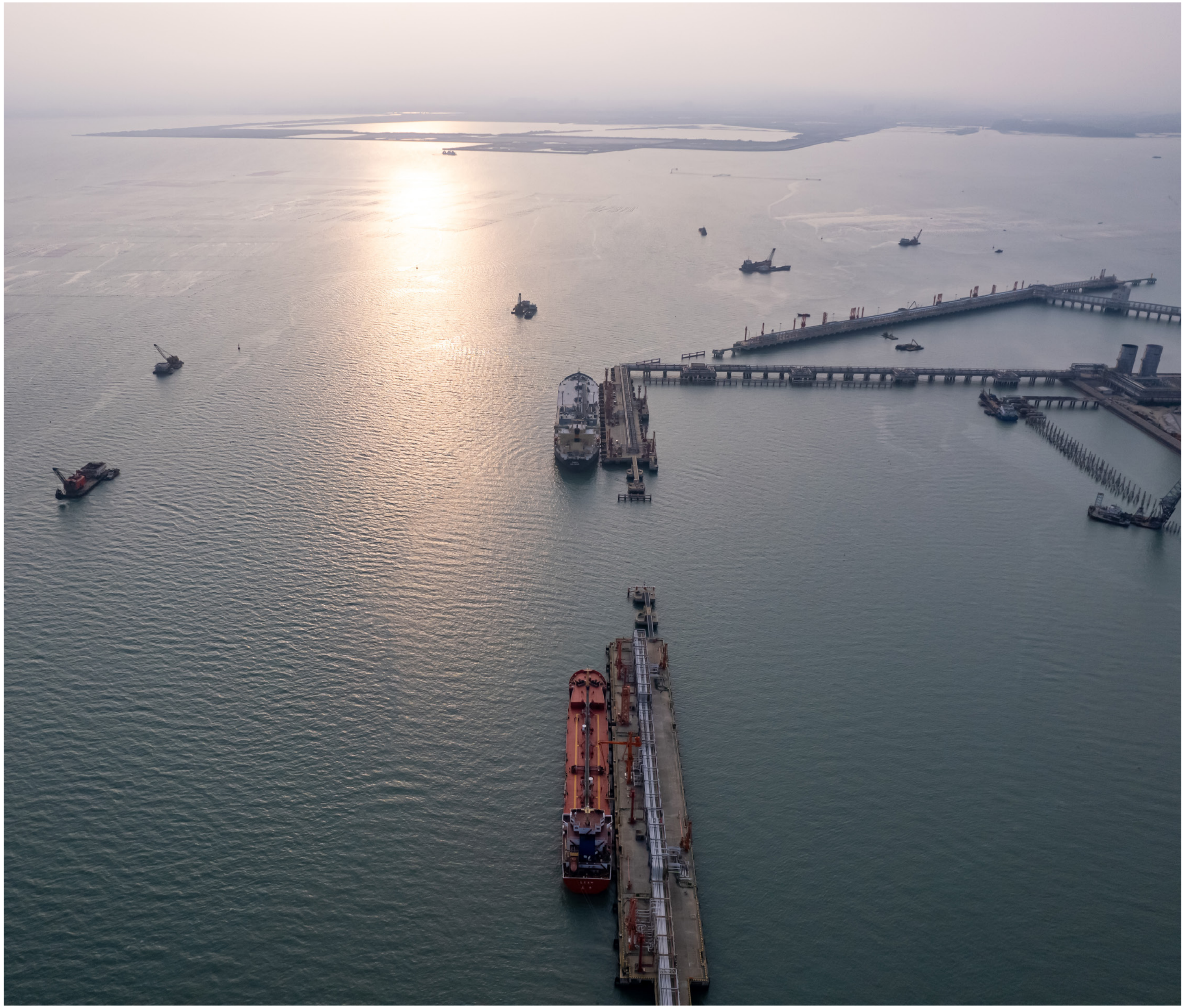
The principles for identifying "other material risk takers" are reviewed and approved annually by the Board of Directors.

Further details on our remuneration policy and practices can be found on our website, in note 9 of the financial statements, and in the Risk Report Annex (Template: EU REM1 to REM5).

Incentive programmes for other employees

At Danish Ship Finance, we believe in recognising and rewarding our employees' efforts. Individual incentive programmes are offered to some employees in line with market standards for such positions.

Formal incentive programmes are not offered to all employees, but employees may receive individual bonuses to acknowledge their performance.



Governance

Our governance framework includes policies and mechanisms that ensure transparency and integrity in our operations. These include a whistleblowing scheme, an anti-corruption and gifts policy, and our business relations code of conduct. Together, they define the standards guiding our business relationships and interactions. Further details on these policies and practices are provided elsewhere in this report.

We expect all stakeholders to comply, at a minimum, with local laws and regulations in their countries of operation. Beyond mere compliance, stakeholders should exceed legal compliance and continuously enhance their ethical, social and environmental performance. Thus, stakeholders demonstrating environmentally and ethically responsible behaviour are favoured in our selection process. We also expect our stakeholders to ensure that their own value chains adhere to local laws and legal requirements, particularly regarding human rights. Should any concerns arise regarding a stakeholder's business conduct, we will terminate its contractual obligations.

RELEVANT POLICIES

Sustainability policy

The sustainability policy delineates DSF's commitment to ESG issues, encompassing the company's initiatives regarding human rights, social, ethical, environmental, and climate conditions, as well as actions to combat corruption.

Main principles in our Sustainability policy:
We are responsible for our business's impact, positive and negative. We endeavour to be a reliable and trustworthy partner for our clients and all other stakeholders and aim to conduct our business ethically and responsibly. We consider human rights, labour rights, environmental and climate responsibility, and anti-corruption in our decision-making.

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

Other relevant policies
- Code of conduct
- Guidelines in personnel handbook to prevent corruption
- Policy for anti-money laundering and counter-terrorist financing
- Policy for gifts and hospitality
- Disclosure policy
- Policy for personal data protection
- Policy for healthy corporate culture
- Code of conduct for business relations
- Targets and policies for the underrepresented gender and diversity in management

For additional and more detailed information about our work on corporate governance, read more here: Corporate governance and Risk Report 2024

Sustainability *trends*

ESG key figures

Sustainable finance	Unit	2024	2023	2022	2021	2020	Definition
Loans with sustainability incentives as a share of new lending	%	37	24	37	21	10	New disbursements and refinancings on loan agreements with specific terms to adjust the margin based on ESG performance divided by new loans
Loans with sustainability incentives as a share of loan book	%	32	23	18	10	3	Loan agreements with specific terms to adjust the margin based on the loan's ESG performance divided by the total loan book
Financed emissions from loan book	Million tonnes CO2e	2.9	3.2	4.1	5.3	5.8	Absolute financed emissions from loan book (the respective year corresponds to the reporting year)
Financed emissions intensity from loan book	tCO2e/DKK million	95	104	130	189	178	Tonnes CO2e intensity per DKK million of lending with emissions data (the respective year corresponds to the reporting year)
Sustainable bonds as a share of total investments	%	13	10	Not measured	Not measured	Not measured	Sustainable bonds divided by the total investment portfolio. Proceeds from sustainable bonds must be used for purposes that contribute positively to the environment and/or society
Own emissions							
Scope 1	Tonnes CO2e	2	4	8	13	13	Emissions from sources controlled or owned by the company
Scope 2 market-based	Tonnes CO2e	36	18	18	19	7	Emissions from purchased electricity and heating. The market-based method corrects emissions from electricity for a power purchase agreement and renewable energy certificates
Scope 2 location-based	Tonnes CO2e	65	48	37	42	29	The location-based method for Scope 2 accounting reflects the average emissions intensity of grids on which energy consumption occurs
Scope 3 - excl. financed emissions	Tonnes CO2e	260	294	207	48	79	Emissions occurring indirectly in the value chain of our organisation. These numbers only reflect upstream activities
Total emissions - excl. financed emissions	**Tonnes CO2e**	**298**	**316**	**234**	**80**	**99**	**Reflects total CO2e emissions from Scope 1, Scope 2 market-based and Scope 3 excl. financed emissions**
Emissions per FTE	Tonnes CO2e	4	4	3	1	1	Total emissions (excl. financed emissions) divided by the number of FTEs
Energy consumption (electricity and heat)	MWh	1,265	780	685	739	411	Based on automatic data transfers to the company's supplier of energy from smart meters and meter readings
Energy consumption per FTE	MWh	16	10	9	10	5	Total energy consumption (MWh) divided by the number of FTEs
Renewable energy share	%	89	91	90	67	51	Renewable energy consumption divided by total energy consumption. Relates to electricity and heating consumption in Scope 2
Purchased goods and services	Tonnes CO2e	5	4	4	6	6	Includes emissions stemming from water, copy paper and coffee consumption
Business travel	Tonnes CO2e	233	278	183	20	53	Includes air transport, train journeys and hotel accommodation booked through our travel agency. Taxis booked in Denmark are included from 2024
Emissions reduced through SAF	Tonnes CO2e	8	15	0	0	0	CO2e emissions reduced via the purchase of sustainable aviation fuel (SAF) from our airline carrier since 2023

ESG key figures continued

Social data	Unit	2024	2023	2022	2021	2020	Definition
Employees	FTEs	78	81	80	75	76	Total FTEs employed at year-end (1 FTE = 160 hours/month)
Gender diversity	% of women	36	36	32	35	37	Number of female FTEs divided by the total number of FTEs
Gender diversity in leadership	% of women	36	42	27	31	25	Women in leadership. Leadership is the Executive Board and employees who have people reporting to them and who report directly to the Executive Board
Gender pay ratio	Times	0.8	0.8	0.7	0.7	0.7	Median female salary divided by median male salary
Employee turnover	%	11	11	9	9	12	Involuntary and voluntary leavers for the full year divided by the average number of employees throughout the year
Sickness absence	Days per employee	7	7	4	3	3	Number of total sick days registered for all employees divided by the total number of FTEs
Employee survey							
Employee satisfaction	Index	81	78	79	77	78	Based on responses to specific questions in annual employee survey. Questions are answered on a scale of 1-10, and then indexed
Healthy work-life balance	Index	84	84	84	80	79	Based on responses to specific questions in annual employees survey. Questions are answered on a scale of 1-10, and then indexed
No prolonged periods of stress experienced	Index	85	84	79	78	79	Based on responses to specific questions in annual employees survey. Questions are answered on a scale of 1-10, and then indexed
Governance data							
Gender diversity, Board	% of women	0	0	0	0	0	Share of women elected by the annual general meeting. Employee representatives are not included
Board meeting attendance rate	%	94	92	95	98	98	Share of board meeting attendance by all members of the board, both AGM- and employee-elected are included. Attendance in ordinary and extraordinary board meeting
CEO pay ratio	Times	10	7	7	5	7	CEO compensation divided by median staff compensation

Reporting principles

Enhancing our reporting and ESG data management was a key focus in 2024. We concentrated on strengthening our internal processes and systems regarding our emission baseline data. Accordingly, we revisited the data calculations and restated certain data points reported historically (see more details in the box “Restatement of published data from previous years and additions”).

