

The date of these Admission Particulars is 2 September 2024.



Magellan Capital Holdings plc

U.S.\$360,000,000 8.375 per cent. Fixed Reset Senior Secured Notes due 2029

unconditionally and irrevocably guaranteed by

Magellan Holding Limited

Issue Price: 99.169 per cent.

The U.S.\$360,000,000 8.375 per cent. Fixed Reset Senior Secured Notes due 2029 (the "**Notes**") are issued by Magellan Capital Holdings plc (the "**Issuer**") and unconditionally and irrevocably guaranteed by Magellan Holding Limited (the "**Guaranteee**") and the "**Guarantor**", respectively). The Notes are constituted by a trust deed dated 8 July 2024 between the Issuer, the Guarantor and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**").

The Notes bear interest from (and including) 8 July 2024 (the "**Issue Date**") to (but excluding) 8 July 2028 (the "**Optional Redemption Date**") at a fixed rate of 8.375 per cent. per annum. In respect of the period from (and including) the Optional Redemption Date to (but excluding) 8 July 2029 (the "**Maturity Date**"), the Notes will bear interest at a rate per annum equal to the sum of (i) the CMT Rate on the Reset Determination Date (each as defined herein) and (ii) 4.233 per cent. per annum (the "**Margin**"). Interest will be payable semi-annually in arrear on 8 January and 8 July in each year up to the Maturity Date, commencing on 8 January 2025; **provided that** if any such date is not a Business Day (as defined in Condition 9.4 (*Payment on Business Days*)), then such payment will be made on the next Business Day.

The Issuer may redeem all (but not some only) of the Notes upon the occurrence of certain changes in applicable tax law at their principal amount together with interest accrued to but excluding the date of redemption. In addition, in connection with any tender offer for the Notes, if holders of not less than 80 per cent. in aggregate principal amount of the outstanding Notes validly tender and do not withdraw the tender of such Notes in such tender offer and the Issuer, or any third-party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered by such holders and the tender of which is not withdrawn, the Issuer or such third-party may redeem all (but not some only) of the Notes that remain outstanding following such purchase at a price equal to the price offered to the holders of the Notes in such tender offer, plus, to the extent not included in such tender offer price, interest accrued to but excluding the date of redemption. Upon the occurrence of a Change of Control Event, holders of the Notes (the "**Noteholders**") may require the Issuer to redeem their Notes at 101% of their principal amount together with interest accrued to but excluding the Change of Control Redemption Date (each as defined in Condition 10.4 (*Redemption at the Option of Noteholders upon a Change of Control*)) of the terms and conditions of the Notes (the "**Conditions**", and references herein to a numbered Condition shall be construed accordingly). The Issuer may redeem all (or, for the purposes of any redemption pursuant to Condition 7.5 (*Limitation on Asset Sales*), some only) of the Notes on the Optional Redemption Date at their principal amount and at any other time at the Make-Whole Redemption Price, together in each case with interest accrued to but excluding the date fixed for redemption. See Condition 8.3 (*Redemption at the Option of the Issuer*). Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on the Maturity Date.

Application will be made by the Issuer for the admission of the Notes to trading on the London Stock Exchange plc's (the "**London Stock Exchange**") International Securities Market ("**ISM**"). The ISM is not a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") ("**UK MiFIR**").

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of these Admission Particulars.

The Notes are also admitted to trading on the Vienna MTF of Wiener Börse AG (the "**Vienna Stock Exchange**"), a multilateral trading facility (the "**Vienna MTF**"). The Vienna MTF is not a regulated market for the purpose of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "**MiFID II**").

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act (**Regulation S**)) or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered or sold solely to persons who are not U.S. Persons outside the United States in reliance on Regulation S. Each purchaser of the Notes is hereby notified that the offer and sale of Notes to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

The Notes are rated BBB- by S&P Global Ratings Europe Limited ("**S&P**"). As of the date of these Admission Particulars, S&P is established in the European Economic Area (the "**EEA**") and is registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**"). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. S&P is not established in the United Kingdom (the "**UK**") and has not applied for registration under Regulation (EC) No 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). Accordingly, the rating issued by S&P have been endorsed by S&P Global Ratings UK Limited ("**S&P UK**"). S&P UK is established in the UK and registered under the UK CRA Regulation. As such, the ratings issued by S&P may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation.

Interest on the Notes payable from (and including) the Optional Redemption Date will be calculated by reference to the CMT Rate which is published in "H.15(519)" under the caption "treasury constant maturities (nominal)", which is provided by the Board of Governors of the Federal Reserve System (the "**Federal Reserve**"). As at the date of these Admission Particulars, the Federal Reserve is not included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") or the register of administrators of the UK Financial Conduct Authority under Article 36 of Regulation (EU) No 2016/1011 as it forms part of UK domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**" and, together with the EU Benchmarks Regulations, the "**Benchmarks Regulations**"). As far as the Issuer is aware, under Article 2 of the Benchmarks Regulations, the Federal Reserve as the administrator of the CMT Rate is not required to obtain authorisation or registration under the Benchmarks Regulations.

Delivery of the Notes in book-entry form will be made on the Issue Date. Notes will be represented at all times by interests in a global certificate in registered form (the "**Global Certificate**") deposited on or about the Issue Date with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Notes will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

The date of these Admission Particulars is 2 September 2024.

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DISCLAIMERS

These admission particulars (the "Admission Particulars") are to be read in conjunction with the offering circular dated 4 July 2024 (the "Offering Circular") as set out in the Annex to these Admission Particulars, which form part of these Admission Particulars. The information in these Admission Particulars supersedes the information in the Offering Circular to the extent inconsistent with the information in the Offering Circular. Terms used but not defined herein shall have the meanings given to them in the Offering Circular.

These Admission Particulars comprise admission particulars in accordance with the International Securities Market Rulebook effective as of 1 January 2021 (as may be modified and/or supplemented and/or restated from time to time, the "**ISM Rulebook**"). There can be no assurance when the Notes will be admitted to trading on the ISM or if such admission will occur at all. These Admission Particulars also does not comprise a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA and has not been approved by the competent authority in the UK or in any member state of the EEA.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in these Admission Particulars. Having taken all reasonable care to ensure that such is the case, the information contained in the Admission Particulars is, to the best of the knowledge of each of the Issuer and the Guarantor, in accordance with the facts and contains no omission likely to affect its import.

Neither the delivery of this document nor any offer, sale or delivery of any Notes shall, under any circumstances, constitute a representation or create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of any party mentioned herein since that date.

Neither these Admission Particulars nor any other information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer, the Guarantor, the Trustee or the Agents that any recipient of these Admission Particulars should purchase any of the Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. Neither the Trustee nor the Agents accept any liability in relation to the information contained in these Admission Particulars or any other information provided by the Issuer in connection with the Notes.

No comment is made or advice given by the Issuer, the Guarantor, the Trustee or the Agents in respect of taxation matters relating to the Notes or the legality of the purchase of the Notes by an investor under any applicable law.

These Admission Particulars does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of these Admission Particulars and the offer or sale of the Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Guarantor, the Trustee or the Agents represents that these Admission Particulars may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Trustee or the Agents which is intended to permit a public offering of any Notes or distribution of these Admission Particulars in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither these Admission Particulars nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession these Admission Particulars or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of these Admission Particulars and the offering and sale of the Notes.

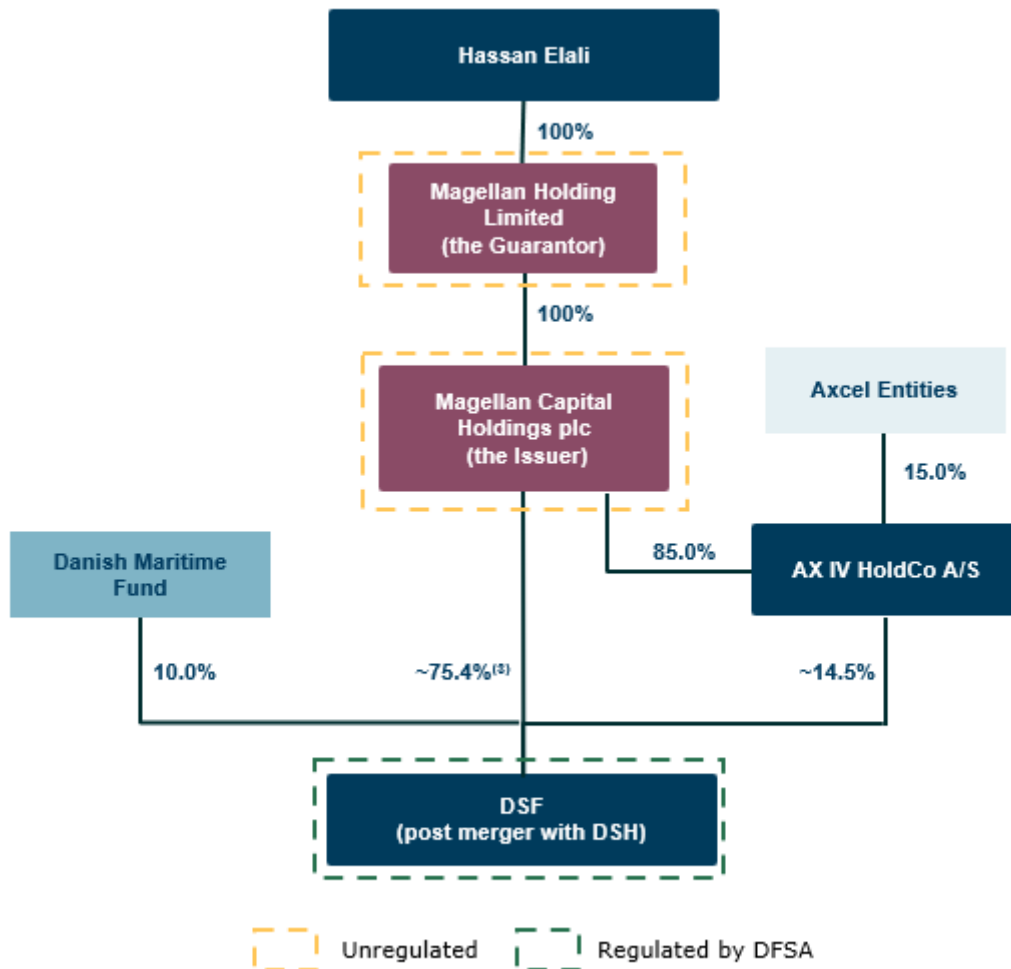
RECENT DEVELOPMENTS

Completion of the Transactions

On 11 July 2024, the Issuer completed the acquisition of not less than 94 per cent. of the total share capital of DSH (together, the "**Acquisition**"), as well the merger of DSH and DSF on 12 July 2024, with DSF as the surviving entity (the "**Merger**", together with the Acquisition, the "**Transactions**"). See the section titled "*Summary of the Transactions*" of the Offering Circular annexed hereto for further information in relation to the Transactions.

Axcel IV K/S, Axcel IV K/S 2, AX Management Invest K/S, AX Management Invest II K/S (together, the "**Axcel Entities**") intend to retain an indirect minority shareholding in DSF for a 2-year period in order to ensure a smooth transition. The Danish Maritime Fund will continue to own the remaining 10% of the share capital of DSF in the form of B-Shares.

Accordingly, below is the shareholding structure of DSF as of the date of these Admission Particulars on a total share capital basis:



Re-registration of the Issuer

On 2 August 2024, the Issuer was re-registered into a public limited company.

GENERAL INFORMATION

Authorisation

The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 27 June 2024 and the giving of the Guarantee was duly authorised by a resolution of the Board of Directors of the Guarantor dated 27 June 2024.

Listing

Application will be made by the Issuer to the London Stock Exchange for the Notes to be admitted to trading on the ISM. The ISM is not a UK regulated market within the meaning of UK MiFIR. The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the United Kingdom Listing Authority. The London Stock Exchange has not approved or verified the contents of these Admission Particulars. These Listing Particulars comprise admission particulars for the purposes of the admission to trading of the Notes on the ISM. There can be no assurance when the Notes will be admitted to trading on the ISM or if such admission will occur at all.

The Notes are also admitted to trading on the Vienna MTF of the Vienna Stock Exchange. The Vienna MTF is not a regulated market for the purpose of MiFID II. Transactions will normally be effected for settlement in U.S. dollars and for delivery on the third business day after the day of the transaction.

Documents Available

For so long as the Notes remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available for inspection at the specified office of the Principal Paying Agent during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays):

- (a) a copy of the constitutional documents of the Issuer and the Guarantor;
- (b) the Trust Deed, the Agency Agreement and the Security Documents;
- (c) these Admission Particulars and any supplement(s) thereto; and
- (d) the audited financial statements of DSF as of and for the years ended 31 December 2023, 31 December 2022 and 31 December 2021 (the "**Annual Financial Statements**").

However, if the relevant Agent is not able to make available for inspection at its specified office such documents by events beyond its reasonable control, the relevant Agent may provide such documents to a Noteholder electronically, subject to such Noteholder being able to provide evidence satisfactory to the Issuer and the relevant Agent as to its holding and identity.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for the Notes is XS2852966501. The Common Code for the Notes is 285296650.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Post-issuance information

If and for so long as the Notes are admitted to trading on the ISM or any other stock exchange, the Issuer intends to comply with its continuing obligations pursuant to the ISM Rulebook or such other applicable rules. Otherwise, the Issuer does not intend to provide post-issuance information in connection with this issue.

Significant or Material Change

Other than as disclosed in these Admission Particulars, there has been no significant change in the financial or trading position and there has been no material adverse change in the prospects of the Issuer since the date of its incorporation.

Other than as disclosed in these Admission Particulars, there has been no significant change in the financial or trading position and there has been no material adverse change in the prospects of the Guarantor since the date of its incorporation.

Other than as disclosed in these Admission Particulars, there has been no significant change in the financial or trading position of DSF since 31 December 2023, being the date of the most recent audited annual accounts of DSF and there has been no material adverse change in the prospects of DSF since 31 December 2023, being the date of the most recent audited annual accounts of DSF.

Litigation

None of the Issuer, the Guarantor or DSF has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer, the Guarantor or DSF is aware) in the 12 months preceding the date of these Admission Particulars which may have or have in such period had a significant effect on the Issuer's ability to meet its obligations under the Notes.

Independent Auditors

The Annual Financial Statements have been audited by EY in accordance with the International Standards on Auditing (ISA) and additional requirements applicable in Denmark.

EY is located at Dirch Passers Allé 36, DK-2000 Frederiksberg.

EY has issued an unqualified audit opinion on the Annual Financial Statements, as stated in their respective reports included elsewhere in the document.

ANNEX – OFFERING CIRCULAR DATED 4 JULY 2024

IMPORTANT NOTICE

THIS OFFERING CIRCULAR MAY ONLY BE DISTRIBUTED OUTSIDE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN REGULATION S ("**REGULATION S**") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**").

IMPORTANT: You must read the following notice before continuing. The following notice applies to the attached offering circular following this page (the "**Offering Circular**"), whether received by email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Offering Circular. In reading, accessing or making any other use of the Offering Circular, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Offering Circular, including any modifications made to them from time to time, each time you receive any information from Citigroup Global Markets Limited and Goldman Sachs International (together, the "**Joint Global Coordinators and Joint Bookrunners**"), Fearnley Securities AS (the "**Nordic Placement Agent and Joint Bookrunner**") and Danske Bank A/S, Emirates NBD Bank PJSC and Mashreqbank psc (together with the Joint Global Coordinators and Joint Bookrunners and the Nordic Placement Agent and Joint Bookrunner, the "**Joint Bookrunners**"), Magellan Capital Holdings Ltd (the "**Issuer**") or Magellan Holding Limited (the "**Guarantor**") as a result of such access.

RESTRICTIONS: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE NOTES IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES AND THE GUARANTEE DESCRIBED IN THE OFFERING CIRCULAR HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING CIRCULAR IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. THE DISTRIBUTION IN THE UNITED KINGDOM OF THE OFFERING CIRCULAR AND ANY OTHER MARKETING MATERIALS RELATING TO THE NOTES IS BEING ADDRESSED TO, OR DIRECTED AT, ONLY THE FOLLOWING PERSONS: (I) PERSONS WHO ARE INVESTMENT PROFESSIONALS AS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "**FINANCIAL PROMOTION ORDER**"), (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSONS DESCRIBED IN ARTICLE 49 (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE FINANCIAL PROMOTION ORDER AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED. (ALL SUCH PERSONS IN (I), (II) AND (III) ABOVE TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). PERSONS OF ANY OTHER DESCRIPTION IN THE UNITED KINGDOM MAY NOT RECEIVE AND SHOULD NOT ACT OR RELY ON THE OFFERING CIRCULAR OR ANY OTHER MARKETING MATERIALS IN RELATION TO ANY NOTES AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE OFFERING CIRCULAR RELATES WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

CONFIRMATION OF YOUR REPRESENTATION: By accepting this e-mail and accessing, reading or making any other use of the attached document, you shall be deemed to have represented to the Joint Bookrunners, the Issuer and the Guarantor that (1) you have understood and agree to the terms set out herein, (2) you are (or the person you represent is) not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia (3) in respect of the Notes being offered in the United Kingdom, you are (or the person you represent is) a Relevant Person, (4) you consent to delivery by electronic transmission, (5) you will not transmit the attached Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except

with the consent of the Joint Bookrunners, the Issuer and the Guarantor and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase of any of the Notes.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Offering Circular, electronically or otherwise, to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received the Offering Circular by e-mail, you should not reply by e-mail. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you received the Offering Circular by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Bookrunners or any affiliate of the Joint Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Bookrunners or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

Under no circumstances shall the Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained or incorporated by reference in the Offering Circular.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Bookrunners, the Issuer, the Guarantor or any person who controls or is a director, officer, employee or agent of the Joint Bookrunners, the Issuer, the Guarantor or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Bookrunners.

The distribution of the Offering Circular and the offer or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Joint Bookrunners, the Issuer and the Guarantor to inform themselves about, and to observe, any such restrictions.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time, the "SFA") – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

UK MiFIR professionals / ECPs-only – Manufacturer target market (UK MiFIR product governance) is eligible counterparties and professional clients only (all distribution channels).

No PRIIPs key information document and no UK PRIIPs key information document will be prepared as not available to retail investors in the European Economic Area or the United Kingdom



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The U.S.\$360,000,000 8.375 per cent. Fixed Reset Senior Secured Notes due 2029 (the "**Notes**") are issued by Magellan Capital Holdings Ltd (the "**Issuer**") and unconditionally and irrevocably guaranteed by Magellan Holding Limited (the "**Guarantee**" and the "**Guarantor**", respectively). The Notes will be constituted by a trust deed dated 8 July 2024 between the Issuer, the Guarantor and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**").

The Notes will bear interest from (and including) 8 July 2024 (the "**Issue Date**") to (but excluding) 8 July 2028 (the "**Optional Redemption Date**") at a fixed rate of 8.375 per cent. per annum. In respect of the period from (and including) the Optional Redemption Date to (but excluding) 8 July 2029 (the "**Maturity Date**"), the Notes will bear interest at a rate per annum equal to the sum of (i) the CMT Rate on the Reset Determination Date (each as defined herein) and (ii) 4.233 per cent. per annum (the "**Margin**"). Interest will be payable semi-annually in arrear on 8 January and 8 July in each year up to the Maturity Date, commencing on 8 January 2025; **provided that** if any such date is not a Business Day (as defined in Condition 9.4 (*Payment on Business Days*)), then such payment will be made on the next Business Day.

AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE RISK FACTORS SET FORTH UNDER "RISK FACTORS" BEGINNING ON PAGE 8 OF THIS OFFERING CIRCULAR.

The Issuer may redeem all (but not some only) of the Notes upon the occurrence of certain changes in applicable tax law at their principal amount together with interest accrued to but excluding the date of redemption. In addition, in connection with any tender offer for the Notes, if holders of not less than 80 per cent. in aggregate principal amount of the outstanding Notes validly tender and do not withdraw the tender of such Notes in such tender offer and the Issuer, or any third-party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered by such holders and the tender of which is not withdrawn, the Issuer or such third-party may redeem all (but not some only) of the Notes that remain outstanding following such purchase at a price equal to the price offered to the holders of the Notes in such tender offer, plus, to the extent not included in such tender offer price, interest accrued to but excluding the date of redemption. Upon the occurrence of a Change of Control Event, holders of the Notes (the "**Noteholders**") may require the Issuer to redeem their Notes at 101% of their principal amount together with interest accrued to but excluding the Change of Control Redemption Date (each as defined in Condition 10.4 (*Redemption at the Option of Noteholders upon a Change of Control*)) of the terms and conditions of the Notes (the "**Conditions**", and references herein to a numbered Condition shall be construed accordingly). The Issuer may redeem all (or, for the purposes of any redemption pursuant to Condition 7.5 (*Limitation on Asset Sales*), some only) of the Notes on the Optional Redemption Date at their principal amount and at any other time at the Make-Whole Redemption Price, together in each case with interest accrued to but excluding the date fixed for redemption. See Condition 8.3 (*Redemption at the Option of the Issuer*). Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on the Maturity Date.

Pending the consummation of the Acquisition (as defined in "*Summary of the Transactions - Overview*"), the Issuer will, concurrently with the issuance of the Notes on the Issue Date, deposit or arrange to have deposited the gross proceeds from the offering of the Notes (the "**Offering**") into an escrow account in the name of the Issuer (the "**Escrow Account**"). The Issuer will also (a) complete the utilisation request for the drawing of the Liquidity Facility Agreement (as defined in the Conditions) and direct the lenders under the Liquidity Facility Agreement (the "**Lenders**") to credit the amount drawn under the Liquidity Facility Agreement and (b) credit the amount received by the Issuer in respect of the equity contribution to be made by the Sponsor to the Guarantor and the Guarantor to the Issuer as set out in footnote 3 under "*Use of Proceeds*" (the "**Equity Contribution**"), in each case to the Escrow Account on or before the Issue Date. The Escrow Account will be controlled by Citibank, N.A., London Branch as escrow agent (the "**Escrow Agent**") and the Issuer will grant an English law governed first fixed charged over the Escrow Account in favour of The Law Debenture Trust Corporation p.l.c as security agent (the "**Security Agent**") for the benefit of the Secured Parties (as defined in the Intercreditor Agreement (as defined below)), including the Trustee (for itself and as trustee for the Noteholders), Law Debenture Corporate Services Limited as facility agent (the "**Facility Agent**"), the Lenders and the Hedge Counterparties (as defined in "*Description of Certain Financing Arrangements – Intercreditor Agreement*" below), and assign by way of security all of the Issuer's present and future rights under the Escrow Agreement, including, among other things, all the rights, title and interest of the Issuer in and to the Escrow Account and all of the other rights, title and interest of the Issuer from time to time in and to the Escrow Agreement (the "**Escrow Security**"). The Escrow Security will be granted pursuant to the security agreement dated 4 July 2024 between the Issuer and the Security Agent (the "**Escrow Security Agreement**") and be subject to the intercreditor agreement dated 4 July 2024 (the "**Intercreditor Agreement**") between the Issuer, the Guarantor, the Security Agent, the Trustee and the Facility Agent establishing certain security sharing arrangements in respect of the Escrow Security Agreement and the Share Security Agreement (as defined below) as between the Lenders, the Hedge Counterparties and the Noteholders. See "*Description of Certain Financing Arrangements – Intercreditor Agreement*".

The release of the escrowed proceeds (the "**Escrow Release**") will be subject to the satisfaction of certain conditions. As at the date of this Offering Circular, all conditions to the closing of the Acquisition have been satisfied, save for payment of the purchase price (the "**DSH Purchase Price**") payable to the Majority Sellers for the purchase by the Issuer of the shares of the Majority Sellers in Danish Ship Finance Holding A/S ("**DSH**") and the relevant shares in AX IV HoldCo A/S ("**AX IV**") under the First Share Purchase Agreement (each as defined in "*Summary of the Transactions*") which is to be paid from the amounts credited to the Escrow Account in respect of (i) the Equity Contribution and (ii) the drawing of the Liquidity Facility Agreement, and the purchase by the Issuer of the Existing Tier 2 Notes to be converted by the Issuer into equity in DSH. Upon satisfaction of the conditions to the Escrow Release

(the "**Escrow Release Date**"), the relevant amount of the escrowed proceeds to be paid to the Majority Sellers will be converted into Danish Krone ("**DKK**") by the Escrow Agent and released, and the Acquisition consummated by payment to the Majority Sellers of the DSH Purchase Price and, from the proceeds of the Offering, the amount payable for the purchase by the Issuer of the Existing Tier 2 Notes, with the amount remaining following such purchase and consummation of the Acquisition to be released to the Issuer by way of payment of the Reserve Amount to the Custodian for crediting to the Investment Reserve Cash Account (each as defined in the Conditions) and the balance if any remaining to, or to the order of, the Issuer. If the Acquisition is not consummated on or prior to 22 July 2024 (the "**Escrow Longstop Date**"), or upon the occurrence of certain other events, the Issuer will redeem the Notes at their principal amount on the date falling not less than 5 and not more than 10 Business Days from the Escrow Longstop Date together with interest accrued to but excluding the date of redemption. See "*Summary of the Transactions*" for further information in relation to the Acquisition and release of the escrowed proceeds and Condition 10.6 (*Redemption following the Escrow Longstop Date*).

In addition to the first fixed charge over the Escrow Account, the Issuer and the Guarantor will grant further security on the Issue Date in favour of the Trustee (for the benefit of itself and the Noteholders) (or, in the case of the Share Security Agreement, in favour of the Security Agent for the benefit of the Secured Parties) to secure their obligations under the Notes and the Guarantee, respectively, including (i) an English law governed first fixed charge over all of the Capital Stock of the Issuer held by the Guarantor (the "**Share Pledge**") pursuant to the security agreement dated 4 July 2024 between the Guarantor and the Security Agent (the "**Share Security Agreement**") and, together with the Escrow Security Agreement, the "**Security Agreements**") and subject to the Intercreditor Agreement, (ii) an English law governed first ranking floating charge over the Investment Reserve Cash Account and the Investment Reserve Securities Account, (iii) an assignment by way of security of all of the present and future rights of the Issuer under the Custody Agreement and the Agency Agreement, including all the rights, title and interest of the Issuer in and to (A) the Investment Reserve Cash Account and the Investment Reserve Securities Account, in each case under or pursuant to the Custody Agreement, and (B) any sums held under or pursuant to the Agency Agreement, including in respect of all moneys held to meet payments due in respect of the Notes, and all of the other rights, title and interest of the Issuer from time to time in and to the Custody Agreement and the Agency Agreement, and (iv) an assignment by way of security of all of the present and future rights of the Guarantor under the Agency Agreement, including all rights, title and interest of the Guarantor in and to any sums held under or pursuant to the Agency Agreement, including in respect of all moneys held to meet payments due in respect of the Notes, and all of the other rights, title and interest of the Guarantor from time to time in and to the Agency Agreement (each such capitalised term having the meaning given in the Conditions).

The Issuer undertakes to re-register as a public company as soon as reasonably practicable following the Issue Date and, in any event, within 90 days of the Escrow Release Date.

As soon as reasonably practical following its re-registration as a public company and, in any event, within 90 days of the Escrow Release Date, application will be made by the Issuer for the admission of the Notes to trading on the London Stock Exchange plc's (the "**London Stock Exchange**") International Securities Market ("**ISM**"). The ISM is not a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") ("**UK MiFIR**").

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular. This Offering Circular does not comprise admission particulars for the purposes of the admission to trading of the Notes on the ISM and separate admission particulars will be prepared for this purpose. There can be no assurance when the Notes will be admitted to trading on the ISM or if such admission will occur at all.

In addition, application may be made to Wiener Börse AG (the "**Vienna Stock Exchange**") for the inclusion of the Notes in trading on the Vienna MTF of the Vienna Stock Exchange, a multilateral trading facility (the "**Vienna MTF**"). The Vienna MTF is not a regulated market for the purpose of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "**MiFID II**").

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act (**Regulation S**)) or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered or sold solely to persons who are not U.S. Persons outside the United States in reliance on Regulation S. Each purchaser of the Notes is hereby notified that the offer and sale of Notes to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

The Notes are expected to be rated BBB- by S&P Global Ratings Europe Limited ("**S&P**"). As of the date of this Offering Circular, S&P is established in the European Economic Area (the "**EEA**") and is registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**"). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. S&P is not established in the United Kingdom (the "**UK**") and has not applied for registration under Regulation (EC) No 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). Accordingly, the rating issued by S&P have been endorsed by S&P Global Ratings UK Limited ("**S&P UK**"). S&P UK is established in the UK and registered under the UK CRA Regulation. As such, the ratings issued by S&P may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation.

Interest on the Notes payable from (and including) the Optional Redemption Date will be calculated by reference to the CMT Rate which is published in "H.15(519)" under the caption "treasury constant maturities (nominal)", which is provided by the Board of Governors of the Federal Reserve System (the "**Federal Reserve**"). As at the date of this Offering Circular, the Federal Reserve is not included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") or the register of administrators of the UK Financial Conduct Authority under Article 36 of Regulation (EU) No 2016/1011 as it forms part of UK domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**") and, together with the EU Benchmarks Regulations, the "**Benchmarks Regulations**"). As far as the Issuer is aware, under Article 2 of the Benchmarks Regulations, the Federal Reserve as the administrator of the CMT Rate is not required to obtain authorisation or registration under the Benchmarks Regulations.

Delivery of the Notes in book-entry form will be made on the Issue Date. Notes will be represented at all times by interests in a global certificate in registered form (the "**Global Certificate**") deposited on or about the Issue Date with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Notes will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

Joint Global Coordinators and Joint Bookrunners

Citigroup

Goldman Sachs International

Joint Bookrunners

Danske Bank

Emirates NBD Capital

Mashreq

Nordic Placement Agent and Joint Bookrunner

Fearnley Securities

The date of this Offering Circular is 4 July 2024.

This offering circular (the "**Offering Circular**") does not comprise admission particulars in accordance with the International Securities Market Rulebook effective as of 1 January 2021 (as may be modified and/or supplemented and/or restated from time to time, the "**ISM Rulebook**") and separate admission particulars will be prepared for the application to be made in respect of the admission of the Notes to trading on the ISM. There can be no assurance when the Notes will be admitted to trading on the ISM or if such admission will occur at all. This Offering Circular also does not comprise a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA and has not been approved by the competent authority in the UK or in any member state of the EEA.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Offering Circular. Having taken all reasonable care to ensure that such is the case, the information contained in the Offering Circular is, to the best of the knowledge of each of the Issuer and the Guarantor, in accordance with the facts and contains no omission likely to affect its import.

The information on the websites to which this Offering Circular refers does not form part of this Offering Circular. No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Bookrunners (as defined under "*Subscription and Sale*"), the Trustee, the Agents (as defined in the Conditions) or any other person.

Neither the delivery of this document nor any offer, sale or delivery of any Notes shall, under any circumstances, constitute a representation or create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of any party mentioned herein since that date.

Neither the Joint Bookrunners, the Trustee nor the Agents has verified (i) the information contained herein or (ii) any statement, representation, or warranty, or compliance with any covenant, of the Issuer or the Guarantor contained in the Notes or any other agreement or document relating to the Notes. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to (a) the accuracy, adequacy, reasonableness or completeness of the information contained in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Notes, their distribution or their future performance or (b) the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of the Notes or any other agreement or document relating to the Notes.

Neither this Offering Circular nor any other information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer, the Guarantor, the Joint Bookrunners, the Trustee or the Agents that any recipient of this Offering Circular should purchase any of the Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor. Neither the Joint Bookrunners, the Trustee nor the Agents accept any liability in relation to the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Notes.

In connection with the issue and sale of the Notes, each of the Joint Bookrunners and any of their respective affiliates acting as an investor for its own account may take up Notes and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or the Guarantor or related investments, and may offer or sell such securities or other investments otherwise than in connection with the issue and sale of the Notes. Accordingly, references in this Offering Circular to the Notes being offered, issued or sold should be read as including any offer, issue or sale of securities to the Joint Bookrunners and any of their affiliates acting in such capacity. The Joint Bookrunners do not intend to disclose the extent of any such transactions or investments otherwise than in accordance with any legal or regulatory obligation to do so.

No comment is made or advice given by the Issuer, the Guarantor, the Joint Bookrunners, the Trustee or the Agents in respect of taxation matters relating to the Notes or the legality of the purchase of the Notes by an investor under any applicable law.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Offering Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Guarantor, the Joint Bookrunners, the Trustee or the Agents represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Joint Bookrunners, the Trustee or the Agents which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the United Kingdom, the United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market), the Dubai International Financial Centre, the Abu Dhabi Global Market, Japan, Hong Kong, Singapore, Switzerland, Australia and Italy, see "*Subscription and Sale*".

Suitability of investments

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency of payment is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Offering Circular may be deemed to be "forward-looking statements". Forward-looking statements involve risks, uncertainties and assumptions, and include statements (other than statements of historical fact) concerning the Issuer's, the Guarantor's and/or DSF's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this Offering Circular, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. Each of the Issuer and the Guarantor has based these forward-looking statements on the current view of its management with respect to, among other things, its business strategy, management plans and objectives, future events and financial performance. Although each of the Issuer and the Guarantor believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise, including those identified below in this Offering Circular, or if any of the Issuer's and/or the

Guarantor's underlying assumptions prove to be incomplete or inaccurate, the Issuer's and/or the Guarantor's actual results of operation may vary from those expected, estimated or predicted.

These forward-looking statements speak only as at the date of this Offering Circular. Factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Without prejudice to any requirements under applicable laws and regulations, each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to disseminate after the date of this Offering Circular any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based.

CERTAIN PUBLICLY AVAILABLE INFORMATION

Certain statistical data and other information appearing in this Offering Circular have been extracted from public sources identified herein. None of the Issuer or the Guarantor accepts any responsibility for the factual correctness of any such statistics or information but each of the Issuer and the Guarantor confirms that such statistics and information have been accurately reproduced and that, so far as it is aware and has been able to ascertain from statistics and information published by those public sources, no facts have been omitted which would render the reproduced statistics and information inaccurate or misleading.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Guarantor, a private limited company organised under the laws of England and Wales, is a wholly owned subsidiary of the Issuer, a limited company organised in the Abu Dhabi Global Market. As of the date of this Offering Circular, neither the Issuer nor the Guarantor have engaged in any activities other than those related to their formation and the Transactions (as defined below). As a result, no financial information of the Issuer or the Guarantor has been included in this Offering Circular.

Unless otherwise noted, all historical information included in this Offering Circular is that of DSF.

The audited financial statements of DSF as of and for the years ended 31 December 2023 (the "**2023 Financial Statements**"), 31 December 2022 (the "**2022 Financial Statements**") and 31 December 2021 (the "**2021 Financial Statements**") and, together with the 2023 Financial Statements and 2022 Financial Statements, the "**Annual Financial Statements**"), included in this Offering Circular, have been prepared in accordance with the Consolidated Act no. 1731 of 5 December 2003, as amended, the Ship Financing Institution Act no. 1873 of 5 December 2023 and the Executive Order no. 668 of 1 June 2023 on A Ship Financing Institute and the Danish Executive Order no. 516 of 17 May 2024 on Financial Reports for Credit Institutions and Investment Firms, etc. (Executive Order on Financial Reports). EY Godkendt Revisionspartnerselskab ("**EY**"), CVR no: 30700228, Dirch Passers Allé 36, DK-2000 Frederiksberg, have audited the Annual DSF Financial Statements without qualification.

Certain figures and percentages included in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

As used herein, "**Group**" means the Issuer, the Guarantor and their consolidated subsidiaries from time to time, *pro forma* for the consummation of the Transactions, including DSF.

Non-IFRS Measures

In this Offering Circular, certain financial measures used by DSF are presented which are not recognised by IFRS. DSF presents non-IFRS measures because it believes that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the DSF's operating results as reported under IFRS. The Non-IFRS measures have not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, IFRS or any generally accepted accounting standards and may not have been audited or reviewed. DSF defines:

Financial ratios

Return on equity after tax (%)	<i>Profit (loss) after tax for the year divided by average equity.</i>
Annual loan impairment ratio (%)	<i>Loan impairment charges for the year divided by the sum of loans and other receivables at amortised cost, guarantees and total allowance account at</i>
Accumulated loan impairment charges as % of loan book	<i>Accumulated loan impairment charges divided by total loan book at year-end.</i>
Rate of return on assets (%)	<i>Profit (loss) after tax for the year divided by total assets at year-end.</i>

Financial ratios - capital and capital adequacy

Common Equity Tier 1 capital ratio (%)	<i>Common Equity Tier 1 capital after deduction divided by the total risk exposure amount.</i>
Internal capital adequacy requirement incl. combined capital buffer requirement (%)	<i>Own funds divided by the capital adequacy requirement calculated according to the 8+ approach, involving an assessment of the limits within which an institution's risks are covered by 8% of the total risk exposure amount.</i>

Other financial ratios

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

STABILISATION

In connection with the issue of the Notes, Goldman Sachs International (the "**Stabilisation Manager**") (or persons acting on behalf of the Stabilisation Manager) may effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the Issue Date and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilisation action must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**")

for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, "**a retail investor**" means a person who is one (or more) of: (i) a retail client as defined point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPS Regulation.

MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET/NEGATIVE TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. The target market assessment indicates that the Notes are incompatible with the needs, characteristic and objectives of clients which are retail clients (as defined in MiFID II) and accordingly the Notes shall not be offered or sold to any retail clients. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MIFIR PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET/NEGATIVE TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**") and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. The target market assessment indicates that the Notes are incompatible with the needs, characteristic and objectives of clients which are retail clients (as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA) and accordingly the Notes shall not be offered or sold to any retail clients. Any distributor should take into consideration the manufacturers' target market assessment. However, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE SFA)

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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OVERVIEW OF THE OFFERING

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Offering Circular. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Notes. Accordingly, any decision by a prospective investor to invest in the Notes should be based on a consideration of this Offering Circular as a whole.

Words and expressions defined in "Terms and Conditions of the Notes" and "Global Certificates" shall have the same meanings in this overview.

Issuer	Magellan Capital Holdings Ltd
Guarantor.....	Magellan Holding Limited
LEI.....	Issuer: 254900YN2K3DJ8B72Q22
	Guarantor: 254900T6JSZG6V80QI42
Joint Global Coordinators and Joint Bookrunners	Citigroup Global Markets Limited
	Goldman Sachs International
Nordic Placement Agent and Joint Bookrunner.....	Fearnley Securities AS
Joint Bookrunners.....	Danske Bank A/S
	Emirates NBD Bank PJSC
	Mashreqbank psc
Trustee	The Law Debenture Trust Corporation p.l.c.
Principal Paying Agent and Transfer Agent	Citibank, N.A., London Branch
Registrar	Citibank, N.A., London Branch
Escrow Agent	Citibank, N.A., London Branch
Security Agent in the case of the Share Pledge and Escrow Security	The Law Debenture Trust Corporation p.l.c.
Custodian.....	Citibank, N.A., London Branch

Summary of the Notes

Notes.....	U.S.\$360,000,000 8.375 per cent. Fixed Reset Secured Notes due 2029.
Issue Date	8 July 2024.
Issue Price.....	99.169 per cent. of the aggregate principal amount of the Notes.
Interest and Interest Payment Dates	The Notes will bear interest from (and including) the Issue Date to (but excluding) the Optional Redemption Date at a fixed rate of 8.375 per cent. per annum. In respect of the period from (and including) the Optional Redemption Date to (but excluding) the

Maturity Date, the Notes will bear interest at a rate per annum equal to the sum of (i) the CMT Rate on the Reset Determination Date and (ii) the Margin.

Interest will be payable semi-annually in arrear on each of 8 January and 8 July in each year up to the Maturity Date, **provided that** if any such date is not a Business Day (as defined in Condition 9.4 (*Payment on Business Days*)), then the Noteholders will not be entitled to payment until the next following Business Day in the relevant place and will not be entitled to further interest or other payment in respect of such delay.

Maturity Date	8 July 2029.
Optional Redemption Date	8 July 2028.
Ranking	The Notes are direct, unconditional, unsubordinated and (subject to (i) the provisions of Condition 5.3 (<i>Release of Security</i>) and the Intercreditor agreement, (ii) the provisions for the release of the Security Interests in the Collateral pursuant to Condition 6 (<i>Investment Reserve Accounts</i>) and Condition 11.2 (<i>Escrow Release</i>), and (iii) registration pursuant to the terms of the Trust Deed and the Escrow Security Agreement) secured obligations of the Issuer and rank and will rank <i>pari passu</i> , without any preference among themselves, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. The Notes are secured in the manner set out in the Trust Deed, the Escrow Security Agreement and the Intercreditor Agreement.
Guarantee.....	The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.3 (<i>Release of Security</i>) and the Intercreditor Agreement, and registration pursuant to the terms of the Trust Deed and the Security Agreements) secured obligations of the Guarantor and rank and will rank <i>pari passu</i> , without any preference among themselves, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. The Guarantee is secured in the manner set out in the Trust Deed, the Security Agreements and the Intercreditor Agreement.
Security.....	On the Issue Date, the Issuer and the Guarantor will grant security in favour of the Trustee (for the benefit of itself and the Noteholders) (or, in the case of the Security Agreements, in favour of the Security Agent for the benefit of the Trustee (for itself and as trustee for the Noteholders) and the Facility Agent (on behalf of the Lenders) to secure their obligations under the Notes and the Guarantee, respectively, including (i) the Escrow Security pursuant to the Escrow Security Agreement and subject to the Intercreditor Agreement, (ii) the Share Pledge pursuant to the Share Security Agreement and subject to the Intercreditor Agreement, (iii) an English law governed first ranking floating charge over the Investment Reserve Cash Account and the Investment Reserve Securities Account, (iv) an assignment by

	<p>way of security of all of the present future rights of the Issuer under the Custody Agreement and the Agency Agreement, including all the rights, title and interest of the Issuer in and to (A) the Investment Reserve Cash Account and the Investment Reserve Securities Account, in each case under or pursuant to the Custody Agreement, and (B) any sums held under or pursuant to the Agency Agreement, including in respect of all moneys held to meet payments due in respect of the Notes, and all of the other rights, title and interest of the Issuer from time to time in and to the Custody Agreement and the Agency Agreement, and (v) an assignment by way of security of all of the present and future rights of the Guarantor under the Agency Agreement, including all rights, title and interest of the Guarantor in and to any sums held under or pursuant to the Agency Agreement, including in respect of all moneys held to meet payments due in respect of the Notes, and all of the other rights, title and interest of the Guarantor from time to time in and to the Agency Agreement.</p>
Negative Pledge.....	<p>The terms of the Notes contain negative pledge provisions as further described in Condition 7.1 (<i>Negative Pledge</i>).</p>
Certain covenants	<p>The terms of the Notes contain covenants that limit, among other things, the ability of the Issuer and the Guarantor to:</p> <ul style="list-style-type: none"> • engage in any business other than Permitted Investment Business or incur any liabilities except for a Permitted Liability; • incur and guarantee certain indebtedness; • make certain asset sales; • impose restrictions on the ability of the Issuer and Guarantor to pay dividends or other distributions; and • make certain restricted payments including dividends or other distributions.
Cross acceleration.....	<p>The terms of the Notes will contain a cross acceleration provision as further described in Condition 14.1 (<i>Events of Default</i>)).</p>
Change of Control Event	<p>On the occurrence of a Change of Control Event, Noteholders will have the right to require the Issuer to redeem their Notes as further described in Condition 10.4 (<i>Redemption at the Option of Noteholders upon a Change of Control</i>).</p>
Redemption for Taxation Reasons	<p>The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (subject to certain conditions), at their principal amount together with interest accrued to but excluding the date fixed for redemption if the Issuer satisfies the Trustee that (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes</p>

effective after 4 July 2024, on the next Interest Payment Date, either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) or (ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and (b) the requirement cannot be avoided by the Issuer, or as the case may be, the Guarantor taking reasonable measures available to it.

See Condition 10.2 (*Redemption for Taxation Reasons*) for further details.

Redemption at Maturity..... Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on the Maturity Date.

Optional Redemption..... The Issuer may redeem all (or, for the purposes of any redemption pursuant to Condition 7.5 (*Limitation on Asset Sales*), some only) of the Notes on the Optional Redemption Date at their principal amount and at any other time at the Make-Whole Redemption Price, together in each case with interest accrued to but excluding the date fixed for redemption.

See Condition 8.3 (*Redemption at the Option of the Issuer*) for further details.

