

The Chairman's Report for the 2025 financial year

The past year marked an important period of transition and progress for Danish Ship Finance. During 2025, the company achieved several significant milestones that strengthen its foundation and position it well for the years ahead.

A key development was the appointment of Kristian Skovmand as Chief Executive Officer. Kristian brings extensive industry experience and a strong strategic perspective that will support the continued development of Danish Ship Finance and its role in providing stable, long-term financing to the global shipping industry.

Another milestone was the relocation of the organisation to new premises at Langebrogade in Copenhagen. The new headquarters has been designed to support closer collaboration across teams and provide a modern environment that reflects the company's ambitions and growth.

Commercially, Danish Ship Finance continued to expand its client relationships during the year. Seven new clients were added to the portfolio, and the company extended accepted loan offers totalling approximately DKK 6 billion. These developments reflect steady progress and underline the company's ability to attract high-quality clients in a competitive market.

Financially, Danish Ship Finance delivered a net profit of DKK 324 million in 2025. Earnings were supported by contributions from the loan portfolio, returns on investments of the company's own funds as well as a smaller contribution from reversals of loan impairment charges.

A further positive development was the upgrade of the company's covered bond rating by Standard & Poor's to AA- (Stable) in January 2025. This high investment-grade rating reflects the strength of the company's funding model and its long-standing commitment to providing reliable financing to shipowners both in Denmark and internationally.

Shipping markets

Shipping markets were characterised by both resilience and increasing structural change. Global trade volumes continued to grow modestly, while freight markets showed mixed developments across segments. Strong earnings in container shipping and tanker markets supported overall sector performance, whereas dry bulk markets experienced more uneven conditions.

Although earnings across several shipping segments remain healthy, market conditions are gradually expected to start normalising following a period of exceptionally strong returns. However, since 2020, successive extraordinary disruptions, including the pandemic, geopolitical conflicts and the Red Sea crisis have repeatedly extended voyage distances and inflated effective demand. The current Middle East escalation is reinforcing this pattern, increasing security risks around the Gulf and Hormuz, disrupting vessel positioning, and adding significant pressure on effective fleet capacity.

Lending

Danish Ship Finance maintains a strong and resilient loan portfolio. By year-end 2025, the loan book totalled DKK 23.6 billion, DKK 3.8 billion lower year on year. Depreciation of the USD/DKK exchange rate accounted for DKK 2.9 billion of the difference. Extraordinary pre-payments declined sharply to DKK 2.5 billion from DKK 7.0 billion in 2024, suggesting a return to more normal market dynamics. New loans of DKK 5.6 billion were disbursed during the year.

Competition in ship finance remained intense in 2025, with lenders striving to stay relevant to their core clients. What had previously been strong rivalry in a few regional markets expanded across much of the global shipping finance sector. As a result, many lenders competed aggressively to fund companies that often had limited need for external capital.

Looking ahead to 2026, competition across funding sources is expected to remain strong, keeping credit spreads tight. However, a larger vessel orderbook and increased activity in the sale and purchase market are likely to gradually boost demand for ship financing.

Funding

Funding conditions improved during 2025, supported by strong investor demand for Danish Ship Finance's bonds and generally favourable developments in capital markets. Following the credit rating upgrade, the company's bonds performed strongly, contributing to tighter funding spreads and improved pricing on new issuances.

These benefits were partly offset by a widening of cross-currency basis spreads, which increased the cost of converting funding into U.S. dollars. As a result, while overall funding costs declined during the year, the improvement was moderated by higher expenses related to currency hedging and the deployment of funding.

Investments

The investment portfolio continued to be managed with a conservative risk profile. Income from the portfolio amounted to DKK 441 million, equaling a return of 4.9%, compared with DKK 395 million in 2024, excluding interest expenses on Tier 2 capital.

Returns were supported by tighter credit spreads, while portfolio volatility remained low due to the conservative investment approach and generally favourable market conditions.

Financial performance

The net profit of DKK 324 million for 2025 was at the higher end of the guided range for the year. This result was supported by DKK 318 million in income from lending, DKK 441 million in income from investments, as well as DKK 15 million from a reversal of loan impairment charges.