Climate accounting
To account for our climate impact, we use Klimakompasset (The Climate Compass) developed by the Danish Energy Agency in collaboration with the Danish Business Authority. The methodology of this tool follows the Corporate Standard of the Greenhouse Gas Protocol (GHG Protocol). We follow the accounting principles of operational control in the GHG Protocol.

The emissions data is based on actual consumption in the financial year 2024, except for water and heating. Due to the timing of scheduled meter readings, the consumption data is for an incomplete year, and hence this data includes expected consumption as estimated by our suppliers.

We include the following categories in the climate accounting: company cars; purchased electricity and heating; upstream emissions of purchased electricity, purchased goods and services. including paper, water and coffee consumption; and business travel, including air travel, hotel accommodation, train journeys and taxis booked through our travel partners. All categories have been calculated based on physical rather than monetary units.

As per the GHG Protocol, we report two figures for our Scope 2 emissions, using the location-based and the market-based approaches. We have adopted the market-based approach for subsequent calculations and targets.

Upstream emissions of purchased electricity relate to our Scope 1 and 2 emissions. These emissions are those that precede our use of energy, such as the production and distribution of electricity.

Our financed emissions figure only includes our lending portfolio. We are pleased to have increased the share of the loan portfolio included in the calculations from 89% in 2023 to 95% in 2024, as described in the section about financed emissions.

RESTATEMENT OF PREVIOUS YEARS’ PUBLISHED DATA AND ADDITIONS

Sustainable finance
We have restated financed emissions for all years due to updated emission factors. Furthermore, we have refined the methodology to only account for emissions related to our lending activities. The results from previous years have been restated based on the corrected methodology.

We have added “investments in sustainable bonds” as a new figure, which we report for 2023 and 2024.

Own emissions
We have restated all our own emissions for the most recent emission factors from Klimakompasset and, if possible, directly from suppliers.

For 2024, we have added emissions from taxis in Denmark booked through our taxi agency. This is included in business travel (Scope 3) for the year, with data retrieved directly from our supplier.

Task force on *Climate-related Financial Disclosures*

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

Task Force on Climate-related Financial Disclosures

Governance		References	page
a.	Describe the Board's oversight of climate-related risks and opportunities	Letter to our stakeholders Organisation and responsibilities	4-6 64-65
b.	Describe management's role in assessing and managing climate-related risks and opportunities	Financing the transition Sustainability in Danish Ship Finance	10 34
Strategy			
a.	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Letter to our stakeholders Financing the transition Sustainable finance Our own impact	4-6 10 35-41 42-43
b.	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning	Letter to our stakeholders Financing the transition Sustainability in Danish Ship Finance Sustainable finance Our own impact	4-6 10 34 35-41 42-43
c.	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including 2 degrees C or lower scenario	Financing the transition Financed emissions from lending	10 41

Task Force on Climate-related Financial Disclosures, continued

Risk Management

a.	Describe the organisation's processes for identifying and assessing climate-related risks	Financing the transition Sustainability in Danish Ship Finance Sustainable finance	10 34 35-41
b.	Describe the organisation's processes for managing climate-related risks	Financing the transition Sustainability in Danish Ship Finance Sustainable finance	10 34 35-41
c.	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Sustainable finance Our own impact	35-41 42-43

Metrics and targets

a.	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Poseidon Principles Financed emissions from lending Sustainability trends	40 41 49-51
b.	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions (GHGe), and the related risks	Financed emissions from lending Sustainability trends	41 49-51
c.	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Financing the transition Sustainable finance Our own impact	10 35-41 42-43

Management Report

Capital, funding *and liquidity*

Capital, funding *and liquidity*

Own funds, total capital ratio and capital requirements

Regulatory own funds after deductions amounted to DKK 8,914 million at year-end 2024, down by DKK 1,285 million from year-end 2023 primarily due to extraordinary dividend distributions in 2024 of DKK 1,649 million. Own funds consist mainly of share capital, tied-up reserve capital and retained earnings from previous years, less deductions.

The Board of Directors proposes a dividend of DKK 288 million for approval at the annual general meeting on 20 March 2025. The proposed dividend is presented in the equity statement as at 31 December 2024 but is carried for accounting purposes until its approval by the annual general meeting. The proposed dividend covers the mandatory preferred dividend to the Danish Maritime Fund, dividend to Magellan Capital Holdings PLC and associated minority shareholder dividends.

Calculation of total capital ratio

DKK million / %	2024	2023
Own funds after deductions	8,914	10,198
Total risk exposure amount	37,840	42,087
Total capital ratio	23.6	24.2

For the calculation of capital ratios as at 31 December 2024, the proposed dividend is deducted from own funds.

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

Own funds are defined as the sum of Common Equity Tier 1 (CET1) capital, Additional Tier 1 (AT1) capital and Tier 2 capital, and the ratio of own funds to the total risk exposure amount is referred to as the total capital ratio. At year-end 2024, Danish Ship Finance's own funds consisted solely of CET1 capital.

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

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

A Pillar 2 market risk solvency reservation of DKK 493 million was made in 2024 to cover risk exposures relating to credit spreads on Danish mortgage bonds held, interest rate risk, foreign exchange rate risk, and the valuation of our new domicile. Additionally, a solvency reservation of DKK 40 million was made to cover credit concentration risk.

As at 31 December 2024, our adequate own funds and the total risk exposure amount were DKK 3,560 million and DKK 37,840 million, respectively. The internal capital adequacy requirement including the combined capital buffer requirement totalled 13.1% or DKK 4,952 million. Our own funds after deductions totalled DKK 8,914 million, resulting in a total capital ratio of 23.6%. This corresponds to excess coverage in the amount of DKK 3,962 million, or 10.5 percentage points.

DIVIDEND PROPOSAL

It has been proposed that the A shareholders receive a dividend of DKK 226 million and that the B shareholder, the Danish Maritime Fund (DMF), receives a dividend of DKK 62 million.

If the annual general meeting approves the proposed dividend for 2024, we will, since the conversion of the company in 2005, have made total distributions of DKK 1,024 million to the DMF. The sole objective of the DMF is to develop and promote the Danish maritime sector (supporting "The Blue Denmark").

Adequate own funds and internal capital adequacy requirement

DKK million	2024	2023
Total risk exposure amount	37,840	42,087
Pillar 1 requirement (8% of total risk exposure amount)	3,027	3,367
Pillar 2		
Credit risk		
- Credit risk exposure to large clients in financial difficulty	-	0
- Other credit risk	-	-
- Concentration risk	40	37
Market and liquidity risk	493	574
Total adequate own funds	**3,560**	**3,979**
Internal capital adequacy requirement (%)	**9.4**	**9.5**
- Capital conservation buffer (%)	2.5	2.5
- Institution-specific countercyclical capital buffer requirement (%)	1.2	1.4
Internal capital adequacy requirement incl. combined capital buffer requirement (%)	**13.1**	**13.3**

The combined capital buffer requirement

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

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

The regulatory capital conservation buffer is fixed at 2.5% of the total risk exposure amount. The institution-specific countercyclical capital buffer may be between 0.5% and 2.5% of the total risk exposure amount. Based on the geographical distribution of credit risk exposures, the capital requirement for the institution-specific countercyclical capital buffer was calculated at DKK 446 million as at 31 December 2024. The capital requirement currently pertains exposures to clients domiciled in the below countries, which have set the following countercyclical capital buffer rates:

- Belgium: 1.00%
- Chile: 0.50%
- Denmark: 2.50%
- Faroe Islands: 1.00%
- Germany: 0.75%
- Great Britain: 2.00%
- Hong Kong: 1.00%
- Iceland: 2.50%
- Luxembourg: 0.50%
- Netherlands: 2.00%
- Norway: 2.50%
- Sweden: 2.00%

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

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

Credit rating

As at 31 December 2024, our covered bonds were 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 as at 31 December 2024 was two notches above our issuer credit rating of BBB+, with a Stable outlook.

Bond rating (Jan 2025)	AA-
Issuer credit rating	BBB+
Outlook	Stable

S&P regularly monitors and provides ratings on our financial instruments and issuer credit, which in January 2025 resulted in an upgrade of our covered bond rating to high investment grade AA- (Stable), from the previous rating of A (Stable).

Balance principle

The supervisory balance principle regulates mortgage lending in Denmark. It applies to ship mortgage lending and real estate mortgage lending. The balance principle significantly limits the financial risk the mortgage 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 have chosen to apply the specific balance principle. The specific balance principle limits any future liquidity deficit between issued bonds and loans disbursed at 100% of own funds. The deficit occurs if future payments related to bonds, other funding and financial instruments exceed the future incoming receipts on loans, financial instruments and positions.

In addition to regulatory requirements, our policies define stricter requirements for permitted 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 liquidity for funding of USD loans via so-called cross-currency basis swaps. Sourcing USD liquidity relies on an efficient capital market. Internal policies govern the maximum USD funding requirements over time.

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

Ship mortgage covered bonds

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

In respect of loans funded by ship covered bonds, the loan-to-value ratio shall at no time exceed 60%. Such requirement for continuous compliance with a 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 for a number of years and no such deduction was made in 2024.

Issued bonds

Our issued bonds totalled DKK 38.8 billion at amortised cost as at 31 December 2024, of which about 77% were denominated in DKK and 23% were denominated in EUR. All our bond issuances are listed and traded on Nasdaq Copenhagen. At year-end 2024, we held own bonds totalling DKK 2.3 billion.

Interest rate risk

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

Issuing EUR ship covered bonds is a strategic priority for us in order to maintain a diversified investor base

For this purpose, we established a new Capital Centre A in 2019. In 2024, we did not issue any new bonds in Capital Centre A, as the need for new funding was limited. This was owing to the fact that no bonds matured in the capital centre and we gained significant excess liquidity from loan pre-payments.

Our DKK-denominated covered bonds are issued from the Capital Centre Institute in General. Both capital centres hold an A rating from S&P Global Ratings (since upgraded to AA-) 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 issuance of ship mortgage bonds, ship covered bonds, lending of own funds, and proceeds from loans raised in money markets and capital markets.

Subordinated debt
We did not issue any subordinated debt in 2024 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 2024 or are outstanding.

Issuance schedule for 2025
We expect limited issuance of covered bonds in 2025, due to the strong liquidity position at year-end 2024. We will continue to focus on maintaining a well-diversified investor base.