Tender Offers In connection with any tender offer for the Notes, if holders of not less than 80 per cent. in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw the tender of such Notes in such tender offer and the Issuer, or any third-party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered by such holders and the tender of which is not withdrawn, the Issuer or such third-party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem all (but not some only) of the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to the holders of the Notes in such tender offer, plus, to the extent not included in such tender offer price, interest accrued to but excluding the date fixed for redemption.

See Condition 10.5 (*Redemption following a Tender Offer*) for further details.

Redemption following the Escrow Longstop date If the Escrow Release has not taken place by the Escrow Longstop Date, the Issuer shall redeem the Notes on the date falling not less than 5 and not more than 10 Business Days from the Escrow Longstop Date at their principal amount together with interest accrued to but excluding the date of redemption.

See Condition 10.6 (*Redemption following the Escrow Longstop Date*).

Form and Delivery of the Notes	<p>The Notes will be issued in registered global form only.</p> <p>The Notes will be represented on issue by beneficial interests in the Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of Notes will be issued in exchange for interests in the Global Certificate only in the limited circumstances described under "<i>Global Certificate</i>".</p>
Clearance and Settlement	Holders of the Notes must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearance systems.
Denominations.....	The Notes will be issued in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Withholding Tax.....	All payments in respect of the Notes by or on behalf of the Issuer or the Guarantor will be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction, unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay to the Noteholders such additional amounts as may be necessary to ensure that the full amount which otherwise would have been due and payable under the Notes is received by the Noteholders.
Substitution	The Trustee may, without the consent of the Noteholders, agree with the Issuer and the Guarantor to the substitution (a) of the Guarantor in place of the Issuer as the principal debtor under the Notes and the Trust Deed and (b) of the Issuer in place of the Guarantor as guarantor under the Guarantee and the Trust Deed, subject to certain conditions. See Condition 18 (<i>Substitution</i>) for further details.
Use of Proceeds	See " <i>Use of Proceeds</i> " below.
Escrow Account	Pending the consummation of the Acquisition, the Issuer will, concurrently with the issuance of the Notes on the Issue Date, deposit or arrange to have deposited the gross proceeds from the Offering into the Escrow Account. The Issuer will also (a) complete the utilisation request for the drawing of the Liquidity Facility Agreement and direct the Lenders to credit the amount drawn under the Liquidity Facility Agreement and (b) credit the amount received by the Issuer in respect of the Equity Contribution, in each case to the Escrow Account on or before the Issue Date. The Escrow Account will be controlled by the Escrow Agent and the release of the escrowed proceeds will be subject to the satisfaction of certain conditions. As at the date of this Offering Circular, all conditions to the closing of the Acquisition have been

satisfied, save for payment of the DSH Purchase Price to the Majority Sellers and the purchase by the Issuer of the Existing Tier 2 Notes to be converted by the Issuer into equity in DSH. Upon the Escrow Release Date (i.e. satisfaction of the conditions to the Escrow Release), the relevant amount of the escrowed proceeds to be paid to the Majority Sellers will be converted into DKK by the Escrow Agent and the escrowed proceeds released, and the Acquisition consummated by payment to the Majority Sellers of the DSH Purchase Price and, from the proceeds of the offering, the amount payable for the purchase by the Issuer of the Existing Tier 2 Notes, with the amount remaining following such purchase and consummation of the Acquisition to be released to the Issuer by way of way of payment of the Reserve Amount to the Custodian for crediting to the Investment Reserve Cash Account and the balance if any remaining to, or to the order of, the Issuer. If the Acquisition is not consummated on or prior to the Escrow Longstop Date, or upon the occurrence of certain other events, the Issuer will redeem the Notes as described under “*Redemption following the Escrow Longstop Date*” above. See “*Summary of the Transactions*” for further information in relation to the Acquisition and release of the escrowed proceeds and Condition 10.6 (*Redemption following the Escrow Longstop Date*).

Re-registration as a public company ...

The Issuer undertakes to re-register as a public company as soon as reasonably practicable following the Issue Date and, in any event, within 90 days of the Escrow Release Date.

Listing.....

As soon as reasonably practical following its re-registration as a public company and, in any event, within 90 days of the Escrow Release Date, application will be made by the Issuer to the London Stock Exchange for the Notes to be admitted to trading on the ISM. The ISM is not a UK regulated market for the purposes of UK MiFIR. There can be no assurance when the Notes will be admitted to trading on the ISM or if such admission will occur at all.

Application may also be made to the Vienna Stock Exchange for the inclusion of the Notes in trading on the Vienna MTF. The Vienna MTF is not a regulated market for the purpose of MiFID II.

Ratings.....

BBB- by S&P.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation.

Noteholders’ Meetings

A summary of the provisions for convening meetings of Noteholders to consider matters relating to their interests as such is set out in Condition 19 (*Meetings of Noteholders, Modification, Waiver, Authorisation and Determination*).

Tax Considerations.....	See “ <i>Taxation</i> ” for a description of certain tax considerations applicable to the Notes.
Governing Law and Arbitration	The Trust Deed, the Security Agreements, the Intercreditor Agreement and the Notes and any non-contractual obligations arising out of or in connection with the Trust Deed, the Security Agreements, the Intercreditor Agreement and the Notes will be governed by, and shall be construed in accordance with, English law. Subject to Condition 21.3 (<i>Option to litigate</i>), any Dispute in the case of the Trust Deed and the Notes shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration. The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with the Security Agreements and the Intercreditor Agreement.
Selling Restrictions.....	There are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the United Kingdom, the United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market), the Dubai International Financial Centre, the Abu Dhabi Global Market, Japan, Hong Kong, Singapore, Switzerland, Australia and Italy.
ISIN	XS2852966501
Common Code.....	285296650

RISK FACTORS

The purchase of Notes may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Notes. Before making an investment decision, prospective purchasers of Notes should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Offering Circular.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay any amounts on or in connection with any Note may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Note are exhaustive. There may also be other considerations, including some which may not be presently known to the Issuer or which the Issuer currently deems immaterial, that may impact any investment in the Notes.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision. Words and expressions defined in the Conditions shall have the same meanings in this section. See "*TERMS AND CONDITIONS OF THE NOTES*".

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER the NOTES

Risks related to the Transactions

The Issuer and the Guarantor do not control DSF until the consummation of the Acquisition.

The Issuer and the Guarantor do not currently own DSF and the Issuer and the Guarantor will not acquire DSF until the consummation of the Acquisition on the Completion Date (as defined below), subject to regulatory approvals and other conditions. As such, neither the Issuer nor the Guarantor can provide any assurance prior to consummation of the Acquisition that DSF will be operated in the same way the Issuer and the Guarantor would operate it. Any of the risks associated with the Issuer and the Guarantor's lack of control over DSF until the consummation of the Acquisition could have a material adverse effect on DSF's business, financial position or results of operations and consequently the Issuer or, failing the Issuer, the Guarantor's ability to make payments in respect of interest, principal or other amounts due on or in connection with the Notes by way of upstream dividends.

If the Acquisition is not completed, Noteholders may not obtain their expected return on the Notes.

Upon the issue of the Notes, the Issuer will deposit or arrange to have deposited the gross proceeds from the Offering into the Escrow Account to be held in escrow pending the satisfaction of certain conditions. If the Acquisition has not been consummated by the Escrow Longstop Date or, upon the occurrence of certain events, the Notes will be redeemed at their principal amount together with interest accrued to but excluding the date of redemption. If this occurs, Noteholders may not be able to reinvest the proceeds from the redemption in an investment that yields comparable returns.

Although the Security Agent for the benefit of the Trustee (for itself and as trustee for the Noteholders) and the Facility Agent (on behalf of the Lenders), will be granted a first fixed charge on the funds in the Escrow Account, the ability of holders of the Notes or the Lenders to realise such funds may be subject to certain insolvency law limitations in the event of the insolvency of the Issuer. If the Issuer commences insolvency proceedings, or such proceedings are commenced against the Issuer while amounts remain in the Escrow Account, applicable insolvency laws may prevent the Escrow Agent from releasing the escrowed funds or applying those funds for the benefit of the Noteholders and the Lenders. The court adjudicating that case might find that the Escrow Account is the property of the insolvent estate. As a result, Noteholders may not be able to have the escrowed funds applied at the time or in the manner contemplated by the Escrow Agreement and could suffer a loss as a result.

DSF may have liabilities that are not known to the Issuer or greater than anticipated.

Before making investments, the Issuer and the Guarantor conduct due diligence that they deem reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances of an investment, to identify possible risks associated with that investment and to prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation.

Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Issuer and the Guarantor rely on resources available to them, including in the case of the Acquisition, information provided by DSF, and, in some circumstances, third-party investigations.

The Issuer and the Guarantor cannot be certain that their due diligence investigation will have revealed or highlighted all relevant facts (including fraud, bribery and other illegal activities and contingent liabilities) that may be necessary or helpful in evaluating the merits of investing in DSF. If the due diligence investigation failed to identify material information regarding DSF, the Issuer and/or the Guarantor may later be forced to write down or write off certain assets, significantly modify the business plan or incur impairment or other charges.

In addition, the Issuer may not be able to enforce claims with respect to the representations, warranties and indemnity undertakings that the sellers have provided to the Issuer under the Share Purchase Agreements.

Risks related to the Structure

The Issuer and the Guarantor will depend on the cash flows from DSF, any Permitted Issuer Investment Subsidiary or Permitted Guarantor Investment Subsidiary and any other Permitted Investment Business to be able to make payments on the Notes and the Guarantee, respectively.

As of the Issue Date, the Issuer and the Guarantor have no revenue generating activities of their own. Following the consummation of the Acquisition, the Issuer and the Guarantor will depend upon the cash flows from DSF, any Permitted Issuer Investment Subsidiary or Permitted Guarantor Investment Subsidiary and any other Permitted Investment Business in the form of dividends or other distributions or payments or returns realised to meet their respective obligations, including under the Notes and the Guarantee. The amounts of dividends and distributions available to the Issuer and the Guarantor will depend on the profitability, cash flows and other returns of DSF, any Permitted Issuer Investment Subsidiary or Permitted Guarantor Investment Subsidiary and any other Permitted Investment Business, including the ability of DSF or any such Permitted Issuer Investment Subsidiary or Permitted Guarantor Investment Subsidiary, as the case may be, to declare dividends or other distributions under applicable law. However, DSF and/or any Permitted Issuer Investment Subsidiary or Permitted Guarantor Investment Subsidiary, may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans to the Issuer and the Guarantor to make payments in respect of the Notes and the Guarantee. The inability to transfer cash within the Group may mean that, though the Group, in the aggregate, may have sufficient funds to meet its obligations, the Group may not be permitted to make the necessary transfers from one entity in the Group to another entity in the Group in order to make payments to the Issuer and/or the Guarantor for the purpose of meeting their respective obligations under the Notes and the Guarantee, as applicable.

Neither DSF nor any Permitted Issuer Investment Subsidiary or Permitted Guarantor Investment Subsidiary has any direct obligation to make payments with respect to the Notes and the Guarantee. While the Conditions limit the ability of the Issuer or the Guarantor to incur consensual restrictions on their ability to pay dividends or make other intercompany payments, or to permit DSF or any Permitted Issuer Investment Subsidiary or Permitted Guarantor Investment Subsidiary to incur any such restrictions, these limitations are subject to significant qualifications and exceptions, including exceptions for restrictions imposed by applicable law.

Payments made by DSF to the Issuer may, in certain circumstances, attract Danish withholding tax.

As noted below (see "— *Each of the Issuer and the Guarantor will require cash to meet its obligations under the Notes and the Guarantee, which it may not be able to generate or raise*"), the Issuer's ability to make principal or cash interest payments when due on the Notes (and the Guarantor's ability to make any payments on the Guarantee) will primarily depend on DSF's future performance (as well as the future performance of any Permitted Issuer Investment Subsidiary or Permitted Guarantor Investment Subsidiary and any other Permitted Investment Business) and the cash generated from such performance. In turn, to the extent the Issuer is dependent on DSF for such cash it will need to receive this from DSF by way of dividends or other upstreaming of the relevant amounts in order to pay interest and principal on the Notes (and the Guarantor would likewise need to be able to receive such funds by way of dividend or other upstreaming to make any payments on the Guarantee).

For the purposes of any such dividend or other upstreaming of funds from DSF to the Issuer for the purposes of any payments of interest or other amounts on the Notes, the Issuer expects to be able to obtain relief from any Danish withholding tax that may otherwise be applicable to the payment of such dividend or other upstreamed amounts under the double taxation treaty between Denmark and the UK. Although, as of the date of this Offering Circular, there is no such treaty between Denmark and the United Arab Emirates, Abu Dhabi or the ADGM, as the jurisdiction of the Guarantor, the sole owner and shareholder of the Issuer, to the extent any dividends or other

amounts upstreamed by DSF to the Issuer are in turn paid by way of dividend or other upstreaming by the Issuer to the Guarantor and by the Guarantor to its shareholder or shareholders or the Issuer otherwise does not qualify as the beneficial owner of the dividends received from DSF or otherwise does not meet the requirements to obtain relief under the Denmark-UK tax treaty, which are dependent on the specific facts and circumstances at the time of the distributions of the dividend from DSF, there is a risk that the initial dividend or other upstreaming of amounts by DSF to the Issuer could be characterised as a dividend or upstreaming of funds to the Guarantor or its shareholder or shareholders for which relief from Danish withholding tax is not available. Any withholding tax payable on such dividends or other amounts would as of the date of this Offering Circular be charged at the rate of 27% (though the final dividend withholding tax may be reduced to 22% for foreign corporate shareholders upon a successful refund application). This could, therefore, reduce the amounts available to the Issuer and the Guarantor to make payments on the Notes and the Guarantee, including where any such withholding tax or other amounts are payable by DSF subsequent to the payment of any amount to the Issuer without withholding where the amount that otherwise should have been withheld is not subsequently available to the Issuer or the Guarantor for repayment to DSF.

The interests of DSF's shareholders may be inconsistent with the interests of the Noteholders

Following the Acquisition, the Issuer and the Guarantor will control DSF. See "*Summary of the Transactions*". As a result, the Issuer and the Guarantor will have, directly or indirectly, the power to affect, among other things, DSF's legal and capital structure and its day-to-day operations, as well as the ability to elect and change DSF's management and to approve other changes to its operations. In addition, the Issuer and the Guarantor will control decisions to enter into any corporate transaction and have the ability to prevent any transaction that requires the approval of shareholders regardless of whether DSF's management believes that any such transactions are in their own best interests. For example, shareholders could vote to cause DSF to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as legal, regulatory and contractual conditions so permit (including, but not limited to, consent from the Danish Financial Supervisory Authority ("**DFSA**"). The incurrence of additional or more expensive indebtedness would increase DSF's debt service obligations and the sale of certain assets could reduce its ability to generate revenue, each of which could adversely affect DSF's business, financial position or results of operations and consequently the Issuer and, failing which, the Guarantor's ability to pay interest, principal or other amounts due on or in connection with the Notes by way of upstream dividends.

The interests of the Issuer and the Guarantor and their respective affiliates could conflict with the interests of the Noteholders, particularly if DSF encounters financial difficulties or is unable to pay DSF's debts when due. The Issuer and the Guarantor may also have an interest in pursuing divestitures, financings or other transactions that in their judgement could enhance their equity investments, although such transactions might involve risks to the Noteholders. In addition, the Issuer and the Guarantor or their respective affiliates may, in the future, own businesses that directly compete with DSF's or do business with it. The Issuer and the Guarantor may also pursue via different portfolio companies acquisition opportunities that may be complementary to DSF's business and, as a result, those acquisition opportunities may not be available to DSF. So long the Issuer and/or the Guarantor collectively continue to own a significant amount of DSF's Capital Stock, the Issuer and the Guarantor will continue to be able to strongly influence or effectively control DSF's decisions.

The Notes are structurally subordinated to the indebtedness and other obligations of the Issuer's and the Guarantor's other subsidiaries.

The Notes will be guaranteed only by the Guarantor and none of the Issuer's or the Guarantor's other subsidiaries from time to time, including DSF or any Permitted Issuer Investment Subsidiary or Permitted Guarantor Investment Subsidiary, will guarantee the Notes. Any claim by the Issuer or the Guarantor or any of their creditors, including Noteholders, against any of the Issuer's or the Guarantor's other subsidiaries will be structurally subordinated to the claims of creditors of such subsidiaries. The Conditions do not limit the transfer of assets to, or the making of investments in, any of the Issuer's or the Guarantor's other subsidiaries except in certain limited circumstances. In the event of insolvency, liquidation or other reorganisation of any of the Issuer's or the Guarantor's other subsidiaries, creditors of these subsidiaries will generally be entitled to payment in full from their respective assets before the Issuer or the Guarantor is entitled to receive any distribution from such assets as equity holders. Except to the extent that the Issuer or the Guarantor may itself be a creditor with recognised claims against a subsidiary, claims of creditors of such subsidiary will have priority with respect to the assets and earnings of that subsidiary over the claims of the Issuer or the Guarantor as an equity holder, although there is no assurance that the claims of the Issuer or the Guarantor as a creditor against a subsidiary may not be reduced, limited or extinguished as a result of applicable insolvency rules (such as the rules regarding the potential avoidance of transactions concluded with related persons within a certain hardening period). The Issuer's and the Guarantor's

subsidiaries may also be subject to liabilities to other creditors as a result of obligations incurred in the ordinary course of business, which liabilities are also effectively senior to the Notes and the Guarantee.

Each of the Issuer and the Guarantor will require cash to meet its obligations under the Notes, and the Guarantee which it may not be able to generate or raise.

The Issuer's and the Guarantor's ability to make principal or interest payments when due on the Notes and the Guarantee, will primarily depend on DSF's future performance (as well as the future performance of any Permitted Issuer Investment Subsidiary or Permitted Guarantor Investment Subsidiary and any other Permitted Investment Business) and its and their ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "Risk Factors", including, without limitation, the factors discussed under "Risks relating to the business of DSF", many of which are beyond the Issuer's and the Guarantor's control.

If the Issuer or the Guarantor do not have sufficient cash flows from dividends, distributions and other returns received from DSF or any Permitted Issuer Investment Subsidiary or Permitted Guarantor Investment Subsidiary or any other Permitted Investment Business or amounts standing to the credit of the Investment Reserve Cash Account to make principal or interest payments when due on the Notes and the Guarantee, they may be required to refinance the Notes or incur further indebtedness to make such payments. If the Issuer is unable to refinance all or a portion of the Notes or incur any such further indebtedness or obtain such refinancing or financing on terms acceptable to it, it may be forced to sell assets, or raise additional equity financing in amounts that could be substantial.

There can be no assurance that the Issuer or the Guarantor would be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all.

The value of the Collateral securing the Notes and the Guarantee, as applicable, may not be sufficient to satisfy the amounts due on the Notes and/or the Guarantee, including upon any permitted Asset Disposition.

The holder of the Notes are secured only to the extent of the value of the Issuer Collateral. In addition, the Guarantor's obligations under the Guarantee are secured only to the extent of the value of the Guarantor Collateral. In the event of an enforcement of the Security Interests on the Collateral or any Asset Disposition in accordance with Condition 7.5 (*Limitation on Asset Sales*), the proceeds from the sale of the assets underlying the Collateral may not be sufficient to satisfy the Issuer's or the Guarantor's obligations under the Notes or the Guarantee, as the case may be. No appraisal of the value of the Collateral has been made in connection with the Offering. The value of the assets forming part of the Collateral will depend upon many factors, including, among other things, whether or not the business is sold as a going concern, regulatory restrictions that could affect such sale, the ability to sell the assets in an orderly sale and the availability of buyers.

The shares in the Issuer and other Collateral that will be charged or assigned for the benefit of the Trustee (for itself and on behalf of the Noteholders) may provide for only limited repayment of the Notes or the Guarantee, as applicable, in part because such shares may not be liquid and their value to other parties may be less than their value to the Guarantor. Likewise, there can be no assurance that the Collateral will be saleable or, if saleable, that there will not be substantial delays in the liquidation thereof. Each of these factors could reduce the likelihood of an enforcement action as well as reduce the amount of any proceeds in the event of an enforcement action. With respect to the shares of the Issuer charged to secure the Notes, in addition to any applicable legal restrictions (including, without limitation, due to financial assistance and corporate benefit reasons), such shares may also have limited value in the event of bankruptcy, insolvency or similar proceedings in relation to the Issuer because all of the obligations of the Issuer must first be satisfied, leaving few or no remaining assets in the Issuer. As a result, the Trustee (for itself and on behalf of the Noteholders) may not recover anything of value in the case of an enforcement sale. If the proceeds of the Collateral are not sufficient to repay all amounts due on the Notes or the Guarantee, as applicable, the Noteholders (to the extent not repaid from the proceeds of the sale of the Collateral) would only have a senior unsecured claim against the Issuer or the Guarantor, as applicable.

The granting of Security Interests in connection with the issuance of the Notes may create or restart hardening or voidance periods for such Security Interests in accordance with the laws applicable in certain jurisdictions.

The granting of the Security Interests to secure the Notes may create hardening or voidance periods for such Security Interests in certain jurisdictions. In the case of the Investment Reserve Cash Account and the Investment Reserve Securities Account the crediting and withdrawal of cash amounts and securities from those accounts may result in the creation of new Security Interests and restart or reopen such hardening or voidance periods. The

applicable hardening or voidance period for these new Security Interests can run from the moment each new Security Interest has been granted, created, perfected, confirmed, amended or recreated. At each time, if the Security Interest granted, recreated or perfected were to be enforced before the end of the respective hardening or voidance period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it.

Noteholders' rights in the Collateral may be adversely affected by the failure to perfect Security Interests on the Collateral.

Under applicable law, a Security Interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the provider of the Security Interest, as applicable. The Security Interests over the Collateral securing the Notes and the Guarantee may not be perfected with respect to the claims of the Trustee on behalf of the Noteholders under the Notes or the Guarantee if the Issuer, the Guarantor or the Trustee fail or are unable to take the actions necessary to perfect any such Security Interest. Any failure to perfect any Security Interest may result in the invalidity of the relevant Security Interests over the Collateral or adversely affect the priority of such Security Interest in favour of the Trustee on behalf of the Noteholders (or, in the case of the Security Agreements, in favour of the Security Agent for the benefit of the Trustee (for itself and as trustee for the Noteholders) and the Facility Agent (on behalf of the Lenders) against third parties, including a liquidator, trustee in bankruptcy and other creditors who claim a Security Interest in the same Collateral. The Trustee shall not be under any obligation or responsibility to take any steps or action to perfect, or ensure the perfection of, any Security Interest.

There are circumstances other than repayment or discharge of the Notes or the Guarantee, as applicable, under which some or all of the Collateral securing the Notes and the Guarantee will be released automatically, without the consent of Noteholders or the Trustee.

Some or all of the Collateral securing the Notes will, without the consent of the Noteholders or the Trustee, and subject to the terms of the Trust Deed, the Security Agreements and the Intercreditor Agreement, be unconditionally released from the Security Interests created by the Trust Deed and Security Agreements under certain circumstances, including:

- in the case of the Escrow Security, for the release of the Escrowed Funds in accordance with the provisions of and as permitted under Condition 11.2 (*Escrow Release*);
- in the case of the Investment Reserve Cash Account and Investment Reserve Securities Account, in accordance with the provisions of and as permitted under Condition 6 (*Investment Reserve Accounts*), including the purchase and sale of Cash Equivalents, with any amounts released from the Investment Reserve Cash Account or securities released from the Investment Reserve Securities Account to, or in accordance with the instructions of, the Issuer for the purposes of any such purchase and/or sale not subject to the Security Interests in respect the Investment Reserve Cash Account, the Investment Reserve Securities Account and the Custody Agreement until the (i) relevant amounts in respect of the cash consideration from any such sale or (ii) securities purchased are credited by the Issuer to the Investment Reserve Cash Account and Investment Reserve Securities Account, as applicable;
- for the purpose of making any payment on the Notes or any other payment as permitted under the Conditions;
- in connection with any sale or other disposition of Issuer Collateral, if such sale or other disposition does not violate Condition 7.5 (*Limitation on Asset Sales*);
- upon payment in full of principal, interest and all other obligations of the Issuer under the Trust Deed and the Notes or any redemption or purchase in full of the Notes; or
- pursuant to Condition 19 (*Meetings of Noteholders, Modification, Waiver, Authorisation and Determination*).

The ability of the Security Agent to enforce certain of the Collateral may be restricted by certain of the Lenders, Hedge Counterparties and/or Noteholders.

As set out in Condition 5 (*Security*), the obligations of the Issuer under the Notes and the Trust Deed and certain other obligations of the Issuer are secured in favour of the Security Agent for the benefit of the Trustee (for itself

and as trustee for the Noteholders) and the Facility Agent (on behalf of the Lenders) by way of a first ranking fixed charge over the Escrow Security pursuant to the Escrow Security Agreement and subject to the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the Security Agent may refrain from enforcing the Escrow Security unless instructed otherwise by an instructing group, composed (a) prior to the discharge of Tranche A of the Liquidity Facility, of those Lenders whose participations at that time (including in respect of any applicable hedging transaction) together aggregate more than 66²/₃% of the total such Lender participations at that time (the "**Majority Facility Creditors**"), (b) prior to the discharge of the Liquidity Facility, the Majority Facility Creditors and those Noteholders who hold 66²/₃% or more of the Notes (the "**Majority Senior Secured Note Creditors**") and (c) on or after the discharge of the Liquidity Facility, those creditors (comprising both the Noteholders and any applicable Hedge Counterparties under any Hedging Agreement (as defined in "*Description of Certain Financing Arrangements – Intercreditor Agreement*") in respect of any hedging transaction that has not been terminated or closed out) whose participations at that time together aggregate more than 66²/₃% of the total participations at that time (the "**Instructing Group**". As a consequence, Noteholders will be unable to instruct the Security Agent to enforce certain of the Collateral prior to the discharge of Tranche A of the Liquidity Facility and while the Liquidity Facility is outstanding such instructions would need to be given by both the Majority Facility Creditors and the Majority Senior Secured Note Creditors. Following the discharge of the Liquidity Facility, instructions may also still be needed from applicable Hedge Counterparties in respect of any hedging transaction that has not been terminated or closed out. Accordingly, the Majority Senior Secured Note Creditors will be unable to instruct the Security Agent to enforce certain of the Collateral prior to the discharge of Tranche A of the Liquidity Facility and otherwise without such instructions also being given by the relevant percentage of the Lenders and any applicable Hedge Counterparties. Lenders and Hedge Counterparties may make different decisions about the enforcement of the security than Noteholders would, and their interests may be different to those of the Noteholders. See "*Description of Certain Financing Arrangements – Intercreditor Agreement*".

Risks related to the business of DSF

Adverse general economic and geopolitical conditions may have a negative effect on DSF's business, financial position and results of operations.

DSF's business is subject to inherent and indirect risks arising from general and sector-specific economic conditions in the markets in which it operates. DSF conducts its business activities worldwide and the performance of DSF may be influenced by both domestic and international economic and political events, including political and military actions. The market conditions have also been, and are likely to continue to be, affected by concerns over increased geopolitical tensions, including those related to Russia's invasion of Ukraine (and the related sanctions imposed by the United States, the EU, the U.K., Canada, Japan and Australia, among others), the Gaza-Israeli conflict and the attacks against shipping in the Red Sea, and the ongoing disputes over Taiwan. Any significant macroeconomic deterioration in the Danish and/or other economies, such as the slowing of economic growth significantly below long-term average levels, rising unemployment, reduced corporate profitability, reduced personal income levels, inflationary pressures, reduced government and/or consumer expenditure, increased corporate, small and medium-sized enterprises or personal insolvency rates, borrowers' reduced ability to repay loans, fluctuations in commodity and energy prices, business changes in foreign exchange rates and global trade volumes could have a material adverse effect on DSF's business, results of its operations, financial position and/or business prospects. Most importantly, these macroeconomic factors (including the rate of growth of global GDP and global trade) can affect DSF through changes in the demand for shipping finance in the Danish and international markets and the prevailing competitive situation. In addition, macroeconomic factors affect the performance in DSF's investment portfolio.

As at the date of this Offering Circular, DSF has made certain credit provisions relating to macroeconomic conditions. However, there is no assurance that such provisions will be provide a buffer against long-term macroeconomic or geopolitical risks. This may in turn have a material adverse effect on DSF's business, results of its operations, financial position and/or business prospects.

Given that DSF's lending is secured by ship mortgages, the credit risk depends on the performance of the shipping markets and the development in ship values. The shipping industry is cyclical, and fluctuations in freight- and charter rates and ship values are a known risk in the ship finance market. Supply and demand for individual vessel types, transport needs for different cargo types and underlying general economic trends are some of the factors that may affect both borrowers' ability to repay loans as well as the valuations of the vessels that are mortgaged as security for these loans. During such adverse market conditions, DSF's exposure to losses will increase, and this may have an adverse effect on DSF's activities, financial position and results.

DSF is dependent on the financial counterparties which it interacts with in its daily operations. The weakness, or the perceived weakness, of these other financial institutions, which could result in significant systemic liquidity problems, losses or defaults by other financial institutions or counterparties, could negatively impact DSF; as it is dependent on such financial counterparties in its daily operations. The business operations of many financial institutions are closely related and interdependent because of credit, trading, clearing and other relationships. A deterioration of global financial conditions, market-wide liquidity problems, increased volatility or widening credit spreads could have a material adverse effect on DSF's business, results of operations, financial position and/or prospects. The precise nature of the risks and uncertainties DSF faces as a result of current economic and geopolitical conditions cannot be predicted and these risks are outside the control of DSF. The occurrence of any of these risks could ultimately have a material adverse effect on DSF's business, results of its operations, financial position and/or business prospects.

DSF is subject to credit risk related to borrowers, counterparties and investments of DSF.

Credit risk is the risk of loss caused by the failure of any borrower or other counterparty to fulfil its payment obligations to DSF. DSF's credit risk relates primarily to its portfolio of ship mortgage loans, and to a lesser extent to DSF's holdings of securities and trading in financial instruments with counterparties.

As of 31 December 2023, DSF's Risk Exposure Amount ("**REA**") for credit risk amounted to DKK 37,383 million, out of the total REA of DKK 42,093 million.

Borrowers

Since the loans made by DSF are secured by ship mortgages, the credit risk depends particularly on developments in the shipping markets and the financial positions of the borrowers. If freight rates or ship values drop significantly, this may have an adverse effect on the borrowers' financial situation and ability to make loan payments and, thus, on DSF's financial situation.

DSF's business and financial results may be negatively affected by its borrowers' ability to repay loans and other credit commitments, which, in turn, may be affected by (among other things) changes to prevailing interest rates, changes in the overall economy (nationally and internationally), changes to taxation, changes in inflation and/or the political environment in which DSF's borrowers operates in. Defaults or related restructurings by borrowers could have an adverse effect on DSF's business, results of operations, financial position or prospects.

If a borrower is unable to repay a loan, the value of DSF's security will depend on the value of the mortgaged vessel, and DSF may have to enforce the mortgage on vessel(s) at a time when the value of the vessel(s) is less than the outstanding debt under the loan, which could cause a loss for DSF.

DSF's loan portfolio is characterised by concentration with respect to single-name concentration and sector concentration. Pursuant to Executive Order no. 295 of 27 March 2014 on Calculation of Risk Exposures, Own Funds and Solvency Need, DSF is not subject to statutory limits from the regime on large exposures to individual borrowers classified as Danish. Therefore, it cannot be ruled out that the bankruptcy or restructuring of a small number of DSF's largest exposures may cause DSF to suffer a significant loss.

DSF has sought to mitigate concentration risks through diversification of the portfolio at vessel-type level, client and country, among other things. The effect of diversification at vessel-type level varies with general economic developments and may be lower during a recession than during periods of recovery or economic expansion.

DSF monitors the insurance coverage of mortgaged vessels closely, though a significant negative change in the credit quality of borrowers may negatively affect the value of DSF's loans and increase impairment charges and losses.

Valuation of ship mortgages

In its lending operations, DSF is dependent on being able to conduct proper market valuations of the mortgaged vessels. The market valuations are used, among other things, to determine the loan-to-value ratio of DSF's loans. If valuations overstate the value of the vessels, DSF may not be able to recover the expected amount from any enforcement action. Conducting proper market valuations of the mortgaged vessels may become more complex with the increasing focus on environmental, social and governance (ESG) matters with respect to the shipping industry, including with respect to energy efficiency of vessels. A failure to properly conduct such market valuations may in turn result in significant losses occurring from changes to valuation of mortgaged vessels, which may adversely affect the business, financial condition and prospects of DSF.

Risk pertaining to enforcement

While enforcements are rare, DSF has a right to arrest vessels in the event of a borrower default. DSF will, depending on the jurisdiction where the vessel is arrested, need to obtain either an arrest order from the local harbour authority or a court order before initiating the actual enforcement of the ship mortgage through either a private sale (which is only available in certain jurisdictions) or a public auction. If a forced sale of vessels takes longer than anticipated, or if significant costs are required, it could reduce the funds recovered from such sales, and this may have an adverse negative effect on DSF's business, results of operation, financial position and/or prospects.

Financial counterparties

Transactions with financial counterparties are made to hedge currency and interest rates and other risks in the capital centres as well as in connection with the investment of DSF's own funds and any surplus liquidity from bonds issued. The transactions concern cash deposits, repos and derivatives. Such financial contracts are usually entered into under documentation based on the standards from the International Swaps and Derivatives Association (ISDA) and the International Capital Market Association (ICMA).

Financial contracts may involve a risk of loss if the contract has a positive market value for DSF and if, at the same time, a financial counterparty is unable to perform its obligations under the contract. This type of risk includes settlement risk.

A negative change in the credit quality of DSF's counterparties may negatively affect the value of DSF's assets and liabilities and increase DSF's impairment charges and losses and in turn result in an adverse effect on the business, financial condition and prospects of DSF.

Investments

DSF regularly invests its own funds as well any surplus liquidity in securities, most often in the form of bonds. There is a risk that the issuer of these securities will not be able to meet their contractual obligations, resulting in DSF incurring material credit losses on its investments to such an extent that would have an adverse effect on DSF's activities, financial position and results.

DSF is subject to market risk related to adverse developments in market values resulting from fluctuations in interest rates, credit spreads, foreign currency exchange rates.

Market risk is the risk of loss following movements in the financial markets (including movements in interest rate, share prices, bond prices, credit spread and foreign exchange risks).

The principal market risks facing DSF are associated with DSF's investment portfolio (investment of DSF's own funds) and to a lesser extent the placement of any surplus liquidity from bonds issued. Interest rate risk and spread risk on bonds in the investment portfolio are the most significant market risks. DSF maintains its investment portfolio to support its primary business activities. DSF currently funds its lending by issuing ship mortgage bonds ("SMBs") and ship covered bonds ("SCBs") subject to the specific balance principle (*det specifikke balanceprincip*) in accordance with the provisions of the Executive Order no. 1425 of 16 December 2014 on the Issuance of Bonds, the Balance Principle and Risk Management ("**Executive Order on Bond Issuance**") (*bekendtgørelse om obligationsudstedelse, balanceprincip og risikostyring*) and has the ability to issue senior secured bonds.

Market value fluctuations may also result in losses and have an adverse effect on the income from DSF's primary activities. DSF also seeks to hedge market risk through financial contracts. Such financial contracts and hedging of risk may not always provide for a complete hedge of DSF's risk. Financial contracts are also subject to counterparty risk.

Fluctuations in fixed income and foreign exchange markets, spread and option risk and imperfect hedges may affect the market value and liquidity of DSF's assets and liabilities. In addition, the occurrence of such fluctuations may have an adverse impact on the revenue generated from DSF's primary activities, which may, in turn, have an adverse effect on DSF's business, results of operations, financial position and/or prospects.

As most of DSF's loan portfolio is denominated in USD, DSF has an ongoing need to convert funds from DKK or EUR to USD, which is conducted via currency basis swaps. The opportunities for sourcing USD liquidity rely on efficient capital markets and access to financial counterparties. Should DSF temporarily or permanently lose

the ability to convert DKK or EUR funding into USD as a result of market disruption, this could result in higher financing costs or a loss of business opportunities. The inability to convert currency exposure may, in turn, have an adverse effect on DSF's business, results of operations, financial position and/or prospects. Further, an increase in the USD exchange rate as against DKK will result in an increase in the value of the risk-weighted assets as calculated in DKK, while DSF's own funds, which are denominated in DKK, will remain unchanged. In such a situation, DSF's capital ratios will decrease and this may result in risk of temporarily higher financing cost or a loss of business opportunities.

As of 31 December 2023, DSF's risk exposure amount for market risk (the "**Market Risk REA**") amounted to DKK 3,660 million out of the total REA of DSF of DKK 42,093 million. The Market Risk REA is split across the following categories:

Item	REA, DKK million
Position risk related to debt instruments	3,216
Position risk related to shares.....	18
Total currency position	425
Total Market Risk REA	3,660

DSF is subject to funding and liquidity risk related to funding costs, liquidity and refinancing risk and access to funds.

Liquidity risk is the risk of a lack of access to liquidity and/or higher funding costs, as a result of which DSF may not be able to continue its operations in their current scope and which may have a negative effect on DSF's business, results of operations, financial position and/or prospects.

DSF is exposed to a loss of liquidity and possibly an increased need for funding as a consequence of changing exchange rates due to the hedging agreements entered into under bilateral collateral agreements (ISDA/CSA) as well as mark-to-mark resets on certain derivatives. The increased need for collateral entails a risk of temporarily higher funding costs or a loss of business opportunities in the event of a market disruption resulting in a funding and liquidity risk for DSF.

As of the date of this Offering Circular, a substantial portion of the funding requirements of DSF are satisfied through the issuance of covered bonds. The Act and the Executive Order on Bond Issuance require that issuers of covered bonds, such as DSF with respect to issued SCBs, provide supplementary collateral in the event that declining ship values reduce the value of the SCBs collateral below the statutory lending limits. A decline in ship values could increase the requirement for DSF to provide supplementary collateral and lead to an increase in the funding needs of DSF. A lack of access to supplementary capital or interest-bearing liabilities – for example, to senior secured bonds or senior unsecured debt or other credit lines – may also be associated with a direct liquidity risk for DSF.

Although DSF currently funds its lending by issuing SCBs and SMBs subject to the specific balance principle, in accordance with the provisions of the Executive Order on Bond Issuance, a liquidity mismatch may appear in the future as loans and SCBs and SMBs issued are not matched on a loan-by-loan basis. DSF is required by law to ensure that any liquidity deficit can be covered by DSF's own funds.

Risks related to the operations, business, conduct and reputation of DSF

DSF is subject to operational risk. Operational risk may arise from human errors, system faults, breakdown of IT systems, inadequate or defective internal procedures or external events like conduct and legal risks, operational failures or fraud committed by business partners. Further, DSF faces risks relating to reputation and strategy, including adverse publicity with a corresponding falling market share, incorrect implementation of legislation, IT system breakdowns at a critical time, etc.

DSF's business and other activities are increasingly dependent on highly advanced IT systems. Examples of operational risk incidents include fraud or other illegal or unethical conduct, failure to have policies and procedures and controls in place to prevent, detect and report incidents of non-compliance with applicable laws or regulations, claims relating to inadequate products, inadequate documentation, insufficient data quality, errors in transaction processing, system failures, as well as the inability to retain and attract key personnel.

DSF may be the target of malicious hacking with consequences in the form of shutdown of individual or all IT systems. Consequences of a malicious hacker attack may include financial losses, business disruption, inability to issue bonds, inability to service payments on time and loss of data or other sensitive information.

DSF cannot ensure that errors, failures, business or service interruptions or security breaches as a result of fraud, human error or omissions will not occur.

DSF handles operational risk by way of a set of procedures and controls as well as IT and business contingency plans to minimise the risks and to ensure well-operating processes and thus reduce the probability and consequence of operational risks materialising and potential conflicts of interest. However, if any of these procedures and controls or contingency plans fail, it may have a material adverse effect on DSF's reputation. It may also result in regulatory investigations or sanctions being imposed and DSF may be exposed to additional costs and liabilities. This could have a material adverse effect on DSF's reputation, business, results of operations, financial position, and/or prospects.

As of 31 December 2023, DSF's risk exposure amount for operational risk amounted to DKK 1,050 million out of the total REA of DSF of DKK 42,093 million.

Regulatory risk

DSF is subject to extensive legislative requirements and supervision. Non-compliance can give rise to enforcement action including orders, fines, or other sanctions and may have an adverse effect on DSF's financial position.

DSF is subject to Danish law in the form of the Act and the Executive Order as well as other relevant regulation.

Furthermore, a substantial part of the financial regulation emanates from the European Commission, the European Central Bank ("ECB"), the European Banking Authority ("EBA") and ESMA and part of the European Systemic Risk Board ("ESRB") as well as the Joint Committee of the European Supervisory Authorities. The Basel Committee on Banking Supervision (the "BCBS") also plays an important role in relation to the drafting of European regulations.

Even though DSF follows the work of the ECB, the EBA, ESMA, the ESRB, the Joint Committee of the European Supervisory Authorities, the BCBS, the Commission, the Danish legislators and the DFSA closely and consistently monitor the development in the regulation of financial enterprises, regulation may be subject to changes and/or interpretation by authorities. DSF operates internationally, serving clients in multiple jurisdictions, in an industry that is subject to highly complex and changeable regulation. Laws and regulations and the manner in which laws and regulations are enforced or interpreted, may change from time to time. There is a risk that DSF could inadvertently fail to comply with applicable law in the jurisdiction where a client is incorporated. Changes of law or its interpretation could have a material adverse effect on the business results of operations or financial condition of DSF.

Risks related to an increase in DSF's capital requirements and/or REA

DSF is subject to regulatory capital requirements, including a minimum own funds requirement, an individual solvency requirement, leverage requirements and a combined capital buffer requirement.

The own funds, capital and leverage requirements applicable to DSF are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or reproducible of calculation by investors. The leverage ratio or any of the minimum own funds requirement, the individual solvency requirements or the combined buffer requirement applicable to DSF may be amended in the future to include new and more onerous capital requirements, which in turn may affect DSF's capacity to pay interest, principal or other amounts due in connection with some or all of its outstanding funding obligations.

Regulation (EU) 2019/630 of 17 April 2019 regarding minimum loss coverage for non-performing exposures (the "**NPE Backstop Regulation**") amending the CRR concerns requirements for minimum loss coverage for non-performing exposures ("**NPEs**") has recently begun to affect the capital requirements of DSF. Pursuant to the NPE Backstop Regulation, for all NPEs, a minimum coverage must be calculated and this must be compared with the loan impairment charges made in respect of the relevant NPE. If the minimum coverage exceeds the loan impairment charges made, this results in a deduction in DSF's Common Equity Tier 1 capital, corresponding to the difference (referred to as the "**NPE backstop**"). The NPE Backstop Regulation and the NPE backstop applies to exposures originated from 26 April 2019 and to exposures originated prior to 26 April 2019 where the terms and conditions of such exposure have been modified. The minimum coverage is increasing the longer the exposure is in default and the minimum coverage on unsecured exposures is generally higher than on exposures secured by collateral. The minimum coverage is 100 per cent. of the exposure in the 10th year after the exposure is categorised as a NPE. Following a revision of the Executive Order no. 668 of 1 June 2023 (the "**Executive Order**") (*bekendtgørelse om et skibsfinansieringsinstitut*), DSF has implemented the NPE Backstop Regulation in its credit

risk management systems and closely monitors any development in NPEs. The shipping industry is a cyclical industry where recovery of NPEs may take several years, which is a risk factor that may result in an additional negative impact of the NPE backstop.

If DSF has, or is perceived to have, a shortage of own funds, DSF's Recovery Plan may be triggered and it may become subject to regulatory interventions and sanctions by the DFSA (including, those set out in Chapter 15 of the Financial Business Act (FBA) on cessation) and may suffer a loss of confidence in the market with the result that access to sources of liquidity and funding may become constrained, more expensive or unavailable. This may, in turn, have an adverse effect on DSF's reputation, business, results of operations, financial position and/or prospects.

Due to and taking into account that compliance with capital requirements is subject to regulators' and supervisory authorities', including the DFSA's, regulatory interventions, interpretations and sanctions, which is beyond the control and the predictions of DSF, it is not possible for DSF to reasonably assess the probability of the occurrence of this factor.

Risk relating to anti-money laundering, counter-terrorist financing, anti-bribery and sanctions regulations.