The credit quality of the loan book continues to be robust, with no defaults in the loan book and all loans classified as Stage 1 at year-end. At year-end 2025, the weighted average loan-to-value ratio after ECL charges was 40%, with 99% of the loan book secured within 60% of vessel values. The NPL ratio dropped

to 0.0%, down from 0.7% in the previous year. The ECL allowance account, at 2.2% of credit exposure, provides ample protection against future loan losses.

Operating expenses were somewhat elevated at DKK 228 million due to one-off costs associated with the CEO transition and the completion of the new headquarters.

The result for 2025 generated a dividend of DKK 45 million to the Danish Maritime Fund, bringing the total dividend contribution to the fund since inception close to DKK 1.1 billion.

The Board considers these results strong in light of market conditions, reflecting the company's disciplined lending and investment practices.

Balance sheet

On the balance sheet, total assets increased to 64.0 billion in 2025 from DKK 58.3 billion in 2024, primarily due to a larger bond portfolio.

The capital ratio was 26.7%, significantly more than the 13.6% regulatory requirement.

Remuneration

According to the Danish Financial Business Act, the Chairman of the Board shall address the management's remuneration in the past financial year as well as expectations for the current and coming financial year. I will allow myself to refer to the recently published Remuneration Report 2025, which is available on the company website for details.

The Remuneration Policy sets the overall framework for remuneration of the Board of Directors, the Executive Board and key employees. It supports sound risk management and aligns remuneration with DSF's long-term strategy and sustainability objectives. Variable remuneration is subject to clear limits, deferral and clawback provisions and does not encourage excessive risk-taking. The Board of Directors oversees compliance and reviews the policy annually.

The Executive Board was awarded, on average, 45% of the bonus permissible under the Remuneration Policy, reflecting partial achievement of collective and individual performance targets and the financial return to class A shareholders for the financial year 2025. The designated controller's review confirmed compliance with the Remuneration Policy on behalf of the Board.

According to the legislation, it is also my duty to express expectations for any adjustments in the remuneration for the next year. We expect to adjust the Executive Board's remuneration in line with prevailing market conditions.

Board evaluation

The Board of Directors carried out a self-evaluation in 2025, assessing individual competencies. 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 and the special competencies of each Board member enable the Board of Directors to perform its tasks

effectively. The results of the latest evaluation were good overall and that the Board of Directors covers a broad spectrum of competencies.

Corporate culture

As Chairman, it is my responsibility to address our ongoing commitment to fostering a healthy corporate culture, a requirement stemming from the Danish Financial Business Act. We fully embrace this objective and dedicate ourselves to consistently enhancing our corporate environment.

Our efforts are concentrated in several key areas. First and foremost, we emphasise open communication and constructive dialogue throughout the organisation. This approach encourages transparency and strengthens relationships among employees at all levels. Employee well-being is a central priority, with initiatives aimed at supporting a positive work atmosphere and ensuring that everyone feels valued and respected.

We are vigilant in preventing conflicts of interest, establishing clear guidelines and expectations to uphold integrity in our operations. Furthermore, we maintain robust practices in anti-money laundering, ensuring compliance and safeguarding the company against financial crime. The proper handling of insider information and adherence to GDPR requirements are also fundamental aspects of our culture, promoting ethical conduct and protecting sensitive data.

All new employees receive a copy of the Policy on a healthy corporate culture during onboarding and the Executive Board annually addresses the topics on at least one of the employee briefings following the Board meetings.

Closing remarks

Overall, 2025 was a year in which DSF completed important organisational transitions while continuing to deliver stable results in a changing market environment. With the support of Magellan Capital, the Company continues to develop its strategy, strengthen its organisation and build long-term relationships with shipowners globally. The Board remains committed to ensuring that DSF continues to make prudent long-term decisions, maintain its strong credit profile and deliver sustainable value to its stakeholders.

Finally, I would like to note that I do not seek re-election as Chairman. The remaining members of the Board will continue unchanged, and long-standing Board member Christian Frigast has agreed to assume the role of Chairman following the meeting.

It has been a privilege to serve as Chairman of Danish Ship Finance. I would like to thank my fellow Board members, the management team and all employees for their dedication and professionalism, and I wish the Company continued success in the years ahead.