Liquidity

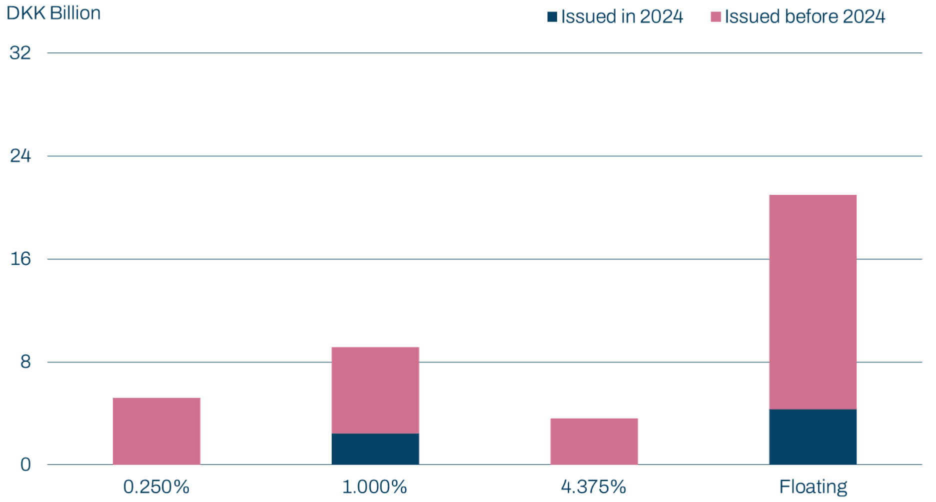
Liquidity management and the statutory liquidity requirements are aimed at maintaining liquidity risks at very low levels.

Liquidity risk involves the risk of:

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

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

Issued bonds by type



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

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

The liquidity coverage ratio (LCR) as at 31 December 2024 was 224%, well above the regulatory requirement of 100%.

We treat EUR as a significant currency due to the EUR bonds issued in Capital Centre A and accordingly calculate a EUR LCR. The LCR in EUR as at 31 December 2024 was 1,457%.

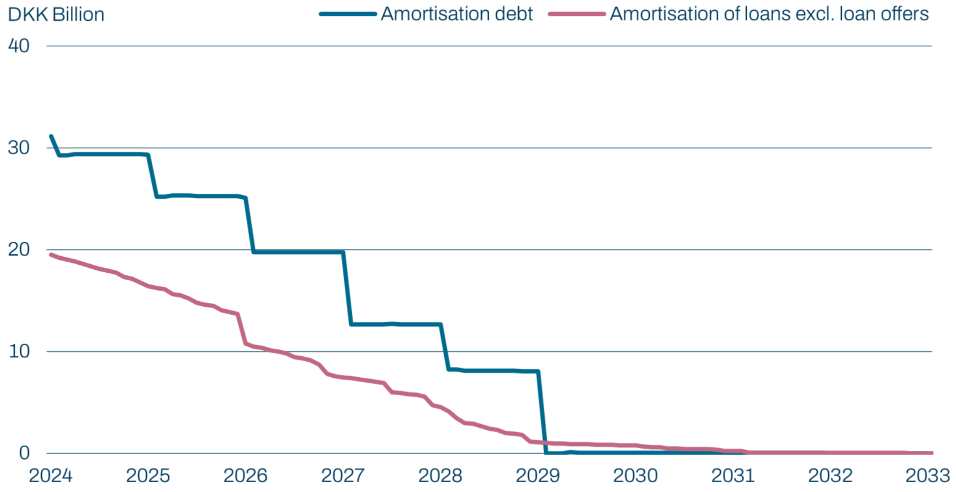
Our securities portfolio represents a significant part of our assets. The securities portfolio consists primarily of government and mortgage bonds, money market transactions and interest-sensitive financial instruments. Interest rate risk in the securities portfolio may be fully or partially hedged.

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

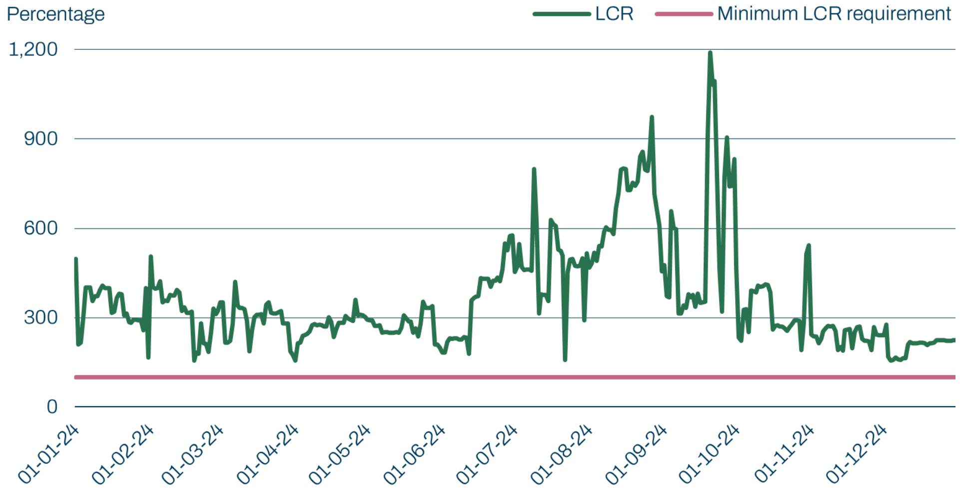
"The liquidity coverage ratio (LCR) as at 31 December 2024 was 224%, well above the regulatory requirement"

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

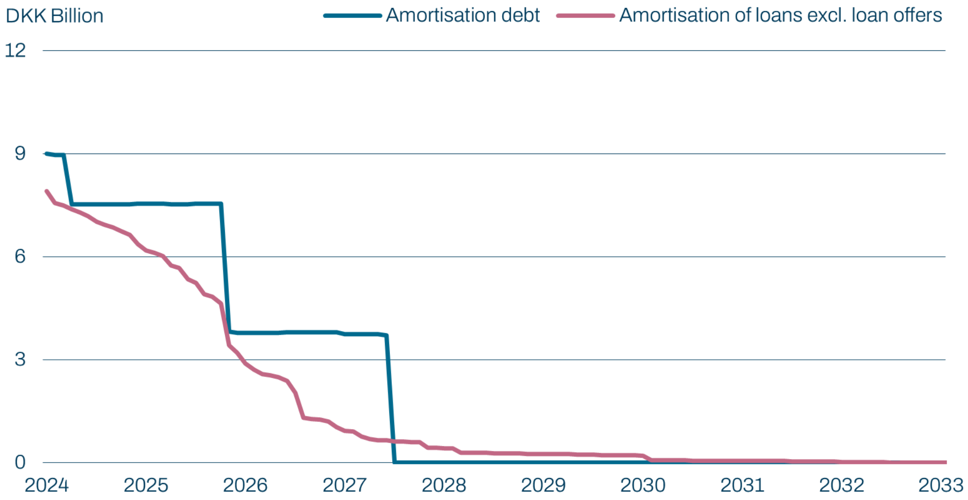
Capital Centre Institute in General: developments in issued bonds relative to loans



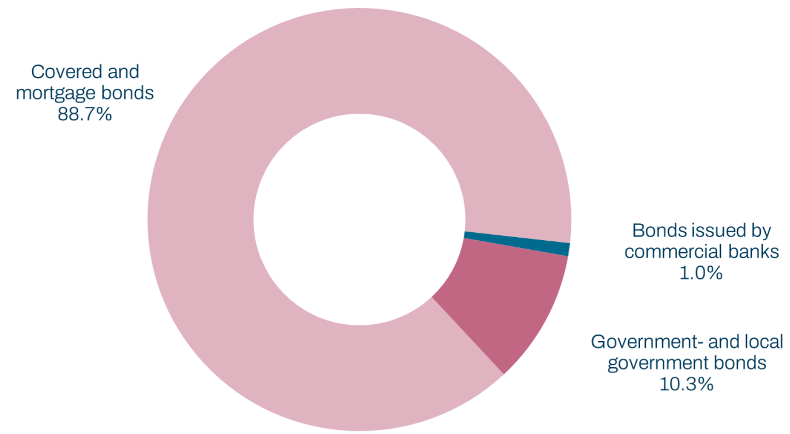
The LCR fluctuates above the 100% requirement



Capital Centre A: developments in issued bonds relative to loans



Distribution of securities portfolio



Management Report

Corporate *governance*

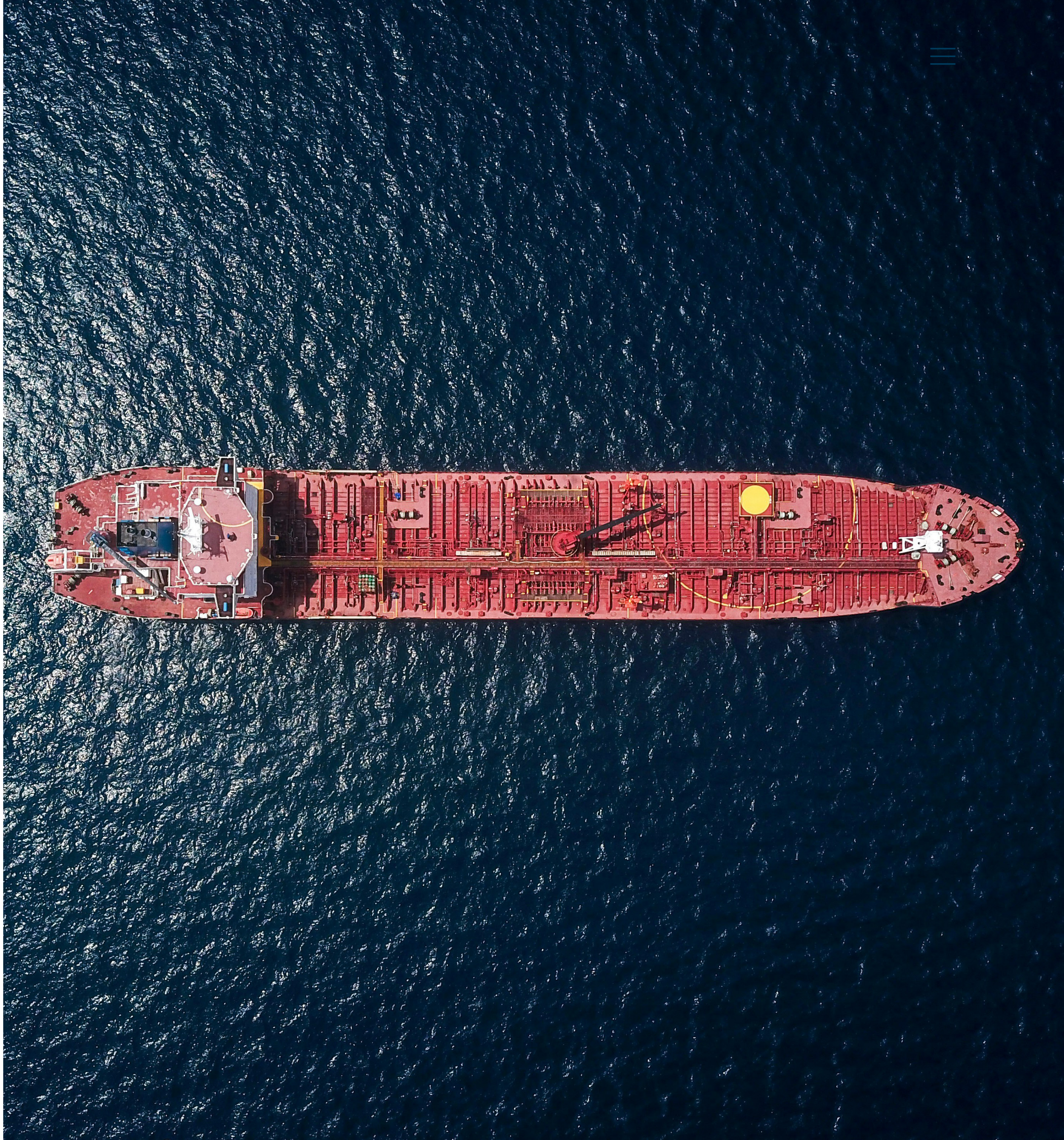
Corporate *governance*

As our shares are not listed for trading on Nasdaq Copenhagen, we are not subject to the corporate governance guidelines published by the Corporate Governance Committee. However, we have resolved to report on our compliance with the guidelines.