Though DSF does not operate as an account-holding bank, handle physical cash or facilitate payments between payers and payees, DSF is required to comply with applicable anti-money laundering, anti-terrorism, sanctions, anti-bribery and other laws and regulations. These extensive laws and regulations require DSF, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicions of money laundering and terrorist financing, and, in some countries, specific transactions to the applicable regulatory authorities. These laws and regulations have become increasingly complex and detailed, requiring adequate systems and sophisticated monitoring and compliance personnel, and have become the subject of enhanced government and regulatory supervision. Failure to comply with these extensive laws and regulations may result in the imposition of fines and other penalties on DSF (including, those set out in Chapter 15 of the FBA on cessation) and DSF's business and reputation could also suffer if customers use it for money laundering, financing of terrorism, or other illegal or improper purposes. This may have an adverse effect on DSF's reputation, business, results of operations, financial position and/or prospects.

DSF's activities relating to the provision of financing to vessels in Denmark and on a global level entails risk associated with terrorist financing, anti-bribery and sanctions regulations. In particular, vessels for which DSF has provided financing may become subject to sanctions. DSF monitors ongoing compliance with international regulations within this area closely, though the application of or an expansion of economic sanctions programs, embargoes, and other trade or financing restrictions in the future, or modifications in how existing economic sanctions are interpreted or enforced, may adversely affect DSF's business operations.

Operating risk on assets taken in possession by DSF may result in DSF suffering losses.

DSF may, under certain circumstances, take possession of mortgaged vessels, in which case DSF may assume an operating risk in respect of the vessels in question during an interim period until the vessels are sold and delivered. As part of the operating risk assumed, DSF may also bear the risk of shipwreck or environmental liability that has not been covered by insurance.

DSF has no assets in possession at the date of this Offering Circular. In the case of inadequate insurance coverage in such cases, notwithstanding DSF's policies regarding insurance, DSF may suffer a loss that may have a negative effect on DSF's activities, financial position, results and reputation.

DSF's risk management policies and procedures may not be fully effective in mitigating its risk exposure.

In the course of its business activities, DSF is exposed to a wide variety of risks, including credit risk, liquidity risk, market risk, operational risk and reputational risk. For many of these risks DSF has established risk management policies, some of which are set by or require approval from regulatory bodies. However, DSF's strategies and procedures for managing such risks may prove insufficient or fail.

Some of DSF's methods for managing risk are based on observations of historical market behaviour and DSF applies statistical techniques to observations to arrive at quantifications of its risk exposures. However, these methods may not comply with regulations or accurately quantify DSF's risk exposures, especially in situations that do not have historical precedent. If DSF's policies and procedures are not fully effective or if DSF is not always successful in capturing all risks to which it is or may have been exposed, DSF may suffer harm to its

reputation or be subject to litigation or regulatory actions that could have a material adverse effect on DSF's business, financial condition, results of operations or prospects.

DSF's insurance coverage may not be adequate to cover all possible losses that it could suffer and its insurance costs may increase.

DSF seeks to maintain comprehensive insurance coverage at commercially reasonable rates under terms that it believes are appropriate. Although DSF carries professional indemnity and directors' and officers' liability insurance, its insurance policies do not cover all types of losses and liabilities and are subject to limits and excesses. There can be no assurances that DSF's insurance will be sufficient to cover the full extent of all losses or liabilities for which DSF is insured and DSF cannot guarantee that it will be able to renew its current insurance policies on favourable terms, or at all. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As DSF's insurance policies come up for renewal, it may need to assume higher deductibles or co-insurance liabilities or pay higher premiums, which would increase DSF's expenses and could have a material adverse effect on DSF's business, financial condition or prospects.

DSF's accounting policies and methods are critical to how it reports its financial condition and results of operations. They require management to make estimates about matters that are often uncertain

Accounting policies and methods are fundamental to how DSF records and report its financial condition and results of operations. Management must exercise judgement in selecting and applying many of these accounting policies and methods so that they comply with generally accepted accounting practices in Denmark. DSF's financial accounts carry an inherent reliance on management's judgement. DSF has identified certain accounting policies in the notes to the financial statements in respect of which significant judgement is required in determining appropriate assumptions and estimates when valuing assets, liabilities, commitments and contingencies. Areas requiring more complex judgements may shift over time based on changes in accounting policies or changes in DSF's business mix. There is a risk that the judgements exercised by DSF's management team are erroneous and this could lead to inaccuracies in the reported financial position and performance of its business.

DSF has established detailed policies and control procedures that are intended to ensure that these judgements and the associated assumptions and estimates are well informed and applied consistently and to ensure that the process for changing methodologies occurs in an appropriate manner. However, because of the uncertainty surrounding DSF's judgements and the estimates pertaining to these matters, DSF may be required to make changes in accounting estimates or restate prior period financial statements in the future, and any such changes or restatements could have a material adverse effect on DSF's business, financial condition, results of operations or prospects.

DSF may consider acquisitions, investments and other strategic transactions from time to time. Such acquisitions may not always be completed or, if completed, perform as expected. DSF's acquisition activities may consume a portion of its management's focus, increase leverage and reduce profitability

DSF may from time to time look for new opportunities and, at any one time, will be in various stages of evaluating, negotiating and completing a variety of transactions. From time to time, attractive opportunities may arise because of unusual conditions in a region, conditions in DSF's industry or circumstances particular to a seller. In these and other situations, DSF may be required to act quickly or risks losing the opportunity.

These acquisitions require DSF to spend significant sums for legal, financial advisory and other expenses in preparation for competitive bids that it may not win or before it determines whether the acquisition is feasible, economically attractive or capable of being financed. These activities related to such acquisitions may consume a portion of management's focus and could increase its leverage. There can be no assurance that DSF will be able to negotiate the required agreements, overcome any local or international opposition and obtain the necessary licenses, permits and financing for any such future acquisitions. This opposition, along with political developments, could hinder or prevent DSF's ability to successfully complete such acquisitions. Even if DSF is able to effectuate such acquisitions, the success of these projects, and the performance under related agreements, will be subject to additional risks, including, but not limited to, risks associated with operating in developing countries and risks relating to legal and regulatory developments. The acquisitions may also lead to organisational challenges relating to integration of newly acquired businesses, including ensuring that adequate controls and supervisory procedures are in place. Future acquisitions may be large and complex, and DSF may not be able to complete them as planned or at all.

Further, acquisitions of target companies are subject to substantial risks, including the failure to identify material problems or liabilities during due diligence (for which DSF may not be indemnified post-closing). While DSF will perform due diligence on prospective acquisitions, it can only rely on resources available to it at the relevant time, including information provided by the target and, in some circumstances, third party investigations, and it may not discover all potential operational deficiencies in such projects. This may in the future expose DSF to unanticipated liabilities and/or difficulties in mitigating contingent and/or assumed liabilities. Although acquired businesses may have significant operating histories at the time DSF acquired them, it will have no history of owning and operating these businesses and possibly limited or no experience operating in the country or region where these businesses are located.

DSF may be involved in disputes and legal proceedings.

From time to time, DSF may be involved in legal proceedings relating to the conduct of its business. The outcomes of such proceedings may be extremely difficult to predict. In the event of any such legal proceedings, DSF may also not make any provisions for such proceedings in the event that it considers that the likelihood of an unfavourable outcome to DSF to be remote. However, legal and criminal proceedings involve significant uncertainties and risks. As such, DSF cannot guarantee that it will recover some or all of the costs associated with any current or future proceedings or that such proceedings will not adversely affect DSF's business, financial condition, cash flows, results of operations, reputation and prospects.

Further, DSF may be subject to various tax or regulatory audits from time to time in the future. In addition, DSF may face, a wide variety of employee claims, including general discrimination, privacy, labour and employment and disability claims. The outcomes of such proceedings are extremely difficult to predict. Any such claims could result in litigation against DSF and could also result in regulatory proceedings being brought against it by various governmental agencies. All of the foregoing could materially adversely affect DSF's business, financial condition, cash flows, results of operations, reputation and prospects.

DSF depends on highly skilled management and key personnel to operate its business, and if DSF is not able to hire, retain, and motivate personnel, it may not be able to grow effectively.

DSF's success depends in part on the knowledge, skill and industry experience of its management board members and other key members of senior management, as well as on several key experts without management responsibilities. Competition for talented personnel is intense, and if DSF loses the services of any of its key senior management personnel, it would be very difficult to find and integrate replacement personnel in a timely manner or on acceptable terms, which could significantly impair its ability to develop and implement DSF's business strategies. The development and implementation of DSF's business strategies is also heavily dependent on its ability to recruit, retain and train other highly qualified employees. Competition for employees with the specific required skill set or industry experience is intense due to, among other things, a shortage of potential employees with the requisite skills and experience in the industry. The competitive environment for such personnel may increase DSF's expenses related to compensation. Any failure to maintain competitive compensation packages, including long-term incentives, may also adversely affect DSF's ability to attract and retain key personnel and be disruptive to its business. Whilst DSF processes to support recruitment and development of individuals and recently launched a new culture program to encourage new behaviours, failure to effectively recruit and retain talent may result in a deterioration in competitive advantage and could have a material adverse effect on DSF's business, financial condition, cash flows and results of operations.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES

Risks related to the market generally

Absence of secondary market or limited liquidity

There is no assurance that a secondary market for the Notes will develop or, if it does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the life of the Notes. In addition, liquidity may be limited if large allocations of the Notes are made. Accordingly, a Noteholder may not be able to find a buyer to buy its Notes readily or at prices that will enable the Noteholder to realise a desired yield. The market value of the Notes may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Notes. Accordingly, the purchase of the Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Notes and the financial and other risks associated with an investment in the Notes. An investor in the Notes must be prepared to hold the Notes for an indefinite period of time or until

the Maturity Date. As soon as reasonably practical following its re-registration as a public company and, in any event, within 90 days of the Escrow Release Date, application will be made by the Issuer to the London Stock Exchange for the Notes to be admitted to trading on the ISM but there can be no assurance when such listing will occur or if such listing will occur at all. Application may also be made to the Vienna Stock Exchange for the inclusion of the Notes in trading on the Vienna MTF.

The interest rate on the Notes will reset on the Optional Redemption Date, which can be expected to affect the interest payment on the Notes and the market value of the Notes

Although the Notes will earn interest at a fixed rate until (but excluding) the Optional Redemption Date, the current market interest rate on the capital markets (the "**market interest rate**") typically changes on a daily basis. Since the rate of interest for the Notes will be reset on the Optional Redemption Date, the amount of interest payable on the Notes will also change. The interest rate following the Optional Redemption Date may be less than the initial interest rate, which would result in the amount of any interest under the Notes being lower than the interest prior to the Optional Redemption Date and so could affect the amount of any interest payments under the Notes and the market value of the Notes. As the market interest rate changes, the value of the Notes would typically change in the opposite direction. If the market interest rate increases, the value of the Notes would typically fall, until the yield of the Notes is approximately equal to the market interest rate. If the market interest rate falls, the value of the Notes would typically increase, until the yield of the Notes is approximately equal to the market interest rate. There can be no assurance regarding the future level of market interest rates.

Following the Optional Redemption Date, interest on the Notes shall be at a rate per annum equal to the sum of (i) the CMT Rate on the Reset Determination Date and (ii) the Margin, as described in the Conditions. The CMT Rate is not pre-defined for the term of the Notes. A higher CMT Rate than the yield for the reference U.S. Treasury security at pricing of the Notes will result in a higher Rate of Interest following the Optional Redemption Date and, *vice versa*, a lower CMT Rate will result in a lower Rate of Interest. The applicable Rate of Interest on the Notes following the Optional Redemption Date is not pre-defined at the Issue Date. Therefore, the Reset Interest Rate may be different from the Initial Interest Rate and any interest payable after the Optional Redemption Date may be less than the initial interest payable on the Notes, which may adversely affect the yield of the Notes. The Issuer has no control over the factors that may affect U.S. Treasury rates, including geopolitical conditions and economic, financial, political, regulatory, judicial or other events that may impact U.S. Treasury rates.

The Noteholders should be aware that movements in these market interest rates can adversely affect the price of the Notes and can lead to losses for the Noteholders if they sell the Notes.

Noteholders are exposed to the risk of fluctuating interest rate levels and uncertain interest income as the reset rate following the Optional Redemption Date could affect the market value of an investment in the Notes. Fluctuations in interest rates could therefore affect the levels of capital gains or losses on the Notes and make it impossible to determine the yield of such securities in advance. During periods of rising interest rates, the prices of the Notes typically tends to fall and gains are reduced or losses incurred upon their sale. Therefore, investment in the Notes involves the risk that changes in market interest rates may adversely affect the value of the Notes.

Historical U.S. Treasury rates are not an indication of future U.S. Treasury rates

In the past, U.S. Treasury rates have experienced significant fluctuations. Noteholders should note that historical levels, fluctuations and trends of U.S. Treasury rates are not necessarily indicative of future levels. Any historical upward or downward trend in U.S. Treasury rates is not an indication that the U.S. Treasury rate on the Reset Determination Date is more or less likely to be higher or lower than at any other time and you should not take the historical U.S. Treasury rates as an indication of future U.S. Treasury rates.

The Notes have an interest rate after the Optional Redemption Date based on the CMT Rate (in accordance with the definition thereof); if such rate is deemed not to be available, this may adversely affect the value of and return on the Notes

The interest rate applicable to the Notes from and including the Optional Redemption Date is the sum of (i) the CMT Rate on the Reset Determination Date and (ii) the Margin, as described in the Conditions.

The CMT Rate is the rate determined by the Principal Paying Agent and expressed as a percentage equal to the rate expressed as the weekly average (rounded to the nearest integral multiple of 0.001 per cent. (with the yield for United States Treasury Securities at "constant maturity" for a designated maturity of one year, as published in

the H.15(519) under the caption “treasury constant maturities (nominal)”, as that yield is displayed on the Bloomberg Screen at the Relevant Time.

If the yield referred to in paragraph (a) of the CMT Rate definition does not appear on the Bloomberg Screen by the Relevant Time, the yield for United States Treasury Securities at “constant maturity” for a designated maturity of one year as published in the H.15(519) under the caption “treasury constant maturities (nominal)” at the Relevant Time will apply. If the yield referred to in paragraph (b) of the CMT Rate definition, as described in the Conditions, is not published by the Relevant Time, the Reset Reference Bank Rate will apply.

Any of these alternative methods may result in interest payments that are lower than or do not otherwise correlate over time with the payments that would have been made on the Notes had the yield referred to in paragraph (a) of the CMT Rate definition been available on the Bloomberg Screen at the Relevant Time. Any of the foregoing may have an adverse effect on the value of the Notes.

The Noteholders may face foreign exchange risks or adverse tax consequences by investing in the Notes. In addition, the imposition of exchange controls in relation to any Notes could result in a Noteholder not receiving payments on those Notes.

The Issuer will pay amounts due on the Notes and the Guarantor will make any payments under the Guarantee in U.S. dollars. If the Noteholders measure their investment returns by reference to a currency other than U.S. dollars (the **Noteholder’s Currency**), an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the U.S. dollar, as applicable, relative to the Noteholder’s Currency because of economic, political and other factors over which the Issuer and the Guarantor have no control and the risk that authorities with jurisdiction over the Noteholder’s Currency may impose or modify exchange controls. An appreciation in the value of the Noteholder’s Currency relative to U.S. dollars would decrease (1) the Noteholder’s Currency-equivalent yield on the Notes, (2) the Noteholder’s Currency equivalent value of the principal payable on the Notes and (3) the Noteholder’s Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantor to make payments in respect of the Notes. As a result, investors may receive less amounts under the Notes than expected, or no such amounts.

The value of the Notes may be adversely affected by movements in market interest rates.

Investment in the Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of the Notes.

Credit ratings assigned to the Issuer, the Guarantor or the Notes may not reflect all the risks associated with an investment in those Notes.

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or

endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EU or the UK, as applicable, and the Notes may have a different regulatory treatment. This may result in the relevant regulated investors selling the Notes which may impact the value of the Notes and any secondary market.

Risks related to Notes generally

Modification of the Conditions and other matters

The Conditions contain provisions for calling meetings of Noteholders (including by way of conference call or by use of a videoconference platform) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including Noteholders who voted in a manner contrary to the majority.

The value of the Notes could be adversely affected by a sanctioned Restructuring Plan under the Companies Act 2006 in the event the Issuer or the Guarantor encounters, or is likely to encounter, financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern.

Where the Issuer or the Guarantor encounters, or is likely to encounter, financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern, it may propose a Restructuring Plan (a "Plan") with its creditors under Part 26A of the Companies Act 2006 (introduced by the Corporate Insolvency and Governance Act 2020) to eliminate, reduce, prevent or mitigate the effect of any of those financial difficulties. Should this happen, creditors whose rights are affected are organised into creditor classes and can vote on any such Plan (subject to being excluded from the vote by the English courts for having no genuine economic interest in the Issuer and certain exclusions where the Plan is proposed within the 12 week period following the end of a moratorium). Providing that one class of creditors (who would receive a payment, or have a genuine economic interest in the Issuer or the Guarantor) has approved the Plan, and in the view of the English courts any dissenting class(es) who did not approve the Plan are no worse off under the Plan than they would be in the event of the "relevant alternative" (such as, broadly, liquidation or administration), then the English court can sanction the Plan where it would be a proper exercise of its discretion. A sanctioned Plan is binding on all creditors and members, regardless of whether they approved it. Any such sanctioned Plan in relation to the Issuer or the Guarantor may, therefore, adversely affect the rights of Noteholders and the price or value of their investment in the Notes, as it may have the effect of modifying or disapplying certain terms of the Notes (by, for example, writing down the principal amount of the Notes, modifying the interest payable on the Notes, the maturity date or dates on which any payments are due or substituting the Issuer) or modifying or disapplying certain terms of the Guarantee or substituting the Guarantor.

The Notes may be subject to early redemption

The Issuer may redeem the Notes at its option at any time and without specifying any reason. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. Any such optional redemption by the Issuer on the Optional Redemption Date would be at their principal amount and at any other time would require the Issuer to redeem the Notes at the Make-Whole Redemption Price, together in each case with interest accrued to but excluding the date fixed for redemption. Notwithstanding this, investors in the Notes might not be able to reinvest the amounts received on the applicable redemption date at a rate that will provide an equivalent rate of return as their investment in the Notes and potential investors should consider reinvestment risk in light of other investments available at that time.

Furthermore, in the event that the Issuer satisfies the Trustee that either (i) it would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of a Relevant Jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax or (ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, the Issuer may redeem all outstanding Notes at their principal amount together with accrued interest to the applicable redemption date in accordance with the Conditions. This redemption feature is likely to limit the market value of the Notes at any time when the Issuer has the right to redeem them as provided above in this paragraph, as the

market price at such time will generally not rise substantially above the price at which they can be redeemed. This may similarly be true in any prior period when any relevant change in law or regulation is yet to become effective.

Under certain circumstances, the Issuer may have the right to purchase all outstanding Notes in connection with a tender offer, even if certain holders do not consent to the tender.

In connection with certain tenders of Notes, if holders of not less than 80 per cent. of the aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third-party making such a tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem all (but not some only) of the Notes that remain outstanding following such purchase at a price equal to the price offered to each other holder of Notes in such tender offer, plus, to the extent not included in the tender offer payment, interest accrued to but excluding the date of redemption.

The value of the Notes could be adversely affected by a change in English law or administrative practice.

The Conditions are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of the Notes.

Reliance on Euroclear and Clearstream, Luxembourg procedures.

The Notes will be represented on issue by the Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Notes are represented by the Global Certificate, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the relevant Notes. The Issuer and the Guarantor has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Notes which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

The denomination of the Notes is U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Therefore, it is possible that the Notes may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case, a Noteholder who, as a result of trading such amounts, holds a face amount of less than U.S.\$200,000 would need to purchase a face amount of Notes such that it holds an amount equal to at least U.S.\$200,000 to be able to trade such Notes. Noteholders should be aware that Notes which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

Risks related to enforcement

Investors may experience difficulty in enforcement of arbitral awards in ADGM.

Article 13(9) of Abu Dhabi Law No. 4 of 2013 Concerning the Abu Dhabi Global Market (as amended) (the "ADGM Founding Law") provides that parties may agree to refer their claims or disputes to arbitration. Accordingly, it is expected that the ADGM courts should recognise the arbitration agreement in the Notes, the Trust Deed, the Agency Agreement and the Subscription Agreement as valid and that the ADGM courts should, on the application of a party to such an arbitration agreement, stay proceedings in the ADGM courts brought in contravention of such an arbitration agreement.

Article 61 of the ADGM Arbitration Regulations 2015 (as amended) (the "ADGM Arbitration Regulations") provides that an arbitral award, irrespective of the state or jurisdiction in which it was made, shall be recognised

as binding within the ADGM and enforced by the ADGM courts as if it were a judgment of the ADGM courts. Further, Article 60(2) of the ADGM Arbitration Regulations provides that the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") shall apply within the ADGM and be complied with by the ADGM courts. Accordingly, it is expected that an arbitral award obtained in a London-seated arbitration should be recognised and enforced in the ADGM in accordance with the terms of the ADGM Arbitration Regulations and/or the New York Convention. In this regard, it should be noted that recognition and enforcement of an arbitral award may be refused by the ADGM courts on the grounds set out in Article 62 of the ADGM Arbitration Regulations or Article V of the New York Convention, which are broadly similar.

Investors may experience difficulty in enforcement of foreign judgments in ADGM.

Article 13(9) of the ADGM Founding Law provides that parties may agree to submit civil or commercial claims and disputes involving companies established in the ADGM or relating to a contract or transaction entered into, executed or performed in whole or in part in the ADGM to the courts of any jurisdiction.

Article 170 of the ADGM Courts, Civil Evidence, Judgments, Enforcement and Judicial Appointments Regulations 2015 (as amended) (the "**ADGM Courts Regulations**") provides that where the UAE has entered into an applicable treaty with a foreign jurisdiction for the mutual recognition and enforcement of court judgments, the ADGM courts shall comply with the terms of such applicable treaty and recognise and enforce judgments rendered by that foreign jurisdiction in accordance with the provisions of the ADGM Courts Regulations. The UAE has not to date entered into an applicable treaty with the United Kingdom for the mutual recognition and enforcement of judgments. Article 171 and 172 of the ADGM Courts Regulations provide that the ADGM courts shall recognise and enforce judgments for the payment of a sum of money rendered by a 'recognised foreign court' (other than a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty) subject to certain requirements, including that the judgment must be: (i) final and conclusive as between the judgment debtor and the judgment creditor or require the former to make an interim payment to the latter; and (ii) issued after the date of the order designating the foreign court as a recognised foreign court. Further, such a judgment shall not be recognised if it is predicated on the judgment of another country or a court which is not a recognised foreign court. The English Commercial Court, Queen's Bench Division (the "**English Commercial Court**"), has been designated as a recognised foreign court by the ADGM. Accordingly, it is expected that an English Commercial Court judgment for the payment of a sum of money should be enforceable in the ADGM. However, there is no established track record for the enforcement of English Commercial Court judgments in the ADGM and it remains to be seen whether any additional hurdles will need to be satisfied before the ADGM courts will recognise and enforce an English Commercial Court judgment in the ADGM.

The ADGM is a relatively new jurisdiction. Given the relatively limited number of judicial precedents, it is not entirely clear how the relevant provisions of ADGM law will be applied by the ADGM courts. These factors create greater judicial uncertainty.

USE OF PROCEEDS

The gross proceeds from the Offering are U.S.\$357,008,400 (which, for the purposes of this "Use of Proceeds" section, is approximately €332,216,150)). The gross proceeds to be received by the Issuer from the issuance of the Notes will be deposited into the Escrow Account on the Issue Date. The Issuer will also (a) complete the utilisation request for the drawing of the Liquidity Facility Agreement and direct the Lenders to credit the amount drawn under the Liquidity Facility Agreement and (b) credit the amount received by the Issuer in respect of the Equity Contribution, in each case to the Escrow Account on or before the Issue Date. Such amounts credited to the Escrow Account will be converted into Danish krone on the Completion Date, except for the Reserve Amount, which will remain in U.S.\$.

Upon satisfaction of the conditions to release the amounts credited to the Escrow Account, the Issuer will use the proceeds from the issuance of the Notes, Equity Contribution and the Liquidity Facility to (i) fund the acquisition of the outstanding principal amount, along with any accrued (but unpaid) interest, of the DKK 2,000,000,000 Subordinated Floating Rate Convertible Tier 2 Notes due 2026 issued by DSH (the "**Existing Tier 2 Notes**"), where such Existing Tier 2 Notes will be subsequently converted into equity in DSH (followed by the merger of DSH into DSF), (ii) pay the purchase price payable to the Majority Sellers under the First Share Purchase Agreement (the "**DSH Purchase Price**"), (iii) transfer the Reserve Amount into the Investment Reserve Account pursuant to the Terms and Conditions of the Notes, (iv) repurchase minority interests from the Axcel Entities (as defined below), (v) paying fees and expenses relating to the Transactions and (vi) financing ongoing cash needs of the business. A summary of the Transactions contemplated is set out under "*Summary of the Transactions*".

The notional sources and uses necessary to consummate the Transactions are shown in the table below. Actual amounts will vary from the notional amounts presented here depending on several factors, including fluctuations in the exchange rates, the actual amounts of borrowing and associated cost, differences between our estimates of fees and expenses, actual amounts outstanding under the Existing Tier 2 Notes, and the actual fees and expenses as at the Completion Date and the timing of the actual Completion Date and the Escrow Release Date. The U.S. dollar amounts credited to the Escrow Account will also be converted into Danish krone on the Completion Date before such proceeds are applied as described herein, except for the Reserve Amount, which will remain in U.S.\$.

Sources	€ (in millions)⁽¹⁾	—	Uses	€ (in millions)⁽¹⁾
Notes offered hereby	332		Repayment of Existing Tier 2 Notes ⁽⁴⁾	291
Sponsor equity contribution ⁽²⁾	147		DSH Purchase Price	307
Liquidity Facility ⁽³⁾	200		Reserve Amount ⁽⁵⁾	28
Tranche A	150		Minority AXIV Share Buyback ⁽⁶⁾	17
Tranche B	50		Indicative fees and expenses relating to the Transactions ⁽⁷⁾	15
			Cash on balance sheet ⁽⁸⁾	21
Total Sources	679		Total Uses	679

⁽¹⁾ Where amounts are translated from DKK to EUR, such translation is at a rate of EUR 1 to DKK 7.45 as of 31 December 2023. Where amounts are translated from U.S.\$ to EUR, such transaction is at a rate of EUR 1 to U.S.\$ 1.0746.

⁽²⁾ Represents €130 million (equivalent) cash equity injection from Sponsor at Completion Date and €17 million (equivalent) to be funded for the Minority AX IV Share Buyback (assumed to be 24 months post Acquisition Close Date, please see note 7).

⁽³⁾ The Guarantor and certain lenders shall enter into a credit facility of €200 million in aggregate principal amount (the "**Liquidity Facility**") that can be drawn in tranches subject to certain conditions and which will be used to (i) partially fund the Acquisition on the Completion Date, (ii) pay the deferred purchase price to the Majority Sellers and (iii) enhance the liquidity profile of the Issuer. It is anticipated that the Tranche A of the Liquidity Facility will be repaid in 2024 with the proceeds of the First Special Dividend and Tranche B will be repaid in 2025 with proceeds of future distributions by DSF in, subject to the availability of distributable reserves at DSH and/or DSF and compliance with the Distribution Restriction Policy described below. See "*Description of the Transactions*" and "*Description of Certain Financing Arrangements*".

⁽⁴⁾ Includes accrued interest on Existing Tier 2 Notes.

⁽⁵⁾ Represents amounts used to fund Interest Reserve Cash Account on the Issue Date.

⁽⁶⁾ Certain existing shareholders (the "**Axcel Entities**") intend to remain a 5% shareholding in DSF for a two-year period in order to ensure a smooth transition. Within up to two years following the Completion Date, the Issuer expects to acquire the remaining indirect minority shareholding in DSF by acquiring the remaining share capital in AX IV that it does not acquire from the Axcel Entities on the Completion Date (the "**Minority AX IV Share Buyback**") pursuant to the Second Share Purchase Agreement (as further described in "*Acquisition Agreements—Second Share Purchase Agreement*").

⁽⁷⁾ Represents approximate fees and expenses incurred in connection with the Offering and the Transactions.

⁽⁸⁾ Including such funds for the settlement of the DSH Call Option Agreements and Tag Along Offers pursuant to the Acquisition.

CAPITALISATION

DSF

The following table sets forth the total equity, CET1, RWA and CET1 ratio for DSF (i) on a historical basis, which is derived from the 2023 Consolidated Financial Statements of DSF included elsewhere in this Offering Circular; and (ii) on an as adjusted basis to give effect to the Transactions.

This table is subject to the various assumptions regarding amounts as set forth under “Use of Proceeds” and does not reflect earnings of DSF for any period following 31 December 2023.

This table should be read in conjunction with “Presentation of Financial and Other Data” and “Terms and Conditions of the Notes”, as well as the Consolidated Financial Statements included elsewhere in this Offering Memorandum.

	As of 31 December 2023 ⁽¹⁾			
	Actual	Adjustments	As adjusted	As adjusted
	(DKK m)	(DKK m)	(DKK m)	€ m
Share capital	333		333	45
Tied up reserve capital.....	8,343		8,343	1,120
Revaluation reserves.....	70		70	9
Retained earnings	1,341	(1,094) ⁽²⁾	248	33
Dividends for the financial year.....	320		320	43
Total equity pre distributions.....	10,407		9,314	1,250
Total Equity Net of Distributions	10,087		8,994	1,207
Valuation adjustment and other deductions	(135)		(135)	(18)
CET1 after deductions	9,952		8,859	1,189
RWA	42,093		42,093	5,650
CET1 Ratio	23.6%		21.0%	21.0%

⁽¹⁾ Amounts are translated from DKK to EUR at a rate of EUR1 to DKK 7.45 as of 31 December 2023.

⁽²⁾ Represents payment of the First Special Dividend in an amount of DKK 1,118 million (approximately EUR150 million), as offset by the positive impact on retained earnings of the Merger of DKK 24 million. See “Description of the Transactions” for a description of the Merger.

Other than as described above, there has been no material change in DSF’s capitalisation and indebtedness since 31 December 2023.

Issuer

The following table sets forth the consolidated capitalisation, along with consolidated cash and cash equivalents, as of 31 December 2023, (i) on a historical basis, which is derived from the 2023 Consolidated Financial Statements of DSF included elsewhere in this Offering Memorandum; and (ii) on an as adjusted basis for the Issuer to give effect to the Transactions.

This table is subject to the various assumptions regarding amounts as set forth under “Use of Proceeds” and does not reflect any drawings under Tranche A of the Liquidity Facility.

This table should be read in conjunction with “Presentation of Financial and Other Data” and “Terms and Conditions of the Notes”, as well as the Consolidated Financial Statements included elsewhere in this Offering Memorandum.

	As of 31 December 2023 ⁽¹⁾			
	Actual	Actual	Adjustments	As adjusted
	(DKK millions)	(€ millions)	(€ millions)	(€ millions)
Cash and cash equivalents ⁽²⁾	-	-	49	49
Indebtedness				
Existing Tier 2 Notes ⁽³⁾	2,000	268	(268)	-
Notes offered hereby ⁽⁴⁾	-	-	332	332
Tranche B of Liquidity Facility ⁽⁵⁾	-	-	50	50

Other indebtedness of DSF	53,821	7,224	-	7,224
Total Gross Debt⁽⁶⁾	55,821	7,493	114	7,607
Total Equity	10,407	1,397	(91)⁽⁷⁾	1,306
Total Capitalization⁽⁸⁾	66,228	8,890	23	8,913

(1) Amounts are translated from DKK to EUR at a rate of EUR1 to DKK 7.45 as of 31 December 2023.

(2) The "as adjusted" amount of cash and cash equivalents reflects an increase for (i) the Reserve Amount of €28 million retained in the Interest Reserve Cash Account following the Offering and (ii) €21 million of cash retained on balance sheet following the Offering.

(3) Reflects the aggregate principal amount of the Existing Tier 2 Notes of DSF.

(4) The Notes have been reflected at their aggregate principal amount, excluding unamortized debt issue costs.

(5) Tranche B of the Liquidity Facility shall be repaid in 2025 with the proceeds of further dividends from DSF, subject to the availability of distributable reserves at DSF and compliance with the Issuer's policy on distributing dividends, subject to the maintenance of DSF's minimum capital ratios.

(6) Does not reflect any drawings under Tranche A of the Liquidity Facility. See "*Use of Proceeds*."

(7) Reflects (i) an increase in DSF shareholder's equity of €3 million due to the collapse of DSH into DSF, (ii) includes the payment of the First Special Dividend in the amount of €150 million (equivalent), which will be used for the repayment of Tranche A of the Liquidity Facility and (iii) assets and liabilities of the Issuer of €56 million.

(8) Represents the sum of Total Gross Debt and Total Equity.

SELECTED FINANCIAL INFORMATION OF DSF

The following tables set out in summary form balance sheet and income statement information relating to DSF. The following tables set forth financial data for the DSF as of and for the years ended 31 December 2021, 2022 and 2023.

The selected financial data has been extracted from the audited annual unconsolidated financial statements as of and for the year ended 31 December 2022 and 2023, without material adjustments and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements included elsewhere in the Offering Circular. See "*Presentation of Financial and Other Information*".

The above-mentioned financial data were prepared in accordance with the national rules, the FBA, including the Executive Order no. 281 of 26 March 2014, as amended most recently through the Executive Order no. 116 of 27 January 2023 on Financial Reports for Credit Institutions and Investment Companies, etc., as consistent with the International Financial Reporting Standards ("*IFRS*").

Statement of Profit or Loss Data

	For the year ended 31 December		
	2023	2022	2021
	(DKK million)		
Interest income	5,023	2,314	1,129
Interest expenses.....	(4,421)	(1,687)	(625)
Net interest income	602	626	504
Fee and commission income.....	15	14	32
Net Interest and fee income	617	640	536
Market value adjustments	175	(206)	(82)
Other operating income	2	1	1
Staff costs and administrative expenses.....	(201)	(187)	(167)
Depreciation and impairment of property, plant and equipment	(1)	(2)	(2)
Loan impairment charges	506	583	39
Profit before tax	1,097	830	326
Tax	(278)	(166)	(72)
Net profit for the period	818	663	254
Other comprehensive income	-	-	-
Tax on other comprehensive income	-	-	-
Other comprehensive income after tax	-	-	-
Comprehensive income for the period	818	663	254

Statement of Financial Position Data

	For the year ended 31 December		
	2023	2022	2021
	(DKK million)		
Assets			
Due from credit institutions and central banks.....	2,821	22	388
Loans and other receivables at amortised cost	31,187	34,029	36,293
Bonds at fair value.....	21,115	15,297	16,007
Bonds at amortised cost	4,963	4,920	-
Shares	0	75	-
Land and buildings			
Owner-occupied properties.....	421	340	332
Other tangible assets.....	8	6	6
Current tax assets.....	326	7	7
Deferred tax assets.....	79	48	-
Other assets	3,271	4,074	1,425
Total assets	64,228	58,818	54,457
Liabilities and Equity			
Liabilities			
Due to credit institutions and central banks	6,249	2,786	758
Issued bonds at amortised cost.....	43,595	41,402	43,228
Current tax liabilities	310	331	60
Deferred tax liabilities			

	For the year ended 31 December		
	2023	2022	2021
	(DKK million)		
Other liabilities	3,620	4,534	962
Total liabilities	53,774	49,053	
Equity			
Share capital	333	333	333
Tied-up reserve capital	8,343	8,343	8,343
Revaluation reserves	70	70	70
Retained earnings	1,341	842	451
Proposed dividends for the financial period ⁽¹⁾	320	167	128
Total equity	10,407	9,755	9,325
Total liabilities and equity	64,228	58,818	54,457
Off-balance sheet items			
Contingent liabilities	-	85	101
Other contingent liabilities	3,093	2,667	3,356
Total off-balance sheet items	3,093	2,752	-

Notes

- (1) Constituting A-Share dividends of DKK237 million, DKK84 million and DKK90 million and B-Share dividends of DKK83 million, DKK83 million and DKK38 million for the years ended 31 December 2023, 2022 and 2021 respectively.

Statement of Changes in Equity

Statement of changes in equity	Share capital	Tied-up reserve capital	Revaluation reserves	Retained earnings	Proposed dividend	Total
	(DKK million)					
Dividends paid for the financial year 2020 ⁽¹⁾	-	-	-	-	(59)	(59)
Extraordinary dividends	-	-	-	(146)	-	(146)
Comprehensive income	-	-	-	126	128	254
Equity as at 31 December 2021	333	8,343	70	451	128	9,325
Dividends paid for the financial year 2021 ⁽²⁾	-	-	-	-	(128)	(128)
Extraordinary dividends	-	-	-	(105)	-	(105)
Comprehensive income	-	-	-	496	167	663
Equity as at 31 December 2022	333	8,343	70	842	167	9,755
Dividends paid for the financial year 2022 ⁽³⁾	-	-	-	-	(167)	(167)
Comprehensive income	-	-	-	498	320	818
Equity as at 31 December 2023	333	8,343	70	1,341	320	10,407

Notes

- (1) Constituting A-Share dividends of DKK41 million and B-Share dividends of DKK18 million.
(2) Constituting A-Share dividends of DKK90 million and B-Share dividends of DKK38 million.
(3) Constituting A-Share dividends of DKK84 million and B-Share dividends of DKK83 million.

Key Ratios

Key ratios	2023	2022	2021
Return on equity after tax (%)	8.1	7.0	2.7
Return on investment activities (%)	3.4	(0.8)	(0.9)
Common Equity Tier 1 capital ratio (%)	23.6	21.9	20.1
Internal capital adequacy requirement incl. combined capital buffer requirement (%)	13.3	13.0	11.6
Cost/income ratio (%)	25.4	43.2	36.8
Equity as a % of loan book	32.5	27.9	24.8
Annual loan impairment ratio (%) (avg.)	(1.6)	(1.7)	(0.1)
Accumulated loan impairment charges as a % of loan book (year-end)	2.0	2.1	2.6
Weighted average loan-to-value ratio after loan impairment charges (%)	40	43	44
Proportion of loans covered within 60% of market value (%)	100	100	99
Net write-offs on loans as a % of avg. loan book	(1.3)	(0.9)	0.8

Adequate own funds and internal capital adequacy requirement

	2023	2022	2021
		DKK million	
Total risk exposure amount.....	42,093	42,389	45,477
Pillar 1 requirement (8% of total risk exposure amount).....	3,367	3,391	3,638
Pillar 2			
Credit risk			
- Credit risk exposure to large clients in financial difficulty	0	0	34
- Other credit risk.....	-	30	34
- Concentration risk	37	32	29
Market and liquidity risk	574	641	358
Total adequate own funds	3,979	4,095	4,093
Internal capital adequacy requirement (%)	9.5	9.7	9.0
- Capital conservation buffer (%).....	2.5	2.5	2.5
- Institution-specific countercyclical capital buffer requirement (%).....	1.4	0.9	0.1
Internal capital adequacy requirement incl. combined capital buffer requirement (%)	13.3	13.0	11.6

Unless otherwise indicated, the key ratios have been calculated in accordance with requirements stipulated in the Danish FSA's executive order on financial reports for credit institutions and investment companies, etc. (see "Presentation of Financial and other information – "Non-IFRS Measures").

Adjusted Return on Average Equity

	2023	2022	2021
		DKK million	
Book value (A-Shares).....	2,030	1,379	949
Total equity	10,407	9,755	9,325
(-) B-Share capital.....	(33)	(33)	(33)
(-) Tied up reserve capital	(8,343)	(8,343)	(8,343)
Net income (A-Shares) – excl. loan impairment reversals¹.....	357	113	140
Adjusted return on average equity.....	21.0 %	9.7 %	15.2 %

Capital Generation

	2023	2022
		DKK million
Net income	818	663
RWA	42,093	42,389
Capital generation %	1.9 %	1.6 %

Note:

⁽¹⁾ Assuming tax rates of 22.1%, 20.0% and 25.4% for 2021, 2022, and 2023 respectively.

Illustrative Retained Earnings post-Acquisition

The following table sets forth the retained earnings of DSF on a historical basis, which is derived from the 2023 Consolidated Financial Statements of DSF and the net income of DSF for the three months ended 31 March 2024 as extracted from the selected unaudited financial information of DSF as at and for the three months ended 31 March 2024 and 2023 as included under "Description of DSF – Recent Developments" (the "Selected Q1 Financial Information") on an as adjusted basis to give effect to the Transactions and certain other provisions or adjustments as set out in the notes below.

This table is subject to the various assumptions as set forth in the notes below and does not reflect earnings of DSF for any period following 31 December 2023, other than the net income of DSF as extracted from the Selected Q1 Financial Information.

This table should be read in conjunction with "Presentation of Financial and Other Data" and "Terms and Conditions of the Notes", as well as the Consolidated Financial Statements included elsewhere in this Offering Memorandum.

	(1)			
	Actual	Adjustments	As adjusted	As adjusted
	(DKK m)	(DKK m)	(DKK m)	€ m
Retained earnings as at 31 March 2024	1,527.25	-	1,527.25	205
Adjustment reflecting impact of the Merger	-	22.35	22.35	3
Reversal of provision for coupon of the Existing Tier 2 Notes ⁽²⁾	-	208.6	208.6	28
Realisation of revaluation reserves ⁽³⁾	-	67.05	67.05	9
First Special Dividend	-	(1,117.58)	(1,117.5)	(150)
Illustrative net income for the nine-months ended 31 December 2024 ⁽⁴⁾	-	558.75	558.75	75
Provision for Class B-Share Dividend for the year ended 31 December 2024 ⁽⁵⁾	-	(81.95)	(81.95)	(11)
Second Special Dividend	-	(372.5)	(372.5)	(50)
Illustrative adjusted retained earnings as at 31 December 2024	-	-	812.05	109

(1) Amounts are translated from DKK to EUR at a rate of EUR1 to DKK 7.45.

(2) Represents payment of the First Special Dividend in an amount of DKK 1,118 million (approximately EUR150 million), as offset by the positive impact on retained earnings of the Merger of DKK 24 million. See "Description of the Transactions" for a description of the Merger. As at 31 December 2023, an A-Share dividend provision of DKK 237 million (approximately EUR32 million) has been included to fund the coupon payment of the Existing Tier 2 Notes at DSH level for the year ended 31 December 2024. As the Existing Tier 2 Notes will be repurchased before the coupon is due and will be converted into equity, such provision is no longer needed and can be reversed. The B-Share dividend provision of up to DKK 83 million (approximately EUR11 million) will remain.

(3) Expected revaluation reserves of DKK 70 million (approximately EUR9 million) to become distributable upon relocation to the new DSF office (estimated move date of Nov 2024).

(4) Illustrative net income based on the annualisation of the unaudited net income for the three months ended 31 March 2024, being DKK 187 million (approximately EUR25 million) multiplied by four.

(5) B-Share dividend provision for the year ended 31 December 2024. Further adjustments expected for the DKK 372 million (approximately EUR50 million) second special dividend payment as part of the Transactions, which is not included above.

SUMMARY OF THE TRANSACTIONS

Overview

The Issuer has entered into the First Share Purchase Agreement (as further described in "*Acquisition Agreements—First Share Purchase Agreement*" below) to ultimately acquire up to 90 per cent. of the total share capital of DSF from the current ultimate shareholders of its A-Shares (together, the "**Acquisition**"), as well as to merge DSH and DSF, with DSF as the surviving entity (the "**Merger**", together with the Acquisition, the "**Transactions**"). The Issuer is seeking the Merger in order to simplify the group's structure, particularly given that the shares of the DSH Minority Shareholders (as defined below) will be acquired by the Issuer (as further described in "*Acquisition Agreements—First Share Purchase Agreement*" below) and the Existing Tier 2 Notes will be converted into new equity in DSH (as further described in "*Use of Proceeds*" above). Additionally, the Merger will have the benefit of improving the solvency position of the group as DSF (which will be the surviving entity) has an overall higher capital ratio.

The Acquisition is subject to certain conditions, including (but not limited to), an approval to be obtained from the Danish FSA (*Finanstilsynet*) in respect of the Acquisition. The regulatory approval for the Acquisition was obtained on 10 June 2024. As of the date of this Offering Circular, the Acquisition is expected to be completed on 10 July 2024 (or such other date as may be agreed by the Issuer and the Majority Sellers, the "**Completion Date**") and the Merger is expected to be adopted with legal effect immediately following closing of the Acquisition. The initial longstop date for the Transactions was 30 June 2024 and has now been extended to 12 July 2024.