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

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

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



Ownership

Share capital

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

The nominal value of the 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

On 10 July 2024, Magellan Capital Holdings PLC acquired the majority of the shares in Danish Ship Finance Holding A/S from the pension funds PFA and PKA, the private equity firm Axcel, and other minority shareholders. Upon completion, Danish Ship Finance Holding A/S was merged into Danish Ship Finance A/S. As a result, Magellan Capital Holdings PLC now holds a majority stake in Danish Ship Finance A/S. Axcel will retain a minority stake for up to two years to support a smooth ownership transition. The Danish Maritime Fund continues to hold its 10% ownership in Danish Ship Finance A/S through its exclusive ownership of all B shares, and a small number of minority shareholders own less than 0.1% of the company.

Magellan Capital Holdings PLC holds 75.42% of the shares in DSF. The remaining shares are owned by AX IV HoldCo (14.49%), the Danish Maritime Fund (10.00%, B shares) and a small number of minority shareholders (0.09%). Furthermore, Magellan Capital Holdings PLC owns 85.00% of the shares in AX IV HoldCo A/S, hence Magellan Capital Holdings PLC has an indirect ownership of DSF of 87.73%.

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 hold at least 5% of the total voting rights or own at least 5% of the shares in DSF.

- Magellan Capital Holdings PLC
- AX IV HoldCo A/S (Axcel)
- The Danish Maritime Fund

The ownership structure is displayed in the following chart.

Ownership structure

** Magellan Capital Holdings PLC owns 85% of Axcel IV HoldCo A/S*

THE DANISH MARITIME FUND

Through our contribution of 15% of our annual net profit to the DMF, we finance initiatives promoting the development and growth of the Danish shipping and shipbuilding industries and their suppliers.

Based on our result for 2024, the DMF is expected to receive a dividend of DKK 62 million. We are very pleased that the DMF will now have received DKK 1,024 million of distributions from DSF since inception of the Fund in 2005.

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

The objectives stated in the Fund charter are:

- to ensure the perpetual existence of a ship finance institution in Denmark through its shareholding, and
- to provide grants and financing to initiatives and activities that grow and develop the Danish shipping and shipbuilding industries.

DSF is not involved in the operation of the Fund or the distribution of grants.

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

Read more about DMF here

DEN DANSKE MARITIME FOND

Organisation *and responsibilities*

General meeting

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

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

The next annual general meeting will be held on 20 March 2025.

Board of Directors

The Board consists of 11 members, seven 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. Following the change in ownership on 10 July 2024, two Magellan representatives joined the Board, taking places vacated by the pension funds. As prescribed by Danish law, members elected by and among the employees serve on the Board of Directors for a four-year term. An election was held in January 2024 and the elected members joined the Board of Directors following the annual general meeting on 19 March 2024.

Eivind Kolding is Chairman of the Board of Directors. Peter Nyegaard and Ahmed Omar are Vice Chairmen.

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. Extraordinary Board meetings may be held whenever deemed necessary or when requested by a member of the Board of Directors or the Executive Board. In 2024, the Board of Directors held 32 meetings, of which seven were ordinary scheduled meetings and the remainder were extraordinary meetings due to, among other things, new lending above certain limits, which must be submitted to the Board of Directors for approval.

The Board members' attendance rate for Board meetings was 94% in 2024.

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

The competency profile is as follows:

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

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

Evaluation of the Board of Directors

The Board of Directors carried out a self-evaluation, including the composition of the Board, the work done by the Board and the leadership of the Chairman. 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 2025.

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 Peter Nyegaard (chairman) and Ahmed Omar.

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 2024, the Audit Committee held three ordinary meetings, two of which took place prior to the presentation of the Annual Report and the Interim Report, respectively. The Committee reports to the Board of Directors, and minutes of the Committee's meetings are discussed at the first ordinary Board meeting after the Audit Committee's meeting.

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, Jacob Meldgaard and Omar Elali.

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

Senior management consists of:

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

Internal control *and risk management*

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

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

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

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

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

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

In its risk assessment, the Board of Directors specifically assesses the organisation of risk measurement and risk management, the accounting and budget organisation, internal 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 key component of our control environment is an appropriate organisation, including adequate segregation of functions, internal policies, business processes and procedures"

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

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

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

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

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

Whistleblower scheme
We have implemented a whistleblower scheme in accordance with the Danish Financial Business Act. The scheme

enables employees to report any instance of non-compliance with financial legislation, economic crime, suspected corruption, breach of occupational safety, breach of confidentiality, sexual harassment or other harassment due to race, political or religious affiliation to an independent third party.

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

As in previous years, no reports were made in 2024.

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

This means we must verify the identity of the management teams and the ultimate owners of our clients. We must do this at certain intervals throughout the client relationship and in the event of any change in management or ownership. This partly entails relying on information provided by our clients. They must forward the information by certain deadlines; we are obliged to report any failure to do so to the authorities. In 2024, the mandatory compliance training of employees was in the form of e-learning and scheduled in-person training for the relevant employees.

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

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

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

Financial *statements*

Income statement

NOTE	1 January - 31 December DKK million	2024	2023
4	Interest income	8,284	5,026
5	Interest expenses	(7,824)	(4,664)
6	**Net interest income**	**460**	**362**
7	Fee and commission income	21	15
	Net interest and fee income	**481**	**377**
8	Market value adjustments	141	175
9,10	Staff costs and administrative expenses	(196)	(206)
22,23	Depreciation and impairment of tangible assets	(20)	(1)
16	Loan impairment charges	147	506
	Profit before tax	**553**	**851**
11	Tax	(139)	(225)
	Net profit for the year	**414**	**626**
	Comprehensive income for the year	**414**	**626**

1 January - 31 December DKK million	2024	2023
AMOUNT AVAILABLE FOR DISTRIBUTION		
Distributable reserves	109	(942)
Comprehensive income for the year	414	626
Total	**523**	**(316)**
PROPOSED ALLOCATION OF PROFIT		
Distribution	288	92
Distributable reserves	235	(408)
Total	**523**	**(316)**

Balance sheet

NOTE	At 31 December DKK million	2024	2023
	ASSETS		
12	Due from credit institutions and central banks	4,572	2,823
13,14,15,16,17	Loans and other receivables at amortised cost	26,723	31,187
18,19,20	Bonds at fair value	24,311	21,155
18,19,20	Bonds at amortised cost	-	4,963
21	Shares, etc.	0	0
22	Land and buildings		
	Domicile properties	439	421
23	Other tangible assets	7	8
	Current tax assets	66	326
28	Deferred tax assets	-	93
24	Other assets	2,184	3,259
	Total assets	**58,302**	**64,234**
	LIABILITIES AND EQUITY		
	Liabilities		
25	Due to credit institutions and central banks	7,837	6,249
26	Issued bonds at amortised cost	38,843	43,595
	Current tax liabilities	-	257
28	Deferred tax liabilities	20	-
20,27	Other liabilities	2,264	3,655
	Total liabilities	**48,965**	**53,756**

NOTE	At 31 December DKK million	2024	2023
	Provisions		
	Other provisions	68	47
	Total provisions	**68**	**47**
29	Additional Tier 2 capital	-	2,000
30	**Equity**		
	Share capital	333	333
	Tied-up reserve capital	8,343	8,343
	Revaluation reserves	70	70
	Retained earnings	235	(408)
	Proposed dividend for the financial year	288	92
	Total equity	**9,269**	**8,430**
	Total liabilities and equity	**58,302**	**64,234**
	Off-balance sheet items		
32	Other contingent liabilities	3,798	3,093
	Total off-balance sheet items	**3,798**	**3,093**

Statement of changes in equity

DKK million	Share capital	Tied-up reserve capital	Revaluation reserves	Retained[1] earnings	Proposed[1] dividend	Total
Equity as at 1 January 2023	**333**	**8,343**	**70**	**(938)**	**87**	**7,894**
Dividends paid for the financial year 2022	-	-	-	-	(87)	(87)
Comprehensive income	-	-	-	534	92	626
Purchase of own shares	-	-	-	(4)	-	(4)
Equity as at 31 December 2023	**333**	**8,343**	**70**	**(408)**	**92**	**8,430**
Conversion Tier 2 capital incl. interest	-	-	-	2,166	-	2,166
Dividends paid for the financial year 2023	-	-	-	-	(92)	(92)
Extraordinary dividends	-	-	-	(1,649)	-	(1,649)
Comprehensive income	-	-	-	126	288	414
Equity as at 31 December 2024	**333**	**8,343**	**70**	**235**	**288**	**9,269**

1) Comparative figures have been restated following the merger of DSH and DSF in July 2024.

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 under equity.

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 2023. Certain insignificant changes have been made to the comparative figures for 2023 due to reclassifications.

The merger between DSH, the discontinuing company, and DSF, the continuing company, has been completed using the merger method. DSF has received permission from the Danish Financial Supervisory Authority to use the merger method for accounting purposes. The method means that comparative figures are stated as if DSH and DSF had been aggregated in all periods. This means that comparative figures for 2023 have been adjusted, as have the 5-year key figures and ratios. The annual report has been prepared in accordance with the same accounting policies as last year.

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 Magellan Capital Holdings PLC as the smallest group entity and Magellan Holding Limited as the largest group entitiy for which consolidated financial statements are prepared.

Significant accounting estimates

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

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

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

Measurement of expected credit losses

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

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

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

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

Fair value measurement of financial instruments

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

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

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

Segment reporting

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

NOTE 1 CONTINUED

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.

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

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

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

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

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

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

Classification
Financial instruments are divided into financial assets and financial liabilities.

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

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

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

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

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

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

The HTM portfolio comprises the following financial assets:

- Bonds at amortised cost

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

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

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

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

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

NOTE 1 CONTINUED

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.

INCOME STATEMENT

Interest income and expenses

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

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

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

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

Fee and commission income and expenses

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

Market value adjustments

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

Staff costs and administrative expenses

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

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

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

Depreciation and impairment of tangible assets

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

Loan impairment charges

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

Tax

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

BALANCE SHEET

Due from credit institutions and central banks

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

Loans

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

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

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

NOTE 1 CONTINUED

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.

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. On initial recognition, bonds at amortised cost are measured at fair value plus transaction costs less origination fees and other charges. The bonds are after initial recognition measured at amortised cost. Impairment is carried out in the same manner as for loans at amortised cost.

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 amortised costs is not hedged.

Shares, etc.
Shares, etc., comprise investments in sector shares and shares received in connection with financial restructuring of loans.
The shares are measured on initial recognition at fair value excluding transaction costs and subsequently at fair value with value adjustments through the income statement.

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

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

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

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

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

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

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

NOTE 1 CONTINUED

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

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

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

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

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

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

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

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

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

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

OFF-BALANCE SHEET ITEMS

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

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

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

NOTE 2 KEY FIGURES

DKK million	2024	2023	2022	2021	2020
Net interest income from lending *	351	415	562	529	488
Net interest income from investment activities excl. Tier 2 capital interest *	244	193	65	(37)	41
Net interest income from investment activities *	109	(53)	(119)	(222)	(146)
Total net interest income *	460	362	442	306	342
Net interest and fee income from lending *	481	377	456	338	363
Market value adjustments	141	175	(206)	(82)	(150)
Staff costs and administrative expenses *	(196)	(206)	(189)	(170)	(159)
Loan impairment charges	147	506	583	39	(100)
Profit before tax *	553	851	643	124	(47)
Net profit for the year *	414	626	517	101	(53)
Loans and other receivables at amortised cost	26,723	31,187	34,029	36,293	31,950
Bonds at fair value and amortised cost	24,311	26,118	20,217	16,007	24,319
Subordinated debt	-	2,000	2,000	2,000	1,990
Total equity *	9,269	8,430	7,894	7,424	7,345
Total assets *	58,302	64,234	58,802	54,533	59,935

NOTE 2 CONTINUED KEY RATIOS

DKK million	2024	2023	2022	2021	2020
Common Equity Tier 1 capital ratio (%) *	23.6	19.5	17.6	15.9	17.5
Tier 1 capital ratio (%) *	23.6	19.5	17.6	15.9	17.5
Total capital ratio (%) *	23.6	24.2	22.3	20.2	22.3
Common Equity Tier 1 capital ratio (%) - *reported prior year*	-	23.6	21.9	20.1	22.3
Tier 1 capital ratio (%) - *reported prior year*	-	23.6	21.9	20.1	22.3
Total capital ratio (%) - *reported prior year*	-	23.6	21.9	20.1	22.3
Return on equity before tax (%) *	6.2	10.4	8.4	1.7	(0.6)
Return on equity after tax (%) *	4.7	7.7	6.8	1.4	(0.7)
Income/cost ratio *	9.1	(1.8)	(0.6)	1.9	0.8
Income/cost ratio (excluding loan impairment charges) *	2.9	2.7	1.3	1.5	1.3
Foreign exchange position (%) *	4.0	4.9	6.5	3.5	3.4
Gearing of loans *	2.9	3.7	4.3	4.9	4.4
Annual growth in lending (%)	(14.3)	(8.4)	(6.2)	13.1	(18.5)
Annual loan impairment ratio (%)	(0.5)	(1.6)	(1.7)	(0.1)	0.3
ECL allowance account, loans as % of loan book	1.9	2.0	2.1	2.6	3.9
Rate of return on assets (%) *	0.7	1.0	0.9	0.2	0.0

** Comparative figures have been restated following the merger of DSH and DSF in July 2024.*

NOTE 2
CONTINUED

DEFINITIONS

Financial ratios

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

Financial ratios - capital and capital adequacy

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

Other financial ratios

Return on investment activities (%)	*Total time-weighted investment portfolio including HTM at year-end divided by net profit from investment activities less return from shares. Exclusive of additional Tier 2 interest expenses.*
Cost/income ratio (%)	*Total costs less impairment charges and tax divided by total income for the year.*
Equity as % of loan book	*Total equity divided by the loan book at year-end.*
Annual loan impairment ratio (%) (avg.)	*Loan impairment charges for the year divided by average loan book.*
Net write-offs on loans as % of avg. loan book	*Gross write-offs debited to the allowance account less recovery on loans previously written off divided by average loan book.*
NPL ratio	*Non-performing loans divided by the loan book at year-end.*
Net NPL ratio	*Non-performing loans less loan impairment charges divided by the loan book at year-end less accumulated loan impairment charges.*
ECL allowance account (loans) as % of loan book	*Accumulated individual loan impairment charges including management judgments and management overlays against loans divided by loan book at year-end.*
Total ECL allowance account as % of credit exposure	*Total ECL allowance account divided by the sum of loan book and credit commitments at year-end.*

2024 **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	Staff costs and adm. expenses	Dep. and imp. of tangible assets	Loan impairment charges	Profit before tax
Income									
Lending									
Net interest income	**364**	364	-	-	-	-	-	0	-
Net fees and commission	**21**	-	-	21	-	-	-	-	-
Funding									
Funding costs not covered	**(13)**	(17)	-	-	4	-	-	-	-
Warehousing	**(74)**	(71)	-	-	(3)	-	-	-	-
Non-business activities	**64**	75	-	-	(11)	-	-	-	-
Investments									
Net interest income	**244**	-	244	-	-	-	-	-	-
MV adjustments	**151**	-	-	-	151	-	-	-	-
Interest additional Tier 2 capital	**(135)**	-	(135)	-	-	-	-	-	-
Total income	**622**	351	109	21	141	-	-	0	-
Staff costs and administrative expenses	**(216)**	-	-	-	-	(196)	(20)	-	-
Loan impairment charges before reclassification of interest	**147**	-	-	-	-	-	-	147	-
Profit before tax	**553**	-	-	-	-	-	-	-	553
	Total	**351**	**109**	**21**	**141**	**(196)**	**(20)**	**147**	**553**

2023 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	Staff costs and adm. expenses	Dep. and imp. of tangible assets	Loan impairment charges	Profit before tax
Income									
Lending									
Net interest income	**421**	420	-	-	-	-	-	1	-
Net fees and commission	**15**	-	-	15	-	-	-	-	-
Funding									
Funding costs not covered	**9**	19	-	-	(9)	-	-	-	-
Warehousing	**(40)**	(58)	-	-	19	-	-	-	-
Non-business activities	**42**	35	-	-	7	-	-	-	-
Investments									
Net interest income	**193**	-	193	-	-	-	-	-	-
MV adjustments	**158**	-	-	-	158	-	-	-	-
Interest additional Tier 2 capital	**(245)**	-	(245)	-	-	-	-	-	-
Total income	**552**	415	(53)	15	175	-	-	1	-
Staff costs and administrative expenses	**(207)**	-	-	-	-	(206)	(1)	-	-
Loan impairment charges before reclassification of interest	**506**	-	-	-	-	-	-	506	-
Profit before tax	**851**	-	-	-	-	-	-	-	851
	Total	**415**	**(53)**	**15**	**175**	**(206)**	**(1)**	**506**	**851**

NOTE 4 INTEREST INCOME

DKK million	2024	2023
Due from credit institutions and central banks	94	117
Loans and other receivables	2,312	2,291
Bonds	785	497
Other interest income	0	0
Derivatives		
Interest rate contracts	5,091	2,107
Foreign exchange contracts	2	14
Total interest income[1]	**8,284**	**5,026**
Of this amount, interest income from genuine purchase and resale transactions recognised in:		
Due from credit institutions and central banks	90	110

1) A DKK 0.0 million component of interest income reflects negative interest rates in 2024 (2023: DKK 0.3 million).

NOTE 5 INTEREST EXPENSES

DKK million	2024	2023
Credit institutions and central banks	(242)	(172)
Bonds	-	0
Issued bonds	(1,422)	(1,165)
Interest paid on additional Tier 2 capital	(135)	(245)
Other interest expenses	(3)	(8)
Derivatives		
Interest rate contracts	(6,023)	(3,073)
Total interest expenses[1]	**(7,824)**	**(4,664)**
Of this amount, interest expenses for genuine sale and repurchase transactions recognised in:		
Due to credit institutions and central banks	(240)	(171)

1) A DKK 0.0 million component of interest expenses reflects negative interest rates in 2024 (2023: DKK 0.1 million).

NOTE 6 NET INTEREST INCOME

DKK million	2024	2023
Net interest income from lending		
Loans and other receivables	2,312	2,291
Bonds	373	200
Due from credit institutions	47	29
Interest to credit institutions	(1)	(1)
Issued bonds	(1,422)	(1,165)
Other interest income	(322)	14
Derivatives		
Interest rate contracts	(638)	(966)
Foreign exchange contracts	2	14
Total net interest income from lending	**351**	**415**
Net interest income from investment activities		
Bonds	412	297
Due from credit institutions	47	88
Interest paid on additional Tier 2 capital	(135)	(245)
Other interest income	-	0
Interest to credit institutions	(241)	(171)
Other interest expenses	25	(22)
Total net interest income from investment activities	**109**	**(53)**
Total net interest income	**460**	**362**

NOTE 7 FEE AND COMMISSION INCOME

DKK million	2024	2023
Guarantee commission	-	0
Fee and other commission income	21	14
Total fee and commission income	**21**	**15**

NOTE 8 MARKET VALUE ADJUSTMENTS

DKK million	2024	2023
Market value adjustment of bonds	172	347
Market value adjustment of shares, etc.	(2)	-
Exchange rate adjustments	(2)	(4)
Market value adjustment of derivatives	(28)	(167)
Total market value adjustments	**141**	**175**

NOTE 9 STAFF COSTS AND ADMINISTRATIVE EXPENSES

DKK million	2024	2023
Remuneration of Board of Directors and Executive Board		
Board of Directors	(3)	(3)
Executive Board	(20)	(30)
Total remuneration of Board of Directors and Executive Board	**(24)**	**(33)**
Staff costs		
Salaries and wages	(93)	(96)
Pensions	(10)	(9)
Social security costs and financial services employer tax	(19)	(21)
Total staff costs	**(122)**	**(126)**
Other administrative expenses	(50)	(47)
Total staff costs and administrative expenses	**(196)**	**(206)**
Number of employees - full-time equivalents	78	81
Average number of employees - full-time equivalents	78	80

NOTE 9 CONTINUED INFORMATION ON REMUNERATION POLICY

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

The remuneration policy and remuneration report will be adopted at the annual general meeting on 20 March 2025.

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

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

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

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

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

Variable remuneration relates to awards for performance in the preceding financial year, i.e. variable remuneration in 2024 relates to 2023 performance, and variable remuneration for 2023 relates to 2022 performance.

Detailed information about remuneration for the Board of Directors and the Executive Board can be found in the remuneration report which includes information on variable remuneration granted for performance in 2024.

The pension plans of all employees are defined contribution plans.

DKK million

NOTE 9 CONTINUED

2024	Fixed remune-ration	Adjustment of previous years' variable re-muneration	Variable remune-ration	Total remune-ration	Number of recipients
Board of Directors	3	-	-	3	11
Executive Board[1]	14	1	5	20	2
Other material risk takers	14	1	5	21	7
Total	**32**	**3**	**10**	**44**	

1) Warrants granted in DSH in previous years have been exercised in 2024. More information about the warrants can be found in the Remuneration Report 2024.