The Axcel Entities intend to retain a 5% indirect shareholding in DSF for a 2-year period in order to ensure a smooth transition. The Issuer has the right to acquire the remaining indirect minority shareholding in DSF (by acquiring the remaining share capital in AX IV that it does not acquire from the Axcel Entities (as defined below) on the Completion Date (the "**Minority AX IV Share Buyback**")) pursuant to the Second Share Purchase Agreement (as further described in "*Acquisition Agreements—Second Share Purchase Agreement*" below), following which the Issuer shall hold at least 86.6 per cent. and up to 90.0 per cent. of the total share capital of DSF, subject to the results of the Tag Along Offers (as further described in "*Acquisition Agreements—First Share Purchase Agreement*" below). The Issuer expects to complete such Minority AX IV Share Buyback within up to two years following the Completion Date (the "**AX IV Acquisition Completion Date**"). From the period between the Completion Date and the AX IV Acquisition Completion Date, the Issuer and the Axcel Entities have agreed that the full amount of all dividends or any other distributions received by AX IV on the Capital Stock in DSF held by AX IV will be made available in full by AX IV to the Issuer.

Following the acquisition completion, the Danish Maritime Fund will continue to own the remaining 10% of the share capital of DSF in the form of B-Shares.

Below is a brief summary of the expected steps to consummate the Transactions:

- Pursuant to the Conditions of the Notes and as described under "*Use of Proceeds*" herein, the gross proceeds to be received by the Issuer on the Issue Date from the issuance of the Notes will be deposited into the Escrow Account. Such amounts credited to the Escrow Account will be converted into Danish krone on the Completion Date.
- As soon as practicable following the Issue Date, the Acquisition will be funded by the Issuer by way of (i) drawings on the Liquidity Facility (with certain amounts of the Liquidity Facility also to be deposited into the Escrow Account and drawings on Tranche A of the Liquidity Facility to be repaid by way of a first special dividend (the "**First Special Dividend**") to be declared by each of DSF and DSH to be paid to their respective shareholders on or around the Completion Date following the consummation of the Acquisition and subsequent dividends declared by DSF) and (ii) a Equity Contribution from the Sponsor (the crediting of which to the Escrow Account will be a condition precedent to the closing of the Offering). Such amounts credited to the Escrow Account will either be converted into Danish krone on the Completion Date prior to being applied to fund the Acquisition or otherwise be used to fund the Reserve Amount, pay fees and expenses relating to the Transaction or be retained as cash on the balance sheet of the Issuer.
- The relevant amount of the escrowed proceeds will then be converted into DKK by the Escrow Agent and released to the Majority Sellers for the purchase of the shares in DSH, the relevant shares in AX IV and the Existing Tier 2 Notes from the Majority Sellers and following such purchase of the Existing Tier 2 Notes by the Issuer the Existing Tier 2 Notes will be converted into equity in DSH in accordance with

the terms of the Existing Tier 2 Notes to held by the Issuer. Such conversion will be effected by the release of the gross proceeds from the Escrow Account to the holders of the Existing Tier 2 Notes as one of the conditions to the Merger.

- Upon satisfaction of the conditions to the Merger (including the purchase and conversion into equity of the Existing Tier 2 Notes), the Issuer will complete the Merger, which is expected to occur immediately following closing of the Acquisition. Accordingly, DSH will be merged with DSF (with DSF as the surviving entity) to streamline the group structure and optimise the financial profile of DSF. The Transactions will then complete. As soon as practicable following the completion of the Merger, a second special dividend (the "**Second Special Dividend**") is expected to be declared by DSF to be paid to its shareholders.
- The Issuer has the right to and expects to consummate the Minority AX IV Share Buyback pursuant to the terms of Second Share Purchase Agreement within up to two years after the Completion Date.

Business Strategy of DSF following the Transactions

As part of the Transactions, the Issuer and the Guarantor have reviewed the future business strategy of DSF, focusing on the business outlook and the lending strategy, and have determined that the business is in a highly favourable position and well-positioned to navigate the current and anticipated economic climate.

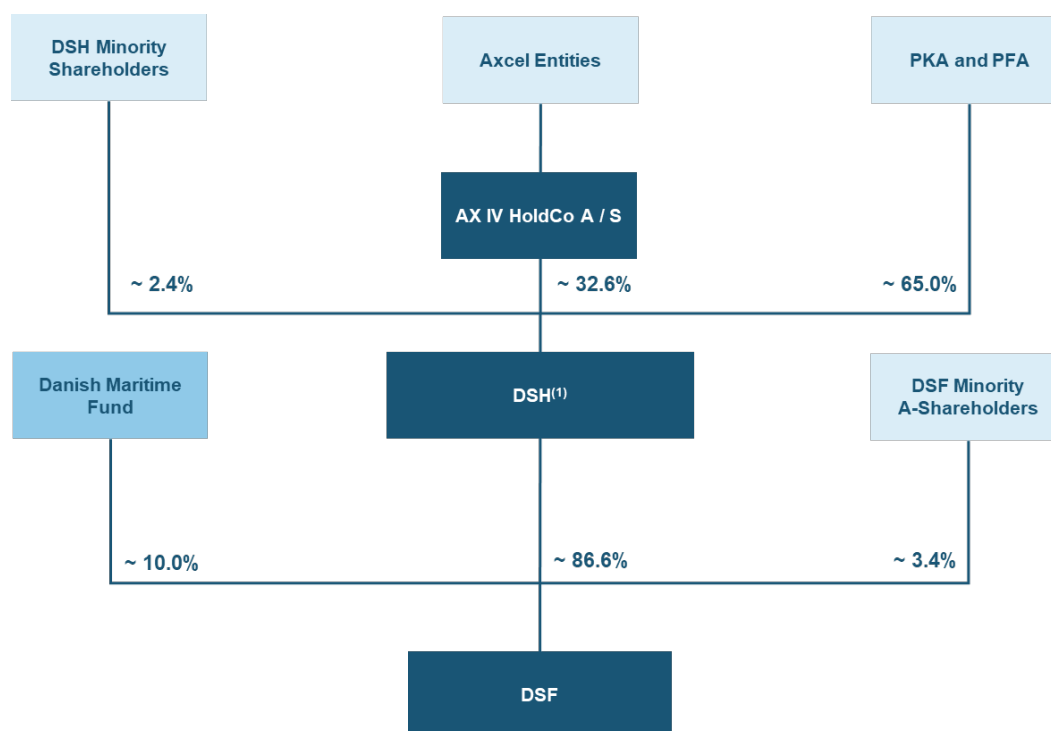
As such, the Issuer and the Guarantor currently expect:

- DSF to continue to be managed in accordance with its current highly conservative credit, investment, liquidity and capitalisation directives, and to maintain the current credit policy and the current target clients;
- new lending to remain within existing risk tolerance parameters, with DSF's investment portfolio to be managed in accordance with the current principles and, as currently, focused on high-grade fixed income;
- to retain sufficient liquidity in DSF by maintaining a strict and conservative financial policy around capitalisation by managing DSF in accordance with internal distribution restrictions, with a target CET1 ratio of at least 19% on a forward basis, which is above current regulatory requirements, prior to any distribution being made to the Issuer (the "**Distribution Restriction Policy**");
- day-to-day operations to remain substantially entrusted to DSF's existing experienced management team with no changes expected in executive management (see "*—Management*");
- the Board composition will remain substantially the same with two new members representing the Issuer and the Guarantor and replacing the three representatives of the Majority Sellers, out of a total of 12 directors; and
- to utilise the substantial financial resources of the ultimate shareholder, Mr Hassan Elali, to support DSF as key and strategic asset. The Issuer and the Guarantor view DSF as an evergreen investment, and will aim to leverage on Mr Hassan Elali's over 40 years of operational experience in shipping and shipping services and strong relationships with DSF's existing customer base.

Shareholding of DSF pre- and post- the Transactions

As of the date of this Offering Circular, the share capital of DSF is divided into A-Shares and B-Shares, and DSH owns approximately 96.19% of the A-Shares (or approximately 86.6% of the total share capital) in DSF and the remaining approximately 3.81% of the A-Shares (or approximately 3.4% of the total share capital) in DSF are owned by certain minority shareholders (the "**DSF Minority A-Shareholders**"). The B-Shares of DSF are held by the Danish Maritime Fund, with such B-Shares representing 10% of the total share capital of DSF. Following the Acquisition, the Danish Maritime Fund will continue to hold such shares (for further information, see "*Description of DSF—Ownership Structure and the Acquisition—Danish Maritime Fund*").

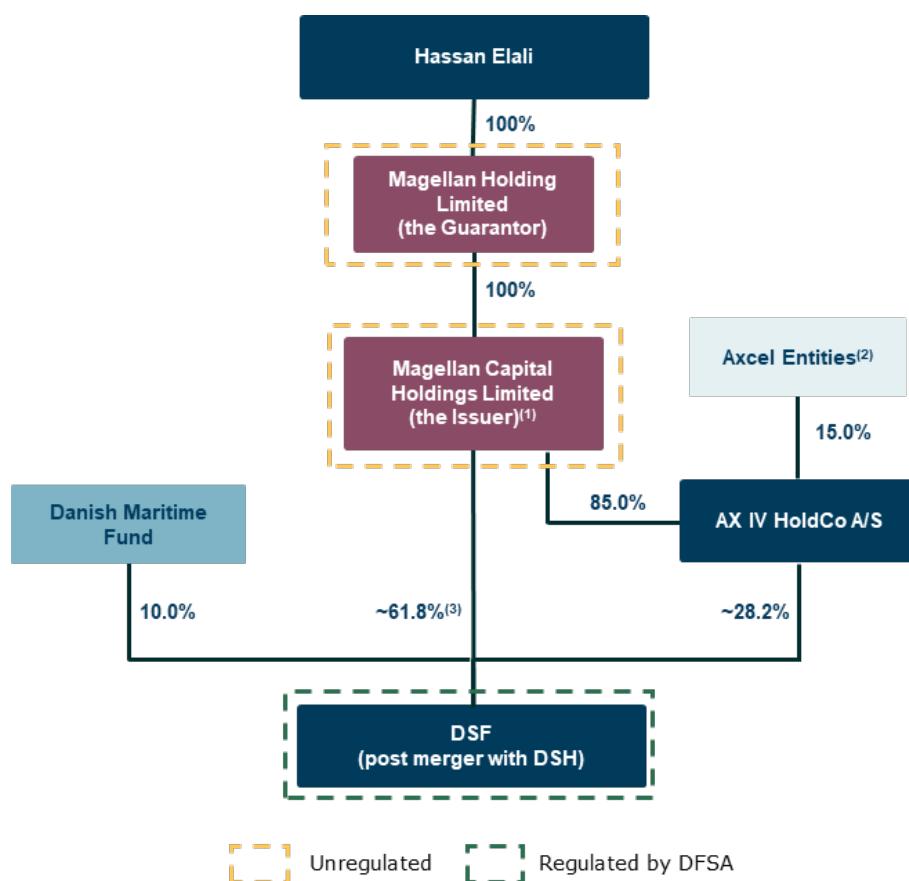
Below is the shareholding structure of DSF as of the date of this Offering Circular on a total share capital basis:



Notes:

⁽¹⁾ Issuer of the Existing Tier 2 Notes as of the date of this Offering Circular.

Below is the shareholding structure of DSF assuming completion of the Transactions on a total share capital basis:



Notes:

- (1) The gross proceeds of the Notes will be used by the Issuer to fund the acquisition of the Existing Tier 2 Notes and to convert such Existing Tier 2 Notes into equity in DSH.
- (2) Pursuant to the Second Share Purchase Agreement, the Guarantor will purchase the remaining shares of the Axcel Entities in AX IV within two years after closing of the Transactions, see "*Acquisition Agreements – Second Share Purchase Agreement*" below.
- (3) Assuming a 100 per cent. take-up rate in the Tag Along Offer, see "*Acquisition Agreements – First Share Purchase Agreement*" below.

Acquisition Agreements

First Share Purchase Agreement

On 25 September 2023, the Guarantor entered into a share purchase agreement (the "**First Share Purchase Agreement**") with Axcel IV K/S, Axcel IV K/S 2, AX Management Invest K/S, AX Management Invest II K/S (together, the "**Axcel Entities**"), PKA A/S ("**PKA**") and PFA Pension, forsikringsaktieselskab ("**PFA**" and together with the Axcel Entities and PKA, the "**Majority Sellers**"), concerning the purchase of shares (the "**Sale Shares**") in AX IV and Danmarks Skibskredit Holding A/S ("**DSH**").

As of the date of this Offering Circular, the Majority Sellers own approximately 97.6% of the share capital in DSH. The remaining approximately 2.4% of the share capital in DSH is held by certain minority shareholders (the "**DSH Minority Shareholders**").

Pursuant to the terms of the First Share Purchase Agreement, the Guarantor has also (i) entered into call option agreements (the "**DSH Call Option Agreements**") with the DSH Minority Shareholders for the acquisition of the shares in DSH held by such DSH Minority Shareholders, with such acquisitions to be completed on the Completion Date, and (ii) delivered tag along offers ("**Tag Along Offers**") to, *inter-alia*, the DSF Minority A-Shareholders for the purchase of their shares in DSF, with the completion of those Tag Along Offers that are accepted to occur on the Completion Date.

The Acquisition is subject to certain conditions as contained in the First Share Purchase Agreement, including (but not limited to), an approval to be obtained from the Danish FSA (*Finanstilsynet*) in respect of the Acquisition. The approval of the Danish FSA (*Finanstilsynet*) for the Acquisition was obtained on 10 June 2024. The Acquisition is expected to be completed on the Completion Date and the Merger is expected to be adopted with legal effect immediately following closing of the Acquisition. The initial longstop date for the Transactions was 30 June 2024 and has now been extended to 12 July 2024.

On the Completion Date, the Axcel Entities will retain a 15% shareholding in AX IV (and therefore indirectly a 5% minority shareholding in DSF) which will subsequently be acquired by the Guarantor in accordance with the terms of the Second Share Purchase Agreement (as further described in "*Acquisition Agreements—Second Share Purchase Agreement*" below). In addition, from the period between the Completion Date and the AX IV Acquisition Completion Date, the Issuer and the Axcel Entities have agreed that the full amount of all dividends or any other distributions received by AX IV on the Capital Stock in DSF held by AX IV will be made available in full by AX IV to the Issuer.

Second Share Purchase Agreement

Pursuant to the terms of the First Share Purchase Agreement, at completion of the Acquisition the Guarantor is expected to enter into the second share purchase agreement (the "**Second Share Purchase Agreement**", and together with the First Share Purchase Agreement, the "**Share Purchase Agreements**") with the Axcel Entities concerning the purchase of the remaining shares in AX IV held by the Axcel Entities (the "**Second Tranche Sale Shares**", with completion of the sale of the Second Tranche Sale Shares to the Guarantor expected to be, subject to the terms of the Second Share Purchase Agreement, on a date falling no later than two years from the date of the Second Share Purchase Agreement.

PRINCIPAL SHAREHOLDERS, SPONSOR AND THE MAGELLAN GROUP

Mr Hassan Elali

The Guarantor is the owner of 100% of the issued share capital of the Issuer.

Mr Hassan Elali is the owner of 100% of the issued share capital of the Guarantor.

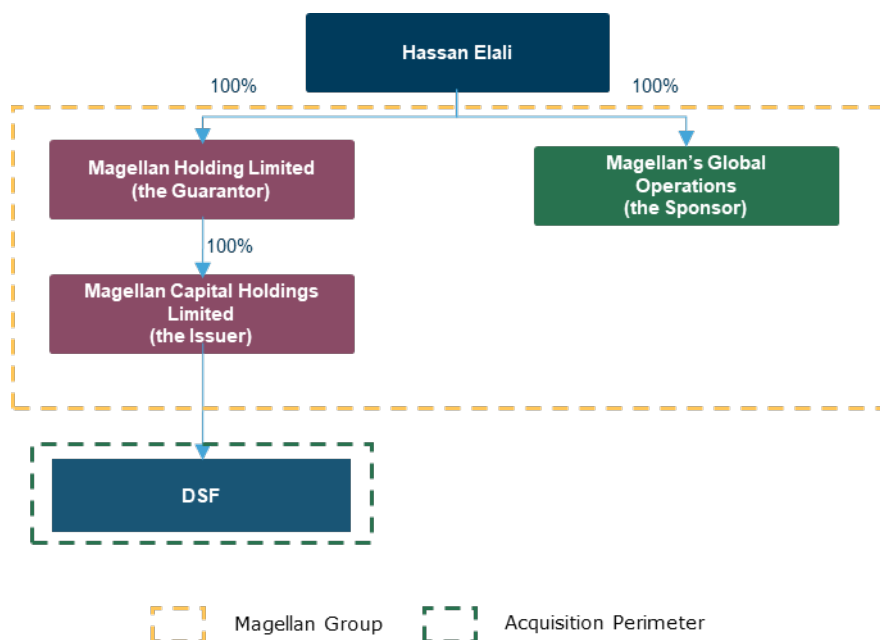
Mr Hassan Elali has over 40 years of experience in the marine services industry, being the founder of ZMI Holdings ("ZMI"), the world's largest owner and operator of self-propelled, self-elevating, jack-up barges, with a strong reputation in the maritime services industry, which was sold to ADNOC Logistics and Services in November 2022 and established a strong liquidity position.

Hassan Elali is the 100% owner of Magellan's Global Operations (the "**Sponsor**"), a group of affiliated entities which together form a multi-asset investment group, with offices based in the UAE and UK, investing in Europe, Middle East, North America and Asia Pacific. The Sponsor, along with the Issuer and the Guarantor, together constitute the investment vehicles of Mr Hassan Elali and are together known as the "**Magellan Group**".

Mr Hassan Elali is a strategic investor with a long-term perspective, substantial financial resources and deep industry knowledge and expertise.

The Magellan Group

As of the date of this Offering Circular, the Sponsor is an affiliate of the Issuer and the Guarantor by virtue of their common ownership under Mr Elali. The Sponsor, the Issuer and the Guarantor are together known as the Magellan Group. Below sets out the shareholding of Mr Elali in relation to each of the Issuer, the Guarantor and the Sponsor as of the date of this Offering Circular:



About the Magellan Group

The Magellan Group is a diversified investment manager based in the United Arab Emirates and the United Kingdom, with an investing focus in Europe, the Middle East, North America and Asia Pacific.

Since inception, the Magellan Group has been focused on both capital preservation and growth via a diverse portfolio of investment strategies to optimise returns. Magellan Group invests in both public and private market opportunities across the capital structure, ranging from equity to junior debt investments. As at the date of this

Offering Circular, it operates three offices and has over 20 employees. The Magellan Group team is made up of well established investment professionals from over 12 countries with an aggregate of over 70 years of investment experience.

The purpose of the Magellan Group is to develop a portfolio of high-quality income-generating assets in the maritime space whilst adopting a conservative capitalisation profile and lending policy. The Magellan Group adopts a well-diversified investment approach, combining traditional investments such as stocks, bonds, and real estate, with alternative investments such as private equity and private credit. In particular, the Magellan Group adopts the following principles to differentiate its business and investment approach:

- to leverage its ability to invest for the long term and build true partnerships with the companies it invests in;
- develop a high calibre team of seasoned dealmakers, with a particular focus on specialists that focus on value-add strategies and highly accomplished investors;
- build deep relationships and connectivity to the global capital markets and advisors, enabling proprietary deal sourcing capabilities;
- focus on investment strategies across multiple asset classes that will mitigate downside risks and deliver returns through the business cycle; and
- develop deep industry connections and access leading to best-in-class research and operational capabilities.

The Magellan Group further adopts a diversified investment strategy of:

- ***Private Investments*** –
 - *Private equity* – private equity investments across a variety of sectors and geographies, with a focus on scalable businesses, market leaders, turnaround stories and buy-and-build strategies. The Magellan Group in particular looks to develop minority positions by co-investing alongside trusted GPs;
 - *Private credit* – the Magellan Group adopts a nimble financing platform with the capabilities to lend across the capital structure of senior secured financing, uni-tranche financing, mezzanine financing and bridge loans.
- ***Public Investments***–
 - *Equities* – Long-short and absolute return focused strategies;
 - Fixed Income – investments in fixed income and financial derivative instruments, with a focus on instruments majority issued by or referencing emerging markets; and
 - *FX and commodities* – with exposure to major global commodities with a focus on derivatives trading and trading in G8 currencies.

DESCRIPTION OF THE ISSUER

The Issuer was incorporated as a limited company on 31 July 2023 under the Companies Act 2006 of England and Wales. The Issuer is currently in the process of converting into a private limited company. The Issuer's registered office is 64 Knightsbridge, London, United Kingdom, SW1X 7JF.

Shareholder

The Issuer is a wholly-owned subsidiary of the Guarantor. The issued share capital of the Issuer is £1,000,000 divided into 1,000,000 shares held by the Guarantor. 1,000,000 registered shares have been issued and paid up. The total nominal value of each share is £1.

Material Activities of the Issuer

As of the date of this Offering Circular, the Issuer has no subsidiaries. Under the Conditions of the Notes, the Issuer may also engage in certain investment activity.

The Issuer, along with the Guarantor, are the lead investment vehicles of Mr Hassan Elali and the Magellan Group in Europe, and will serve as a core element of the Magellan Group's strategy to offer differentiated asset backed financing services in Europe.

The Transactions

Following the completion of the Acquisition, the Issuer's investment in DSF will be core to the Issuer's and the Magellan Group's long-term investment strategy with the intention to use DSF as income generating asset subject to conservative capitalisation profile and lending policy.

Below is a summary of the Issuer's investment strategy for DSF is to:

1. *Continue strong history of long term stability and profitability through the business cycle*
2. *Optimise DSF's risk profile through lower customer concentration which the Issuer expects to provide margin uplift*
3. *Continue developing DSF's brand internationally*
4. *Develop opportunities for ancillary businesses such as advisory, syndications and active balance sheet management*
5. *Increase market share via potential underwriting and syndication opportunities*
6. *Establish and strengthen value additive partnerships with stakeholders*
7. *Nurture internal talent; promoting from within to retain DSF's culture and deep knowledge base*

In addition, as part of ongoing strategy, the Issuer's distribution restriction policy will ensure DSF's CET1 ratio will stay above 19%, thereby ensuring that DSF is robustly capitalized well in excess of regulatory requirements. Following the consummation of the Acquisition and the payment of the First Special Dividend, the CET1 ratio of DSF is expected to be 21.0%, as compared to 23.6% as at 31 December 2023 (see "*Capitalisation*" above). DSF has a strong track record of profitability and has only had one year with a negative result in its 60+ year history (for further information, see "*Description of DSF – Investment Highlights - Track record of profitability and resilient cash generation through the cycle*").

The Issuer is also expected to benefit from the substantial tied-up reserve capital available at DSF, which stood at DKK 8,343 million as at 31 December 2024. The mandatory preferred dividend payable to the Danish Maritime Fund under the B-Shares of DSF is equal to the lower of 15% of net profit or 1% of the tier-up reserve capital of DSF (limited to DKK 83 million per year), thereby allowing the Issuer to benefit from excess tied-up reserve capital of DSF as holders of the A-Shares following the consummation of the Transactions.

The Issuer aims to maintain a well-diversified investment approach, combining traditional investments such as liquid bonds and stocks. Capital build up from surplus dividends will enhance the financial profile of the Issuer, diversifying its own source of income to support debt service.

Management

As of the date of this Offering Circular, the directors of the Issuer are:

Mr Ahmed Omar – Mr Omar is the Chief Investment Officer of Magellan Capital, a member of the Magellan Group, and has 17 years of experience in banking, M&A and leveraged finance. Mr Omar has closed transactions worth over U.S.\$20 billion across sectors such as healthcare, oilfield services, infrastructure, utilities and real estate, and spearheaded the execution of the landmark sale of ZMI to the Abu Dhabi National Oil Company in 2022. Mr Omar was previously the Chief Financial Officer of ZMI, responsible for raising new financings, executing on M&A and preparing ZMI for a public bond. Mr Omar obtained a Bachelor of Arts in Economics from American University Cairo and a Master's Degree in Business Administration from London Business School.

Mr Omar Elali – Mr Omar Elali was a former advisor to a global non-profit, responsible for accelerating the institute's relationship with influential public and private sector leaders in the MENA region. At the Magellan Group, Mr Omar Elali overlooks strategic development and implementation of investment strategy. Mr Omar El Ali obtained a Bachelor's Degree in Economics from the University of Edinburgh and a Master's Degree in International Finance and Development from SOAS, University of London.

The business address of each director is 64 Knightsbridge, London, United Kingdom, SW1X 7JF.

There are no conflicts of interest between the duties of the persons listed above to the Issuer and their private interests or other duties.

Financial Information

The Issuer was incorporated on 31 July 2023 and does not currently prepare financial statements. The Issuer expects to prepare financial statements as at and for the year ended 31 December 2024.

DESCRIPTION OF THE GUARANTOR

The Guarantor was incorporated as a private company limited by shares under the Abu Dhabi Global Market Companies Regulations 2015 on 28 August 2023.

The registered office of the Guarantor is Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates.

Shareholder

One registered share of the Guarantor has been issued and paid up and held by Mr Hassan Elali.

Material Activities of the Guarantor

The Guarantor is a non-financial holding company. Under the Conditions of the Notes, the Guarantor may also engage in certain investment activity.

The Guarantor, along with the Issuer and certain affiliated entities, forms part of the Magellan Group (see "*Description of the Issuer – Material Activities of the Issuer*"). The Guarantor is providing the Guarantee under the Notes as one of the means for the Sponsor and the Magellan Group to enhance their respective ability to provide any potential future equity support to the Issuer and its subsidiaries.

Going forward, the Guarantor expects to diversify from a single-asset to multiple income stream business with contribution of assets from its shareholder, Mr Hassan Elali. The Guarantor intends to focus, in particular, on investments that are complementary to that of DSF and to leverage off the relationship with DSF.

The Guarantor, as a key part of the Sponsor's portfolio and its wider investment strategy, can also benefit from additional support from its shareholder, Mr Hassan Elali.

As of the date of this Offering Circular, the Guarantor has no subsidiaries or activities other than the ownership of shares in the Issuer.

Management

As of the date of this Offering Circular, the directors of the Guarantor are Mr Ahmed Mohamed Abdelmonem Omar and Mr Omar Elali (see "*Description of the Issuer – Management*").

The business address of each director is Floor 18, Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates.

There are no conflicts of interest between the duties of the persons listed above to the Guarantor and their private interests or other duties.

Financial Information

The Guarantor was incorporated on 28 August 2023 and does not currently prepare financial statements. The Guarantor expects to prepare financial statements as at and for the year ended 31 December 2024.

DESCRIPTION OF DSF

Danish Ship Finance A/S (DSF) is a privately held Denmark-based public limited liability company (in Danish: *aktieselskab*) that operates under Danish law.

DSF provides financing to large, reputable shipowners in Denmark and internationally. DSF offers its clients ship financing, subject to first priority mortgages on the financed vessels.

As of the date of this Offering Circular, DSF is rated BBB+ (Stable Outlook) by S&P and SMBs and SCBs issued by DSF have been assigned an A (Stable Outlook) rating by S&P.

History

DSF was originally founded on 6 June 1961 as Danmarks Skibskreditfond by Danish banks, insurance companies, shipping companies, shipyards – represented by their trade associations – and Danmarks Nationalbank (the Danish Central Bank) to commence ship financing operations. No capital was originally contributed to Danmarks Skibskreditfond, but the members of the four above-mentioned trade associations and Danmarks Nationalbank subscribed for the foundation's guarantee capital.

The objective of establishing Danmarks Skibskreditfond was to create a permanent source of funding for Danish shipowners and new built vessels from Danish shipyards and thereby provide a financial foundation for the ongoing development of the Danish maritime sector. This main objective still applies as at the date of this Offering Circular.

Until the mid-1990s, Danmarks Skibskreditfond was engaged in the financing of vessels built by Danish shipyards. Since 1997, the mandate has been gradually extended to the financing of vessels that are neither built in Denmark nor owned by Danish shipowners.

In 2005, Danmarks Skibskreditfond was converted into a public limited liability company (in Danish: *aktieselskab*). The conversion was effected via a merger with a 100% owned subsidiary, which continued as the surviving company. The merger between Danmarks Skibskreditfond and DSF was based on the framework agreement dated 17 January 2005 between Danmarks Skibskreditfond, the Danish Ministry of Economic and Business Affairs and Danmarks Nationalbank. The agreement laid down the framework for the conversion of Danmarks Skibskreditfond into a public limited company. The main objective of the conversion was to reform the framework for DSF's future operations, including a partial adjustment of the provisions to match those applicable to other financial institutions. As a consequence of the conversion, DKK 8,343 million of the equity of DSF was encapsulated in the form of a tied-up reserve capital that cannot be distributed to the shareholders or any others.

In 2016, 86.6% in the outstanding capital of DSF were sold by a consortium including Danske Bank, Danmarks Nationalbank, A.P. Møller - Maersk and Nordea Bank for DKK 4.25 billion to a consortium consisting of the Majority Sellers.

Recent Developments

On 20 June 2024, DSF published a trading update for the first quarter of 2024 on Nasdaq Copenhagen, containing the following:

Financial results for the first quarter of 2024

The first quarter 2024 net result for Danish Ship Finance A/S of DKK 187 million is fully satisfactory and reinforces our comfort in achieving the result guided to for the full year 2024. The positive first quarter result was underpinned by a strongly positive investment result, satisfactory albeit slightly trailing net income from lending, positive one-off effects from reversal of loan impairment charges, and well-contained operating costs.

In the first quarter of 2024, net income from investments was DKK 125 million. Net income from lending and funding was DKK 94 million.

Reversal of loan impairment charges, primarily driven by recovery on loans previously written off, impacted the result positively by DKK 77 million in the quarter. Costs and depreciation of DKK 44 million, including certain positive one-offs, were lower than expected. These favorable one-off effects are not expected to recur in the remainder of 2024.

Positive trends in lending meant that the loan book grew to DKK 32.6 billion at the end of the quarter from DKK 32.0 billion as of 31 December 2023.

The very robust credit quality of the loan book was maintained, and solvency and liquidity also remained very solid. The CET1 ratio decreased slightly to 22.9% at the end of the quarter from 23.6% as of 31 December 2023, primarily due to an increased volume of loan offers.

Below is the selected unaudited financial information of DSF as at and for the three months ended 31 March 2024 and 2023:

	For the three months ended 31 March 2024
	(DKK m)
Net income, lending.....	97
Net income, funding.....	(3)
Net income, investments.....	125
Total income.....	219
Costs and depreciation.....	(44)
Loan impairment charges.....	77
Profit before tax.....	252
Tax	(65)
Net Profit.....	187
 Gross lending	 32,599
Total capital ratio	22.9%

The accounting policies are unchanged from those applied in the Annual Report 2023.

The income statement as of 31 March 2024 does not include comparative figures, as DSF has not prepared quarterly statements as of 31 March 2023 and does not intend to prepare quarterly statements on a regular basis.

DSF has not requested permission from the DFSA to recognise the net profit for the period in the total capital, hence Q1 net profit is not included in the total capital as of 31 March 2024.

Existing Shareholders

DSH

As of the date of this Offering Circular, DSH is the majority shareholder of DSF and owns approximately 96.19% of the A-Shares (or approximately 86.6% of the total share capital) of DSF.

DSH is a privately held Denmark-based public limited liability company (in Danish: *aktieselskab*) that operates under Danish law. As of the date of this Offering Circular, the directors of DSH are Mr Povl Christian Lütken Frigast (Chairman), Mr Anders Damgaard and Mr Michael Nellemann Pedersen.

Danish Maritime Fund

As at the date of this Offering Circular, the Danish Maritime Fund holds 10% of the B shares of DSF. Following the Transactions, the Danish Maritime Fund will continue to hold such shares (see "*Summary of the Transactions*").

The Danish Maritime Fund is a commercial fund established by law in 2005 upon the transformation of Danish Ship Finance into a private limited liability company. The Danish Maritime Fund was at the time awarded 10% of the share capital in Danish Ship Finance.

Each year, the Danish Maritime Fund receives 15% of Danish Ship Finance's net profit as a preferred dividend (limited to DKK 83 million per year). However, dividend payments to the Danish Maritime Fund as a B-Shares holder must not exceed a maximum amount corresponding to 1% of DSF's tied-up reserve capital. Through DSF's dividend contribution to the Danish Maritime Fund, DSF indirectly funds initiatives supporting the development and growth of the Danish shipping and shipbuilding industries and their suppliers.

The objectives stated in the Danish Maritime Fund's charter are i) to ensure the perpetual existence of a ship finance institution in Denmark through its shareholding and ii) to provide grants and financing to initiatives and

activities that grow and develop the Danish shipping and shipbuilding industries. DSF is not involved in the operation of the Danish Maritime Fund or the distribution of any grants. Danish maritime companies or organisations are eligible for support from the Danish Maritime Fund.

Subsidiaries

DSF does not depend on other entities in the group to carry out its principal activities. DSF currently has no subsidiaries. DSF may, subject to pre-approval by the Danish FSA, take over companies from time to time in the course of restructuring and settling non-performing loans.

Investment Highlights

Sizeable global ship finance market with strong industry dynamics

DSF is a leading speciality lender with global reach and recognition operating in the global ship finance industry, which is an industry with strong dynamics and potential for expansion. Global seaborne trade continues to be a growing space, with seaborne trade having increased by 3% during 2023 as compared to 2022. Shipyard availability continues to be limited and despite an uptick in ordering of new vessels in the past two years, the orderbook for new ships remains moderate at 12%, well below the 50% peak from 2009. In addition, a renewed focus on sustainability by the industry as a whole is expected to increase demand for vessels with reduced carbon emissions, thereby further contributing to potential demand for ship financing.

Leading ship finance business in Denmark offering tailor made financing solutions to high quality borrowers well diversified across segments and geographies

DSF is a well-diversified business, with global reach and recognition and support for reputable shipowners across shipping cycles. It operates in different shipping segments, such as bulk carriers, product tankers, crude tankers, offshore vessels, container, ferries/ro-ro, gas and chemical tankers and operates in a number of jurisdictions within Europe, Asia and North America.

DSF focuses on a high-quality client base within the broader shipping industry, with an estimate of approximately 100,000 vessels and 25,000 owners. Within this broad industry, DSF focuses on a gross spectrum of 18,000 vessels and 480 owners, and in turn maintains a portfolio of 596 vessels and 68 owners, thereby allowing it to offer highly tailored financing solutions to a premium group of borrowers.

Best in class capitalisation well above regulatory requirements and strong balance sheet metrics

DSF maintains a strong capitalisation position and balance sheet. As at 31 December 2023, DSF enjoys a robust capitalisation with CET1 ratio of 23.6% well in excess of minimum regulatory requirements of 13.3% (consisting of a 9.5% internal capital adequacy requirement, 2.5% capital conservation buffer and 1.4% countercyclical capital buffer).

As at 31 December 2021, 2022, and 2023, DSF had an excess capital cushion of DKK 3.8 billion, DKK 3.7 billion and DKK 4.3 billion, respectively, which constitutes an 8.4%-points, 8.8%-points and 10.3%-points capital buffer over regulatory capital requirements, respectively.

Track record of profitability and resilient cash generation through the cycle

DSF has a strong track record of profitability and has only had one year with a negative result in its 60+ year history (due to unrealised losses on its bond portfolio). This is underpinned by (i) prefunding liabilities while maintaining a loan book funded according to the strict Danish specific balance principle (see "*Regulation – Balance Principle*"), which very significantly reduces DSF's refinancing risk and (ii) maintaining a buffer of high quality liquid assets.

As of 31 December 2021, 2022 and 2023, DSF had cumulative retained earnings of DKK 451 million, DKK 842 million, and DKK 1,341 million and paid out a dividend of DKK 128 million and DKK 167 million for 2021 and 2022, respectively. In addition an extraordinary dividend of DKK 105 million was paid out in 2022. The Board of Directors of DSF has proposed a dividend of DKK 320 million for the year ending 31 December 2023 of which DKK 83 million will be paid to the B-shareholder, the Danish Maritime Fund. Such dividend was approved by shareholders on 19 March 2024.

DSF chose a pay-out ratio of 50%, 25% and 39% as of 31 December 2021, 2022 and 2023, respectively. Dividends paid as a percentage of retained earnings were 28% and 20% for the years ended 31 December 2021 and 2022 respectively. The proposed dividends paid as a percentage of retained earnings is 24% for the year ended 31 December 2023. Dividends encompass dividends to A-shareholders as well as mandatory preferred dividends to the B-shareholder.

Strong asset quality metrics on the back of conservative underwriting, prudent risk management, and partnerships with the best performing shipping companies

DSF focuses on maintaining asset quality by (i) focusing on a selective group of clients, predominantly top-tier ship owners with strong corporate structures and a solid track record in shipping, (ii) providing financing only against first priority mortgages in the vessels and an initial loan-to-value ("LTV") of up to 70% with minimum value clauses in the majority of loans which allow DSF to request additional collateral and/or extraordinary repayments when a minimum value clause is breached, and (iii) a strong capital base, a prudent impairment policy and a large liquidity buffer guard against any adverse business environment, which is aligned with DSF's long-standing conservative lending approach mitigates inherent volatility.

High quality diversified asset book with historically low credit losses, strong collateralisation and prudently managed investment portfolio

DSF manages a diversified asset book and adopts prudent risk management policies to maintain its asset book and investment portfolio.

For the year ended 31 December 2023, loan impairment charges amounted to a reversal of DKK 506 million, slightly lower than the reversal of DKK 583 million in 2022. Net recovery on loans previously written-off was an income of DKK 442 million, up from an income of DKK 313 million in 2022 and the total expected credit loss allowance account amounted to DKK 672 million as at 31 December 2023, equivalent to 2.0% of the loan book as at 31 December 2023. LTVs provide a strong capital buffer to ensure that write-offs will be covered by existing loan impairment charges and will not erode DSF's capital base.

In terms of DSF's investment portfolio, as at 31 December 2023, in relation to the ratings of the relevant counterparties, 97.5% of DSF's bond portfolio is rated AAA, with a further 0.6%, 1.2%, 0.2%, 0.1%, 0.3% and 0.2% rated as AA+, AA-, BBB+, BBB, A3 and A1, respectively. In terms of currency, as at 31 December 2023, 81.3% of DSF's bond portfolio was denominated in DKK, 5.7% was denominated in euro, 8.9% was denominated in Swedish krona and 4.1% was denominated in Norwegian krone. Furthermore, as at 31 December 2023, 89.9% of DSF's securities portfolio constituted of mortgage bonds, 9.4% constituted of government and local government bonds and 0.7% consisted of bonds issued by commercial banks.

Leading sustainability focus to facilitate and finance the transition to a carbon neutral industry

DSF is focused on sustainability and introduced sustainability ratings in 2019. All clients in DSF's lending portfolio are assigned individual sustainability ratings and sustainability-linked loans constituted 24% of new lending and refinancings in 2023.

In terms of DSF's sustainability strategy, in 2021 DSF introduced its "Financing the Transition" strategy and added a third pillar to its corporate purpose to make seaborne trade carbon neutral by 2050. The targets set by DSF in order to achieve such third pillar are to: (i) ensure that targets are industry linked, (ii) set targets that DSF will accommodate together with its clients and supporting clients in their journey and (iii) set targets focused on DSF's own organisation. In addition, to support DSF's "Financing the Transition" strategy, DSF disclosed its financed emissions for the first time in their latest annual reporting.

DSF is a founding signatory to the Poseidon Principles, a global framework for assessing and disclosing the climate alignment of financial institutions' shipping portfolios and has for the past several years been reporting under this framework. DSF's portfolio's performance on the Poseidon Principles climate alignment score improved to +3.7% from +5.7%, in the 2023 reporting compared to the 2022 reporting. DSF has for the past years also disclosed financed emissions, starting with the 2022 annual reporting.

In addition, DSF is committed to supporting the shipping industry in its sustainable transition by targeting a net zero emission loan book by 2050. It has also set the following milestones:

- 2024 – more than 50% of new lending is sustainability-linked and/or supports the sustainable transition

- 2025 – (i) new loans to only be made to clients who are actively engaged in a sustainability transition and (ii) for DSF's loan book to be fully aligned with the Poseidon Principles trajectory.

DSF also disclosed financed emissions for the second time in its most recent annual reporting, demonstrating a declining CO₂ intensity in its loan book.

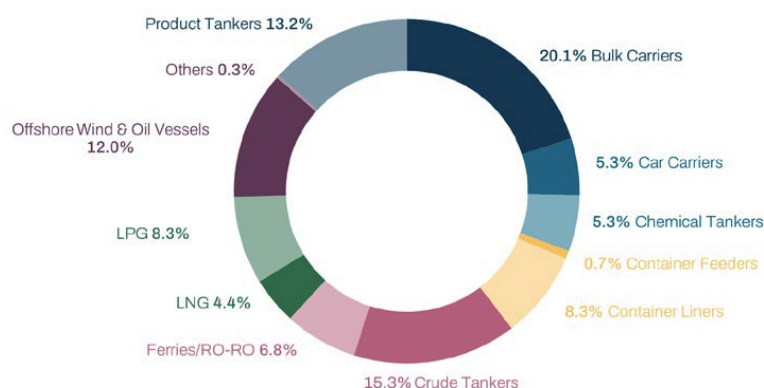
Business

DSF provides financing to large, reputable shipowners in Denmark and internationally. DSF offers its clients ship financing, subject to first priority mortgages on the financed vessels. As at 31 December 2023, DSF's loan book equalled DKK 32.0 billion (a decrease of 8 per cent. as compared to 31 December 2022), collateralised by a total of 596 vessels. DSF offers a loan-to-value of up to 60% (the weighted LTV on the loan book after loan impairment charges was 40% as at 30 December 2023) to 68 top-tier shipping corporates. A team of 81 experienced professionals working out of DSF's office in Copenhagen originate, execute & actively manage DSF's loan portfolio.

DSF has been permitted by the Danish FSA to perform activities as a ship finance institute according to the Danish Consolidated Act no. 646 of 18 May 2022 on a Ship Finance Institute, as amended (the "**Act**"). DSF's cross-border activities in some cases require separate regulatory license, exemption from license or permission. DSF may rely on external counsel to identify or interpret such requirements.

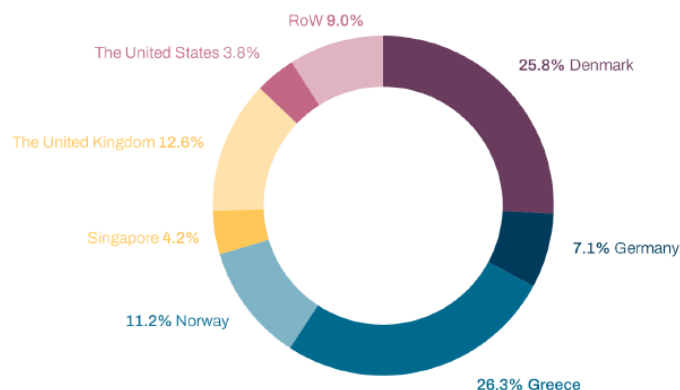
The object of DSF is to operate as a ship finance institute, including engaging in any activities permitted according to legislation applicable to a Danish ship finance institute from time to time. The object of DSF is to provide ship financing in Denmark. In addition, DSF provides ship financing in the international market **provided that** those activities do not unnecessarily limit the Company's Danish operations.

In terms of mortgaged vessel types, as at 31 December 2023, 20.1% of DSF's loan book consists of bulk carriers, followed by 15.3% in crude tankers, 13.2% in product tankers, 12.7% in gas, 12.0% in offshore vessels, 9.0% in containers, 6.8% in ferries/ro-ro, 5.3% in chemical tankers, 5.3% in car carriers and 0.3% other.



Geographically, DSF's principal market is Denmark. Other principal markets are the rest of Europe, North America and Asia. A breakdown of DSF's loan book by clients' operational head office as of 31 December 2023 is as follows:

Loan distribution by operational head office as at 31.12.2023



Risk organisation

DSF has a two-tier management structure:

- The Board of Directors defines DSF's principles of risk and capital management, risk policies and risk limits.
- The Executive Board is responsible for the implementation of these principles and policies and for the day-to-day management and monitoring of risk limits.

The Board of Directors is provided with reports on a regular basis in order to assess the adequacy and effectiveness of the risk management as well as compliance with applicable laws and regulations.

The Board of Directors has nominated an audit committee responsible for reviewing accounting and audit-related matters. To ensure an appropriate remuneration structure, the Board of Directors has also set up a remuneration committee.

The Executive Board has set up an informal credit committee responsible for reviewing lending commitments.