2023	Fixed remune-ration	Adjustment of previous years' variable re-muneration	Variable remune-ration	Total remune-ration	Number of recipients
Board of Directors	3	-	-	3	12
Executive Board	16	6	7	30	3
Other material risk takers	14	2	4	20	7
Total	**33**	**9**	**12**	**53**	

NOTE 10 AUDIT FEES

DKK million	2024	2023
Fees for statutory audit of financial statements	(1.1)	(0.9)
Fees for tax advisory services	(0.2)	-
Fees for non-audit services	(0.3)	(0.6)
Fees for other assurance engagements	(0.2)	(0.2)
Total fees	**(1.8)**	**(1.7)**

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	2024	2023
Tax on profit for the year		
Estimated tax on profit for the year	(27)	(255)
Changes in deferred tax	(114)	33
Adjustment of prior-year tax charges	2	(2)
Adjustment to deferred tax due to higher corporate tax rate 1 January 2023 (financial special tax)	-	1
Total tax	**(139)**	**(225)**

The estimated tax on the profit for the year and deferred tax is calculated at a tax rate of 26%.

	2024	2023
Effective tax rate	**Pct.**	**Pct.**
Corporate tax rate in Denmark	26.0	25.2
Non-taxable income and non-deductible expenses	(0.5)	0.9
Adjustment for increase of corporate tax rate	-	0.2
Adjustment of prior-year tax charges	(0.4)	0.2
Effective tax rate	**25.1**	**26.4**

NOTE 12 DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

DKK million	2024	2023
Genuine purchase and resale transactions (reverse repo)	4,548	2,706
Other receivables	24	117
Total due from credit institutions and central banks	**4,572**	**2,823**
Broken down by due date		
Demand deposits	24	117
Up to 3 months	4,548	2,706
Total due from credit institutions and central banks	**4,572**	**2,823**

The company cannot have term deposits with central banks.

NOTE 13 LOANS AT AMORTISED COST

DKK million	2024	2023
As at 1 January	31,187	34,029
Additions	5,751	9,240
Ordinary repayments and redemptions	(4,843)	(4,440)
Extraordinary repayments	(7,006)	(7,534)
Net change concerning revolving credit facilities	55	650
Exchange rate adjustment of loans	1,451	(855)
Change in amortised cost for the year	36	(4)
Depreciation, amortisation and impairment for the year	92	102
As at 31 December	**26,723**	**31,187**

NOTE 14 LOANS AT AMORTISED COST BROKEN DOWN BY DUE DATE

DKK million	2024	2023
Gross loans at exchange rates at the balance sheet date	27,256	31,812
Accumulated loan impairment charges	(533)	(624)
Total loans	**26,723**	**31,187**
Total loans broken down by due date		
Up to 3 months	783	1,248
From 3 months to 1 year	2,152	4,034
From 1 to 5 years	20,834	21,284
Over 5 years	2,954	4,621
Total loans	**26,723**	**31,187**
Total loans		
Loans at fair value	27,092	31,221
Loans at amortised cost	26,723	31,187

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

NOTE 15 NON-PERFORMING LOANS

DKK million	2024	2023
Impaired loans (DSF Rating of 11)		
Loans subject to forbearance or otherwise impaired, gross	190	903
Accumulated loan impairment charges	(30)	(406)
Impaired loans, net	**160**	**497**
Non-performing loans, gross (NPL)	**190**	**903**
Non-performing loans, net (net NPL)	**160**	**497**
NPL ratio	**0.7%**	**2.8%**
Net NPL ratio	**0.6%**	**1.6%**

See note 2 for definitions on NPL ratios.

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

NOTE 16 LOAN IMPAIRMENT CHARGES

DKK million	2024	2023
The following loan impairment charges/loss allowances/management overlays were made on loans/credit commitments		
Accumulated loan impairment charges	333	624
Accumulated loss allowances for credit commitments	68	47
Management overlays	200	-
Total	**601**	**672**
ECL allowance account, loans as % of the loan book	1.9	2.0
Reconciliation of total allowance account		
As of 1 January	672	736
New loan impairment charges/loss allowances/management overlays	287	176
Reversal of loan impairment charges/loss allowances/management overlays	(358)	(239)
Gross write-offs debited to the allowance account	-	-
Total	**601**	**672**
Loan impairment charges for the period		
New loan impairment charges/loss allowances/management overlays	(287)	(176)
Reversal of loan impairment charges/loss allowances/management overlays	358	239
Reclassification of interest	0	1
Recovery on loans previously written off	76	442
Loan impairment charges	**147**	**506**

NOTE 17 CREDIT RISK

DKK million	2024	2023
Reconciliation of loans and guarantees (loan book)		
Balance sheet		
Loans at amortised cost	26,723	31,187
Other receivables	133	169
Accumulated loan impairment charges/management overlays	533	624
Total balance sheet items	**27,388**	**31,980**
Total loans and guarantees	**27,388**	**31,980**
Reconciliation of other contingent liabilities		
Credit commitments	3,798	3,093
Total other contingent liabilities	**3,798**	**3,093**
Reconciliation of financial exposure		
Due from credit institutions and central banks	4,572	2,823
Bonds at fair value and amortised cost	24,311	26,118
Shares, etc.	0	0
Derivatives	1,715	2,711
Total financial exposure	**30,598**	**31,652**
Total credit risk from loans, credit commitments and financial exposures	**61,785**	**66,725**

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 2024	Loans and guarantees 2023
1 - 2	-	-
3 - 4	257	6,186
5 - 6	14,163	13,760
7 - 8	12,778	11,132
9 - 10	-	-
11 (impaired)	190	903
12 (default)	-	-
Total	**27,388**	**31,980**

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 2024
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	257	-	-	257
5	5,650	-	-	5,650
6	8,512	-	-	8,512
7	10,260	-	-	10,260
8	2,518	-	-	2,518
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	190	190
12 (default)	-	-	-	-
Total	**27,198**	**-**	**190**	**27,388**

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 2024
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	786	-	-	786
5	80	-	-	80
6	1,117	-	-	1,117
7	1,556	-	-	1,556
8	259	-	-	259
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	**3,798**	**-**	**-**	**3,798**

DKK million

NOTE 17 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

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

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

DKK million

NOTE 17 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

Credit commitments broken down by rating category and stage

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

DKK million

NOTE 17 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

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	342	-	(342)	-
Transferred to Stage 2 during the period	-	-	-	-
Transferred to Stage 3 during the period	-	-	-	-
New loan impairment charges/loss allowances/management overlays	287	-	-	287
Reversal of loan impairment charges/ loss allowances/management overlays	(324)	-	(34)	(358)
Gross write-offs for the period	-	-	-	-
Total ECL allowance account as at 31 December 2024	**571**	**-**	**30**	**601**
Of which:				
- Accumulated loan impairment charges	303	-	30	333
- Accumulated loss allowances for credit commitments	68	-	-	68
- Management overlays	200	-	-	200
against loans	*177*	-	-	*177*
against credit commitments	*23*	-	-	*23*
Of which:				
- Management judgments	-	-	25	25

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 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

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. 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.

Post-model adjustments
With effect from the financial year 2024, DSF applies post-model adjustments (management overlays) to provide an additional buffer to mitigate potential adverse impacts arising from prevailing macroeconomic and geopolitical uncertainties that the ECL impairment model may not fully capture.

At year-end 2024, post-model adjustments amounted to DKK 200 million, allocated across credit exposures financing the following vessel types:

DKK million	2024	2023
Bulk Carriers	58	-
Product Tankers	39	-
Offshore Vessels	31	-
LNG	20	-
Chemical Tankers	20	-
Crude Tankers	16	-
Others	16	-
Total	**200**	**-**

NOTE 17 CONTINUED

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

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

The USD market value of mortgaged vessels increased by 4.1% on average in 2024.

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

Loan-to-value interval	Share of loans 2024	Share of loans 2023
0 - 20 %	59%	53%
20 - 40 %	36%	39%
40 - 60 %	6%	8%
60 - 80 %	0%	0%
80 - 90 %	0%	0%
90 - 100 %	0%	0%
Over 100 %	0%	0%

The table above shows that at year-end 2024, 100% (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 37% (2023: 40%).

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

Loan-to-value interval	Share of loans 2024	Share of loans 2023
0 - 20 %	72%	63%
20 - 40 %	28%	37%
40 - 60 %	0%	0%
60 - 80 %	0%	0%
80 - 90 %	0%	0%
90 - 100 %	0%	0%
Over 100 %	0%	0%

The table above shows that at year-end 2024, 100% (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 28% (2023: 32%).

NOTE 18 BONDS

DKK million	2024	2023
Bond portfolio		
Own non-callable bonds (amortised cost)	2,278	2,710
Non-callable bonds (fair value)	24,985	20,808
Non-callable bonds, hold-to-maturity (amortised cost)	-	4,963
Callable bonds (fair value)	(674)	346
Total portfolio of bonds	**26,590**	**28,828**
Own bonds (offset against issued bonds at amortised cost)	(2,278)	(2,710)
Total bond portfolio	**24,311**	**26,118**

DKK million	2024	2023
Bond portfolio		
Own bonds (amortised cost)	2,278	2,710
Government bonds and bonds issued by KommuneKredit (fair value)	1,295	1,295
Mortgage bonds (fair value)	23,016	19,860
Mortgage bonds, hold-to-maturity (amortised cost) [1,2]	-	4,963
Total portfolio of bonds	**26,590**	**28,828**
Own bonds (offset against issued bonds at amortised cost)	(2,278)	(2,710)
Total bond portfolio	**24,311**	**26,118**

1) The calculated ECL as of 31 December 2024 for hold-to-maturity bonds was zero. (2023: Zero)
2) Fair value of mortgage bonds, hold-to-maturity amounts to zero as at 31 December 2024 (2023: DKK 4,921 million)

NOTE 19 BONDS BY TIME TO MATURITY

DKK million	2024	2023
Bond portfolio		
Bonds with a maturity up to and including 1 year	4,237	5,194
Bonds with a maturity over 1 year and up to and including 5 years	15,124	18,355
Bonds with a maturity over 5 years and up to and including 10 years	3,276	2,045
Bonds with a maturity over 10 years	1,675	524
Total bonds specified by time to maturity	**24,311**	**26,118**

NOTE 20 CSA COLLATERAL

DKK million	2024	2023
Collateral under CSA agreements		
Collateral received	211	920
Collateral delivered	(2,291)	(828)
Net value of collateral under CSA agreements	**(2,080)**	**91**

NOTE 21 SHARES, ETC.

DKK million	2024	2023
Listed shares	-	0
Unlisted shares recognised at fair value	0	0
Total shares, etc.	**0**	**0**

NOTE 22 LAND AND BUILDINGS

DKK million	2024	2023
Domicile properties		
Valuation, as at 1 January	424	342
Property improvements during the year	36	82
Revaluation	(19)	-
Valuation including improvements, as at 31 December	**441**	**424**
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	**439**	**421**

NOTE 22 CONTINUED

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

In mid-July 2020, we entered into an agreement for the sale of our current domicile property at Sankt Annæ Plads and the property has therefore been valued based on its sale price. The sale will be effected once we can move to our new office, expected to be in 2025.