DSF's risk management strategy addresses the following risk types:

Credit Risk

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

The most significant risk DSF faces is the risk of incurring credit losses in situations where the value of financed vessels cannot cover the outstanding debt in the event of a client's default on a loan. DSF's credit policy contains specific guidelines for managing such risk, as well as guidelines for credit risk appetite and the ongoing risk management carried out in relation to lending activities.

DSF follows several predefined standard operating procedures as part of its ongoing credit risk management and governance processes, ensuring a consistent approach to credit reviews and credit risk management, the most important of which are:

The credit governance structure of DSF rests upon the three lines of defence principle, which ensures organisational separation of loan origination, credit risk management and control functions.

Client relations, comprising DSF's client-facing and loan origination employees, is responsible for interaction with clients, loan and security documentation and the operational management of loans. Together with the operations, support and development functions, it forms the first line of defence.

The credit department is the second line of defence, with day-to-day responsibility for the credit policy, the counterparty risk policy, credit risk monitoring, loan impairment reviews and the reporting of credit risk. Compliance functions also form part of the second line of defence.

As part of the control environment, DSF has an internal control function, which includes the review of standard operating procedures, ensuring a consistent approach to credit assessment, credit risk management, etc. Standard operating procedures are in place, ensuring a consistent approach to credit assessment and credit risk management.

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, DSF has established a set of guidelines, outlining to what extent and under which conditions DSF will allow large credit exposures, including credit exposures exceeding 25% of the eligible capital. DSF cannot go above 25% to any client outside of Denmark. As at 31 December 2023, there is only one client group whose aggregated credit exposure exceeds the 25% limit.

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

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

Ongoing credit risk monitoring

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

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

In addition, DSF monitors all credit exposures to ensure that clients fulfil their obligations under the individual loan agreements. This entails the following:

- Semi-annual updating of the market values of all financed vessels and verifying compliance with any agreed loan-to-value limits
- Verifying that any other collateral meets the specified minimum requirements
- Verifying the existence of adequate insurance cover on financed vessels
- Verifying compliance with financial covenants If a credit exposure is considered to entail increased credit risk, monitoring is intensified to safeguard the position to the greatest possible extent.

Market valuations

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

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

Loan-to-value intervals

As at 30 December 2023, 92% of DSF's loan book after loan impairment charges was on average secured by mortgages within 40% of the market valuation of financed vessels. A full 100% of the loan book after loan impairment charges was secured by mortgages within 60% of the market valuation of vessels.

Declines in vessel prices generally have limited adverse effects on collateral coverage, primarily due to the positive effect of regular loan repayments and the inclusion of minimum value clauses in many loan agreements, which grants DSF the right to demand partial prepayment and/or additional collateral if the market values of the mortgaged vessels fall below an agreed threshold.

Loan impairment charges and write-offs

DSF conducts bi-annual reviews of all credit exposures to calculate loan impairment charges for expected credit losses in accordance with guidelines outlined by the Danish FSA's Executive Order on Financial Reports. These calculations are based on IFRS 9 impairment rules and involve the staging of credit exposure.

The credit quality of the loan book strengthened further in 2023, positively impacted by healthy freight rates across most shipping segments, apart from the container segment, successful workouts of legacy, non-performing loans and, in particular, recovery on loans previously written off, leading to DKK 506 million reversal of loan impairment charges for the year, compared to a reversal of DKK 583 million in 2022. In 2023, DSF had no write-offs.

As at year-end 2023, DKK 75 million in management judgements, relating to uncertainties associated with the restructuring of legacy non-performing loans, was included in the total ECL allowance account, and macroeconomic factors across all shipping segments were an integral part of DSF's ECL impairment model.

In 2023, net recovery on loans previously written off amounted to DKK 442 million compared to DKK 313 million net recoveries in 2022.

Arrears/past due date

For loans in arrears or past due, those overdue for 30 days or more (but less than 90 days) indicate significant weaknesses and are classified as Stage 2 for ECL calculation. Loans overdue for 90 days or more are deemed in default and are classified as Stage 3 for ECL calculations.

As at year-end 2023, no performing loans were in arrears/past due. All loans recognised in Stage 2 were due to assigned internal DSF ratings, reflecting significantly increased credit risk since initial recognition or showing signs of weakness, rather than being in arrears/past due.

Loans subject to forbearance measures

DSF's approach to loans subject to forbearance measures focuses on maintaining a credit risk management framework aligned with the credit risk profile, risk appetite, and prevailing legislation. This approach aims to establish a robust capital structure and deliver financially sustainable solutions over the short, medium, and long term.

Given the cyclical nature of the shipping industry, temporary forbearance measures are a common practice in ship finance. These measures typically encompass concessions such as temporary payment deferrals, interest-only payment schedules, and term extensions, which are granted to clients experiencing temporary financial difficulties.

Concessions granted to clients encompass temporary payment deferrals, interest-only schedules, and term extensions. These concessions align with the credit policy, aiming to mitigate long-term credit loss risks. As at year-end 2023, forbearance measures had been applied to a very limited number of loans to three clients.

Liquidity risk

DSF's liquidity management and adherence to statutory liquidity requirements are designed to maintain liquidity risks at very low levels. Liquidity risk entails the potential for a disproportionate rise in funding costs or the inability to meet payment obligations due to insufficient funding.

DSF ensures sufficient liquidity coverage for existing loans and credit commitments through issued bonds, derivative contracts, and available own funds, extending until the commitments expire. Monitoring of potential future liquidity needs is undertaken within strict limits.

The average maturity of DSF's issued bonds in DKK matches that of loans in the Capital Centre Institute in General. In Capital Centre A, the average maturity of issued bonds in EUR exceeds that of loans. Any small residual loan exposures at specific maturities are covered by the capital allocated to the capital centre (see "*Regulation – Capital centres*" below).

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

The liquidity coverage ratio ("**LCR**") in DKK as at 31 December 2023 was 498%, as compared to 560% as at 31 December 2022. EUR is treated as a significant currency at DSF due to the EUR bonds issued in Capital Centre A and accordingly calculate the EUR LCR. The LCR in EUR as at 31 December 2023 was 2,316%. Net Stable Funding Ratio ("**NSFR**") as at 31 December 2023 and 2022 was 141% and 175%, respectively.

The securities portfolio represents a substantial portion of DSF's assets, comprising government and mortgage bonds, money market transactions, and interest-sensitive financial instruments. Interest rate risk within the securities portfolio may be fully or partially hedged.

Liquidity risk management is anchored in the internal liquidity adequacy assessment process ("**TLAAP**"), which is a review aimed at identifying liquidity risk exposures and determining liquidity targets. The risk profile and the framework are laid out in DSF's liquidity risk policy, which is set by its Board of Directors and defines DSF's overall risk appetite in relation to its liquidity risk profile and funding structure.

Daily liquidity management is carried out by the treasury department with the objective of ensuring that DSF is consistently able to meet its payment obligations and maintain its business model, which includes supporting planned lending activities and ensuring that its funding costs remain competitive.

The risk management department has day-to-day responsibility for the monitoring and reporting of adherence to the limits set out in the liquidity risk policy. DSF has also prepared a liquidity contingency plan that outlines a range of potential actions to bolster the liquidity position in critical situations. This plan is activated when predefined triggers are engaged.

Non-performing loans

Non-performing loans ("**NPL**") encompass all credit-impaired loans (DSF Rating 11) and all defaulted loans (DSF Rating 12). This classification includes loans for which no loan impairment charges have been recognized, often due to adequate collateral. All NPL are categorized as Stage 3 for the purpose of calculating ECL.

As of 31 December 2023, gross NPL represented 2.8% of the loan book, compared to 3.6% in the previous year. The average loan-to-value ratio on NPL after accounting for loan impairment charges was 32%.

As of 31 December 2023, Net NPL constituted 1.6% of the loan book after loan impairment charges, compared to 2.1% the previous year. This represented a significant reduction in NPL volume of DKK 342 million following successful workouts.

Market Risk

DSF's principal market risk is associated with the investment portfolio and the investment of any surplus liquidity from bonds issued. Interest rate risk and spread risk on bonds in the investment portfolio are the most significant market risks.

The purpose of DSF's investment portfolio is to support its primary business activities. The Executive Order on Bond Issuance imposes restrictions on interest rate, foreign exchange and liquidity risk for the funding under the balance principle. Surplus liquidity relating to bonds and lending therefore has limited exposure to market risks.

DSF's 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. DSF's internal market risk limits are more stringent than external regulatory requirements.

The Treasury department has day-to-day responsibility for complying with the limits laid down in the market risk policy, and the risk management department has day-to-day responsibility for the monitoring and reporting of adherence to the limits set out in the market risk policy.

In the event of a breach, the treasury department is responsible for documenting the cause and for presenting an action plan to resolve the breach. The management is informed immediately and the Board of Directors at the latest at the next board meeting. If necessary, the relevant authorities will also be informed immediately.

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.

Operational Risk

Operational risk is the risk arising from break-downs in internal procedures, human error or failure of systems. This category also includes structural risks to DSF's business model, sustainability risk and the risk of material damage to DSF's reputation. DSF's operational risk policy stipulates that operational risk shall be kept low overall. Operational risk is assessed on the basis of the probability of a given event occurring and the potential loss resulting from the event.

Given its nature and characteristics, operational risk is best mitigated and managed as part of day-to-day business conduct. Responsibility for the day-to-day management of operational risk lies with the individual business areas. Operational risk management activities are coordinated by the risk management department to ensure coherence, consistency and effectiveness across DSF.

It is DSF's policy to promote a culture where openness about and awareness of operational incidents are natural elements of the day-to-day work of all staff members, and to ensure that the Executive Board and the Board of Directors are briefed regularly on key risk areas.

As part of DSF's operational risk management, operational risk events are systematically recorded, categorised and reported as small, medium and large events. Events can be upgraded to a more severe category according to management judgement if the event is deemed to represent a higher latent (but not realised) risk. Small events are reported to the relevant head of department. Medium-sized and large events are reported to the Executive Board. The Board of Directors is notified of large events.

The recording of operational risk events must include information about the type of product, process and risk concerned and a plan of action for more severe events.

Funding

DSF funding requirements are satisfied by both bond issuances and loans. DSF bonds are typically issued in DKK and EUR, whereas most of DSF's loans are disbursed in USD. USD liquidity for funding USD loans is sourced through basis swaps, relying on efficient capital markets. Internal policies govern the maximum USD funding requirements over time.

Mortgage funding through covered bonds

All bonds issued by DSF meet the European Commission's requirements as outlined in Article 52(4) of the UCITS Directive and are compliant with Article 19 of Regulation (EU) 876/2019 of 20 May 2019 (the "CRR").

Debenture bonds

Debenture bonds, referring to specific bonds issued prior to 1 January 2008, are considered covered bonds under the CRD until maturity.

Ship mortgage covered bonds

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

With the exception of loans funded by ship mortgage bonds, in respect of loans funded by ship mortgage bonds, loans funded by ship covered bonds must adhere to a loan-to-value ratio not exceeding 60%.

Compliance with loan-to-value limits is only required at the time of the loan offer with respect to ship mortgage bonds whereas the 60% limit for ship covered bonds must be adhered to at all times.

Market for covered bonds

DSF primarily issues bullet bonds denominated in DKK. As at 31 December 2023, issued bonds totaled DKK 43.6 billion at amortized cost, with approximately 80% denominated in DKK and 20% in EUR. All bond issues are listed and traded on Nasdaq Copenhagen. As at year-end 2023, DSF held its own bonds totaling DKK 2.7 billion.

Capital structure

The determination of DSF's own funds and internal capital adequacy is affected by DSF's overall financial position. Similarly, DSF's credit rating is also affected by DSF's overall financial position. Any material changes in DSF's overall financial position may, therefore, have derived effects on DSF's possibility to conduct its principal activities, i.e. the granting of loans.

The tables below show DSF's capital structure, capital ratios, adequate capital base and buffer requirements as at 31 December 2021, 2022 and 2023.

	For the year ended 31 December		
	2023	2022	2021
	(DKK million)		
Common Equity Tier 1 capital			
Share capital – A Shares	300	300	300
Share capital – B Shares	33	33	33
Tied-up reserve capital	8,343	8,343	8,343
Retained earnings	1,341	842	451
Proposed dividends for the financial period.....	320	167	128
Revaluation reserves.....	70	70	70
Total Common Equity Tier 1 capital before deductions.....	10,407	9,755	9,325
Deductions from Common Equity Tier 1 capital			
Proposed dividends for the financial period.....	320	167	128
Retained earnings	-	-	-
Additional capital charge pursuant to the Executive Order on a Ship Finance Institute.....	-	-	-
Prudent valuation pursuant to article 105 of the CRR.....	37	31	24
Deductions for NPE loss coverage.....	64	260	8
Deductions pursuant to transitional rules regarding B share capital.....	33	33	33
Total deductions from Common Equity Tier 1 Capital.....	455	492	194
Common Equity Tier 1 capital after deductions	9,952	9,263	9,131
Own funds after deductions	9,952	9,263	9,131
Risk exposure amount			
Assets outside the trading book	32,842	34,414	36,856
Off-balance sheet items	1,546	1,892	1,678
Counterparty risk outside the trading book	2,995	2,645	2,766
Market risk	3,660	2,625	3,346
Operational risk	1,050	813	829
Total risk exposure amount	42,093	42,389	45,477
Common Equity Tier 1 capital ratio	23.6	21.9	20.1
Tier 1 capital ratio	23.6	21.9	20.1
Total capital ratio	23.6	21.9	20.1
The risk exposure amount for market risk consists of:			
Position risk related to debt instruments	3,216	1,994	3,045
Position risk related to shares	18	93	18
Total currency position.....	425	538	284
Total risk weighted exposure amount for market risk.....	3,660	2,625	3,346

Litigation

No governmental, legal or arbitration proceedings had been brought against DSF within the past 12 months prior to the date of this Offering Circular that could have or that in the recent past have had a significant effect on DSF and/or DSF's financial position or results.

Regulation

Danish Ship Finance is a ship finance institute. As a ship finance institute, DSF is subject to the Act, the Executive Order and other relevant regulation. Under the provisions of the Act and the Executive Order, certain parts of (i) the FBA and (ii) Regulation (EU) No. 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms as amended from time to time, including by the CRR, have also been made applicable to DSF.

The Act and the Executive Order (including the applicable parts of the FBA and the CRR) lay down various prudential and conduct requirements, including on the business activities, ownership structure, management and organisation of financial businesses, capital structure, capital buffers, liquidity, valuation of collateral, maturities, loan-to-value limits, issuance of SMBs, SCBs and senior secured bonds, fleet mortgages, liability, balance principle, supplementary collateral, annual report, capital centre accounts as well as reporting and disclosure obligations.

The Act also provides rules on prudential and conduct supervision. DSF is subject to supervision by the DFSA, which is a regulatory authority under the Danish Ministry of Industry, Business and Financial Affairs. The DFSA oversees DSF's activities on an ongoing basis, including by way of inspection, and regular reporting from DSF.

The CRR lays down provisions on several matters relating to credit institutions, including:

- own funds;
- risk exposure;
- liquidity;
- leverage ratio;
- reporting requirements in connection with capital requirements, large exposures, liquidity requirements and leverage; and
- public disclosure requirements in connection with own funds requirements, large exposures, liquidity requirements and leverage.

DSF is generally exempt from Directive 2013/36/EU of 26 June 2013 of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms as amended from time to time, including Directive (EU) 2019/878 of 20 May 2019 the "CRD") and any related directives; however, the Act and the Executive Order do implement certain provisions of CRD in relation to DSF. The most important consequence of this exemption is that, unlike most credit institutions, DSF is not subject by statutory limits on Large Exposures to all individual borrowers classified as Danish. The Board of Directors must, however, lay down rules concerning risk diversification, including for borrower concentration.

DSF is not allowed to engage in any activities other than ship mortgage financing, with the exception that DSF may engage in activities ancillary to ship financing, as further set out in the Act.

DSF is subject to highly complex and changeable regulation, governing DSF's ability to lend to clients domestically and cross-border. Set out below is an overview of the legislation governing DSF's issuance of Bonds as well as the business operations of DSF.

Unless stated otherwise, the overview does not take into account any legislative amendments entering into force after the date of this Offering Circular.

Provisions on lending

DSF's objects are set out in article 2 of DSF's Articles of Association:

"The object of the Company is to provide ship financing in Denmark. In addition, the Company provides ship financing on the international market, as long as such activities do not unnecessarily limit the Company's Danish operations."

DSF is entitled to engage in other activities in relation to collateral assets, which it holds temporarily for the purpose of covering or settling prior commitments. Typically, this means that DSF may in a default scenario as part of any enforcement action in connection with a repossession of the mortgaged vessel choose to temporarily operate the vessel with a view to maximize the recovery proceeds to be applied against DSF's exposure.

When granting loans against mortgages in vessels financed through the issuance of SCBs and SMBs, DSF must perform valuations and determine lending limits based on the provisions of the Executive Order and Executive Order no. 768 of 30 May 2022 on the valuation of mortgages and loans in ships as security for the issuance of covered bonds and ship mortgage bonds ("**Valuation Order**") (*bekendtgørelse om værdiansættelse af pant og lån i skibe som stilles til sikkerhed for udstedelse af særligt dækkede obligationer og skibskreditobligationer*).

Capital centres

SCBs and SMBs of DSF are issued in capital centres. SCBs and SMBs may not be issued from the same capital centre. SCBs are issued from Capital Centre A, and SMBs are issued from the Institute in General.

For capital centres issuing SCBs or SMBs, Senior secured bonds may be issued for the purpose of providing overcollateralisation to the capital centres, normally for the purpose of supporting the rating of the Bonds issued from the capital centre.

In Capital Centre A, senior secured bonds may also be issued for the purpose of providing supplementary collateral under Section 2j of the Act.

The assets of each capital centre consist of all mortgages relating to vessels as well as liquidity placements in the form of securities, deposits and (reverse) repos held by the capital centre. The liabilities of each capital centre are made up of the SCBs, SMBs and senior secured bonds issued as well as the own funds (capital) relating to the capital centres.

Furthermore, each capital centre may include off-balance sheet items such as financial contracts in the form of derivatives. Financial contracts may be included only for the purpose of hedging interest rate and currency risks stemming from imbalances between the assets and liabilities of the capital centre, provided the contracts for the derivatives stipulate that reconstruction, insolvency proceedings or failure to provide security by DSF institute do not constitute events of default.

The income of each capital centre consists of interest from loans, bonds, debt instruments and other claims, upfront fees and similar income as well as returns on other assets in each individual capital centre and derivatives.

The expenses of the capital centres are made up of the interest coupons paid on issued SCBs and SMBs as well as interest coupons paid on any Senior secured bonds, administrative and similar expenses, loss and impairment of assets in the capital centres, off-balance sheet items as well as any tax liabilities accruing to the capital centre.

DSF and the capital centres are liable for obligations under the SCBs and SMBs in accordance with the provisions of the Act. The capital centres are individually ring-fenced and are not subject to cross-liability. If the claims of the holders of SCBs and SMBs are not fully satisfied by the funds of the relevant capital centre, they will have preferential rights to the assets available for distribution in the Institute in General.

Cover assets, loan-to-value limits and additional capital charge

DSF may only grant loans secured by ship mortgages or certain other qualified assets.

DSF may grant loans in amounts up to 70% LTV based on the market value of the mortgaged vessel(s) at the time of loan offer or at delivery at the latest. However, DSF may for a period of up to one year (which under special circumstances can be extended) waive the requirement for a registered mortgage on the vessel, if the loans are supported by additional high-quality collateral and/or are subject to additional reservations of DSF's own funds

(additional capital charge) as set out in the Executive Order. In addition, mortgages funded with SCBs are subject to a maximum LTV of 60%. As of 31 December 2023, the weighted LTV ratio of DSF was at 40%.

Under certain conditions, however, DSF may grant loans exceeding 70% LTV, if the loans are supported by additional high-quality collateral and/or are subject to additional reservations of DSF's own funds (additional capital charge). Such reservations of own funds are made as a deduction from the Tier 1 capital of the Capital Centre A or in the Institute in General (as the case may be) in connection with the statement of capital. The deduction equals the amount of the loan in question that exceeds 70% of the market value of the mortgaged vessel(s) at the time of calculation.

The additional reservations of own funds for a loan are, however, capped at an amount in DKK determined on the date of the granting of the loan or at the disbursement of the loan at the latest.

Fleet mortgages

A fleet mortgage exists if one or more borrower(s) provides security for one or more loan(s) by way of a registered mortgage against more than one vessel.

A fleet mortgage may be allocated between two or more capital centres including the Institute in General if the loan agreement include the following provisions:

- Cross-liability, meaning that all borrowers are jointly liable for all loans secured by the fleet mortgage;
- Cross-default, meaning that a default with respect to one loan will cause all loans secured by the fleet mortgage to default to the effect that the fleet mortgage becomes enforceable in its entirety;
- Cross-collateral, meaning that all vessels covered by the fleet mortgage are provided as collateral for all loans secured by the fleet mortgage to the effect that recourse is available against all vessels for the exposure under all loans; and
- The borrower shall undertake not to use the mortgaged vessels as security for other (unrelated) loans not secured by the first priority fleet mortgage (negative pledge).

Provisions on maturity and loan amount

The maturity of a loan granted by DSF must not exceed 15 years from the date of disbursement of the loan and, in the case of pre-delivery financing, four years from the date of the first disbursement.

The maturity of a loan is determined with consideration for the average life expectancy of the vessel type and the age and condition etc. of the vessel in question.

Valuation of vessels

Vessel values for use in connection with market value assessment of vessels serving as collateral to SCB's and SMB's issuance shall equal an amount at which the vessel can be sold during a sales period of not more than 12 months from the valuation date in an independent sale and purchase transaction between a willing buyer and a willing seller at normal market conditions, where each of the parties has acted on a well-informed basis, with caution and voluntarily (market value). Conditions leading to an especially high price must not form part of the valuation. The value of charter or other contracts of employment may not be taken into account in the valuation of the ship. When making the valuation of collateral, DSF must take into consideration any risk of changes to market and structural conditions. The Valuation Order sets DSF certain requirements and conditions for the valuation and the time for making the valuation.

At least once a year, DSF shall prepare a valuation of each individual vessel in order to ensure that the loan-to-value requirement of 60% in respect of SCB issuance is observed. DSF shall prepare valuations of each individual vessel more often if special conditions may be assumed to apply, including in case of considerable changes to market conditions. The valuation of the vessel must be to market value. The valuation may be carried out by DSF itself or an external expert assessor who meet certain criteria as set out in the Valuation Order. DSF may use statistical methods (algorithms) in order to monitor the valuation of the vessels and in order to identify which vessels that need a new valuation. DSF is required to have procedures for ongoing monitoring of the vessels' physical condition, including procedures for physical inspections.

Vessels registered outside of the EU

The Danish FSA may grant permission for DSF to grant loans secured by mortgages over vessels that is registered outside the European Union on the condition that the requirements set out in Sections 28-30 of the Executive Order are satisfied. Such requirements include, among other things, that DSF must ensure that the granted loan is enforceable against the borrower and that the mortgage securing the loan is valid and enforceable.

Balance principle

According to the Executive Order on Bond Issuance, DSF must observe a balance principle and may choose either a general balance principle (Chapter 2 of the Executive Order on Bond Issuance) or a specific balance principle (Chapter 3 of the Executive Order on Bond Issuance). DSF has chosen to apply the specific balance principle.

The specific balance principle

The provisions on the specific balance principle require the following for each capital centre:

1. Differences between future cash outflows to bonds issued and financial hedging instruments and future cash inflows from mortgages, loans to public authorities or against public guarantees, placements according to Section 4(5) of the Executive Order on Bond Issuance as well as financial hedging instruments must be possible to be calculated on a day-by-day basis.
2. Any future liquidity deficit for the capital centre resulting from the cash outflow exceeding the cash inflow must not exceed the capital centre's own funds. Future cash deficits for the capital centre do not include liquidity deficits that are matched by liquidity positions of low-risk and marketable securities or held as deposits with credit institutions qualifying for credit quality rating 2 or higher, subject to a termination notice of up to 12 months.
3. The interest rate risk assumed by the capital centre as a result of the differences in cash outflows and inflows, including interest rate risk in respect of surplus funds in the placement of such differences, must not exceed an amount equivalent to 1% of the capital centre's own funds. The differences do not comprise any payment surplus as a result of the borrower repaying the relevant loan, in whole or in part, before the capital centre's payment to the holders of the bonds when the borrower is not entitled to any compensation in that regard. For each currency where the capital centre has differences in cash outflows and inflows, the interest rate risk is calculated as the largest decrease in the current value of the differences calculated in six different scenarios, as set out in the Executive Order on Bond Issuance.
4. The interest rate risk of the capital centre's assets, liabilities and off-balance items may not exceed 8% of its own funds.
5. The currency risk in respect of the capital centre's assets, liabilities and off-balance items must not exceed 2% of the capital centre's own funds plus the total foreign exchange risk relating to impairments on foreign currency loans. The foreign exchange risk is calculated using DFSA's exchange-rate indicator 2. Net positions in currencies that do not form part of exchange-rate indicator 2 must not exceed DKK 30 million for each individual currency.

Provisions on capital adequacy

The regulatory framework for capital management is based on the CRR and the CRD (implemented in the FBA and as made applicable to DSF), which, among other things, consist of three pillars:

- Pillar I contains a set of rules for determining the minimum own funds requirement which is 8% of regulatory credit, market and operational risk exposures – including provisions on counterparty risk, minimum regulatory and capital deductions for non-performing exposures.
- Pillar II describes the framework for the Internal Capital Adequacy Assessment Process ("ICAAP") framework and the supervisory review and evaluation process. The internal capital adequacy requirement is determined under the ICAAP and includes an individual solvency requirement.
- Pillar III relates to market discipline and sets out requirements for the disclosure of information about risk and capital management and the internal capital adequacy requirement.

Internal capital adequacy requirement

Under Danish law, DSF must determine and publish its internal capital adequacy requirement each quarter. The internal capital adequacy assessment determines the capital considered sufficient for covering DSF's risks. The internal capital adequacy is calculated on the basis of the requirement under Pillar I plus a supplement for requirements under Pillar II. Pillar II reflects any uncertainty relating to the regulatory risk models and other factors, and the capital level is subject to ongoing qualitative adequacy assessments to assess whether it is sufficient for covering DSF's risks.

Leverage risk

The CRR and the CRD (implemented in the FBA and as made applicable to DSF) require DSF to calculate, report on and monitor its leverage ratio, which is defined as Tier 1 capital as a percentage of total leverage exposure amount. Due to the amendments to CRR through the CRR Amendment Regulation, the leverage ratio – i.e. the institution's capital target (core capital) divided by the exposure target (the exposure values of a series of assets, derivatives agreements and off-balance items, among other things) – must at least amount to 3%.

According to CRR, the leverage ratio should not be lower than 3%. Therefore, there is no need for DSF to increase the internal capital adequacy requirement to reduce leverage. In addition, policies that contain a total leverage ratio target are a requirement when the leverage ratio is less than 7%. In DSF's market risk policy, the leverage ratio target is more stringent, at a minimum of 10%.

Capital buffer requirements

In addition to the minimum own funds requirement and the individual solvency requirement, DSF is subject to a combined buffer requirement, which must be met with Common Equity Tier 1 capital. The combined buffer requirement is comprised of five elements: (i) the capital conservation buffer, (ii) the institution-specific countercyclical buffer, (iii) the systemic risk buffer and the higher of (iv) the global systemically important institutions buffer and (v) the other systemically important institutions buffer. At the date of this Offering Circular, DSF's combined capital buffer requirement consists of a 2.5% capital conservation buffer and a countercyclical capital buffer of 0-2.5% depending on the geographical distribution of credit risk exposures, whereas the global systemically important institutions buffer and the other systemically important institutions buffer do not apply to DSF. Based on the geographical distribution of credit risk exposures, the capital requirement for the institution-specific counter-cyclical capital buffer was calculated at DKK 577 million as of 31 December 2023.

All EU member states can implement a systemic risk buffer applying to domestic exposures. The requirement may apply to the entire sector or to individual sub-sectors. The systemic risk buffer is aimed at preventing and mitigating systemic or macroprudential risks not covered by the CRR.

Capital centres

The Institute in General and each capital centre must have own funds representing at least 8% of the total risk exposure (subject to a minimum of EUR 5 million). This requirement applies to DSF generally and to its individual capital centres.

In the event that a capital centre is unable to meet the capital adequacy requirement, funds must be transferred from the Institute in General, unless such a transfer would prevent the Institute in General from meeting the 8% own funds requirement. Excess capital may be transferred from individual capital centres to the Institute in General.

Liquidity provisions

DSF is subject to the EU liquidity rules, LCR and NSFR, stipulating minimum requirements for liquidity and term funding.

Liquidity Coverage Ratio

As a result of the LCR requirements, DSF and other credit institutions must have a liquidity buffer that will enable them to withstand a 30-day intensive liquidity stress test, i.e. when there is no access to other sources of financing. The LCR is expressed as a percentage that must at all times be at least 100% and is calculated as the institution's liquidity buffer as a percentage of the net liquidity outflow over 30 days.

DSF's liquidity buffer consists of High-Quality Liquid Assets ("**HQLA**"), including government bonds and covered bonds (mortgage bonds (*realkreditobligationer* or rOs, covered bonds (*særligt dækkede obligationer* or SDOs, and covered mortgage bonds (*særligt dækkede realkreditobligationer* or SDROs). Net liquidity outflows are limited by pre-funding and the specific balance principle.

Net Stable Funding Ratio

According to the CRR (as amended by the CRR Amendment Regulation), DSF must comply with a structural NSFR of at least 100% with the purpose of securing stable funding of the institutions' assets in the 12-month term.

Provisions on the right to incur debt

The documentation must specify to which capital centre the proceeds from the incurred debt are to be allocated. The proceeds raised must be invested in certain low-risk and marketable securities as set out in the CRR.

As from the time when the debt is incurred, the assets relating to proceeds from the incurred debt must be placed in a separate account in a separate custody account or otherwise be designated as deriving from the relevant debt. Assets used as supplementary collateral must be recognised in the relevant capital centre.

Provisions on the recovery and resolution of credit institutions

DSF is only covered by certain parts of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended (the "**BRRD**"). Chapter 16 of the FBA on crisis management, which implements parts of the BRRD, applies to DSF.

The objective of the BRRD is to ensure the continuity of critical functions in distressed institutions and to avoid a significant adverse effect on the financial system as well as to obviate the need for the public to participate in the resolution of a failing institution. DSF is required to prepare and maintain a recovery plan for how to avoid a rapid deterioration of the institution's financial situation pursuant to Section 71a of FBA and Executive Order no. 47 of 16 January 2023 on Recovery Plans for Banks, Mortgage Banks, Ship Finance Institutions and Investment Firms. The recovery plan must be updated at least every other year.

Since DSF is only covered by certain parts of BRRD as set out above, DSF is e.g. not subject to the Danish Act on Recovery and Resolution of which implements the BRRD into Danish law. Accordingly, DSF is not subject to the minimum requirement for own funds and eligible liabilities (the "**MREL requirement**") and the resolution tools and resolution powers of the BRRD, including bail-in and the so-called non-viability loss absorption tool. Furthermore, the debt buffer requirement applicable to Danish mortgage credit institutions does not apply to DSF.

Bankruptcy

If DSF becomes insolvent, the DFSA and any creditor with a claim against DSF may file for bankruptcy proceedings to be commenced against DSF. Once a bankruptcy order has been issued, there may be no transfer of funds between capital centres and the Institute in General.

The Act confers a preferential right on certain creditors and, subject to certain conditions, certain counterparties relating to financial contracts in the event of bankruptcy.

MANAGEMENT

Directors and Executive Officers

Board of Directors

DSF's board of directors has the ultimate responsibility for the management of the affairs of DSF. The Board of Directors (the "**Board**") consists of 12 members, eight of whom are elected by the general meeting and four of whom are elected by and among the employees. Board members elected by the general meeting stand for election every year. As prescribed by Danish law, members elected by and among the employees serve on the Board of Directors for a four-year term, with the next election to be held prior to the annual general meeting in 2024. The Executive Order on Management and Control of Banks requires the board members' experience and competencies to be evaluated on an annual basis. The Board of Directors is elected within the framework of a shareholders' agreement. 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.

DSF's articles of incorporation (the "**Articles of Incorporation**") require the appointment of an external auditor. The re-election of EY as external auditors was proposed by the Board and in line with the recommendation of the Audit Committee, which is free from third-party influence and unrestricted by Articles clauses.

DSF's directors as of the date of this Offering Circular were as follows:

<u>Name</u>	<u>Title and Position</u>	<u>First Elected</u>
Eivind Kolding	Chairman of the Board and the Remuneration Committee	15 November 2016
Peter Nygaard	Deputy Chairman of the Board and Member of Audit Committee	15 November 2016
Marcus F. Christensen	Staff-elected Director	1 October 2021
Anders Damgaard	Director and Chairman of the Audit Committee	15 November 2016
Christian Frigast	Director	15 November 2016
Thor Jørgen Guttormsen	Director and Member of the Remuneration Committee	16 June 2017
Ninna Møller Kristensen	Staff-elected Director	26 March 2020
Henrik Rohde Søgaard	Staff-elected Director	1 July 2023
Jacob Meldgaard	Director and Member of the Remuneration Committee	21 March 2022
Michael N. Pedersen	Director and Member of the Audit Committee	15 November 2016
Christopher Rex	Staff-elected Director	29 March 2012
Henrik Sjøgreen	Director and Member of the Audit Committee	15 November 2016

Eivind Kolding is the Chairman of DSF's Board and the Remuneration Committee, serving the roles since November 2016, when he was elected as Chairman of the Board by nomination of DSH. Mr Kolding also serves as the Chairman of the Nordic Transport Group A/S, Vice Charman of Leo Fondet, and acting as a member of the board of directors at NNIT A/S and Altor Fund Manager AB.

Peter Nygaard is the Vice Chairman of DSF's Board, a Senior Advisor from Axcel, and a Member of the Audit Committee. Mr Nygaard joined the Board of Directors in November 2016, nominated by Axcel. Mr Nygaard also serves as a member of the board of directors at Øens Murerfirma A/S and Nuuday A/S. Mr Nygaard is also the Chairman of a number of boards in the Axcel Group.

Marcus F. Christensen is a staff-elected Director of DSF. Mr Christensen is also the Senior Client Executive of DSF. Mr Christensen has been a member of the Board since October 2021 and acts as the employee representative.

Anders Damgaard is a Director and the Chairman of the Audit Committee of DSF. Mr Damgaard joined the Board in November 2016 by appointment of PFA. Mr Damgaard is also the Group CFO of PFA Pension, and serves as a member of the board of directors at multiple corporations, including Blue Equity Management A/S, DSH and a number of PFA subsidiaries.

Christian Frigast is a Director of DSF's Board and a Partner at Axcel. Mr Frigast joined the Board in November 2016 by appointment of Axcel. Mr Frigast also serves as the Chairman of board of directors at multiple corporations, including Axcel Management, Axcelfuture, DSH, Danmarks Eksport- og Investeringsfond (Denmark's Export and Investment Fund). Mr Frigast is also the vice chairman of Pandora, PostNord, and an associate professor at Copenhagen Business School.

Thor Jørgen Gottormsen is a Director and a Member of the Remuneration Committee of DSF. Mr Gottormsen has joined the Board since June 2017. Mr Gottormsen is also a professional board member, and serves as a member of the board of directors at Høegh Autoliners ASA, Telenor Maritime A/S and Aequitas Ltd.

Ninna Møller Kristensen is a staff elected Director of DSF's Board. Ms Kristensen has been a member of the Board since March 2020. Ms Kristensen is also DSF's Executive Assistant with responsibility for the Project Office of DSF.

Henrik Rohde Søgaard is a staff-elected Director of DSF's Board. Mr Søgaard has been a member of the Board since July 2023. Mr Søgaard is also the Senior Client Executive of DSF.

Jacob Meldgaard is a Director and a Member of the Remuneration Committee of DSF. Mr Meldgaard has been a member of the Board since June 2017. Mr Meldgaard is also the chairman of Danske Rederier (Danish Shipping) and of Grant Compass. Mr Meldgaard also serves as a member on the board of directors of Syfoglomad, TORM Plc and the International Chamber of Shipping.

Michael N. Pedersen is a Director and a Member of the Audit Committee of DSF. Mr Pedersen has been a member of the Board since November 2016. Mr Pedersen is also the management executive of various organisations, including PKA A/S, Ejendomsselskabet Dronningegården, OPP HoldCo ApS, A/S Københavns Ejendomsselskab and Forstædernes Ejendomsaktieselskab. Mr Pedersen is also a member of the board of directors at multiple corporations such as the DSH, Refshaleøen Holding A/S and Refshaleøens Ejendomsselskab A/S.

Christopher Rex is a staff-elected Director of DSF's Board. Mr Rex has been a member of the board since March 2012. Mr Rex is also DSF's Head of Innovation and Research.

Henrik Sjøgreen is a Director and a Member of the Audit Committee of DSF. Mr Sjøgreen has been a member of the board since November 2016. Mr Sjøgreen is also a member of several board of directors, including the Henrik Frøde Obels Fond and Spar Nord Bank A/S. Mr Sjøgreen is also an advisor to the Executive Board of PFA Pensionsselskab.

Executive Board

As of the date of this Offering Circular, DSF's Executive Board includes:

Erik I. Lassen is DSF's CEO and a member of the Executive Board since 9 April 2008. Mr Lassen is also the CEO of DSH.

Lars Jebjerg is DSF's CFO and CRO and a member of the Executive Board since 22 May 2018.

The Executive Board also serves as the Executive Board for DSH.

Committees of the Board of Directors

The Board of Directors of DSF has appointed an audit committee and a remuneration committee. These committees advise the Board of Directors on specific matters and prepare cases for consideration by the entire Board of Directors within their respective areas of responsibility.

Audit Committee

The Board has set up a statutory Audit Committee consisting of members of the Board of Directors. In composing the Audit Committee it has ensured that the Chairman of the Board of Directors does not act as the Chairman of

the Audit Committee. It has also ensured that the Committee has professional capabilities and experience in financial matters and in finance and accounting.

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

Remuneration Committee

The Remuneration Committee consists of members of the Board of Directors and undertakes preparatory work and assists the Board of Directors in matters related to remuneration of the Board of Directors, the Executive Board, material risk takers and other employees. The Remuneration Committee monitors pay developments in general. Furthermore, it ensures that the incentive programmes are designed to create sustained and long-term value and that the remuneration policy is complied with.

The Remuneration Committee consists of Eivind Kolding (Chairman), Christian Frigast, Thor Jørgen Guttormsen and Jacob Meldgaard. The Remuneration Committee holds ordinary meetings twice a year. The Committee reports to the Board of Directors, and minutes of the Committee's meetings are discussed at the first ordinary board meeting after the Remuneration Committee's meeting.

Corporate Governance

DSF complies with the Danish Corporate Governance Committee's recommendations in relation to good corporate governance. It comply and reports on the Finance Denmark (Finans Danmark) Management Code of November 2013 and its "comply or explain" principle. DSF also follows the Active Owners Ethical Guidelines of 2021, which incorporates and complements the recommendations.

DSF complies with the requirement for the publication of corporate governance reports at least once a year.

Changes following the Transactions

Following the Transactions, DSF expects that Chairman Eivind Kolding and Directors' Christian Frigast, Jacob Meldgaard, Thor Jørgen Guttormsen and Peter Nyegaard will remain on the Board. Ahmed Omar and Omar Elali, as representatives of the Issuer, will be appointed as directors of the Board.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of certain principal financing arrangements. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements.

Liquidity Facility Agreement

The Guarantor is currently negotiating a bridge facilities agreement (the "**Liquidity Facility Agreement**") between, among others, the Issuer, the Guarantor and the Facility Agent, pursuant to which certain lenders (the "**Liquidity Lenders**") will agree to provide the Guarantor with a senior secured bridge loan facility in an aggregate principal amount expected to be €200,000,000 (the "**Liquidity Facility**"), which is expected to mature on the relevant termination date for each tranche as set forth in the Liquidity Facility Agreement, and which is expected to be no longer than 18 months. The Liquidity Facility will be comprised of (i) a Tranche A with aggregate commitments expected to be €150,000,000 and (ii) a Tranche B with aggregate commitments expected to be €50,000,000. The Liquidity Facility will be secured by the same assets securing the Notes on a *pari passu* basis. The obligation of the Liquidity Lenders to provide the Liquidity Facility will be subject to customary conditions, including representations and warranties on behalf of the Guarantor. The Liquidity Facility Agreement will include certain affirmative and negative covenants and events of default. The Guarantor intends to use the proceeds from the Liquidity Facility to (i) partially fund the Acquisition on the Completion Date, (ii) pay the deferred purchase price to the Majority Sellers and (iii) enhance the liquidity profile of the Issuer. It is anticipated that Tranche A of the Liquidity Facility will be repaid in 2024 with the proceeds of the First Special Dividend and Tranche B will be repaid in 2025 with proceeds of future distributions by DSF, subject to the availability of distributable reserves at DSH and/or DSF and compliance with the Distribution Restriction Policy. See "*Use of Proceeds*". The Guarantor expects to enter into the Liquidity Facility Agreement on or before the Issue Date.

Intercreditor Agreement

Overview

The Issuer is a party to an intercreditor agreement dated 4 July 2024 with the Guarantor, the agent under the Senior Facilities Agreement, the Security Agent and the other parties thereto establishing certain intercreditor arrangements among certain secured creditors of the Group (the "**Intercreditor Agreement**").

The Intercreditor Agreement is governed by English law, and, among other things, sets out the ranking of liabilities of the "**Debtors**" (as defined in the Intercreditor Agreement, and including the Issuer and the Guarantor) and of the security interests (including the Transaction Security) granted to the Creditors (as defined below), regulates when payments can be made, and enforcement action taken, in respect of such liabilities and such security interests, provides for the turnover of recoveries or payments to the Creditors and the application of proceeds of enforcement of such security interests. By accepting a Note, holders of the Notes are deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

Unless the context otherwise requires, terms defined in this section apply only to this section. The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and prospective investors should review that document to determine the rights of the holders of the Notes, and of the Trustee, under it.

In this section, "**Creditors**" means the Senior Facility Creditors, the Hedge Counterparties and the Senior Secured Notes Creditors. "**Hedge Counterparty**" means any entity which becomes a party to the Intercreditor Agreement as a Hedge Counterparty pursuant to its creditor accession mechanics, provided that such person has not ceased to be a Hedge Counterparty and, in each case, is or has become party to the Senior Facilities Agreement as a Hedge Counterparty. "**Senior Facility Creditors**" means each Senior Facility Agent, Senior Facility Arranger and Senior Facility Lender. "**Senior Facility Agent**" means the "Agent" under and as defined in the Senior Facilities Agreement. "**Senior Facility Arranger**" means any "Arranger" under and as defined in the Senior Facilities Agreement. "**Senior Facility Lender**" means each "Lender" (as defined in the Senior Facilities Agreement). "**Senior Secured Notes Creditors**" means the Senior Secured Noteholders, each Senior Secured Notes Agent and each Senior Secured Notes Trustee. "**Senior Secured Noteholders**" means any bondholder or noteholder from time to time of the Senior Secured Notes, as determined in accordance with the relevant Senior Secured Notes Trust Deed. "**Senior Secured Notes Agent**" means each principal paying agent, registrar and transfer agent, escrow agent and custodian appointed under the Senior Secured Notes Finance Documents. "**Senior Secured Notes Trustee**" means any bond trustee or notes trustee in respect of any Senior Secured Notes which

becomes a Party as a "Senior Secured Notes Trustee" in accordance with the Intercreditor Agreement. **"Senior Secured Notes"** means any senior notes issued or to be issued by the Issuer from time to time (and outstanding) under the relevant Senior Secured Notes Trust Deed that are not prohibited to be issued by the Debt Documents and which are designated as "Senior Secured Notes" by the Guarantor (in its discretion) by written notice to the Security Agent and the Agent who is a party to the Intercreditor Agreement at such time. **"Senior Secured Notes Trust Deed"** means any bond or note indenture pursuant to which any Senior Secured Notes are issued by the Issuer. **"Senior Secured Notes Finance Documents"** means the Senior Secured Notes, each Senior Secured Notes Trust Deed, the Intercreditor Agreement, the Senior Secured Notes Guarantee (as defined in the Intercreditor Agreement), the Security Documents and any other document entered into in connection with the Senior Secured Notes (which, for the avoidance of doubt, excludes any document to the extent it sets out rights of the initial purchasers of such Senior Secured Notes in their capacities as initial purchasers against any member of the Group) and designated a Senior Secured Notes Finance Document by the Senior Secured Notes Trustee.

"Debt Documents" means the Intercreditor Agreement, the Hedging Agreements, the Senior Facility Finance Documents, the Senior Secured Notes Finance Documents, the Security Documents, and any other document designated as such by the Security Agent and the Guarantor. **"Hedging Agreement"** means any master agreement, confirmation, schedule or other agreement the purpose of which is to hedge against any risk or exposure entered into between a member of a Group and a Hedge Counterparty which, at the time such agreement is entered into, is not prohibited under the terms of the Debt Documents to share in the Transaction Security. **"Senior Facility Finance Document"** has the meaning given to the term "Finance Document in the Senior Facilities Agreement. **Security Documents** means: (a) each of the Transaction Security Documents; (b) any other document entered into at any time by any of the Debtors creating any guarantee, indemnity, Security or other assurance against financial loss in favour of any of the Secured Parties as security for any of the Secured Obligations; and (c) any Security granted under any covenant for further assurance in any of the documents referred to in (a) and (b). **"Transaction Security Documents"** means the "Transaction Security Documents" under and as defined in the Senior Facilities Agreement. **"Secured Obligations"** means all the liabilities and all other present and future liabilities and obligations at any time due, owing or incurred by any member of the Group and by each Debtor to any Secured Party under the Debt Documents, both actual and contingent and whether incurred solely or jointly and as principal or surety or in any other capacity. **"Secured Parties"** means the Security Agent, any receiver or delegate, the Agents, the Arrangers, the Senior Facility Creditors, the Hedge Counterparties, the Senior Secured Noteholders and each Senior Secured Notes Trustee, from time to time but, in the case of each Senior Facility Creditor and each Senior Secured Notes Trustee, only if it is a Party or has acceded to the Intercreditor Agreement. **"Agent"** means the Senior Facility Agent and the Senior Secured Notes Trustee, as the context requires. **"Arranger"** means any "Arranger" under and as defined in the Senior Facilities Agreement. **"Senior Facilities Agreement"** means the senior facilities agreement described above.

"Final Discharge Date" means the first date on which all Liabilities have been fully and finally discharged to the satisfaction of each Agent, whether or not as the result of an enforcement, and the Creditors are under no further obligation to provide financial accommodation to any of the Debtors under the Debt Documents. **"Agent"** means the Senior Facility Agent and the Senior Secured Notes Trustee.

"Group" means the Guarantor, the DSF and each of their respective subsidiaries for the time being.

"Instructing Group" means at any time: (a) prior to the Senior Facility A Discharge Date, the Majority Facility Creditors; (b) prior to the Senior Facility Discharge Date, the Majority Facility Creditors and the Majority Senior Secured Note Creditors; and (c) on or after the Senior Facility Discharge Date, the Majority Senior Creditors. **"Senior Facility A Discharge Date"** means the date on which Facility A (as defined in the Senior Facilities Agreement) has been fully and finally discharged to the satisfaction of the Senior Facility Agent. **"Senior Facility Discharge Date"** means the first date on which all Senior Facility Liabilities have been fully and finally discharged to the satisfaction of the Senior Facility Agent, whether or not as the result of an enforcement and the Senior Facility Lenders (in that capacity) are under no further obligation to provide financial accommodation to any of the Debtors under any of the Debt Documents. **"Majority Facility Creditors"** means, at any time, those Senior Creditors whose Senior Facility Credit Participations at that time aggregate more than 66⅔% of the Total Senior Secured Facility Participations at that time. **"Majority Senior Creditors"** means, at any time, those Creditors whose Senior Credit Participations at that time aggregate more than 66⅔% of the Total Senior Secured Credit Participations at that time. **"Majority Senior Secured Note Creditors"** means the Senior Secured Noteholders who hold 66⅔% or more of the Senior Secured Notes. **"Liabilities"** means all present and future liabilities and obligations at any time of any member of the Group to any Creditor under the Debt Documents.

"Senior Credit Participation" means (a) in relation to a Senior Facility Lender, its Senior Facility Commitments; and (b) in respect of any hedging transaction of that Senior Creditor under any Hedging Agreement that has, as of the date the calculation is made, been terminated or closed out in accordance with the terms of this Agreement, the amount, if any, payable to it under any Hedging Agreement in respect of that termination or close-out as of the date of termination or close-out (and before taking into account any interest accrued on that amount since the date of termination or close-out) to the extent that amount is unpaid (that amount to be certified by the relevant Senior Creditor and as calculated in accordance with the relevant Hedging Agreement); (c) after the Senior Facility Discharge Date only, in respect of any hedging transaction of that Senior Creditor under any Hedging Agreement that has, as of the date the calculation is made, not been terminated or closed out: (i) if the relevant Hedging Agreement is based on an ISDA Master Agreement the amount, if any, which would be payable to it under that Hedging Agreement in respect of that hedging transaction, if the time and date on which the calculation is made was deemed to be 11:00 a.m. (London time) on an Early Termination Date (as defined in the relevant ISDA Master Agreement) for which the relevant Debtor is the Defaulting Party (as defined in the relevant ISDA Master Agreement); or (ii) if the relevant Hedging Agreement is not based on an ISDA Master Agreement, the amount, if any, which would be payable to it under that Hedging Agreement in respect of that hedging transaction, if the time and date on which the calculation is made was deemed to be 11:00 a.m. (London time) on the date on which an event similar in meaning and effect (under that Hedging Agreement) to an Early Termination Date (as defined in any ISDA Master Agreement) occurred under that Hedging Agreement for which the relevant Debtor is in a position similar in meaning and effect (under that Hedging Agreement) to that of a Defaulting Party (under and as defined in the same ISDA Master Agreement), that amount, in each case, to be certified by the relevant Senior Creditor and as calculated in accordance with the relevant Hedging Agreement; and (d) in relation to a Senior Secured Noteholder, the principal amount of outstanding Senior Secured Notes held by that Senior Secured Noteholder.

"Senior Facility Credit Participation" means: (a) in relation to a Senior Facility Lender, its Senior Facility Commitments; and (b) in respect of any hedging transaction of that Senior Creditor under any Hedging Agreement that has, as of the date the calculation is made, been terminated or closed out in accordance with the terms of this Agreement, the amount, if any, payable to it under any Hedging Agreement in respect of that termination or close-out as of the date of termination or close-out (and before taking into account any interest accrued on that amount since the date of termination or close-out) to the extent that amount is unpaid (that amount to be certified by the relevant Senior Creditor and as calculated in accordance with the relevant Hedging Agreement); and (c) after the Senior Facility Discharge Date only, in respect of any hedging transaction of that Senior Creditor under any Hedging Agreement that has, as of the date the calculation is made, not been terminated or closed out: (i) if the relevant Hedging Agreement is based on an ISDA Master Agreement the amount, if any, which would be payable to it under that Hedging Agreement in respect of that hedging transaction, if the time and date on which the calculation is made was deemed to be 11:00 a.m. (London time) on an Early Termination Date (as defined in the relevant ISDA Master Agreement) for which the relevant Debtor is the Defaulting Party (as defined in the relevant ISDA Master Agreement); or (ii) if the relevant Hedging Agreement is not based on an ISDA Master Agreement, the amount, if any, which would be payable to it under that Hedging Agreement in respect of that hedging transaction, if the time and date on which the calculation is made was deemed to be 11:00 a.m. (London time) on the date on which an event similar in meaning and effect (under that Hedging Agreement) to an Early Termination Date (as defined in any ISDA Master Agreement) occurred under that Hedging Agreement for which the relevant Debtor is in a position similar in meaning and effect (under that Hedging Agreement) to that of a Defaulting Party (under and as defined in the same ISDA Master Agreement), that amount, in each case, to be certified by the relevant Senior Creditor and as calculated in accordance with the relevant Hedging Agreement.

"Total Senior Secured Credit Participations" means the aggregate of all the Senior Credit Participations at any time. **"Total Senior Secured Facility Participations"** means the aggregate of all the Senior Facility Credit Participations at any time.

"Senior Liabilities" means the Senior Facility Liabilities and the Senior Secured Notes Liabilities. **Senior Facility Liabilities** means the Senior Facility Liabilities owed by the Debtors to the Senior Facility Creditors under the Senior Facility Finance Documents. **Senior Secured Notes Liabilities** means all present and future moneys, debts and liabilities due, owing or incurred by the Debtors to any Senior Secured Notes Creditor under or in connection with the Senior Secured Notes Finance Documents (in each case, whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently, and whether as principal, surety or otherwise) **provided that** the definition of "Senior Secured Notes Liabilities" shall not include the Senior Secured Notes Trustee Amounts (as defined in the Intercreditor Agreement). **"Agent Liabilities"** means all present and future liabilities and obligations, whether actual or contingent and whether incurred solely or jointly, of any Debtor to any Agent under the Debt Documents, including (without double counting), any Senior Secured Notes Trustee Amounts. **"Arranger Liabilities"** means all present and future liabilities and obligations, whether actual or contingent and

whether incurred solely or jointly, of any Debtor to any Arranger under the Debt Documents. "**Hedging Liabilities**" means the Liabilities owed by any Debtor to the Hedge Counterparties under or in connection with the Hedging Agreements.

Ranking and Priority

Priority of liabilities

The Intercreditor Agreement provides that (subject to certain permitted payments as set out under the heading "Permitted Payments", below) the Senior Facility Liabilities, the Arranger Liabilities, the Agent Liabilities, the Hedging Liabilities and the Senior Secured Notes Liabilities shall rank *pari passu* in right and priority of payment and without any preference between them.

Priority of Security

The Intercreditor Agreement provides that the Transaction Security shall secure the Senior Facility Liabilities, the Arranger Liabilities, the Agent Liabilities, the Hedging Liabilities and the Senior Secured Notes Liabilities *pari passu* between themselves and without any preference between them.

Permitted Payments

The Intercreditor Agreement permits the Debtors to make payments in respect of the Senior Liabilities at any time in accordance with the relevant Senior Finance Documents and the Hedging Liabilities if the relevant payment is a permitted payment as regulated by the Intercreditor Agreement.

Enforcement Instructions

The Intercreditor Agreement provides that the Security Agent may refrain from enforcing the Transaction Security unless instructed otherwise by the Instructing Group. Subject to the Transaction Security having become enforceable in accordance with its terms, the Instructing Group may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Transaction Security as it sees fit. No Secured Party may enforce against or have recourse to the Transaction Security other than through the Security Agent.

Manner of Enforcement

If the Transaction Security is being enforced as set forth above under the caption "Enforcement Instructions," the Security Agent shall enforce the Transaction Security in such manner (including, without limitation, the selection of any administrator (or any analogous officer in any jurisdiction) of any Debtor to be appointed by the Security Agent) as the Instructing Group shall instruct or, in the absence of any such instructions, as the Security Agent considers in its discretion to be appropriate, in each case in accordance with applicable law and the terms of the relevant Transaction Security Documents.

Waiver of Rights

To the extent permitted under applicable law and subject to certain provisions of the Intercreditor Agreement, each of the Secured Parties and the Debtors waives all rights it may otherwise have to require that the Transaction Security be enforced in any particular order or manner or at any particular time or that any amount received or recovered from any person, or by virtue of the enforcement of any of the Transaction Security or of any other security interest, which is capable of being applied in or towards discharge of any of the Secured Obligations is so applied.

Turnover of Enforcement Proceeds

In this section, "**Relevant Liabilities**" means (a) in the case of a Creditor: (i) the Arranger Liabilities owed to an Arranger ranking (in accordance with the terms of the Intercreditor Agreement) *pari passu* with or in priority to that Creditor; (ii) the Liabilities owed to Creditors ranking (in accordance with the terms of the Intercreditor Agreement) *pari passu* with or in priority to that Creditor (as the case may be); and (iii) all present and future liabilities and obligations, actual and contingent, of the Debtors to the Security Agent; and (b) in the case of a Debtor, the Liabilities owed to the Creditors together with all present and future liabilities and obligations, actual and contingent, of the Debtors to the Security Agent.

Subject to certain clauses and exclusions of and in the Intercreditor Agreement, if at any time prior to the Final Discharge Date, any Creditor receives or recovers the proceeds of any enforcement of any Transaction Security (except in accordance with the relevant provisions of the Intercreditor Agreement governing application of proceeds), that Creditor will (a) in relation to receipts and recoveries not received or recovered by way of set-off: (i) hold an amount of that receipt or recovery equal to the Relevant Liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay or distribute that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds the Relevant Liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (b) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Proceeds of Disposals: Non-Distressed Disposals

In this section, "**Disposal Proceeds**" means the proceeds of a Non-Distressed Disposal. A "**Non-Distressed Disposal**" means a disposal of (a) an asset of a member of the Group or (b) an asset which is subject to the Transaction Security, to a person or persons outside the Group where: (i) (prior to the Senior Facilities Discharge Date) the Senior Facility Agent notifies the Security Agent that that disposal is permitted under the Senior Finance Documents, (ii) the Senior Secured Notes Trustee notifies the Security Agent that that disposal is permitted under the Senior Secured Notes Finance Documents, and (iii) that disposal is not a Distressed Disposal (as defined below).

If the disposal of an asset is a Non-Distressed Disposal, the Security Agent is irrevocably authorised (at the cost of the Guarantor and without any consent, sanction, authority or further confirmation from any Creditor, other Secured Party, Debtor) to: (a) release the Transaction Security and any other claim (relating to a Debt Document) over that asset, (b) where that asset consists of shares in the capital of a member of the Group, to release the Transaction Security or any other claim (relating to a Debt Document) over that member of the Group's Property, and (c) to execute and deliver or enter into any release of the Transaction Security or any claim described in (a) and (b) and issue any certificates of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable.

Application of Certain Proceeds

If any Disposal Proceeds are required to be applied in mandatory prepayment of the Senior Liabilities then those Disposal Proceeds shall be applied in or towards Payment of the Senior Facility Liabilities in accordance with the terms of the Senior Facilities Agreement and the Senior Secured Notes Liabilities in accordance with the terms of the Senior Secured Notes Finance Documents, pro rata between them.

Distressed Disposals

A "**Distressed Disposal**" is a disposal of an asset of a member of the Group which is being effected: (a) at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable, (b) by enforcement of the Transaction Security (including the disposal of any Property of a member of the Group, the shares in which have been subject to an Appropriation), or (c) after the occurrence of a Distress Event (as defined in the Intercreditor Agreement), by a Debtor to a person or persons which is, or are, not a member or members of the Group. "**Appropriation**" means the appropriation (or similar process) of the shares in the capital of a member of the Group (other than the Guarantor) by the Security Agent (or any receiver or delegate) which is effected (to the extent permitted under the relevant Security Document and applicable law) by enforcement of the Transaction Security. "**Debtors' Intra-Group Receivables**" means, in relation to a member of the Group, any liabilities and obligations owed to any Debtor (whether actual or contingent and whether incurred solely or jointly) by that member of the Group.

If a Distressed Disposal or an Appropriation is being effected, the Security Agent is irrevocably authorised (at the cost of the Guarantor and without any consent, sanction, authority or further confirmation from any Creditor, Debtor or other Secured Party):

- (i) to release the Transaction Security or any other claim over the asset subject to the Distressed Disposal or Appropriation and execute and deliver or enter into any release of that Transaction Security or claim and issue any letters of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

- (ii) if the asset consists of shares in the capital of a Debtor to release (a) that Debtor and any subsidiary of that Debtor from all or any part of its borrowing liabilities, its guarantee liabilities and its other liabilities, (b) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets, and (c) any other claim of another Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor, in each case on behalf of the relevant Creditors and Debtors;
- (iii) if the asset subject to the Distressed Disposal or Appropriation consists of shares in the capital of any holding company of a Debtor, to release: (a) that holding company and any subsidiary of that holding company from all or any part of its borrowing liabilities, its guarantees liabilities and its other liabilities, (b) any Transaction Security granted by any subsidiary of that holding company over any of its assets, and (c) any other claim of another Debtor over the assets of any subsidiary of that holding company, in each case on behalf of the relevant Creditors and Debtors;
- (iv) if the asset subject to the Distressed Disposal or Appropriation consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to dispose of all or part of the Liabilities (other than Liabilities due to any Agent or Arranger) or the Debtors' Intra-Group Receivables, owed by that Debtor or holding company or any subsidiary of that Debtor or holding company on the basis that any transferee of those liabilities or Debtors' Intra-Group Receivables (the **Transferee**) will not be treated as a Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those liabilities or Debtors' Intra-Group Receivables on behalf of the relevant Creditors and Debtors provided that notwithstanding any other provision of any Debt Document the Transferee shall not be treated as a Creditor or a Secured Party for the purposes of the Intercreditor Agreement;
- (v) if the asset subject to the Distressed Disposal or Appropriation consists of shares in the capital of a Debtor or the holding company of a Debtor and the Security Agent decides to dispose of all or any part of the Liabilities (other than Liabilities due to any Agent or Arranger) or the Debtors' Intra-Group Receivables, owed by that Debtor or holding company or any subsidiary of that Debtor or holding company on the basis that any transferee of those Liabilities or Debtors' Intra-Group Receivables will be treated as a Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of: (a) all (and not part only) of the Liabilities owed to the Creditors (other than to any Agent or any Arranger); and (b) (all or part of any other Liabilities (other than Liabilities owed to any Agent or any Arranger) and the Debtors' Intra-Group Receivables, in each case on behalf of, in each case, the relevant Creditors and Debtors;
- (vi) if the asset subject to the Distressed Disposal or Appropriation consists of shares in the capital of a Debtor or the Holding Company of a Debtor (the **Disposed Entity**) and the Security Agent decides to transfer to another Debtor (the **Receiving Entity**) all or any part of the Disposed Entity's obligations or any obligations of any Subsidiary of that Disposed Entity in respect of the Intra-Group Liabilities; or the Debtors' Intra-Group Receivables, to execute and deliver or enter into any agreement to (a) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtors' Intra-Group Receivables on behalf of the relevant Intra-Group Lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and (b) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtors' Intra-Group Receivables on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities or Debtors' Intra-Group Receivables are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of liabilities or Debtors' Intra-Group Receivables pursuant to (iv) or (v) above (a "**Debt Disposal**")) shall be paid, or distributed, to the Security Agent for application in accordance with the provisions set out under the caption "Application of Proceeds" and, to the extent that any Liabilities Sale (defined as a Debt Disposal pursuant to (v) above) or an Appropriation has occurred, as if that Liabilities Sale or any reduction in the Secured Obligations resulting from that Appropriation, had not occurred.

In the case of a Distressed Disposal or a Liabilities Sale effected by, or at the request of, the Security Agent, the Security Agent shall take reasonable care to obtain a fair market price having regard to the prevailing market

conditions (though the Security Agent shall have no obligation to postpone (or request postponement of) any such Distressed Disposal or Liabilities Sale in order to achieve a higher price).

Effect of Insolvency Event; Filing of Claims

After the occurrence of an Insolvency Event (as defined in the Intercreditor Agreement) in relation to any member of the Group, any party entitled to receive a distribution out of the assets of that member of the Group in respect of liabilities owed to that party shall, to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Group to make that distribution to the Security Agent (or such other person as the Security Agent shall direct) until the Liabilities owing to the Secured Parties have been paid in full. In this respect, the Security Agent shall apply distributions paid to it in accordance with the provisions set out under the caption "*Application of Proceeds: Order of Application*" below.

To the extent that any liabilities of a member of the Group's Liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Group, any Creditor which benefited from that set-off shall pay an amount equal to the amount of the Liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions set out in the caption "*Application of Proceeds: Order of Application*" below.

If the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the liabilities (other than any distribution of Non-Cash Recoveries), and each Secured Party authorises the Security Agent to hold any non-cash consideration received or recovered in connection with the realisation or enforcement of all or any part of the Transaction Security until cash is received for any such non-cash consideration, provided that the Security Agent may distribute any such non-cash consideration to a Secured Party which has agreed, on terms satisfactory to the Security Agent, to receive such non-cash consideration and the Liabilities owed to that Secured Party shall be reduced by an amount equal to the value of that non-cash consideration upon receipt by that Secured Party of that non-cash consideration.

After the occurrence of an Insolvency Event in relation to any member of the Group, each Creditor irrevocably authorises the Security Agent on its behalf, to: (a) take any Enforcement Action (as defined in the Intercreditor Agreement) against that member of the Group, (b) demand, sue, prove and give receipt for any or all of the liabilities of that member of the Group, (c) collect and receive all distributions on, or on account of, any or all of the liabilities of that member of the Group, and (d) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover the liabilities of that member of the Group.

Each Creditor will (i) do all things that the Security Agent reasonably requests in order to give effect to the foregoing and (ii) if the Security Agent is not entitled to take any of the actions contemplated by this section or if the Security Agent (acting in accordance with the Intercreditor Agreement) requests that a Creditor take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent may reasonably require) to enable the Security Agent to take such action.

Application of Proceeds: Order of application

Subject to the Intercreditor Agreement, the amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document or in connection with the realisation or enforcement of all or any part of the Transaction Security shall be held by the Security Agent on trust and, to the extent permitted by applicable law, be applied at any time as the Security Agent (in its discretion) sees fit: First, in discharging any sums owing to the Security Agent or any receiver or delegate, and each Agent on a *pari passu* basis between them, secondly in discharging all costs and expenses incurred by any Creditor in connection with any realisation or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or at the request of the Security Agent, thirdly, in payment or distribution to the Senior Facility Agent on its own behalf and on behalf of the other Senior Facility Creditors; the Senior Secured Notes Trustee on its own behalf and on behalf of the Senior Secured Notes Creditors; and the Hedge Counterparties towards discharge of the Arranger Liabilities, the Senior Facility Liabilities, the Hedging Liabilities, and the Senior Secured Notes Liabilities on a pro rata basis, fourthly, if none of the Debtors is under any further actual or contingent liability under any Debt Document, in payment or distribution to any person to whom the Security Agent is obliged to pay or distribute in priority to any Debtor, and fifthly, the balance in payment or distribution to the relevant Debtor.

Amendments and Waivers

The Intercreditor Agreement does not restrict Senior Creditors amending, restating, extending, supplementing, modifying or waiving any term of their respective Debt Documents in accordance with the terms of such Debt Documents.

The Intercreditor Agreement permits the Security Agent (if authorised by the Agents, the Hedge Counterparties and consented to by the Guarantor), and subject to the terms of any Debt Documents, to amend the terms of or waive any requirement under or grant any consent under any of the Transaction Security Documents, but, subject to certain exceptions, if any such amendment or waiver or consent has the effect of changing or relates to: (i) the nature or scope of the Charged Property (as defined in the Intercreditor Agreement), (ii) the manner in which the proceeds of enforcement of the Transaction Security are distributed or (iii) the release of any Transaction Security, such amendment, waiver or consent shall not be made without the prior consent of each Agent, Hedge Counterparties and the Obligors.

Subject to certain exceptions, terms of the Intercreditor Agreement relating to (i) redistribution and application of proceeds of enforcement, (ii) the giving of instructions in respect of the Security Agent's own position, so as to effect (in the opinion of the Security Agent) a de facto amendment to the Intercreditor Agreement or the requirement that in the absence of instructions the Security Agent should act having regard to the interest of all Secured Parties or (iii) the order of priority or subordination under the Intercreditor Agreement, may not be amended, waived or changed without the consent of each Agent acting in accordance with the provisions of the applicable Debt Documents, the Security Agent and the Obligors.

Override

The terms and conditions of the Intercreditor Agreement override any conflicting provision of any of the Debt Documents.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification will be endorsed on the Certificates issued in respect of the Notes:

The U.S.\$360,000,000 8.375 per cent. Fixed Reset Senior Secured Notes due 2029 (the "**Notes**") of Magellan Capital Holdings Ltd (the "**Issuer**") are constituted by a Trust Deed dated 8 July 2024 (the "**Trust Deed**") made between the Issuer, Magellan Holding Limited (the "**Guarantor**") as guarantor and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include its successor(s) as trustee for the holders of the Notes (the "**Noteholders**").

The statements in these terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. The Notes are subject to an Agency Agreement dated 8 July 2024 (the "**Agency Agreement**") made between the Issuer, the Guarantor, the Trustee, Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**"), transfer agent (the "**Transfer Agent**") and registrar (the "**Registrar**") and any other Agents. References herein to "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Notes and shall include their respective successors.

The Issuer as chargor, has entered into a security agreement (the "**Escrow Security Agreement**") dated 4 July 2024 with The Law Debenture Trust Corporation p.l.c. as security agent (the "**Security Agent**") for the purpose of the Issuer granting the Escrow Security (as defined and further described in Condition 5.1(a)(i)).

The Guarantor, as chargor, has entered into a security agreement (the "**Share Security Agreement**" and, together with the Escrow Security Agreement, the "**Security Agreements**") dated 4 July 2024 with the Security Agent for the purpose of the Guarantor granting the Share Pledge (as defined and further described in Condition 5.1(b)(i)).

The Issuer, the Guarantor, the Security Agent, the Trustee and Law Debenture Corporate Services Limited as facility agent (the "**Facility Agent**") have also entered into an intercreditor agreement dated 4 July 2024 (the "**Intercreditor Agreement**") to establish certain security sharing arrangements in respect of the Security Agreements as between the Secured Parties (as defined in the Intercreditor Agreement).

The Issuer and Citibank, N.A., London Branch as custodian (the "**Custodian**") have entered into a custody agreement dated 8 July 2024 (the "**Custody Agreement**") relating to custody arrangements in respect of the Investment Reserve Cash Account and Investment Reserve Securities Account.

The Issuer, the Security Agent and Citibank, N.A., London Branch as escrow agent (the "**Escrow Agent**") have entered into an escrow agreement dated on or around 4 July 2024 (the "**Escrow Agreement**") relating to the escrow account (the "**Escrow Account**").

Copies of the Trust Deed, the Agency Agreement, the Security Agreements, the Intercreditor Agreement, the Custody Agreement and the Escrow Agreement (i) are available for inspection during normal business hours by the Noteholders at the specified office for the time being of the Trustee and at the specified office of each of the Agents and (ii) may be provided by email to a Noteholder following their prior written request to the Trustee or any Agent and provision of proof of holding and identity (in a form satisfactory to the Trustee or the relevant Agent, as the case may be). The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement and the Security Agreements, the Intercreditor Agreement, the Custody Agreement and the Escrow Agreement applicable to them.

1. **FORM, DENOMINATION AND TITLE**

1.1 **Form and Denomination**

The Notes are issued in registered form in amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (referred to as the "**principal amount**" of a Note). A note certificate (each a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar.

1.2 **Title**

Title to the Notes passes only by registration in the register of Noteholders. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership or writing on it, or the previous theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions "Noteholder" and (in relation to a Note) "holder" means the person in whose name a Note is registered in the register of Noteholders.

2. **TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES**

2.1 **Transfers**

A Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any Transfer Agent.

2.2 **Delivery of new Certificates**

Each new Certificate to be issued upon transfer of Notes will, within five business days of receipt by the Registrar or any Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Registrar or the relevant Transfer Agent (as the case may be) with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or any Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer.

2.3 **Formalities free of charge**

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but upon payment (or the giving of such indemnity as the Issuer, the Registrar or any Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 **Closed Periods**

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on (and including) the due date for any payment of principal or interest on that Note.

2.5 **Regulations**

All transfers of Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by each of the Issuer and the Registrar with the prior written approval of the Trustee and the Registrar or the Issuer, respectively. A copy of the current regulations will be mailed (free of charge to the Noteholder and at the Issuer's expense) by the Registrar to any Noteholder upon written request and satisfactory proof of holding.

3. **STATUS OF THE NOTES**

The Notes constitute direct, unconditional, unsubordinated and (subject to (i) the provisions of Condition 5.3 (*Release of Security*) and the Intercreditor Agreement, (ii) the provisions for the release of the Security Interests in the Collateral pursuant to Condition 6 (*Investment Reserve Accounts*) and Condition 11.2 (*Escrow Release*), and (iii) registration pursuant to the terms of the Trust Deed and the Escrow Security Agreement) secured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves, but, in the event of insolvency, only to the extent permitted by

applicable laws relating to creditors' rights. The Notes are secured in the manner set out in the Trust Deed, the Escrow Security Agreement and the Intercreditor Agreement.

4. **GUARANTEE**

4.1 **Guarantee**

The payment of the principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor (the "**Guarantee**") in the Trust Deed.

4.2 **Status of the Guarantee**

The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5.3 (*Release of Security*) and the Intercreditor Agreement, and registration pursuant to the terms of the Trust Deed and the Share Security Agreement) secured obligations of the Guarantor and rank and will rank *pari passu*, without any preference among themselves, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. The Guarantee is secured in the manner set out in the Trust Deed, the Share Security Agreement and the Intercreditor Agreement.

5. **SECURITY**

5.1 **Security**

Subject to registration pursuant to the terms of the Trust Deed and the Security Agreements and the release of the Security Interests in the Collateral pursuant to Condition 5.3 (*Release of Security*), Condition 6 (*Investment Reserve Accounts*) and Condition 11.2 (*Escrow Release*):

- (a) the obligations of the Issuer under the Notes and the Trust Deed and certain other obligations of the Issuer are secured in favour of:
 - (i) the Security Agent as security trustee for the Secured Parties by way of a first ranking fixed charge over all monies from time to time standing to the credit of the Escrow Account and an assignment by way of security of all of the Issuer's present and future rights under the Escrow Agreement, including, among other things, all the rights, title and interest of the Issuer in and to the Escrow Account under or pursuant to the Escrow Agreement and all of the other rights, title and interest of the Issuer from time to time in and to the Escrow Agreement (the "**Escrow Security**") pursuant to the Escrow Security Agreement and subject to the Intercreditor Agreement;
 - (ii) the Trustee (for itself and as trustee for the Noteholders) by way of:
 - (A) a first ranking floating charge over all monies and Cash Equivalents from time to time standing to the credit of or recorded in and represented by the Investment Reserve Cash Account and the Investment Reserve Securities Account; and
 - (B) an assignment by way of security of all of the Issuer's present and future rights under the Custody Agreement and the Agency Agreement, including, among other things, all the rights, title and interest of the Issuer in and to (i) the Investment Reserve Cash Account and the Investment Reserve Securities Account, in each case under or pursuant to the Custody Agreement, and (ii) any sums held by the Principal Paying Agent under or pursuant to the Agency Agreement, including in respect of all moneys held by the Principal Paying Agent to meet payments due in respect of the Notes, and all of the other rights, title and interest of the Issuer from time to time in and to the Custody Agreement and the Agency Agreement; and
- (b) the obligations of the Guarantor under the Guarantee and the Trust Deed and certain other obligations of the Guarantor are secured in favour of (i) the Security Agent as security trustee for the Secured Parties, by way of a first ranking fixed charge over all of the Capital Stock of the Issuer held by the Guarantor (the "**Share Pledge**") pursuant to the Share Security Agreement and

subject to the Intercreditor Agreement, and (ii) the Trustee (for itself and as trustee for the Noteholders), by way of an assignment by way of security of all of the Guarantor's present and future rights under the Agency Agreement, including, among other things, all the rights, title and interest of the Guarantor in and to any sums held by the Principal Paying Agent under or pursuant to the Agency Agreement, including in respect of all moneys held by the Principal Paying Agent to meet payments due in respect of the Notes, and all of the other rights, title and interest of the Guarantor from time to time in and to the Agency Agreement,

(collectively, the "**Collateral**").

5.2 **Transaction Security**

The Security Interests in the Collateral that are created by the Security Agreements and the Trust Deed and secure the obligations under the Notes and the Trust Deed, as the case may be, are herein referred to as the "**Transaction Security**".

5.3 **Release of Security**

- (a) Security Interests in respect of the Collateral shall be automatically released in accordance with the provisions of the Notes, the Trust Deed, the Security Agreements and the Intercreditor Agreement:
 - (i) in the case of the Escrow Security, for the release of the Escrowed Funds in accordance with the provisions of and as permitted under Condition 11.2 (*Escrow Release*);
 - (ii) in the case of the Investment Reserve Cash Account and Investment Reserve Securities Account, in accordance with the provisions of and as permitted under Condition 6 (*Investment Reserve Accounts*);
 - (iii) for the purpose of making any payment on the Notes or any other payment as permitted under these Conditions;
 - (iv) in connection with any sale or other disposition of Collateral to a Person if such sale or other disposition does not violate Condition 7.5 (*Limitation on Asset Sales*);
 - (v) upon payment in full of principal, interest and all other obligations of the Issuer under the Trust Deed and the Notes or any redemption or purchase in full of the Notes; or
 - (vi) pursuant to Condition 19 (*Meetings Of Noteholders, Modification, Waiver, Authorisation And Determination*).
- (b) The Issuer or the Guarantor, as the case may be, shall deliver to the Trustee or the Security Agent, as applicable, an Officers' Certificate confirming that the applicable condition to release set out in Condition 5.3(a) above has been complied with and that the release complies with, and does not breach the terms of these Conditions, the Trust Deed or any other document to which the Issuer or the Guarantor is party, on which the Trustee and the Security Agent, as applicable, shall be entitled to rely without further enquiry or liability to any person, and upon receipt of such Officers' Certificate, the Trustee and the Security Agent, as applicable, shall (at the expense of the Issuer) take all necessary action required to effectuate the release of the applicable Collateral subject to and in accordance with the provisions of the Notes, the Trust Deed, the Security Agreements and the Intercreditor Agreement, as applicable. Any such releases in accordance with this Condition 5.3 shall be effected by the Trustee without the consent of the Noteholders. Where any release is taking place pursuant to Condition 6 (*Investment Reserve Accounts*) or Condition 11.2 (*Escrow Release*) and the Trustee is requested to countersign any instruction of the Issuer to the Custodian or the Escrow Agent, as applicable, the Officers' Certificate referred to above shall contain a specific statement to the effect that the instruction is permitted by and is being given in accordance with the applicable provision of Condition 6 (*Investment Reserve Accounts*) or Condition 11.2 (*Escrow Release*), as the case may be, and upon receipt of such certificate the Trustee or the Security Agent, as applicable, shall without further enquiry proceed to countersign such instruction and shall incur no liability for so doing.

6. INVESTMENT RESERVE ACCOUNTS

6.1 Investment Reserve Cash Account

- (a) On 8 July 2024 (the Issue Date), the Issuer shall transfer to the Investment Reserve Cash Account the sum of U.S.\$30,150,000 (such sum as of the Issue Date, the "**Reserve Amount**", which amount shall at any time and from time to time be an amount equal to the product of the aggregate principal amount of the Notes then outstanding and the then applicable Rate of Interest (as defined in Condition 8.1(b)).
- (b) There shall further be credited to the Investment Reserve Cash Account (i) any Net Available Cash of any Asset Disposition in accordance with the provisions of Condition 7.5(b) and (ii) any amounts received in respect, or cash consideration from the sale or transfer, of Cash Equivalents held through the Investment Reserve Securities Account in accordance with Conditions 6.2(b) and 6.2(c).
- (c) Amounts standing to the credit of the Investment Reserve Cash Account may not be withdrawn or released other than as provided below:
 - (i) in the event of any shortfall (a "**Shortfall Amount**") on the second Business Day (as defined in Condition 10.4 (*Payment on Business Days*)) in London immediately prior to an Interest Payment Date (the "**Shortfall Determination Date**"), in the amounts paid by the Issuer to the Principal Paying Agent for payment to Noteholders in respect of the interest or any other amount payable to Noteholders on such Interest Payment Date, the Issuer shall notify the Trustee of such Shortfall Amount by way of an Officers' Certificate certifying the same and the Issuer shall instruct the Custodian (which instruction, following receipt by the Trustee of the Officers' Certificate referred to in Condition 5.3(b), shall be countersigned by the Trustee) to release from the Investment Reserve Cash Account to the Principal Paying Agent for payment in accordance with Condition 9.1 an amount equal to such Shortfall Amount or, if the amounts standing to the credit of the Investment Reserve Cash Account (other than any amounts in respect of any Net Available Cash) are less the such Shortfall Amount, such lesser amount, which instruction shall be given no later than the Business Day in London immediately prior to such Interest Payment Date;
 - (ii) in accordance with the provisions of 6.3(b);
 - (iii) where the Notes are to be redeemed in full pursuant to Condition 10, then (at the option and instruction of the Issuer (which instruction, following receipt by the Trustee of the Officers' Certificate referred to in Condition 5.3(b), shall be countersigned by the Trustee)) there shall be released by the Custodian from the Investment Reserve Cash Account to the Principal Paying Agent for payment in accordance with Condition 9.1 any amounts standing to the credit of the Investment Reserve Cash Account up to an amount no greater than the relevant Termination Amount;
 - (iv) for so long as no Event of Default (as defined in Condition 14 (*Events of Default*) below) or Potential Event of Default (as defined in Condition 7.10 (*Interpretation*) below) shall have occurred and be continuing (as certified by the Issuer to the Trustee in an Officers' Certificate), any amounts standing to the credit of the Investment Reserve Cash Account (other than any amounts in respect of any Net Available Cash) may be released in accordance with the instructions of the Issuer (which instructions, following receipt by the Trustee of the Officers' Certificate referred to in Condition 5.3(b), shall be countersigned by the Trustee) for the purposes of investment in Cash Equivalents to be credited to the Investment Reserve Securities Account in accordance with Condition 6.2; and
 - (v) in the case of any amounts standing to the credit of the Investment Reserve Cash Account in respect of any Net Available Cash, such Net Available Cash shall not be withdrawn or released for the purposes of payment of any Shortfall Amount in accordance with paragraph (i) above or investment in accordance with paragraph (iii) above, and shall only be withdrawn or released for the purposes of any purchase or

redemption of the Notes or prepayment or repayment of the Liquidity Facility Agreement in accordance with Condition 7.5(b) and the Issuer shall instruct the Custodian (which instruction, following receipt by the Trustee of the Officers' Certificate referred to in Condition 5.3(b), shall be countersigned by the Trustee) to release such amount(s) of such Net Available Cash from the Investment Reserve Cash Account to (i) the Principal Paying Agent, for the purposes of any such purchase or redemption of the Notes or (ii) the Facility Agent, for the purposes of any such prepayment or repayment of the Liquidity Facility Agreement, as necessary for such purchase, redemption, prepayment or repayment.

- (d) Upon payment in full of the Termination Amount to the Noteholders, any amounts standing to the credit of the Investment Reserve Cash Account shall be released by the Custodian to the Issuer.

6.2 **Investment Reserve Securities Account**

- (a) Pursuant to Condition 6.1(c)(iv), the Issuer may instruct the Custodian (which instruction, following receipt by the Trustee of the Officers' Certificate referred to in Condition 5.3(b), shall be countersigned by the Trustee) to (i) release amounts standing to the credit of the Investment Reserve Cash Account (other than any amounts in respect of Net Available Cash) to the Issuer or otherwise in accordance with such instruction of the Issuer for the purchase by the Issuer upon receipt of the amounts so released of Cash Equivalents as specified in such instruction, which Cash Equivalents shall be transferred by the Issuer to the Custodian upon their purchase and (ii) upon receipt by the Custodian of such Cash Equivalents from the Issuer, credit such Cash Equivalents to the Investment Reserve Securities Account.
- (b) All amounts received in respect of Cash Equivalents held through the Investment Reserve Securities Account shall be credited by the Custodian to the Investment Reserve Cash Account.
- (c) For so long as no Event of Default or Potential Event of Default shall have occurred and be continuing (as certified by the Issuer to the Trustee in an Officers' Certificate), the Issuer may instruct the Custodian (which instruction, following receipt by the Trustee of the Officers' Certificate referred to in Condition 5.3(b), shall be countersigned by the Trustee) to (i) transfer any Cash Equivalents held through the Investment Reserve Securities Account in accordance with such instruction of the Issuer for sale by the Issuer upon receipt, subject to any such sale being for non-deferred cash consideration only that is paid by the Issuer to the Custodian upon receipt and (ii) upon receipt by the Custodian of such cash consideration, credit such cash consideration to the Investment Reserve Cash Account.
- (d) In the event of any Shortfall Amount on a Shortfall Determination Date and the cash amounts standing to the credit of the Investment Reserve Cash Account (not including any amounts in respect of any Net Available Cash) being less than such Shortfall Amount, the Issuer shall have given the necessary instructions to the Custodian (which instructions, following receipt by the Trustee of the Officers' Certificate referred to in Condition 5.3(b), shall be countersigned by the Trustee) for (i) the transfer of a sufficient amount of Cash Equivalents held through the Investment Reserve Securities Account in advance of that Shortfall Determination Date for sale by the Issuer upon receipt for non-deferred cash consideration in order to realise a cash amount equal to such Shortfall Amount (or if there is an insufficient amount of Cash Equivalents for these purposes, for such transfer and sale of all such Cash Equivalents), with the cash consideration from the sale of such Cash Equivalents by the Issuer to be paid by the Issuer to the Custodian upon receipt and (ii) the crediting of such cash amount to the Investment Reserve Cash Account upon receipt by the Custodian by no later than that Shortfall Determination Date.

In the event of any Shortfall Amount on a Shortfall Determination Date and any Cash Equivalents continuing to be held through the Investment Reserve Securities Account and not having being sold in order to realise the applicable cash amount, the Issuer shall have failed to perform its obligations under this Condition 6.2(e).

- (e) Upon payment in full of the Termination Amount to the Noteholders, any Cash Equivalents standing to the credit of or recorded in and represented by the Investment Reserve Securities Account shall be released by the Custodian to the Issuer.

- (f) At any time or from time to time, in the Guarantor's sole discretion, it may establish one or more bank or securities accounts, as applicable, with the Custodian in the name of the Guarantor designated as either an additional investment reserve cash account (any such account an "**Additional Investment Reserve Cash Account**") and/or investment reserve securities account (any such account an "**Additional Reserve Securities Account**" and, together with the Additional Investment Reserve Cash Account, the "**Additional Investment Reserve Accounts**"). Such Additional Investment Reserve Accounts shall be created pursuant to the Custody Agreement with the Custodian (or pursuant to a separate custody agreement on substantially similar terms to the Custody Agreement) and shall be subject to security in favour of the Trustee and the Noteholders on the same terms as provided in (and to the extent set forth in) Condition 5 (*Security*) with respect to the Investment Reserve Cash Account (the "**Initial Investment Reserve Cash Account**") and/or Investment Reserve Securities Account (the "**Initial Reserve Securities Account**" and, together with the Initial Investment Reserve Cash Account, the "**Initial Investment Reserve Accounts**" and the Initial Investment Reserve Accounts, together with the Additional Investment Reserve Accounts, the "**Investment Reserve Accounts**") established on the Issue Date. Subject to receipt of notice to the contrary, the Trustee shall be entitled to assume that no such Additional Investment Reserve Accounts have been established by the Guarantor and shall not be responsible for monitoring whether any additional security documentation is required in relation thereto. The Trustee shall be permitted to enter into any additional security documentation that the Guarantor delivers to it in relation to any Additional Investment Reserve Accounts without the consent of the Noteholders.

Following such establishment, designation and provision of security, any such Additional Investment Reserve Accounts shall be treated for all purposes under and subject to the provisions of these Conditions on the same basis as for the Initial Investment Reserve Cash Account and/or Initial Investment Reserve Securities Account, respectively, and, for the avoidance of doubt, funds and securities may or shall, as applicable, be withdrawn and/or released, credited to and/or transferred among any Additional Investment Reserve Accounts and Initial Investment Reserve Accounts, so long as the provisions of these Conditions relating to the withdrawal and/or release from, crediting to and transfer to or from any such accounts set forth in Condition 6 (*Investment Reserve Accounts*) or otherwise are met (and for these purposes any valuation of the Investment Reserve Accounts following any such establishment designation and provision of security of any Additional Investment Reserve Account(s) shall be on a consolidated basis as between the applicable Investment Reserve Accounts and the references to the relevant details of the Initial Investment Reserve Accounts being included in the applicable financial statements of the Issuer in Condition 7.6 (*Financial Reporting*) shall also be to the inclusion of such details of the Additional Investment Reserve Accounts in the financial statements of the Guarantor). If any provision of the Conditions refers to the withdrawal and/or release, crediting to and/or transfer to or from the Investment Reserve Cash Account or Investment Reserve Securities Account by the Custodian, or any instructions for the same, it shall be to such withdrawal and/or release, crediting to and/or transfer to or from the Initial Investment Reserve Cash Account or Initial Reserve Securities Account, or any instructions for the same, unless otherwise notified by the Guarantor to the Trustee and the Custodian, following which any reference to the applicable instructions or any Officers' Certificate of or release, transfer, purchase, sale, payment, crediting or otherwise by or to the Issuer in respect of any such withdrawal and/or release, crediting to and/or transfer to or from, in the case of the Additional investment Reserve Accounts, shall be to such instructions or Officers' Certificate of or release, transfer, purchase, sale, payment, crediting or otherwise by or to the Guarantor (for the avoidance of doubt, the Trustee shall be entitled to rely without liability or further enquiry on any Officers' Certificate received from the Guarantor in accordance with this Condition).