NOTE 23 OTHER TANGIBLE ASSETS

DKK million	2024	2023
Cost, as at 1 January	16	13
Additions during the year	0	3
Disposals during the year	3	-
Cost, as at 31 December	**13**	**16**
Accumulated depreciation, as at 1 January	8	7
Disposals during the year	3	-
Depreciation during the year	1	1
Accumulated depreciation, as at 31 December	**6**	**8**
Total other tangible assets	**7**	**8**

NOTE 24 OTHER ASSETS

DKK million	2024	2023
Interest receivable	450	528
Prepayments to swap counterparties	5	9
Derivatives	1,715	2,711
Other receivables	14	12
Total other assets	**2,184**	**3,259**

NOTE 25 DUE TO CREDIT INSTITUTIONS AND CENTRAL BANKS

DKK million	2024	2023
Repo transactions	7,835	6,249
Other amounts due	3	-
Total due to credit institutions and central banks	**7,837**	**6,249**
Broken down by due date		
Up to 3 months	7,837	6,249

NOTE 26 ISSUED BONDS AT AMORTISED COST

DKK million	2024	2023
As at 1 January	43,595	41,402
Additions in connection with pre-issuance	6,730	15,971
Amortisation of cost	148	55
Adjustment for hedge accounting	(98)	(141)
Exchange rate adjustment	8	13
Own bonds	466	(622)
Ordinary and extraordinary redemptions	(12,007)	(13,082)
As at 31 December	**38,843**	**43,595**

Specification of issued bonds

DKK million	2024	2023
Bonds issued in DKK		
Bullet bonds	30,049	35,507
Total Danish bonds	**30,049**	**35,507**
Bonds issued in foreign currency		
Bullet bonds	11,073	10,798
Total bonds issued in foreign currency	**11,073**	**10,798**
Own bonds	(2,278)	(2,710)
Total issued bonds	**38,843**	**43,595**

NOTE 26 CONTINUED

Broken down by term to maturity

DKK million	2024	2023
Up to 3 months	3,121	769
From 3 months to 1 year	-	1,451
From 1 to 5 years	31,269	36,412
Over 5 years	4,454	4,963
Total issued bonds	**38,843**	**43,595**

Hereof own bonds totalled DKK 2,278 million as at 31 December 2024 (2023: DKK 2,710 million).

NOTE 27 OTHER LIABILITIES

DKK million	2024	2023
Interest payable	591	676
Derivatives	1,547	2,802
Other liabilities	126	178
Total other liabilities	**2,264**	**3,655**

NOTE 28 DEFERRED TAX

DKK million	2024	2023
Deferred tax, as at 1 January	93	64
Estimated deferred tax on profit for the year	(114)	30
Adjustment for increase in corporate tax rate	2	(1)
Total deferred tax	**(20)**	**93**

	2024 Deferred tax assets	2024 Deferred tax liabilities	2024 Deferred tax net	2023 Deferred tax net
Tangible assets	0	(15)	(15)	(24)
Loans	34	-	34	44
Shares, etc.	-	-	-	2
Issued bonds	-	(62)	(62)	35
Employee obligations	23	-	23	12
Balance of tax losses	-	-	-	24
Total deferred tax	**57**	**(77)**	**(20)**	**93**

DKK million	2024	2023

NOTE 29 ADDITIONAL TIER 2 CAPITAL

Convertible debt instrument	-	2,000
Total additional Tier 2 capital	**-**	**2,000**

On 15 November 2016 DSH raised a loan of DKK 2,000 million against the issue debt instruments entitling the lenders to convert their claims into shares in the company subject to specified conditions. The loan matures on 15 May 2037. The loan carries interest at the rate of 8.5% + 3M Cibor (floored).

In connection with the change of ownership of DSH in July 2024, the debt instrument was converted to a capital increase. The Danish FSA had prior to the conversion approved the early redemption of the debt instrument.

No costs incurred in DSF in connection with the issue or redemption of the debt instrument.

NOTE 30 EQUITY

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	235	(408)
Proposed dividends for the financial year	288	92
Total equity	**9,269**	**8,430**

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.

DKK million	2024	2023

NOTE 31 CAPITAL ADEQUACY

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	235	(408)
Proposed dividends for the financial year	288	92
Revaluation reserves	70	70
Total Common Equity Tier 1 capital before deductions	**9,269**	**8,430**
Deductions from Common Equity Tier 1 capital		
Proposed dividends for the financial year	288	92
Additional capital charge pursuant to the Executive Order on a Ship Finance Institute	-	-
Prudent valuation pursuant to article 105 of the CRR	34	37
Deductions for NPE Loss coverage	-	64
Position of own shares	-	5
Deductions pursuant to transitional rules regarding B share capital	33	33
Total deductions from Common Equity Tier 1 capital	**355**	**232**
Common Equity Tier 1 capital after deductions	**8,914**	**8,198**
Additional Tier 2 capital	**-**	**2,000**
Own funds after deductions	**8,914**	**10,198**

NOTE 31 CONTINUED

DKK million	2024	2023
Risk exposure amount		
Assets outside the trading book	27,055	32,837
Off-balance sheet items	1,899	1,546
Counterparty risk outside the trading book	3,165	2,995
Market risk	4,567	3,660
Operational risk	1,154	1,050
Total risk exposure amount	**37,840**	**42,087**
Common Equity Tier 1 capital ratio	**23.6**	**19.5**
Tier 1 capital ratio	**23.6**	**19.5**
Total capital ratio	**23.6**	**24.2**
The risk exposure amount for market risk consists of:		
Position risk related to debt instruments	4,210	3,216
Position risk related to shares	-	18
Total currency position	357	425
Total risk-weighted exposure amount for market risk	**4,567**	**3,660**

NOTE 32 OTHER CONTINGENT LIABILITIES

DKK million	2024	2023
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	1,184	1,224
In the ordinary course of its lending operations, DSF has undertaken commitments relating to irrevocable credit commitments in the amount of	2,614	1,868
Total other contingent liabilities	**3,798**	**3,093**

DKK million

NOTE 33 RELATED PARTIES

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

Related parties comprise majority owners Magellan Capital Holdings PLC, which holds a direct ownership interest of 75.42% and 82.88% of the voting rights in the company and in addition an indirect ownership interest of 12.31% through the holding of 85.00% of the shares in AX IV HoldCo A/S.

Related parties furthermore comprise Magellan Holding Limited, which holds an indirect ownership interest of 87.73% and 96.41% of the voting rights in the company.

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

Related-party transactions concerning loans and loan offers as at 31 December 2024 totalled a nominal amount of DKK 1,771 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.

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

DKK million

NOTE 33 CONTINUED CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of DSF are consolidated into the consolidated financial statements of Magellan Capital Holdings PLC.

The consolidated financial statements are available on request from the Company Secretary of Magellan Capital Holdings PLC at its trading address of 64 Knightsbridge, London, UK, SW1X 7JF.

The financial statements of Magellan Capital Holdings PLC are consolidated into the consolidated financial statements of Magellan Holding Limited.

The consolidated financial statements are available on request from Magellan Holding Limited registered office at: Hot Desk 1.5, Floor 18, Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates.

DKK million

NOTE 34 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.

2024	Nominal value	Carrying amount	Fair value
Commitments			
Issued bonds	18,859	17,908	18,099
Total commitments	**18,859**	**17,908**	**18,099**
Derivatives			
Interest rate swaps	(18,859)	311	311
Total derivatives	**(18,859)**	**311**	**311**
Net	**-**	**18,219**	**18,411**

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

NOTE 35 NOTIONAL PRINCIPALS OF OUTSTANDING DERIVATIVES

DKK million	2024	2023

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

Credit institutions	54,123	58,312

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

Credit institutions	89,395	103,347

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

Credit institutions	44,057	37,008

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	16,734	14,122

NOTE 36 FAIR VALUES OF OUTSTANDING DERIVATIVES

DKK million	2024 Positive	2024 Negative	2023 Positive	2023 Negative

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

DKK million	2024 Positive	2024 Negative	2023 Positive	2023 Negative
Credit institutions	278	1,159	1,084	114

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

DKK million	2024 Positive	2024 Negative	2023 Positive	2023 Negative
Credit institutions	598	1,247	1,321	1,881

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

DKK million	2024 Positive	2024 Negative	2023 Positive	2023 Negative
Credit institutions	1,035	1,408	1,079	1,617

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	2024 Positive	2024 Negative	2023 Positive	2023 Negative
Credit institutions	20	56	156	20

NOTE 36 CONTINUED

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

DKK million	2024 Positive	2023 Positive
Counterparties with risk weight of 0%	-	-
Counterparties with risk weight of 20%	396	559
Counterparties with risk weight of 50%	1,535	3,081
Counterparties with risk weight of 100%	-	-

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

DKK million	2024 Positive	2023 Positive
Counterparties with risk weight of 0%	-	-
Counterparties with risk weight of 20%	321	148
Counterparties with risk weight of 50%	1,348	1,378
Counterparties with risk weight of 100%	-	-

DKK million

NOTE 37 FOREIGN EXCHANGE RISK AND USE OF DERIVATIVES

Our total unhedged foreign currency position as at 31 December 2024, translated at year-end exchange rates into DKK, amounts to DKK +327 million (DKK +425 million as of 31 December 2023).

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	25,623	1,081	26,704	552	27,256
Loan impairment charges	-	-	-	(533)	(533)
Loans as per the balance sheet					**26,723**
Due from credit institutions and central banks	21	1,520	1,542	3,030	4,572
Bond portfolio	-	5,468	5,468	18,843	24,311
Interest receivable, other assets, etc.	247	671	918	1,777	2,695
Total assets as per the balance sheet	**25,891**	**8,741**	**34,632**	**23,670**	**58,302**
Issued bonds at year-end exchange rates	-	(8,912)	(8,912)	(29,932)	(38,843)
Issued bonds as per the balance sheet					**(38,843)**
Due to credit institutions and central banks	-	(4,663)	(4,663)	(3,174)	(7,837)
Interest payable, other payables	3,395	(4,188)	(793)	(1,491)	(2,284)
Provisions	-	-	-	(68)	(68)
Total equity	-	-	-	(9,269)	(9,269)
Total liabilities as per the balance sheet	**3,395**	**(17,763)**	**(14,368)**	**(43,934)**	**(58,302)**
Derivatives					
- receivables	8,085	23,045	31,129		
Derivatives					
- payables	(37,376)	(13,690)	(51,066)		
Total net position	**(6)**	**333**	**327**		

DKK million	2024	2023

NOTE 38 MARKET RISK SENSITIVITY

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:	(99)	(61)
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:	80	47

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 38 CONTINUED

DKK million	2024	2023
An appreciation of the USD exchange rate against the DKK		
Change in net profit for the year and equity	3	5
Percentage change in total capital ratio	(2.2)	(2.3)
A depreciation of the USD exchange rate against the DKK		
Change in net profit for the year and equity	(5)	(7)
Percentage change in total capital ratio	2.7	2.9
An appreciation of the GBP exchange rate against the DKK		
Change in net profit for the year and equity	(2)	(6)
Percentage change in total capital ratio	0.0	0.0
A depreciation of the GBP exchange rate against the DKK		
Change in net profit for the year and equity	2	6
Percentage change in total capital ratio	0.0	0.0
An appreciation of the NOK exchange rate against the DKK		
Change in net profit for the year and equity	(1)	(7)
Percentage change in total capital ratio	0.0	(0.1)
A depreciation of the NOK exchange rate against the DKK		
Change in net profit for the year and equity	0	7
Percentage change in total capital ratio	0.0	0.1

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 (2023: 15%). 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	2024	2023

NOTE 39 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	26,723	31,187
Measured at fair value	27,092	31,221
Difference between carrying amounts and fair value-based value of loans, total	**369**	**34**

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

Issued bonds		
Measured at amortised cost, incl. hedging	38,843	43,595
Measured at fair value	39,080	43,460
Difference between carrying amounts and fair value-based value of issued bonds, total	**237**	**(135)**

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 40 SUPPLEMENTARY NOTES WITHOUT REFERENCE FINANCIAL RISKS AND POLICIES FOR FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT

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

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

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

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

CREDIT RISK

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

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

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

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

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

Note 17 includes a more detailed description of credit risk.