6.3 **Investment Reserve Test Date; release of amounts credited to the Investment Reserve Cash Account and/or Cash Equivalents held through the Investment Reserve Securities Account and crediting of further amounts to such accounts**

- (a) On (i) 8 January and 8 July in each year, commencing on 8 January 2025, (ii) 30 June and 31 December in each year for the purposes of including the necessary details of the total amounts of cash and value of the Cash Equivalents standing to the credit of or recorded in each of the Investment Reserve Cash Account and Investment Reserve Securities Account as of the end of the relevant financial year or six month period, commencing on 31 December 2024 and (iii) the

Optional Redemption Date (each an "**Investment Reserve Test Date**"), the Issuer shall deliver to the Trustee an Officers' Certificate certifying the total amounts standing to the credit of the Investment Reserve Cash Account (both not including any amounts in respect of any Net Available Cash and separately in respect of any Net Available Cash) and the value of the Cash Equivalents standing to the credit of or recorded in the Investment Reserve Securities Account determined on the basis of the Fair Market Value of such Cash Equivalents, in each case as of the Investment Reserve Test Date.

- (b) The Issuer may instruct the Custodian (which instructions, following receipt by the Trustee of the Officers' Certificate referred to in Condition 5.3(b), shall be countersigned by the Trustee) to release any amounts standing to the credit of the Investment Reserve Cash Account (other than any amount in respect of any Net Available Cash) and/or Cash Equivalents held through the Investment Reserve Securities Account to the Issuer on an Investment Reserve Test Date, **provided that:**
 - (i) no Event of Default or Potential Event of Default shall have occurred and be continuing (as certified by the Issuer to the Trustee in an Officers' Certificate); and
 - (ii) the total amounts standing to the credit of the Investment Reserve Cash Account (not including any amounts in respect of any Net Available Cash) and the value of the Cash Equivalents standing to the credit of or recorded in the Investment Reserve Securities Account after any such release are not less than the Reserve Amount (as determined on the basis of the Officers' Certificate delivered to the Trustee in accordance with Condition 6.3(a) above).
- (c) In the event that the total amounts standing to the credit of the Investment Reserve Cash Account (not including any amounts in respect of any Net Available Cash) and the value of the Cash Equivalents standing to the credit of or recorded in the Investment Reserve Securities Account on an Investment Reserve Test Date (as determined on the basis of the Officers' Certificate delivered to the Trustee in accordance with Condition 6.3(a)) are less than the Reserve Amount, the Issuer shall credit an amount equal to such shortfall to the Investment Reserve Cash Account within 5 Business Days of (i) that Investment Reserve Test Date to the extent the Issuer has cash available for this purpose or (ii) any date on which it is able to realise assets as part of its Permitted Investment Business to the extent of the cash proceeds realised. The Issuer may not make any Restricted Payment pursuant to Condition 7.8 from any Investment Reserve Test Date on which any such shortfall is identified for so long as such shortfall continues. If the Issuer is unable to credit an amount equal to such shortfall to the Investment Reserve Cash Account within 15 Business Days of that Investment Reserve Test Date it shall give notice of such shortfall to the Trustee and the Noteholders in accordance with Condition 17 (*Notices*).

6.4 No obligation to monitor and actions taken for the purposes of making investments in Cash Equivalents not prohibited

- (a) Neither the Trustee nor the Custodian shall be required to monitor or be responsible for confirming whether any of the conditions to releasing any amounts or securities standing to the credit of or recorded in the Investment Reserve Cash Account and/or the Investment Reserve Securities Account have been met, other than in the case of any instructions delivered to the Trustee by the Issuer for its countersignature in accordance with the relevant provisions of this Condition 6 (*Investment Reserve Accounts*) only where the Trustee shall be required to confirm the relevant conditions for such instructions set out in this Condition 6 (*Investment Reserve Accounts*) have been met (and in order to provide such confirmation the Trustee shall be entitled to rely without liability or further enquiry on the Officers' Certificate received from the Issuer certifying as to such compliance and will not have any obligation to independently monitor whether the Issuer has complied with the conditions for instructions set out in this Condition 6 (*Investment Reserve Accounts*)) and neither the Trustee nor the Custodian will have any responsibility in relation to (i) the amounts or Cash Equivalents the subject of any such instructions (including whether any applicable securities, instruments or other obligations purchased pursuant to such instructions satisfy the requirements for Cash Equivalents) and (ii) the crediting of the relevant amounts or Cash Equivalents to the Investment Reserve Cash Account or Investment Reserve Securities Account, as applicable. In addition, the Custodian shall not be responsible to any party for acting upon written instructions received in relation

thereto (provided in the case of any instructions of the Issuer, such instructions are countersigned by the Trustee) and the Trustee shall be entitled to accept any Officers' Certificate delivered to it pursuant to this Condition 6 (*Investment Reserve Accounts*) without liability to any person and without further enquiry,

- (b) Notwithstanding anything contained in this Condition 6, the investment by the Issuer of any amounts standing to the credit of the Investment Reserve Cash Account in Cash Equivalents to be held through the Investment Reserve Securities Account or any actions taken by the Custodian pursuant to the Issuer's instructions (which instructions are countersigned by the Trustee) to make any such investment in Cash Equivalents, in each case in accordance with the provisions of this Condition 6, shall not be prohibited.

6.5 Interpretation

For the purposes of this Condition, "**Termination Amount**" in relation to a Note means:

- (a) in the case of Conditions 10.1 and 10.2, the principal amount of such Note plus any accrued but unpaid interest;
- (b) in the case of Condition 10.3, (i) and any redemption of the Notes on the Optional Redemption Date, the principal amount of such Note plus any accrued but unpaid interest or (ii) and any redemption of the Notes at any time other than on the Optional Redemption Date, the Make Whole Redemption Price in relation to such Note plus any accrued but unpaid interest;
- (c) in the case of Condition 10.4, 101 per cent. of the principal amount of such Note plus any accrued but unpaid interest; and
- (d) in the case of Condition 10.5, an amount equal to the price offered to Noteholders in the relevant tender offer, plus, to the extent not included in such tender offer price, any accrued but unpaid interest.

7. COVENANTS

7.1 Negative Pledge

So long as any of the Notes remains outstanding, neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor shall procure that AX IV HoldCo will not, directly or indirectly, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon, or with respect to, the whole or any part of its present or future business, undertaking, assets or revenues (including any uncalled capital and any Capital Stock of any Subsidiary) to secure any Indebtedness of the Issuer or the Guarantor, unless the Notes are equally and ratably secured with such Indebtedness.

7.2 Limitation on business of the Issuer, the Guarantor and AX IV HoldCo

Neither the Issuer nor the Guarantor shall, and each of the Issuer and the Guarantor shall procure that AX IV HoldCo shall not, engage in any business other than Permitted Investment Business or incur any liabilities except for a Permitted Liability.

7.3 Maintenance of Authorisations and Legal Validity

Each of the Issuer and the Guarantor shall take all necessary action to obtain and do or cause to be done all things necessary to ensure the continuance of its corporate existence, business and operations, and shall take all necessary action to obtain and do or cause to be done all things necessary to ensure the continuance of all permissions, consents, licences, approvals and authorisations necessary in that regard, and shall procure that AX IV HoldCo and Danish Ship Finance shall do the same.

Each of the Issuer and the Guarantor shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents and make or cause to be made all registrations, recordings and filings required in or by the applicable laws and regulations of its jurisdictions of incorporation to enable it lawfully to perform its obligations under the Notes, the Guarantee, the Trust Deed, the Custody Agreement, the Security Agreements and the Escrow Agreement and to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdictions of

incorporation of the Notes, the Guarantee, the Trust Deed, the Custody Agreement, the Security Agreements and the Escrow Agreement.

7.4 Limitation on Indebtedness

- (a) Neither the Issuer nor the Guarantor will, and the Issuer and the Guarantor will procure that AX IV HoldCo will not, issue, create, assume, enter into any guarantee of, incur or otherwise directly or indirectly become liable for the payment of (individually and collectively, to "**Incur**" or, as appropriate, an "**Incurrence**") any Indebtedness.
- (b) Notwithstanding anything contained in Condition 7.4(a), the Incurrence by the Issuer, the Guarantor or AX IV HoldCo of the following Indebtedness ("**Permitted Indebtedness**") shall not be prohibited:
 - (i) Indebtedness Incurred under the Liquidity Facility Agreement;
 - (ii) Indebtedness Incurred under the Notes and the Guarantee;
 - (iii) Indebtedness Incurred by the Issuer to the Guarantor or the Guarantor to the Issuer, or among the Issuer, Guarantor and any one of its Subsidiaries; **provided, however, that** if the obligor in respect of any such Indebtedness is the Issuer or the Guarantor and the obligee is a Subsidiary (other than the Guarantor) such Indebtedness is contractually subordinated to the Notes and/or the Guarantee, as the case may be;
 - (iv) Permitted Refinancing Indebtedness or Indebtedness Incurred to pay any interest payable (provided the aggregate principal amount of such Indebtedness is equal to or less than the amount of such interest) in respect of any Indebtedness permitted to be Incurred by this Condition 7.4 or any other provision of these Conditions;
 - (v) Indebtedness Incurred by the Issuer, the Guarantor or AX IV HoldCo under Currency Agreements or Interest Rate Agreements that are for hedging and not speculative purposes (as determined in good faith by an Officer of the Issuer or the Guarantor, as the case may be);
 - (vi) Indebtedness in respect of (a) self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax (including interest and penalties with respect thereto) or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer, the Guarantor or AX IV HoldCo relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement; (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement, **provided, however that** upon drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 Business Days following such drawing, (c) the financing of premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements, including customary credit card facilities, in the ordinary course of business;
 - (vii) Indebtedness Incurred from the honouring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, **provided, however that** such Indebtedness is extinguished within 30 Business Days of Incurrence;
 - (viii) Indebtedness owed on a short-term basis of no longer than 30 Business Days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer, the Guarantor and AX IV HoldCo with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer, the Guarantor and AX IV HoldCo;

- (ix) Indebtedness in an aggregate outstanding principal amount not exceeding U.S.\$1.0 million (or its equivalent in any other currency(ies) in the case of each of the Issuer and the Guarantor at any one time outstanding; and
 - (x) Indebtedness approved by an Extraordinary Resolution of the Noteholders.
- (c) For purposes of determining compliance with the covenants described under this Condition 7.4:
- (i) Indebtedness permitted by this Condition 7.4 need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such category and in part by one or more other category of this Condition 7.4 permitting such Indebtedness; and
 - (ii) accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortisation of original issue discount, the payment of interest in the form of additional Indebtedness or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of this Condition 7.4.

7.5 Limitation on Asset Sales

- (a) Neither the Issuer nor the Guarantor will, and the Issuer and the Guarantor will procure that AX IV HoldCo will not, consummate any Asset Disposition, unless the consideration the Issuer, the Guarantor AX IV HoldCo receives for such Asset Disposition consists solely of cash and is not less than the Fair Market Value of the assets sold.
- (b) If the Issuer, the Guarantor or AX IV HoldCo consummates any Asset Disposition, an amount equal to the Net Available Cash of the Asset Disposition shall be credited to the Investment Reserve Cash Account on receipt and, within 90 days of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, shall be used by the Issuer to (A) either (x) purchase any Notes tendered pursuant to an offer to all Noteholders at a purchase price in cash equal to at least 100 per cent. of the principal amount thereof, together with interest accrued to but excluding the date of purchase or (y) redeem the Notes in accordance with Condition 10 (*Redemption and Purchase*) below or (B) prepay or repay the Liquidity Facility Agreement; **provided that** the Issuer or the Guarantor shall prepay or repay the Liquidity Facility Agreement pursuant to this Condition only if the Issuer or the Guarantor reduces the aggregate principal amount of the Notes on a *pro rata* basis with the Liquidity Facility Agreement.
- (c) Notwithstanding anything contained in this Condition 7.5, the following shall not be prohibited:
 - (i) subject to Condition 6.2(c), the making or disposition of any investments in Cash Equivalents held through the Investment Reserve Securities Account; or
 - (ii) any Asset Disposition by the Issuer or the Guarantor (excluding any Capital Stock of Danish Ship Finance, the Guarantor or AX IV HoldCo, or amounts standing to the credit of the Investment Reserve Cash Account and standing to the credit of or recorded in the Investment Reserve Securities Account) in the ordinary course of its investment activity and where the consideration received for such Asset Disposition is not less than the Fair Market Value of the assets sold, **provided that** no Event of Default or Potential Event of Default shall have occurred and be continuing.

7.6 Financial reporting

So long as any Notes are outstanding, each of the Issuer and the Guarantor shall, and shall procure that Danish Ship Finance shall, furnish to the Trustee:

- (a) within 180 days following the end of its financial year, starting from the financial year ended 31 December 2024, electronic copies of its audited consolidated financial statements for such financial year, together with the audit report of the independent auditors thereon, which financial statements shall be prepared in accordance with IFRS; and

- (b) within 120 days after the end of the first six months in each financial year, starting from the six months ended 30 June 2025, electronic copies of its unaudited interim consolidated financial statements for the six month period then ended, which financial statements shall be prepared in accordance with IFRS,

which in the case of the Issuer shall include details of the total amounts of cash and value of the Cash Equivalents standing to the credit of or recorded in each of the Investment Reserve Cash Account (both not including any amounts in respect of any Net Available Cash and separately in respect of any Net Available Cash) and Investment Reserve Securities Account (including a breakdown of such Cash Equivalents by reference to the different categories of Cash Equivalents in the definition of "**Cash Equivalents**" in Condition 7.10 (*Interpretation*) below) as of the end of such financial year or six month period, as the case may be.

Notwithstanding any of the foregoing, the preparation and delivery by the Guarantor within the time periods specified above of consolidated financial statements of the Guarantor including the results of the Issuer and Danish Ship Finance (and the relevant details of the Investment Reserve Accounts) shall satisfy the requirements of this covenant.

7.7 **Limitation on Restrictions on Distributions from the Guarantor, Danish Ship Finance, etc.**

- (a)
 - (i) The Issuer and the Guarantor shall not create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction, which will have, in the reasonable judgment of an Officer of the Issuer or the Guarantor, respectively, a material effect on the ability of the Guarantor, Danish Ship Finance or AX IV HoldCo to pay dividends or make any other distributions in cash or otherwise on its Capital Stock; and
 - (ii) each of the Issuer and the Guarantor shall procure that the full amount of all dividends or any other distributions received by AX IV HoldCo on the Capital Stock in Danish Ship Finance held by AX IV HoldCo are made available in full by AX IV HoldCo to the Issuer.
- (b) Nothing in this Condition 7.7 shall prohibit, (i) in the case of Danish Ship Finance only, any encumbrance or restriction arising or existing by reason of applicable banking laws or any applicable rule, regulation or order, or required by any prudential or resolution authority or (ii) any encumbrance or restriction contained in the Liquidity Facility Agreement or the Transaction Documents.

7.8 **Restricted Payments**

- (a)
 - (i) Each of the Issuer and the Guarantor shall not, directly or indirectly:
 - (A) declare or pay any dividend or make any other payment or distribution on or in respect of its Capital Stock (including, without limitation, any such payment or distribution made in connection with any merger or consolidation involving the Issuer); and
 - (B) purchase, redeem, retire or otherwise acquire for value any of its Capital Stock; and
 - (ii) each of the Issuer and the Guarantor shall not, directly or indirectly make any Investment in any Permitted Issuer Investment Subsidiary or Permitted Guarantor Investment Subsidiary, acquire any property or other assets or make any other Investment,
- (any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Investment referred to in paragraphs (i) and (ii) above being collectively referred to herein as "**Restricted Payments**"), if at the time the Issuer, the Guarantor or AX IV HoldCo, as applicable, makes such Restricted Payment:
- (I) Danish Ship Finance is not in compliance with the Minimum Capital Requirements; or

- (II) a Potential Event of Default or Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom); or
 - (III) the total amounts standing to the credit of the Investment Reserve Cash Account (not including any amounts in respect of any Net Available Cash) and the value of the Cash Equivalents standing to the credit of or recorded in the Investment Reserve Securities Account after any such Restricted Payment are less than the Reserve Amount (which shall be determined on the same basis as for the determination of such amounts and the value of such Cash Equivalents on an Investment Reserve Test Date in accordance with Condition 6.3(a) and the Issuer shall deliver an Officers' Certificate to the Trustee (upon which such certificate it shall be entitled to rely without enquiry or liability to any person) certifying such total amounts and such value of such Cash Equivalents prior to the making of any such Restricted Payment).
- (b) Notwithstanding anything contained in Condition 7.8(a), (i) the making by the Issuer of any investment in cash or Cash Equivalents through the Investment Reserve Cash Account or Investment Reserve Securities Account, respectively, shall not be prohibited and (ii) the making by any Permitted Issuer Investment Subsidiary or Permitted Guarantor Investment Subsidiary of any Investment shall not be considered an "indirect" Investment that is subject to the requirements of this covenant.

7.9 **Statement as to Compliance**

- (a) Each of the Issuer and the Guarantor shall deliver to the Trustee, no later than the date on which the Issuer or the Guarantor, respectively, is required to deliver annual audited consolidated accounts pursuant to Condition 7.6, an Officers' Certificate stating that a review of the activities of the Issuer or the Guarantor, as the case may be, during the preceding financial year has been made under the supervision or direction of the signing Officers with a view to determining whether the Issuer or the Guarantor, as the case may be, has observed and performed its obligations in all material aspects under these Conditions and the Trust Deed, and further stating whether or not such Officers know of any Potential Event of Default that occurred during such period and, if any, specifying such Potential Event of Default, its status and what action the Issuer or the Guarantor, as the case may be, is taking or proposes to take with respect thereto.
- (b) Each of the Issuer and the Guarantor shall, so long as any of the Notes are outstanding, deliver to the Trustee, as soon as practicable following any Officer of the Issuer or the Guarantor, respectively, becoming actually aware of any Potential Event of Default or Event of Default, an Officers' Certificate specifying such Potential Event of Default or Event of Default, its status and what action the Issuer or the Guarantor, as the case may be, is taking or proposes to take with respect thereto.
- (c) Any Potential Event of Default or Event of Default for the failure to comply with the time periods prescribed in this Condition 7.9 (*Statement as to Compliance*) shall be deemed to be cured upon the delivery (prior to acceleration of any Notes by reason of the relevant breach) of any such notice or certificate even though such delivery is not within the prescribed period specified in this Condition 7.9 (*Covenants — Statement as to Compliance*).
- (d) The Trustee shall be entitled to accept any Officers' Certificate delivered to it pursuant to this Condition 7.9 without liability to any person and without further enquiry, further the Trustee shall be entitled to assume without liability that no Potential Event of Default or Event of Default has occurred or is continuing until it has received express notice of the same and shall have no responsibility to monitor compliance by the Issuer or the Guarantor with this Condition 7 or any other provision of the Trust Deed.

7.10 **Interpretation**

In these Conditions:

"**Acquisition**" means the acquisition of the shares of Danish Ship Finance Holding and AX IV HoldCo by the Issuer pursuant to the First Share Purchase Agreement and the Second Share Purchase Agreement;

"Asset Disposition" means any direct or indirect sale, transfer, issuance or other disposition, or a series of related sales, transfers, issuances or dispositions that are part of a common plan, of Capital Stock of Danish Ship Finance, the Issuer or AX IV HoldCo, property or other assets (each referred to for the purposes of this disposition as a **"disposition"**) by the Issuer, the Guarantor or AX IV HoldCo, as applicable, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the foregoing, the following items shall be deemed not to be Asset Dispositions:

- (a) a disposition by the Issuer to the Guarantor or by the Guarantor to the Issuer or by AX IV HoldCo to the Issuer or the Guarantor;
- (b) transactions permitted by Condition 7.5 (*Limitation on Asset Sales*);
- (c) an issuance or transfer of Capital Stock by (i) Danish Ship Finance to the Issuer or the Guarantor, (ii) the Issuer to the Guarantor or (iii) AX IV HoldCo to the Issuer or the Guarantor;
- (d) any Restricted Payment that is permitted to be made pursuant to the provisions of Condition 7.8 (*Restricted Payments*);
- (e) the granting of Security Interests not prohibited by Condition 7.1 (*Negative Pledge*);
- (f) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (g) the merger, consolidation, amalgamation or other combination (in a single transaction or through a series of transactions) of all of the properties and assets of Danish Ship Finance Holding with or into Danish Ship Finance;
- (h) the merger, consolidation, amalgamation or other combination (in a single transaction or through a series of transactions) of all of the properties and assets of AX IV HoldCo with or into Danish Ship Finance or the Issuer; and
- (i) any Asset Disposition by any Permitted Issuer Investment Subsidiary or Permitted Guarantor Investment Subsidiary in the ordinary course of its investment activity;

"AX IV HoldCo" means AX IV HoldCo A/S;

"Cash Equivalents" means:

- (a) securities issued or directly and fully guaranteed or insured by the United Kingdom, the United States or Canadian governments, a member state of the European Union, Switzerland or Norway or, in each case, any agency or instrumentality thereof (**provided that** the full faith and credit of such country or such member state is pledged in support thereof), having remaining maturities of not more than two years from the date of such acquisition;
- (b) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or banker's acceptances having remaining maturities of not more than one year from the date of acquisition thereof issued by a lender party to the Liquidity Facility Agreement or by any European Union, United States, Canadian, United Kingdom, Switzerland or Norwegian bank or trust company whose commercial paper is rated at least "A-2" or the equivalent thereof by S&P or at least "P-2" or the equivalent thereof by Moody's or at least "F-2" or an equivalent thereof by Fitch (or if at the time none of the foregoing is issuing comparable ratings, then a comparable rating of another Rating Agency);
- (c) senior debt securities or senior debt instruments issued by a European Union, United States, Canadian, United Kingdom, Switzerland or Norwegian bank with a rating of "A-" or higher from S&P, "A3" or higher from Moody's or "A-" or higher from Fitch (or if at the time none of the foregoing is issuing comparable ratings, then a comparable rating of another Rating Agency) having remaining maturities of not more than 2 years from the date of such acquisition;
- (d) repurchase obligations with a term of not more than thirty days for underlying securities of the type described in paragraph (a) or (b) above, entered into with any European Union, United States,

Canadian, United Kingdom, Switzerland or Norwegian bank meeting the qualifications described in paragraph (b) above;

- (e) commercial paper issued by a European Union, United States, Canadian, United Kingdom, Switzerland or Norwegian issuer rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P, at least "P-2" or the equivalent thereof by Moody's or at least "F-2" or an equivalent by Fitch or carrying an equivalent rating by a Rating Agency, if each of the three named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the European Union, United States, Canadian, United Kingdom, Switzerland or Norwegian issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;
- (f) readily marketable direct obligations issued by the United Kingdom, the United States, any state of the United States of America, Canada or any province of Canada, any member state of the European Union, Switzerland or Norway or any political subdivision thereof in each case, having one of the two highest rating categories obtainable from either Moody's or S&P or higher from Fitch (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Rating Agency) with remaining maturities of not more than two years from the date of acquisition; and
- (g) bills of exchange issued in the United Kingdom, the United States, Canada, a member state of the European Union, Switzerland or Norway eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialised equivalent),

which in each case are denominated and payments in respect of any such Cash Equivalents are made in U.S. dollars only;

"Capital Stock" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however described), equity of such Person, but excluding any debt security convertible into such equity;

"Common Equity Tier 1 Capital" means common equity tier 1 capital (or any equivalent or successor term) of Danish Ship Finance as calculated by Danish Ship Finance in accordance with CRD/CRR requirements and any applicable transitional arrangements under the CRD/CRR;

"Common Equity Tier 1 Capital Ratio" means the ratio (expressed as a percentage) of the aggregate amount of Common Equity Tier 1 Capital of Danish Ship Finance divided by the Risk Exposure Amounts of Danish Ship Finance, all as calculated by Danish Ship Finance in accordance with CRD/CRR requirements and any applicable transitional arrangements under the CRD/CRR and reported to the Relevant Regulator;

"Contingent Obligations" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness (primary obligations) of any other Person (the primary obligor), including any obligation of such Person, whether or not contingent:

- (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (b) to advance or supply funds:
 - (i) for the purchase or payment of any such primary obligation; or
 - (ii) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"CRD/CRR" means, as the context requires, any or any combination of the CRD Directive, the CRR and any CRD/CRR Implementing Measures;

"CRD Directive" means the Directive (2013/36/EU) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013 and published in the Official Journal of the European Union on 27 June 2013 (or, as the case may be, any provision of Danish law transposing or implementing such Directive), as amended or replaced from time to time (including, for the avoidance of doubt, the amendments to such Directive resulting from Directive (EU) 2019/878 of the European Parliament and of the Council as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures dated 20 May 2019 and published in the Official Journal of the European Union on 7 June 2019);

"CRD/CRR Implementing Measures" means any regulatory capital rules or regulations or other requirements, which are applicable to Danish Ship Finance and which prescribe (alone or in conjunction with any other rules, regulations or other requirements) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of Danish Ship Finance (on a non-consolidated or consolidated basis) to the extent required by the CRD Directive or the CRR, including for the avoidance of doubt and without limitation any regulatory technical standards released from time to time by the European Banking Authority (or any successor or replacement thereof);

"CRR" means the Regulation (2013/575) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013 and published in the Official Journal of the European Union on 27 June 2013, as amended or replaced from time to time (including, for the avoidance of doubt, the amendments to such Regulation resulting from Regulation (EU) 2019/876 of the European Parliament and of the Council as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements dated 20 May 2019 and published in the Official Journal of the European Union on 7 June 2019);

"Currency Agreement" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or a beneficiary;

"Danish Ship Finance Holding" means Danish Ship Finance Holding A/S;

"Danish Ship Finance" means Danish Ship Finance A/S;

the **"equivalent"** on any given date in one currency (the **"first currency"**) of an amount denominated in another currency (the **"second currency"**) is a reference to the amount of the first currency which could be purchased with the amount of the second currency at the spot rate of exchange quoted on the relevant Bloomberg page;

"Fair Market Value" means, with respect to any asset or property, the sale value that would be obtained in an arm's length market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, in each case where the buyer and the seller are unrelated third parties, as determined in good faith by an Officer of the Issuer or the Guarantor whose good faith determination will be conclusive;

"First Share Purchase Agreement" means the share purchase agreement dated 25 September 2023 entered into between the Issuer and (the **"Majority Sellers"**) concerning the purchase of shares in AX IV HoldCo and Danish Ship Finance Holding;

"Fitch" means Fitch Ratings Ireland Limited;

"guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

- (b) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), **provided, however, that** the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.;

"**IFRS**" means International Financial Reporting Standards issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

"**Incur**" has the meaning given to such term in Condition 7.4 (*Limitation on Indebtedness*);

"**Indebtedness**" means, with respect to any Person on any date of determination (without duplication):

- (a) the principal of indebtedness of such Person for borrowed money;
- (b) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (c) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligation being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;
- (d) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property, where the deferred payment is arranged primarily as a means of raising finance;
- (e) the principal component of all Indebtedness of other Persons secured by a Security Interest on any asset of such Person, whether or not such Indebtedness is assumed by such Person (the amount of such Indebtedness being equal to the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness of such other Persons);
- (f) guarantees by such Person of the principal component of Indebtedness of other Persons to the extent guaranteed by such Person; and
- (g) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time),

if and to the extent any of the preceding items (other than letters of credit, Currency Agreements and Interest Rate Agreements) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS.

Notwithstanding the foregoing:

- (i) Contingent Obligations in the ordinary course of business;
- (ii) Indebtedness Incurred in connection with the purchase by the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor of any business in the form of any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing, provided any such liability does not amount to a material liability for the purposes of paragraph (f) of the definition of "Permitted Liability";
- (iii) purchase price hold-backs in respect of a portion of the purchase price of an asset to satisfy warranty claims or other unperforming obligations of the seller;

- (iv) any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes; or
- (v) any obligations under any Tax Sharing Agreement,

shall not constitute Indebtedness.

"Interest Rate Agreement" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is a party or a beneficiary;

"Investment" means, with respect to any Person, all investments by such Person in other Persons in the form of any advance, loan or other extensions of credit (excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contributions (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS;

"Investment Reserve Cash Account" means the bank account held by the Issuer with the Custodian pursuant to the Custody Agreement with account number 15241944 (or such replacement account as the Trustee may approve from time to time);

"Investment Reserve Securities Account" means the securities account held by the Issuer with the Custodian pursuant to the Custody Agreement with account number 280084 (or such replacement account as the Trustee may approve from time to time);

"Liquidity Facility Agreement" means the liquidity facility agreement dated 4 July 2024 between, among others, the Issuer, the Guarantor and the Facility Agent, as may be further amended, restated, modified, renewed, refunded, replaced, refinanced or extended in whole or in part from time to time;

"Majority Sellers" means PKA A/S, Axcel IV K/S, Axcel IV K/S 2, AX Management Invest K/S, AX Management Invest II K/S and PFA Pension, forsikringsaktieselskab;

"Minimum Capital Requirements" means a minimum Common Equity Tier 1 Capital Ratio of at least 19 per cent or whichever level of Common Equity Tier 1 Capital the Board of DSF might determine as its new target, notice of which has been given to the Trustee and the Noteholders in accordance with Condition 17 (*Notices*);

"Moody's" means Moody's Investors Service Limited;

"Net Available Cash" from an Asset Disposition means cash payments received (including, any cash payments received by way of deferred payment of principal pursuant to a note or instalment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (a) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses incurred, and all taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition; and
- (b) the deduction of appropriate amounts to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or the Guarantor, as the case may be, after such Asset Sale;

"Officer" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of these Conditions by the Board of Directors of such Person;

"Officers' Certificate" means, with respect to any Person, a certificate signed by two Officers of such Person;

"Permitted Investment Business" means:

- (a) in the case of the Issuer or the Guarantor, any investment business in which the Issuer or the Guarantor were engaged on the Issue Date or permitted to be engaged in pursuant to their constitutional documents, and any business incidental, reasonably related, complementary or ancillary thereto, or which is a reasonable extension thereof as determined in good faith by the Board of Directors of the Issuer or the Guarantor, as the case may be; and
- (b) in the case of AX IV HoldCo, any investment business in which AX IV HoldCo was engaged on the Issue Date, including:
 - (i) the entry into and performance of rights and obligations under and in connection with the Acquisition and any related documents;
 - (ii) (A) holding shares, Capital Stock, preferred equity certificates and other debt and equity interests in Danish Ship Finance and Danish Ship Finance Holding and the subscription for debt or equity in and the making of capital contributions to Danish Ship Finance, and (B) any advance, loan or other extension of credit to the Issuer or the Guarantor; and
 - (iii) the carrying out of any transaction permitted by these Conditions;

"Permitted Liability" means any liability arising or existing by reason of:

- (a) the entry into and performance of rights and obligations under and in connection with the Acquisition and any related documents;
- (b) the entry into, performance of and incurrence of liabilities under the Notes (including the Notes), the Guarantee, the Intercreditor Agreement, the Security Agreements and the Escrow Agreement and any other document entered into in connection with the Notes or any Security Interest in accordance with Condition 7.1 (*Negative Pledge*);
- (c) the Incurrence of liabilities and obligations in respect of Indebtedness (including the Notes and Security Interests), in each case, not otherwise prohibited by these Conditions (including the redemption, refinancing or retirement of any such Indebtedness and the Incurrence of any Permitted Indebtedness) and activities reasonably incidental thereto (including, without limitation, the entry into and performance of the terms and conditions of, and any obligations under, any document in connection therewith);
- (d) any transactions, activities and arrangements of a Permitted Issuer Investment Subsidiary or a Permitted Guarantor Investment Subsidiary, **provided that** there is no recourse to or obligation of the Issuer or the Guarantor in respect of such liability;
- (e) the entry into and performance of any Tax Sharing Agreement; and
- (f) any transactions, activities and arrangements consistent with, or fees, costs, expenses and taxes incurred in connection with, Permitted Investment Business or otherwise relating to the business or operations of the Issuer, the Guarantor or AX IV HoldCo, which liability is not, in the reasonable judgment of an Officer of the Issuer, the Guarantor or AX IV HoldCo, as the case may be, a material liability in the context of the Notes or the Guarantee, as the case may be, and the relevant investment business, **provided that** no liability is incurred in respect of or in connection with any amounts or Cash Equivalents standing to the credit of or recorded in and represented by the Investment Reserve Cash Account and the Investment Reserve Securities

Account other than as incurred in connection with the operation of such accounts as otherwise permitted by these Terms and Conditions;

"Permitted Issuer Investment Subsidiary" means any wholly-owned Subsidiary of the Issuer formed for the purposes of engaging in investment activity, in which the Issuer or the Guarantor makes an investment but (a) does not guarantee or otherwise assume any responsibility for any indebtedness or other obligations of that Subsidiary, (b) there is no recourse to or obligation of the Issuer or the Guarantor in respect of that Subsidiary, (c) no property or asset of the Issuer or the Guarantor is subject to the satisfaction of any indebtedness or obligation of that Subsidiary, (d) with which neither the Issuer nor the Guarantor has any contract, agreement, arrangement or understanding, and (e) to which neither the Issuer nor the Guarantor has any obligation to maintain or preserve such Subsidiary's financial condition or cause such Subsidiary to achieve any level of investment or other operating results. A default by a Permitted Issuer Investment Subsidiary will not trigger a default by the Issuer or the Guarantor in respect of any Indebtedness;

"Permitted Guarantor Investment Subsidiary" means any wholly-owned Subsidiary of the Guarantor formed for the purposes of engaging in investment activity, in which the Guarantor makes an investment but (a) does not guarantee or otherwise assume any responsibility for any indebtedness or other obligations of that Subsidiary, (b) there is no recourse to or obligation of the Issuer or the Guarantor in respect of that Subsidiary, (c) no property or asset of the Issuer or the Guarantor is subject to the satisfaction of any indebtedness or obligation of that Subsidiary, (d) with which neither the Issuer nor the Guarantor has any contract, agreement, arrangement or understanding, and (e) to which neither the Issuer nor the Guarantor has any obligation to maintain or preserve such Subsidiary's financial condition or cause such Subsidiary to achieve any level of investment or other operating results. A default by a Permitted Guarantor Investment Subsidiary will not trigger a default by either the Issuer or the Guarantor in respect of any Indebtedness;

"Permitted Refinancing Indebtedness" means any Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness Incurred in compliance with these Conditions including Indebtedness that refinances Permitted Refinancing Indebtedness; **provided however that:**

- (a) such Permitted Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with an initial issue discount, aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums and costs, expenses and fees incurred in connection therewith);
- (b) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Permitted Refinancing Indebtedness is subordinated to the Notes on terms at least as favourable to the Noteholders as those contained in the documentation governing the Indebtedness being refinanced;

"Permitted Security Interest" means, with respect to any Person:

- (a) (i) Security Interests securing the Notes and the Guarantee, and (ii) Security Interests pursuant to the Security Agreements entered into pursuant to these Conditions or the Trust Deed;
- (b) Security Interests for Taxes, assessments or other government charges not yet delinquent or which are being contested in good faith by appropriate proceedings; **provided that** appropriate reserves or provisions required pursuant to IFRS have been made in respect thereof;
- (c) Security Interests arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, award or order have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (d) Security Interests arising by virtue of any statutory or common law provisions relating to bankers' liens, rights of set off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

- (e) Security Interests (A) in favour of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer, the Guarantor or AX IV HoldCo in the ordinary course of business and (B) securing obligations in respect of letters of credit, bank guaranties, surety bonds, performance bonds or similar instruments permitted to be Incurred under Condition 7.4(b);
- (f) Security Interests securing the Issuer's, the Guarantor's or AX IV HoldCo's obligations under Currency Agreements or Interest Rate Agreements permitted under Condition 7.4(b)(vii);
- (g) Security Interests securing or arising by reason of any netting or set off arrangements entered into in the ordinary course of banking or other trading activities or Liens over cash accounts and receivables securing cash pooling or cash management arrangements.

For the purposes of determining compliance with this definition, (i) a Security Interest need not be incurred solely by reference to one category of Permitted Security Interests described in this definition but are permitted to be incurred in part under any combination thereof and of any other available exemption and (ii) in the event that a Security Interest (or any portion thereof) meets the criteria of one or more of the categories of Permitted Security Interests, the Issuer will, in its sole discretion, classify or reclassify such Security Interest (or any portion thereof) in any manner that complies with this definition;

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organisation, limited liability company, government or any agency or political subdivision thereof or any other entity;

"Potential Event of Default" means a continuing event or circumstance which could, with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 14 (*Events of Default*) become an Event of Default;

"Rating Agency" means Moody's, S&P or Fitch or any of their respective successors or any other rating agency of equivalent international standing specified by the Issuer from time to time and notified to the Trustee in writing;

"Relevant Regulator" means, in relation to Danish Ship Finance, the Danish Financial Supervisory Authority and any successor or replacement thereto, and/or such other authority having responsibility for the prudential oversight and supervision of Danish Ship Finance and to which the Common Equity Tier 1 Capital Ratio is reported by Danish Ship Finance;

"Second Share Purchase Agreement" means the share purchase agreement to be entered into between the Issuer and Axcel IV K/S, Axcel IV K/S 2, AX Management Invest K/S, AX Management Invest K/S II (together, the **"Second Tranche SPA Sellers"**) concerning the purchase of all of the shares in AX IV HoldCo held by the Second Tranche SPA Sellers;

"Security Interest" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof);

"S&P" means S&P Global Ratings Europe Limited;

"Subsidiary" means in relation to any Person (the **"first Person"**) any other Person (the **"second Person"**) being a corporation or other business entity:

- (a) which is controlled, directly or indirectly, by that first Person; or
- (b) more than half the issued share capital of which is beneficially owned, directly or indirectly, by that first Person,

and, for these purposes, the second Person shall be treated as being controlled by the first Person if the first Person is able to direct the second Person's affairs and/or to control the composition of the first Person's management board or equivalent body;

"Taxes" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of similar nature (including interest and penalties with respect thereto) that are imposed by any governmental or other taxing authority and **"Tax"** shall be construed accordingly;

"Tax Sharing Agreement" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with HEA Investments Global or any affiliate thereof, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of these Conditions; and

"VAT" means (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) and (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in clause (a) above, or imposed elsewhere.

8. **INTEREST**

8.1 **Interest Rate and Interest Payment Dates**

The Notes bear interest:

- (a) from and including the Issue Date to but excluding the Optional Redemption Date (as defined in Condition 10.3(a) below) at the rate of 8.375 per cent. per annum (the **"Initial Interest Rate"**); and
- (b) from and including the Optional Redemption Date to but excluding the Maturity Date, at a rate per annum equal to the sum of (i) the CMT Rate on the Reset Determination Date and (ii) the Margin (the **"Reset Interest Rate"** and, together with the Initial Interest Rate, each a **"Rate of Interest"**).

Interest will be payable semi-annually in arrear on 8 January and 8 July in each year (each an **"Interest Payment Date"**), commencing on 8 January 2025.

8.2 **Calculation of Interest**

The amount of interest payable in respect of the Notes represented by each Certificate shall be calculated in respect of any period by applying the then applicable Rate of Interest to the aggregate principal amount of the Notes represented by such Certificate and on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards.

8.3 **Determination and notification of Reset Interest Rate**

The Principal Paying Agent will at, or as soon as practicable after, the Relevant Time determine the Reset Interest Rate and cause it to be notified to the Issuer and, if the Notes are for the time being listed on a stock exchange and the rules of such stock exchange or other relevant authority so require, such exchange or other relevant authority and notice thereof to be given to the Trustee and the Noteholders in accordance with Condition 17 (*Notices*) Noteholders as soon as possible after such determination but in no event later than the fourth Business Day thereafter.

8.4 **Certificates to be Final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 8 shall (in the absence of manifest error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the other Agents and all Noteholders and (in the absence of manifest error) no liability to the Issuer or the Noteholders shall attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

8.5 **Interest Accrual**

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event interest will continue to accrue as provided in the Trust Deed.

8.6 **Interpretation**

In these Conditions:

Bloomberg Screen means the display page on the Bloomberg L.P. information service designated as the “H15T5Y” page or such other page as may replace it on that information service or any successor information service for the purpose of displaying “treasury constant maturities” as reported in H.15(519);

CMT Rate means the rate determined by the Principal Paying Agent and expressed as a percentage equal to:

- (a) the yield for United States Treasury Securities at “constant maturity” for a designated maturity of one year, as published in the H.15(519) under the caption “treasury constant maturities (nominal)”, as that yield is displayed on the Bloomberg Screen at the Relevant Time; or
- (b) if the yield referred to in paragraph (a) above does not appear on the Bloomberg Screen by the Relevant Time, the yield for United States Treasury Securities at “constant maturity” for a designated maturity of one year as published in the H.15(519) under the caption “treasury constant maturities (nominal)” at the Relevant Time; or
- (c) if the yield referred to in paragraph (b) above is not published by the Relevant Time, the Reset Reference Bank Rate;

H.15(519) means the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/H15> or any successor site or publication;

Margin means 4.233 per cent. per annum;

Reference Banks means five banks which are primary U.S. Treasury securities dealers or market makers in pricing corporate bond issues denominated in U.S. dollars in New York City as selected by the Issuer and notified to the Trustee;

Relevant Time means at or around 4.30 p.m. (New York City time) on the Reset Determination Date;

Representative Amount means a principal amount of United States Treasury Securities that is representative of a single transaction in such United States Treasury Securities in the New York City market at the Relevant Time;

Reset Determination Date means the second Business Day immediately preceding the Optional Redemption Date;

Reset Reference Bank Rate means the rate per annum equal to the semi-annual equivalent yield to maturity of the Reset United States Treasury Securities determined by the Principal Paying Agent on the basis of the arithmetic mean of the Reset Reference Bank Rate Quotations provided by the Reference Banks to the Issuer at the Relevant Time. The Issuer will request the principal office of each of the Reference Banks to provide such quotations which it shall pass on to the Principal Paying Agent. If five quotations are so provided, the Reset Reference Bank Rate will be determined by the Principal Paying Agent on the basis of the arithmetic mean of those quotations, eliminating the highest such quotation (or, in the event of equality, one of the highest) and the lowest such quotation (or, in the event of equality, one of the lowest). If fewer than five quotations are so provided, the Reset Reference Bank Rate will be determined by the Principal Paying Agent on the basis of the arithmetic mean of the quotations provided. If only one quotation or no quotations are so provided, the Reset Reference Bank Rate will be 4.392 per cent. per annum;

Reset Reference Bank Rate Quotation means the secondary market bid prices of the Reference Banks for Reset United States Treasury Securities at the Relevant Time, as quoted in writing to the Issuer by the relevant Reference Bank;

Reset United States Treasury Securities means United States Treasury Securities with an original maturity equal to five years, a remaining term to maturity of no less than one year and in a Representative Amount. If two United States Treasury Securities have remaining terms to maturity equally close to one year, the Reset United States Treasury Securities will be the United States Treasury Security with the shorter remaining term to maturity; and

United States Treasury Securities means securities that are direct obligations of the United States Treasury, issued other than on a discount rate basis.

9. **PAYMENTS**

9.1 **Payments in respect of Notes**

Payment of principal and interest will be made by transfer to the registered account of the Noteholder. Payments of principal and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the "**record date**") being the fifteenth day before the relevant Interest Payment Date.

For the purposes of this Condition, a Noteholder's "**registered account**" means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the register of Noteholders at the close of business, in the case of principal, on the second Business Day before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder's registered address means its address appearing on the register of Noteholders at that time.

9.2 **Payments subject to applicable laws**

Payments in respect of principal and interest on the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

9.3 **No commissions**

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition.

9.4 **Payment on Business Days**

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated on the Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

In these Conditions, "**Business Day**" means any day which (subject to Condition 13 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and New York City and, in the case of presentation of a Note Certificate, in the place in which the Note Certificate is presented.

9.5 **Partial Payments**

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal or interest in fact paid.