NOTE 40 CONTINUED

MARKET RISK

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

Our market risk policy, which is set by the Board of Directors, outlines the risk profile and framework for market risk management.

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

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

NOTE 40 CONTINUED

LIQUIDITY RISK

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

Our liquidity risk policy, which is set by the Board of Directors, outlines the risk profile and framework for liquidity risk management.

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

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

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

Notes 37-38 include more detailed descriptions of foreign exchange risk and market risk sensitivity.

NOTE 41 CAPITAL CENTRES 2024

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	1,823	488	2,312
Other interest and fee income, net	(1,472)	(358)	(1,830)
Market value adjustments	94	47	141
Staff costs and administrative expenses	(170)	(46)	(216)
Loan impairment charges	174	(27)	147
Tax	(112)	(27)	(139)
Net profit for the year	**337**	**77**	**414**
Assets			
Loans and other receivables at amortised cost	18,908	7,815	26,723
Other assets	28,187	3,391	31,579
Total assets	**47,095**	**11,206**	**58,302**
Liabilities			
Issued bonds at amortised cost	30,049	8,795	38,843
Other liabilities	10,150	39	10,189
Equity	6,897	2,372	9,269
Total liabilities	**47,095**	**11,206**	**58,302**
Transfers of capital between capital centres	**49**	**(49)**	**-**

NOTE 41 CONTINUED CAPITAL CENTRES 2023

DKK million	Capital Centre Institute in general	Capital Centre A	Total
Income statement			
Interest, loans and other receivables	1,891	399	2,291
Other interest and fee income, net	(1,623)	(291)	(1,913)
Market value adjustments	(168)	343	175
Staff costs and administrative expenses	(171)	(36)	(208)
Loan impairment charges	475	31	506
Tax	(112)	(113)	(225)
Net profit for the year	**292**	**334**	**626**
Assets			
Loans and other receivables at amortised cost	23,408	7,779	31,187
Other assets	29,739	3,307	33,047
Total assets	**53,148**	**11,086**	**64,234**
Liabilities			
Issued bonds at amortised cost	34,969	8,626	43,595
Other liabilities	10,169	39	10,208
Additional Tier 2 Capital	2,000	-	2,000
Equity	6,010	2,421	8,430
Total liabilities	**53,148**	**11,086**	**64,234**
Transfers of capital between capital centres	**(865)**	**865**	**-**

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 2024. The Annual Report is presented in accordance with the requirements provided by the legislation, including requirements in the Danish Financial Business Act, the Danish disclosure requirements for annual reports of issuers of listed bonds and the requirements provided by Danish Ship Finance's articles of association.

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

Further, in our opinion, the financial statements give a true and fair view of the company's financial position as of 31 December 2024 and of the results of its activities for the financial year 1 January to 31 December 2024.

The Annual Report is recommended for adoption by the annual general meeting on 20 March 2025.

Copenhagen, 27 February 2025

Executive Board

Erik Ingvar Lassen
Chief Executive Officer

Lars Jebjerg
Chief Financial Officer

Board of Directors

Eivind Drachmann Kolding
(Chairman)

Peter Nyegaard
(Vice Chairman)

Ahmed Mohamed Abdelmonem Omar
(Vice Chairman)

Marcus Freuchen Christensen

Omar Elali

Povl Christian Lütken Frigast

Henriette Søgaard Fabricius

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)

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 2024, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including material accounting policy information. The financial statements are prepared in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

In our opinion, the financial statements give a true and fair view of the financial position as of 31 December 2024 and of the results of its operations for the financial year 1 January – 31 December 2024 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

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

Basis for opinion

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

Independence

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

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

Appointment of auditor

We were initially appointed as auditor of Danish Ship Finance A/S (Danmarks Skibskredit A/S) on 26 February 2021 for the financial year 2021. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 4 years up until the financial year 2024.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year 2024. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

LOANS AND PROVISIONS FOR CREDIT LOSSES

KEY AUDIT MATTERS

A significant part of the company's assets consist of loans, which amounted to DKK 26,723 million at 31 December 2024 (DKK 31,187 at 31 December 2023), including provisions for credit losses on loans which amounted to DKK 533 million at 31 December 2024 (DKK 624 million in 2023).

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

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

In 2024, the following required high level of management judgment and audit attention:

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

HOW OUR AUDIT HAS ADDRESSED THE KEY AUDIT MATTERS

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

Specifically, the audit included the following procedures:

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

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

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

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concerns and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they can reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation
As part of our audit of the financial statements of Danish Ship Finance A/S (Danmarks Skibskredit A/S), we performed procedures to express an opinion on whether the Annual Report for the financial year 1 January – 31 December 2024 with the file name Annual Report 2024 (XHTML) has been prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation), which includes requirements related to the preparation of the Annual Report in XHTML format.

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

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

In our opinion, the Annual Report for the financial year 1 January – 31 December 2024 with the file name Annual Report 2024 (XHTML) has been prepared, in all material respects, in compliance with the ESEF Regulation.

Frederiksberg, 27 February 2025
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*

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 2024. 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 of the Board of Directors
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 Magellan Capital Holdings PLC

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

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

Peter Nyegaard
Vice Chairman
Chairman 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:
Senior Advisor, Axcel
Vice Chairman of the Board of Directors of:
GoodLife Gruppen ApS
Member of the Board of Directors of:
Øens Murerfirma A/S and Nuuday A/S

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

Ahmed Omar
Vice Chairman
Member of the Audit Committee

Born on 6 October 1986
Nationality: Egyptian
Considered to be a dependent board member
Elected to the Board of Directors on 11 July 2024
Nominated by Magellan Capital Holdings PLC

Directorships and executive positions:
Chief Executive Officer and Director at:
Magellan Capital Limited
Director at:
Magellan Investments Holding Limited, Magellan Holding Limited, Magellan Capital Holdings PLC

Competencies:
Broad knowledge of banking, credit, capital markets, investment, M&A, restructuring, shipping and the maritime industry.

Jacob Meldgaard
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 Magellan Capital Holdings PLC

Directorships and executive positions:
Chief Executive Officer:
Torm A/S
Member of the Board of Directors of:
Danish Shipping (Danske Rederier), TORM Plc (board member in five companies under TORM), ICS (International Chamber of Shipping) and Syfoglomad

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

Omar Elali
Member of the Remuneration Committee

Born on 3 February 1997
Nationality: Swedish
Considered to be a dependent board member
Elected to the Board of Directors on 11 July 2024
Nominated by Magellan Capital Holdings PLC

Directorships and executive positions:
Managing Director at:
HEA Energy Holdings Limited
Director at:
Magellan Investments Holding Limited, Magellan Capital Limited, Magellan Holding Limited, Magellan Capital Holdings PLC, HEA Investments (Cayman Islands)

Competencies:
Broad knowledge of strategy, management, investment, finance, shipping and the maritime industry.

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 Magellan Capital Holdings PLC

Directorships and executive positions:
Chief Executive Officer of:
Hoegh LNG AS, Hoegh LNG Holdings Ltd (alternate)
Member of the Board of Directors of:
Hoegh Autoliners ASA, Telenor Maritime AS and Aequitas Ltd

Competencies:
Broad knowledge of shipping and the maritime industry, investment, finance, restructuring of operations and general 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:
Axcel Management, Nordsøfonden, Brancheforeningen for Aktive Ejere i Danmark (Active Owners), Bestyrelsesforeningen (The Board Leadership Society in Denmark), Erhvervslivets Tænketank
Vice Chairman of the Board of Directors of:
Pandora, PostNord
Member of the Board of Directors:
CBS Executive Fonden

Associate professor at CBS (Copenhagen Business School)

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

Christopher Rex
Employee representative

Born on 28 January 1979
Nationality: Danish
Joined the Board of Directors on 29 March 2012

Position:
Head of Sustainability and Research, Danish Ship Finance A/S

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

Marcus Freuchen Christensen
Employee representative

Born on 20 November 1979
Nationality: Danish
Joined the Board of Directors on 1 October 2021

Position:
Head of Client Associates / Senior Client Executive, Danish Ship Finance A/S

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

Andreas Hertz-Poulsen
Employee representative

Born on 20 May 1986
Nationality: Danish
Joined the Board of Directors on 19 March 2024

Position:
Head of Risk Management, Danish Ship Finance A/S

Competencies:
Broad knowledge of financial risk management including market risk, liquidity risk and operational risk, internal processes and process optimization as well as financial regulation of these areas through his position as Head of Risk Management.

Henriette Søgaard Fabricius
Employee representative

Born on 22 March 1968
Nationality: Danish
Joined the Board of Directors on 19 March 2024

Position:
Senior Loan Manager, Danish Ship Finance A/S

Competencies:
Broad knowledge of ship finance, credit, customer administration, internal processes, and operational management through her position as Senior Loan Manager.

Attendance at board meetings 2024

Attendance rate (%)	Board of Directors	Audit Committee	Remuneration Committee
Eivind Kolding	97		100
Peter Nyegaard	94	100	
Ahmed Omar[1]	100	100	
Omar Elali[1]	100		100
Christian Frigast	84		100
Thor Jørgen Guttormsen	100		100
Jacob Meldgaard	88		50
Michael Nellemann Pedersen[1]	84	100	
Anders Damgaard[1]	84	100	
Henrik Sjøgreen[1]	84	100	
Marcus Freuchen Christensen	97		
Henriette Søgaard Fabricius[2]	100		
Andreas Hertz-Poulsen[2]	100		
Christopher Rex	94		
Ninna Møller Kristensen[2]	100		
Henrik Rohde Søgaard[2]	100		

1) Ahmed Omar and Omar Elali replaced Anders Damgaard, Michael N, Pedersen and Henrik Sjøgreen following Magellan Capital Holdings PLC's acquisition of Danish Ship Finance Holding A/S in July 2024.

2) Henriette S. Fabricius and Andreas Hertz-Poulsen replaced Ninna Møller Kristensen and Henrik Rohde Søgaard as employee representatives at the annual general meeting in March 2024.

Executive Board

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

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

Financial calendar *for 2025*

27 February

Publication of the Annual Report 2024

20 March

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

26 August

Publication of the Interim Report 2025

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

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