9.6 **Agents**

The initial Agents are set out above. The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any changes in the specified office through which any Agent acts, **provided that**:

- (a) there will at all times be a Principal Paying Agent and a Registrar (which may be the same entity);
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be an Agent (which may be the Principal Paying Agent) having a specified office in such place as may be required by the rules and regulations of the relevant Stock Exchange or any other relevant authority; and
- (c) there will at all times be a Paying Agent in the European Union or the United Kingdom.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 17 (*Notices*).

10. **REDEMPTION AND PURCHASE**

10.1 **Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 8 July 2029 (the "**Maturity Date**").

10.2 **Redemption for Taxation Reasons**

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 12 (*Taxation*)), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 4 July 2024, on the next Interest Payment Date, either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) or (ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and
- (b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes, at any time at their principal amount together with interest accrued to but excluding the date of redemption, **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (i) an Officers' Certificate of the Issuer or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of

independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of the change or amendment and the Trustee may (but shall not be obliged) to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders.

10.3 Redemption at the Option of the Issuer

- (a) The Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable), redeem all (or, for the purposes of any redemption pursuant to Condition 7.5 (*Limitation on Asset Sales*), some only) of the Notes on 8 July 2028 (the "**Optional Redemption Date**") at their principal amount together with interest accrued to but excluding the Optional Redemption Date.
- (b) The Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Make Whole Redemption Date**"), redeem all (or, for the purposes of any redemption pursuant to Condition 7.5 (*Limitation on Asset Sales*), some only) of the Notes at any time other than on the Optional Redemption Date at the Make Whole Redemption Price.

Any such notice of redemption may, at the Issuer's discretion, be subject to one or more conditions precedent, in which case such notice shall state that, in the Issuer's discretion, the Make Whole Redemption Date may be delayed until such time as any or all such conditions have been satisfied (or waived by the Issuer in its sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions are not satisfied (or waived by the Issuer in its sole discretion) by the Make Whole Redemption Date, or by the Make Whole Redemption as so delayed.

- (c) In the case of a partial redemption of Notes, the Notes to be redeemed (Redeemed Notes) will be selected individually by lot, not more than 30 days prior to the date fixed for redemption and a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 17 (*Notices*) not less than 15 days prior to the date fixed for redemption.

In the case of Notes in global form represented by the Global Certificate, the Notes to be redeemed will be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

- (d) For the purposes of this Condition 10.3:
 - (i) "**Calculation Date**" means the third Business Day immediately preceding the relevant Make Whole Redemption Date;
 - (ii) "**Comparable Treasury Issue**" means the United States Treasury security or securities selected by the Determination Agent that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in U.S. dollars and of comparable maturity to the remaining term of the Notes;
 - (iii) "**Comparable Treasury Price**" means, with respect to any Make Whole Redemption Date, (A) the arithmetic average of the Reference Treasury Dealer Quotations, after excluding the highest and lowest such the Reference Treasury Dealer Quotations, (B) if the Determination Agent obtains fewer than four such Reference Treasury Dealer Quotations, the arithmetic average of all such quotations, or (C) if only one such Reference Treasury Dealer Quotation is obtained, the amount of the Reference Treasury Dealer Quotation so obtained;
 - (iv) "**Determination Agent**" means a leading investment bank or financial institution of international standing or independent financial adviser with appropriate expertise (i) selected by the Issuer for the purposes of calculating the Make Whole Redemption Price

and (ii) notified to the Trustee, the Principal Paying Agent and Noteholders by the Issuer in accordance with Condition 17 (*Notices*);

- (v) **"Make Whole Redemption Price"** means in respect of each Note, the greater of (a) 100 per cent. of the principal amount of the Notes outstanding, and (b) the sum (expressed as a percentage of the principal amount of the Notes outstanding) of the present values of the Remaining Scheduled Payments discounted to the Make Whole Redemption Date on a semi-annual basis (assuming a 360-day year consisting of 12 months of 30 days each) at the U.S. Treasury Rate plus 0.50 per cent. together (in either case) with interest accrued to (but excluding) the Make Whole Redemption Date, all as determined by the Determination Agent. The Make-Whole Redemption Price shall be notified by the Issuer to the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 17 (*Notices*) as soon as practicable after its determination and in any event by no later than two Business Days prior to the Make Whole Redemption Date;
- (vi) **"Reference Treasury Dealer"** means each of the three nationally recognised firms selected by the Determination Agent that are primary U.S. Government securities dealers;
- (vii) **"Reference Treasury Dealer Quotation"** means, with respect to each Reference Treasury Dealer and any Make Whole Redemption Date, the arithmetic average, as determined by the Determination Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Determination Agent by such Reference Treasury Dealer at 5.00 p.m., New York City time on the Calculation Date;
- (viii) **"Remaining Scheduled Payments"** means, with respect to the Notes, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the Make Whole Redemption Date to and including the Optional Redemption Date (if the Make Whole Redemption Date is prior to the Optional Redemption Date) or the Maturity Date (if the Make Whole Redemption Date is after the Optional Redemption Date) but for such redemption, **provided, however, that** if that Make Whole Redemption Date is not an Interest Payment Date, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to the Make Whole Redemption Date; and
- (ix) **"U.S. Treasury Rate"** means, with respect to any Make Whole Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity (on the basis of a 360-day year consisting of 12 months of 30 days each and computed as of the Calculation Date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Make Whole Redemption Date.

10.4 **Redemption at the Option of Noteholders upon a Change of Control**

If a Change of Control Event occurs, the Issuer shall, upon the holder of any Note giving notice to the Issuer at any time during the Change of Control Redemption Period, redeem such Note in whole (but not in part) on the Change of Control Redemption Date at 101 per cent. of their principal amount (the **"Change of Control Redemption Amount"**) together with interest accrued to but excluding the Change of Control Redemption Date.

Within 14 days of the Issuer or the Guarantor becoming aware that a Change of Control Event has occurred, the Issuer, failing which the Guarantor, shall give notice (a **"Change of Control Notice"**) to the Noteholders and the Trustee specifying the nature of the Change of Control Event, the procedure for Noteholders to exercise their rights to require redemption of any Notes pursuant to this Condition 10.4, the Change of Control Redemption Period and the Change of Control Redemption Date.

The right of Noteholders to require the redemption of Notes under this Condition 10.4 on the occurrence of a Change of Control Event may be exercised by Noteholders in any multiple of the principal amount of the Notes. To exercise such right, a Noteholder must deliver, at the specified office of the Principal Paying Agent at any time during normal business hours of such Principal Paying Agent within the Change

of Control Redemption Period, a duly completed and signed notice of redemption in the form (for the time being current) obtainable from the specified office of the Principal Paying Agent (a "**Redemption Notice**") and in which the Noteholder must specify a bank account to which payment is to be made under this Condition 10.4 accompanied by the relevant Certificate for such Notes or evidence satisfactory to the Principal Paying Agent concerned that the relevant Certificate for such Notes will, following delivery of the Redemption Notice, be held to its order or under its control.

All notices to be given by any Noteholder to the Issuer or by the Issuer or the Guarantor to any Noteholder under this Condition 10.4 must be given in accordance with Condition 17 (*Notices*). Any Redemption Notice given by a Noteholder pursuant to this Condition 10.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 14, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Redemption Notice. The Issuer will redeem all Notes which are the subject of a validly delivered Redemption Notice on the Change of Control Redemption Date.

In these Condition:

- (a) "**affiliate**" means, in respect of any specified Person at any particular time, any other Person who directly or indirectly (through one or more Subsidiaries) controls, is controlled by or is under common control with such specified person;
- (b) a "**Change of Control Event**" will occur if at any time:
 - (i) Mr Hassan El Ali either alone or together with any one or more Related Person(s) ceases to control the Guarantor; or
 - (ii) the Issuer (whether directly, indirectly or otherwise through a legal entity, trust or otherwise) ceases to control Danish Ship Finance;
- (c) "**Change of Control Redemption Date**" means the first Business Day following the expiration of the Change of Control Redemption Period **provided that** the Change of Control Notice is given within 30 days of the Change of Control Event occurring, otherwise it means the date falling 14 days after the date on which the relevant Noteholders exercise their right to require the redemption of the relevant Notes in accordance with this Condition 10.4;
- (d) "**Change of Control Redemption Period**" means, in relation to any Change of Control Event, the period from and including the date on which that Change of Control Event occurs (whether or not the Issuer or the Guarantor has given a Change of Control Notice in respect of such event) to and including the date falling 60 days after the date on which the Change of Control Notice is given, **provided that** if no Change of Control Notice is given, the Change of Control Redemption Period shall not terminate;
- (e) "**control**" by one Person (the "**First Person**") of another Person (the "**Second Person**") means where the First Person (i) owns more than 50 per cent. of (A) the issued share capital of the Second Person or (B) the voting rights of the Second Person; (ii) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of the Second Person; or (iii) otherwise controls the Second Person (and "**controlled**" and "**controlling**" shall be construed accordingly); and
- (f) a "**Related Person**", with respect to Mr Hassan El Ali, means:
 - (1) any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof or any heir or successor of such Person; or
 - (2) any trust, corporation, partnership or other Person for which Mr Hassan El Ali and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

- (3) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any affiliate of such Person or any such successor.

10.5 Redemption following a Tender Offer

In connection with any tender offer for the Notes, if holders of not less than 80 per cent. in aggregate principal amount of the outstanding Notes (as defined in Condition 14.2 below) validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third-party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third-party may at its option, having given not less than 10 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and the Noteholders in accordance with Condition 17 (*Notices*) (which notice shall be given not more than 30 days following such tender offer expiration date, shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Notes that remain outstanding following such purchase at a price equal to the price offered to each other holder in such tender offer, plus, to the extent not included in the tender offer payment, interest accrued to but excluding the date of redemption.

10.6 Redemption following the Escrow Longstop Date

If the Escrow Release has not taken place by the Escrow Longstop Date (each such term as defined in Condition 11.2 (*Escrow Release*) below), the Issuer, failing which the Guarantor, shall give notice to the Noteholders in accordance with Condition 17 (*Notices*) and the Trustee as soon as practicable and in any event no later than 3 Business Days following the Escrow Longstop Date (which notice shall be irrevocable and shall specify the date fixed for redemption) of the redemption of the Notes on the date falling not less than 5 and not more than 10 Business Days from the Escrow Longstop Date at their principal amount together with interest accrued to but excluding the date of redemption.

10.7 Purchases

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to the Registrar for cancellation.

10.8 Cancellations

All Notes which are purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may, and all Notes which are redeemed shall, be surrendered for cancellation to the Registrar and, upon surrender thereof, will forthwith be cancelled. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

10.9 Notices Final

Upon the expiry of any notice as is referred to in Condition 10.2, 10.3, 10.5 or 10.6 above, the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such Condition.

11. ESCROW OF PROCEEDS

11.1 Escrow of proceeds

Concurrently with the issuance of the Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with the Security Agent and the Escrow Agent, pursuant to which the Issuer will deposit or will arrange to have deposited with the Escrow Agent an amount in cash equal to the gross proceeds of the sale of the Notes, together with certain other amounts, on the Issue Date into the Escrow Account. The initial funds deposited in the Escrow Account (including all other funds credited to the Escrow Account) and less any funds paid in accordance with the Escrow Agreement, are referred to, collectively, as the "**Escrowed Funds**".

11.2 Escrow Release

The Issuer will only be entitled to instruct the Escrow Agent to release the Escrowed Funds in accordance with the terms of the Escrow Agreement. Pursuant to the Escrow Agreement, the relevant amount of the

Escrowed Funds to be paid to the Majority Sellers as provided in paragraph (a) below will be converted into Danish Krone and the Escrowed Funds will be released (the "**Escrow Release**"):

- (a) to the Majority Sellers in payment of the purchase price for (i) the shares of the Majority Sellers in Danish Ship Finance Holding and the relevant shares of the Majority Sellers in AX IV HoldCo, and (ii) the DKK 2,000,000,000 Subordinated Floating Rate Convertible Tier 2 Notes due 2026 issued by Danish Ship Finance Holding (the "**Existing Tier 2 Notes**"), in each case under the First Share Purchase Agreement in such amount as instructed by the Issuer for such purchase;
- (b) following payment of the amount payable to the Majority Sellers for the purchase of the shares in Danish Ship Finance Holding and the relevant shares in AX IV HoldCo, and the Existing Tier 2 Notes under (a) above, in payment from the amount remaining following such purchase of the Reserve Amount to the Custodian for crediting to the Investment Reserve Cash Account as instructed by the Issuer; and
- (c) in payment of the amount remaining credited to the Escrow Account follow such purchase and payment under (a) and (b) above, to, or to the order of, the Issuer as instructed by the Issuer,

(the date of such release being referred to as the "**Escrow Release Date**"), in each case upon delivery by the Issuer prior to 22 July 2024 (the "**Escrow Longstop Date**") of:

- (i) an Officers' Certificate (the "**Escrow Release Officers' Certificate**") to the Escrow Agent and the Security Agent, upon which both the Escrow Agent and the Security Agent shall be entitled to rely, without enquiry or liability to any person; and
- (ii) Payment Instructions (as defined in the Escrow Agreement) to the Escrow Agent (which Payment Instructions shall include the necessary instructions for the conversion of the relevant amount of the Escrowed Funds into Danish Krone on the Escrow Release Date prior to their release as provided in paragraphs (a), (b) and (c) above, and be countersigned by the Security Agent, following its receipt of, and in reliance upon, the Escrow Release Officers' Certificate) in the form set out in the Escrow Agreement.

The Escrow Release Officers' Certificate shall certify that all of the following conditions have been satisfied:

- (A) the equity contribution of €130 million from the Guarantor to the Issuer has been made and the Liquidity Facility has been drawn and paid to the order of the Issuer, and an amount equal to such equity contribution and amount drawn under the Liquidity Facility has been credited to the Escrow Account;
- (B) all of the conditions to closing under the First Share Purchase Agreement have been satisfied, other than payment to the Majority Sellers of the purchase price payable under the First Share Purchase Agreement;
- (C) immediately after the Escrow Release, the Acquisition will be consummated and the Issuer will own, directly or indirectly, not less than 94 per cent. of the issued and outstanding Capital Stock of Danish Ship Holdings and all of the aggregate principal amount outstanding of the Existing Tier 2 Notes; and
- (E) as at the date of the Escrow Release Officers' Certificate, no Event of Default or Potential Event of Default has occurred,

and the amount payable to the Majority Sellers for the purchase of the Existing Tier 2 Notes on the Escrow Release Date.

The Escrow Release will occur as soon as practicable following the receipt of the Escrow Release Officers' Certificate and the Payment Instructions. Upon the Escrow Release, the relevant amount of the Escrowed Funds as instructed by the Issuer will be converted into Danish Krone, and released and paid as provided in paragraphs (a), (b) and (c) above in accordance with the Escrow Agreement and following such release and payment there will be no further amounts standing to the credit of the Escrow Account.

If the Escrow Release has not taken place by the Escrow Longstop Date, the Issuer shall deliver Payment Instructions to the Escrow Agent (which Payment Instructions shall be countersigned by the Security Agent following its receipt of and in reliance upon the Officers' Certificate referred to in Condition 5.3(b)) in the form set out in the Escrow Agreement for the release of the Escrowed Funds to the Principal Paying Agent for the redemption of the Notes in accordance with Condition 10.6 (*Redemption following the Escrow Longstop Date*) above.

For the purposes of the countersigning of any Payment Instructions by the Security Agent for the release of the Escrowed Funds in accordance with this Condition 11.2 (*Escrow Release*), the Security Agent shall be responsible solely for confirming the relevant Payment Instructions are being given in accordance with the relevant provisions of this Condition 11.2 (*Escrow Release*) and in order to provide such confirmation the Security Agent shall be entitled to rely, without enquiry or liability to any person, on the matters certified in the Escrow Release Officers' Certificate or the Officers' Certificate referred to in Condition 5.3(b), as applicable, and will not have any obligation to independently monitor whether the Issuer has complied with the conditions for the release of the Escrowed Funds as set out in this Condition 11.2 (*Escrow Release*).

12. TAXATION

12.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer or the Guarantor will be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction, unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note:

- (a) the holder of which is liable for such taxes or duties in respect of such Note by reason of having some connection with a Relevant Jurisdiction other than the mere holding of the Notes; or
- (b) presented for payment in any Relevant Jurisdiction; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Business Day.

Notwithstanding any other provision of these Conditions, in no event will the Issuer or the Guarantor be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 12 (*Taxation*) or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor or any Noteholder to pay such tax, duty, charges, withholding or other payment.

12.2 Interpretation

In these Conditions:

- (a) "**Relevant Date**" means the date on which such payment first becomes due, except that if the full amount of the moneys payable has not been received by the an Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 17 (Notices); and
- (b) "**Relevant Jurisdiction**" means the Abu Dhabi Global Market or the United Kingdom or any other jurisdiction or any political subdivision or any authority thereof or therein having power to

tax to which the Issuer or the Guarantor, as the case may be, become subject in respect of payments made by it of principal and interest on the Notes.

12.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

13. PRESCRIPTION

The Notes will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date, as defined in Condition 12 (*Taxation*) thereafter.

14. EVENTS OF DEFAULT

14.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs 14.1(b) to 14.1(e) (other than the winding up or dissolution of the Issuer or the Guarantor), 14.1(f) (other than in relation to the Issuer or the Guarantor), 14.1(i) and 14.1(m) (but in the case of an event analogous or potentially analogous to an event described in subparagraph 14.1(e) or 14.1(f), only to the extent that such event relates to AX IV HoldCO or Danish Ship Finance) inclusive below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer and the Guarantor that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, if any of the following events shall occur and be continuing ("**Events of Default**"):

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 30 days; or
- (b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions, the Trust Deed, the Security Agreements or the Escrow Agreement and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (c) if it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes, the Trust Deed, the Security Agreements or the Escrow Agreement; or
- (d) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor or AX IV HoldCo becomes due and repayable or, in the case of any Indebtedness for Borrowed Money other than the Liquidity Facility Agreement, capable of being declared due and payable prematurely by reason of an event of default (however described); (ii) the Issuer, the Guarantor or AX IV HoldCo fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any applicable grace period; (iii) any security given by the Issuer, the Guarantor or AX IV HoldCo for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer, the Guarantor or AX IV HoldCo in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; or
- (e) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor, AX IV HoldCo or Danish Ship Finance, save for the purposes of reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or

- (f) if the Issuer, the Guarantor, AX IV HoldCo or Danish Ship Finance ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of (i) reorganisation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution or (ii) any merger, consolidation, amalgamation or other combination (in a single transaction or through a series of transactions) of all of the properties and assets of AX IV HoldCo with or into Danish Ship Finance or the Guarantor, or the Issuer, the Guarantor, AX IV HoldCo or Danish Ship Finance stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (g) if (i) proceedings are initiated against the Issuer, the Guarantor, AX IV HoldCo or Danish Ship Finance under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor, AX IV HoldCo or Danish Ship Finance or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them and (ii) in any case (other than the appointment of an administrator) is not discharged within 14 days; or
- (h) if the Issuer, the Guarantor, AX IV HoldCo or Danish Ship Finance initiates or consents to proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (i) if the Issuer ceases to be a subsidiary wholly owned and controlled, directly or indirectly, by the Guarantor; or
- (j) if AX IV HoldCo ceases to be a subsidiary owned and controlled, directly or indirectly, by the Issuer, save for upon any merger, consolidation, amalgamation or other combination (in a single transaction or through a series of transactions) of all of the properties and assets of AX IV HoldCo with or into Danish Ship Finance or the Issuer; or
- (k) if the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect; or
- (l) if the Transaction Security ceases to be legal, valid, binding, enforceable or effective for any reason other than as permitted by these Conditions or is alleged by the Issuer or the Guarantor to be invalid or unenforceable; or
- (m) if any event occurs which, under the laws of any relevant jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in paragraphs (e), (f), (i), (j) or (k) above.

14.2 Interpretation

For the purposes of this Condition, "**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money or any liability under or in respect of the Liquidity Facility Agreement.

In addition, for the purposes of (i) the determination of how many and which Notes are outstanding for the purposes of this Condition 14, and Conditions 10.5, 15 and 19, (ii) ascertaining the right to attend and/or vote at or in respect of any meeting of the Noteholders, a Written Resolution or a resolution by way of Electronic Consent (each as defined in the Trust Deed), (iii) the exercise of any discretion, power or authority whether contained in these Conditions, the Trust Deed or provided by law, which the Trustee

is required, expressly or impliedly, to exercise in or by reference to the interests of the Noteholders, and (iv) the determination by the Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Noteholders or any of them, those Notes which are beneficially held by or on behalf of any of the Issuer, the Guarantor or any of their respective Subsidiaries or affiliates shall (unless no longer so held) be deemed not to remain outstanding (including as such term is further defined in the Trust Deed, "**outstanding**").

15. ENFORCEMENT

15.1 Enforcement of the Notes

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed and the Notes or otherwise, but it shall not be bound to take any such proceedings or other steps or action unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding, and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

15.2 Enforcement of Collateral

Subject always to the terms of the Trust Deed, the Intercreditor Agreement, the Security Agreements and the Escrow Agreement and in the circumstances set out therein, at any time following the Security Interests on the Collateral having become enforceable, the Trustee may at any time, at its discretion and without notice, enforce the Security Interests on the Collateral (or in the case of the Share Pledge and the Escrow Security, direct the Security Agent to so enforce) (but only in accordance with the terms of the Trust Deed (including the Guarantee), the Intercreditor Agreement, the Security Agreements and the Escrow Agreement, as applicable), but it shall not be bound to take any such action or any other action in relation to the Trust Deed or the Notes unless (a) it has been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

15.3 Limitation on Trustee actions

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

15.4 Enforcement by the Noteholders

No Noteholder shall be entitled to (i) take any steps or action against the Issuer or the Guarantor to enforce the performance of any of the provisions of the Trust Deed or the Notes or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or the Guarantor, in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, (a) fails so to do within 90 days or (b) is unable to do so by reason of an order of a court having competent jurisdiction, and the failure or inability shall be continuing.

16. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

17. NOTICES

17.1 Notices to the Noteholders

All notices to the Noteholders will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first of any joint named holders) at their respective addresses in the register of Noteholders maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the fourth day after being so mailed or on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

17.2 Notices from the Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Certificate, with the Registrar or, if the Certificates are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

18. SUBSTITUTION

The Trustee may, without the consent of the Noteholders, agree with the Issuer and the Guarantor to the substitution (a) of the Guarantor in place of the Issuer as the principal debtor under the Notes and the Trust Deed and (b) of the Issuer in place of the Guarantor as guarantor under the Guarantee and the Trust Deed, subject to:

- (a) such substitution of both the Issuer and the Guarantor taking place concurrently;
- (b) the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Noteholders; and
- (c) certain other conditions set out in the Trust Deed being complied with.

19. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

19.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or any of the provisions of the Conditions, the Trust Deed, the Agency Agreement, the Intercreditor Agreement, the Security Agreements, the Escrow Agreement and the Custody Agreement. The quorum at any meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes any matter defined in the Trust Deed as a Basic Terms Modification, including the modification of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed (including the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or to release any Collateral or the Guarantee to the extent not expressly contemplated in these Conditions, the Trust Deed, the Intercreditor Agreement, the Security Agreements and/or the Escrow Agreement), the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an

Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

19.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Noteholders (i) to any modification (except in relation to a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Intercreditor Agreement, the Security Agreements, the Escrow Agreement and the Custody Agreement or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such (**provided that**, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders), or (ii) to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error.

19.3 Trustee to have Regard to Interests of Noteholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 12 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 12 (*Taxation*) pursuant to the Trust Deed.

19.4 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any modification or substitution shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 17 (*Notices*).

20. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTOR

20.1 Indemnification and protection of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Guarantor and the Noteholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

20.2 Trustee Contracting with the Issuer and the Guarantor

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and/or the Guarantor and/or any of their respective Subsidiaries and to act as Trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of their respective Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the

Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

21. **GOVERNING LAW AND DISPUTE RESOLUTION**

21.1 **Governing Law**

The Trust Deed, the Agency Agreement, the Notes and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement and the Notes are governed by, and construed in accordance with, English law.

21.2 **Agreement to arbitrate**

Subject to Condition 21.3 (*Option to litigate*) below, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Trust Deed, the Agency Agreement and the Notes (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement and the Notes) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 21.2. For these purposes:

- (a) the seat of arbitration shall be London, England;
- (b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions;
- (c) each party shall have the right to nominate one arbitrator. If one party fails to appoint an arbitrator within 30 days of receiving notice of the appointment of an arbitrator by the other party, then that arbitrator shall be appointed by the London Court of International Arbitration (the "**LCIA**");
- (d) the third arbitrator, who shall act as chairman of the tribunal, shall be chosen by the two arbitrators chosen by or on behalf of the parties. If the chairman is not chosen and appointed within 15 days of the date on which the later of the two party-appointed arbitrators is appointed, the chairman shall be appointed by the LCIA; and
- (e) the language of the arbitration shall be English.

21.3 **Option to litigate**

Notwithstanding Condition 21.2 (*Agreement to arbitrate*) above, the Trustee and any Noteholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

- (a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If the Trustee or any Noteholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 21.4 below and, subject as provided below, any arbitration commenced under Condition 21.2 above in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration (other than the Trustee, whose costs will be born by the Issuer, failing which the Guarantor) will bear its own costs in relation to the terminated arbitration.

If any notice to exercise the option to litigate is given after service of any Request for Arbitration in respect of any Dispute, the Trustee or the relevant Noteholder must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before their appointment is terminated;
- (ii) their entitlement to be paid their proper fees and disbursements; and
- (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

21.4 **Effect of exercise of option to litigate**

In the event that a notice pursuant to Condition 21.3 (*Option to litigate*) above is issued, the following provisions shall apply:

- (a) subject to paragraph (c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;
- (b) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (c) this Condition 21.4 is for the benefit of the Trustee and the Noteholders only. As a result, and notwithstanding paragraph (a) above, the Trustee or any Noteholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Trustee and the Noteholders may take concurrent Proceedings in any number of jurisdictions.

21.5 **Appointment of Process Agent**

The Guarantor irrevocably appoints the Issuer at 64 Knightsbridge, London SW1X 7JF, United Kingdom as its agent for service of process and agrees that, in the event of the Issuer being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Guarantor agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition shall affect the right to serve process in any other manner permitted by law.

21.6 **Other Documents**

Each of the Issuer and, where applicable, the Guarantor have in the Agency Agreement and the Trust Deed made provisions for arbitration and appointed an agent in England for service of process, in terms substantially similar to those set out above.

22. **RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Notes in respect of which it is issued whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning in paragraphs 1 to 8.

1. **Account Holders**

For so long as any of the Notes are evidenced by the Global Certificate, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of the Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "**Noteholders**" and references to "holding of Notes" and to "holder of Notes" shall be construed accordingly) (the "**Accountholder's Holding**") for all purposes other than with respect to payments on such Notes, for which purpose the Registered Holder shall be deemed to be the holder of such aggregate principal amount of the Notes in accordance with and subject to the terms of the Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder.

2. **Cancellation**

Cancellation of any Note following its redemption or purchase by the Issuer, the Guarantor or any of their respective Subsidiaries will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders.

3. **Payments**

For so long as the Registered Holder is shown in the Register as the holder of the Notes evidenced by the Global Certificate, the Registered Holder shall (subject as set out above under 'Accountholders') in all respects be entitled to the benefit of such Notes and shall be entitled to the benefit of the Agency Agreement. Payments of all amounts payable under the Conditions in respect of the Notes as evidenced by this Global Certificate will be made to the Registered Holder pursuant to the Conditions.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Principal Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Upon any payment of any amount payable under the Conditions the amount so paid shall be entered by the Registrar on the register, which entry shall constitute *prima facie* evidence that the payment has been made.

For the purposes of Condition 9.1 (*Payments in respect of Notes*), so long as the Notes as evidenced by the Global Certificate are held on behalf of Euroclear and/or Clearstream, Luxembourg, the record date in respect of the Notes shall be the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date.

4. **Interest Calculation**

For so long as Notes are evidenced by the Global Certificate, interest payable to the Registered Holder will be calculated by applying the rate of 8.375 per cent. per annum to the outstanding principal amount of the Notes evidenced by the Global Certificate and on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days. The resultant figure is rounded to the nearest cent (half a cent being round upwards).

5. **Redemption of the Notes in Part**

For so long as Notes are evidenced by the Global Certificate, the Notes to be redeemed in the case of any redemption of the Notes in part in accordance with Condition 10.3 (*Redemption at the Option of the Issuer*) will be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

6. **Notices**

So long as the Notes are evidenced by the Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 17 (*Notices*) **provided that**, so long as the Notes are listed on any stock exchange notices shall also be published in accordance with the rules of such exchange. Any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to such clearing system.

Whilst any of the Notes are evidenced by the Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures approved for this purpose and otherwise in such manner as the Principal Paying Agent and the applicable clearing system may approve for this purpose.

7. **Exchange and Registration of Title**

The Global Certificate will be exchangeable (free of charge to the holder) in whole but not in part for Certificates only upon the occurrence of an Exchange Event. An "**Exchange Event**" means that:

- (a) an Event of Default (as defined in Condition 14.1 (*Events of Default*)) has occurred and is continuing; or
- (b) the Issuer has been notified by that both Euroclear or Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes evidenced by the Global Certificate in definitive form.

The Issuer will promptly give notice to the Noteholders in accordance with Condition 17 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg, as the case may be, acting on the instructions of any Accountholder may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (c) above, the Issuer may also give notice to the Registrar requesting exchange. Any exchange shall occur no later than ten days after the date of receipt of the first relevant notice by the Registrar.

Exchanges will be made upon presentation of the Global Certificate at the office of the Registrar by or on behalf of the Registered Holder on any day on which banks are open for general business in the city in which the Registrar has its specified office and will be effected by the Registrar (a) entering each Accountholder in the Register as the registered holder of the principal amount of Notes equal to such Accountholder's Holding (as defined below) and (b) completing, authenticating and dispatching to each Accountholder a Certificate evidencing such Accountholder's Holding. The aggregate principal amount of the Notes evidenced by Certificates issued upon an exchange of the Global Certificate will be equal to the aggregate outstanding principal amount of the Notes evidenced by the Global Certificate.

The Registrar will not register title to the Notes in a name other than that of a nominee for the common depositary for a period of fifteen calendar days preceding the due date for any payment of principal or interest in respect of the Notes.

8. **Transfers**

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and/or Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg and their respective direct and indirect participants.

TAXATION

The tax laws of the investor's jurisdiction and of the Issuer's and Guarantor's jurisdiction might have an impact on the income received from the Notes. The following is a general description of certain Abu Dhabi and United Kingdom tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Abu Dhabi and the United Kingdom of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

Investors should also note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Abu Dhabi Global Market ("ADGM")

The following summary of the anticipated tax treatment in the ADGM in relation to payments on the Notes is based on the taxation law in force at the date of this Offering Circular, and does not constitute legal or tax advice. Prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change.

Pursuant to Article 18 of Abu Dhabi Law No. (4) of 2013 concerning Abu Dhabi Global Market (the "**2013 ADGM Law**"), entities licensed, registered or otherwise authorised to carry on financial services in the ADGM and their employees shall be subject to a zero rate of tax for a period of 50 years from 19 February 2013. This zero rate of tax applies to income, corporation and capital gains tax. In addition, the tax rate will also extend to the transfer of assets, profits or wages in any currency to any destination outside the ADGM. Article 18 of the 2013 ADGM Law also provides that it is possible to renew the 50-year period to a similar period pursuant to a resolution by the Abu Dhabi Executive Council. As a result no payments made by the Issuer under the Notes are subject to any tax in the ADGM, whether by withholding or otherwise.

United Arab Emirates (Excluding the ADGM)

The following summary of the anticipated tax treatment in the UAE in relation to payments on the Notes and under the Guarantee is based on the taxation law in force at the date of this Offering Circular, and does not constitute legal or tax advice. Prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change.

Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Abu Dhabi taxation in respect of payments made by the Guarantor under the Guarantee. In the event of the imposition of any such withholding, the Guarantor has undertaken to gross-up any payments subject to certain limited exceptions.

United Kingdom

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the published practice of His Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions

in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

UK Withholding Tax on Interest Payments by the Issuer

The Notes issued which carry a right to interest ("**UK Notes**") will constitute quoted Eurobonds provided they are and continue to be listed on a recognised stock exchange (within the meaning of section 1005 of the Income Tax Act 2007 (the "**Income Tax Act**") for the purposes of section 987 of the Income Tax Act) or admitted to trading on a "multilateral trading facility" operated by a regulated recognised stock exchange (within the meaning of section 987 of the Income Tax Act). Whilst the UK Notes are and continue to be quoted Eurobonds, payments of interest on the UK Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The International Securities Market of the London Stock Exchange is a multilateral trading facility operated by a regulated recognised stock exchange for the purposes of Section 987 of the Income Tax Act.

In all other cases, interest which has a United Kingdom source on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20%) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Payments by Guarantor

If the Guarantor makes any payments in respect of interest on the Notes issued by the Issuer (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20%), subject to such relief as may be available under the provisions of any applicable double taxation treaty (a "**Treaty**"), or to any other exemption which may apply. Such payments by the Guarantor may not be eligible for any of the other exemptions described above.

Other Rules Relating to United Kingdom Withholding Tax

Notes may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above.

Where interest has been paid under deduction of United Kingdom income tax, Holders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" under the heading "*United Kingdom*" above mean "interest" as understood in United Kingdom tax law. The statements under the heading "*United Kingdom*" above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Prospective Noteholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law. Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax at the relevant

rate, subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer and does not consider the tax consequences of any such substitution.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Under the terms and conditions contained in a Subscription Agreement (the "**Subscription Agreement**") dated 4 July 2024 between the Issuer, the Guarantor, Citigroup Global Markets Limited and Goldman Sachs International (the "**Joint Global Coordinators and Joint Bookrunners**"), Fearnley Securities AS (the "**Nordic Placement Agent and Joint Bookrunner**") and Danske Bank A/S, Emirates NBD Bank PJSC and Mashreqbank psc (together with the Joint Global Coordinators and Joint Bookrunners, and the Nordic Placement Agent and Joint Bookrunner, the "**Joint Bookrunners**"), the Issuer has agreed to issue and sell to the Joint Bookrunners U.S.\$360,000,000 in aggregate principal amount of the Notes and, subject to certain conditions, the Joint Bookrunners have jointly and severally agreed to subscribe for the Notes.

The Subscription Agreement provides that the obligations of the Joint Bookrunners to pay for and accept delivery of the Notes are subject to the approval of certain legal matters by their counsel and certain other conditions. Pursuant to the Subscription Agreement, the Joint Bookrunners will be paid certain commissions in respect of their services for managing the issue and sale of the Notes. The Joint Bookrunners will also be reimbursed in respect of certain of their expenses, and the Issuer and the Guarantor have agreed to indemnify the Joint Bookrunners against certain liabilities incurred in connection with the issue, offer and sale of the Notes.

In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their respective affiliates. Certain of the Joint Bookrunners or their affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure to the Issuer and the Guarantor consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Affiliates of the Issuer and the Guarantor may purchase a certain amount of the Notes issued in the Offering. For certain purposes, including the right to attend and/or vote at or in respect of any meeting of the Noteholders, any Notes held by any such affiliate will be deemed not to remain outstanding. See Condition 14.2 (*Interpretation*). Any significant holding of the Notes, whether by an affiliate or otherwise, may reduce the liquidity of the Notes in the secondary trading market.

SELLING RESTRICTIONS

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Bookrunner has represented, warranted and agreed that it has not offered or sold, and that it will not offer or sell, any Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issuance Date, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

Until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer that is not participating in the offering of the Notes may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

UNITED KINGDOM

Prohibition of Sales to UK Retail Investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of UK MiFIR.

Other Regulatory Restrictions

Each Joint Bookrunner has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market)

Each Joint Bookrunner has represented, warranted and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market) other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Joint Bookrunner has represented, warranted and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

Abu Dhabi Global Market

Each Joint Bookrunner has represented, warranted and agreed that it has not offered and will not offer the Notes to any person in the Abu Dhabi Global Market unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Financial Services Regulatory Authority (the "**FSRA**") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.4.1 of the Conduct of Business Module of the FSRA rulebook.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Joint Bookrunner has represented and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Joint Bookrunner has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**Securities and Futures Ordinance**") and any rules made under the Securities and Futures Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Winding Up and Miscellaneous Provisions) (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under the Securities and Futures Ordinance.

Singapore

Each Joint Bookrunner has acknowledged that the Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Joint Bookrunner has represented, warranted and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes. Accordingly, each Joint Bookrunner has represented, warranted and agreed that the Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Offering Circular nor any other

offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia ("**Corporations Act**")) in relation to Notes has been or will be lodged with the Australian Securities and Investments Commission ("**ASIC**"). Each Joint Bookrunner has represented, warranted and agreed that it:

- (a) has not (directly or indirectly) offered, and will not offer for issue or sale and has not invited, and will not invite, applications for issue, or offers to purchase, the Notes in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any information memorandum, advertisement or other offering material relating to the Notes in Australia,

unless (1) the aggregate consideration payable by each offeree or invitee is at least AUD500,000 (or its equivalent in other currencies, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act, (2) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act, (3) such action complies with all applicable laws, regulations and directives and (4) such action does not require any document to be lodged with ASIC.

Italy

Each Joint Bookrunner has acknowledged that the offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, the Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) No. 1129 of 14 June 2017 (the "**Prospectus Regulation**") and any application provision of Legislative Decree No. 58 of 24 February 1998, as amended (the Financial Services Act) and Italian CONSOB regulations; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must:

- (i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and
- (ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

General

Each Joint Bookrunner has represented, warranted and agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Guarantor, the Trustee nor any other Joint Bookrunners shall have any responsibility therefor.

None of the Issuer, the Guarantor, the Joint Bookrunners, the Trustee or the Agents represents that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe any applicable restrictions on the distribution of this Offering Circular and the offering and sale of the Notes.

GENERAL INFORMATION

Authorisation

The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 27 June 2024 and the giving of the Guarantee was duly authorised by a resolution of the Board of Directors of the Guarantor dated 27 June 2024.

Listing

As soon as reasonably practical following its re-registration as a public company and, in any event, within 90 days of the Escrow Release Date, an application will be made by the Issuer to the London Stock Exchange for the Notes to be admitted to trading on the ISM. The ISM is not a UK regulated market within the meaning of UK MiFIR. The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the United Kingdom Listing Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular. This Offering Circular does not comprise admission particulars for the purposes of the admission to trading of the Notes on the ISM and separate admission particulars will be prepared for this purpose. There can be no assurance when the Notes will be admitted to trading on the ISM or if such admission will occur at all.

Application may also be made to the Vienna Stock Exchange for the inclusion of the Notes in trading on the Vienna MTF. The Vienna MTF is not a regulated market for the purpose of MiFID II. It is expected that admission of the Notes to trading on the Vienna MTF will be granted on or about the Issue Date, subject only to the issue of the Notes. Transactions will normally be effected for settlement in U.S. dollars and for delivery on the third business day after the day of the transaction.

Documents Available

For so long as the Notes remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available for inspection at the specified office of the Principal Paying Agent during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays):

- (a) a copy of the constitutional documents of the Issuer and the Guarantor;
- (b) the Trust Deed, the Agency Agreement and the Security Documents; and
- (c) this Offering Circular and any supplement(s) thereto.

However, if the relevant Agent is not able to make available for inspection at its specified office such documents by events beyond its reasonable control, the relevant Agent may provide such documents to a Noteholder electronically, subject to such Noteholder being able to provide evidence satisfactory to the Issuer and the relevant Agent as to its holding and identity.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for the Notes is XS2852966501. The Common Code for the Notes is 285296650.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Post-issuance information

If and for so long as the Notes are admitted to trading on the ISM or any other stock exchange, the Issuer intends to comply with its continuing obligations pursuant to the ISM Rulebook or such other applicable rules. Otherwise, the Issuer does not intend to provide post-issuance information in connection with this issue.

Significant or Material Change

There has been no significant change in the financial or trading position and there has been no material adverse change in the prospects of the Issuer since the date of its incorporation.

There has been no significant change in the financial or trading position and there has been no material adverse change in the prospects of the Guarantor since the date of its incorporation.

There has been no significant change in the financial or trading position of DSF since 31 December 2023, being the date of the most recent audited annual accounts of DSF and there has been no material adverse change in the prospects of DSF since 31 December 2023, being the date of the most recent audited annual accounts of DSF.

Litigation

None of the Issuer, the Guarantor or DSF has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer, the Guarantor or DSF is aware) in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the Issuer's ability to meet its obligations under the Notes.

Independent Auditors

The Annual Financial Statements have been audited by EY in accordance with the International Standards on Auditing (ISA) and additional requirements applicable in Denmark.

EY is located at Dirch Passers Allé 36, DK-2000 Frederiksberg.

EY has issued an unqualified audit opinion on the Annual Financial Statements, as stated in their respective reports included elsewhere in the document.

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Income statement

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

1 January - 31 December	DKK million	2023	2022
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AMOUNT AVAILABLE FOR DISTRIBUTION

Distributable reserves	842	346
Comprehensive income for the year	818	663
Total	1,661	1,009

PROPOSED ALLOCATION OF PROFIT

Distribution	320	167
Distributable reserves	1,341	842
Total	1,661	1,009

Balance sheet

NOTE At 31 December DKK million 2023 2022

ASSETS

12	Due from credit institutions and central banks	2,818	22
13,14,15,16,17	Loans and other receivables at amortised cost	31,187	34,029
18,19,20	Bonds at fair value	21,155	15,297
18,19,20	Bonds at amortised cost	4,963	4,920
21	Shares, etc.	0	75
22	Land and buildings		
	Domicile properties	421	340
23	Other tangible assets	8	6
	Current tax assets	326	7
28	Deferred tax assets	79	48
24	Other assets	3,271	4,074
	Total assets	64,228	58,818

LIABILITIES AND EQUITY

Liabilities

25	Due to credit institutions and central banks	6,249	2,786
26	Issued bonds at amortised cost	43,595	41,402
	Current tax liabilities	310	331
20,27	Other liabilities	3,620	4,534
	Total liabilities	53,774	49,053

NOTE At 31 December DKK million 2023 2022

Provisions

	Other provisions	47	9
	Total provisions	47	9

29 Equity

	Share capital	333	333
	Tied-up reserve capital	8,343	8,343
	Revaluation reserves	70	70
	Retained earnings	1,341	842
	Proposed dividend for the financial year	320	167
	Total equity	10,407	9,755

Total liabilities and equity 64,228 58,818

Off-balance sheet items

31	Contingent liabilities	-	85
32	Other contingent liabilities	3,093	2,667
	Total off-balance sheet items	3,093	2,752



Statement of changes in equity

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

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NOTE 1 ACCOUNTING POLICIES

GENERAL

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

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

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

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

Significant accounting estimates

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

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

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

Measurement of expected credit losses

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

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

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

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

Fair value measurement of financial instruments

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

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

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

Segment reporting

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

Offsetting

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

Translation of transactions in foreign currency

The financial statements are presented in DKK, and the functional currency is DKK.

NOTE 1 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.

CONTINUED

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

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

Financial instruments

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

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

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

Classification

Financial instruments are divided into financial assets and financial liabilities.

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

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

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

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

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

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

The HTM portfolio comprises the following financial assets:

- Bonds at amortised cost

Hedge accounting

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

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

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

Determination of fair value

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

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

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

NOTE 1 INCOME STATEMENT CONTINUED

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 re-sold later. On subsequent recognition, amounts due from credit institutions and central banks are measured at amortised cost, which corresponds to the nominal amount.

Loans

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

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

Loan impairment charges

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

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

NOTE 1 the loan impairment charge equals the lifetime ECL (Stage 2). If the credit exposure is
CONTINUED 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.

$$\text{ECL} = \text{PD} * \text{EAD} * \text{LGD} * \text{MEF}$$

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

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

Bonds at fair value

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

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

Bonds at amortised cost

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

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

The interest rate risk on bonds at 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 plus property improvement expenditures and less depreciation. Revaluations and any reversals of previous revaluations are made through other comprehensive income, while any impairment charges relative to cost are made via the income statement.

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

Other tangible assets

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

The expected useful life is:

Fixture, equipment and vehicles 5-10 years

IT equipment 3-5 years

Other assets

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

Due to credit institutions and central banks

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

NOTE 1 Issued bonds at amortised cost

CONTINUED 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 occurred 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.

DKK million	2023	2022	2021	2020	2019
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NOTE 2 KEY FIGURES

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

DKK million	2023	2022	2021	2020	2019
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**NOTE 2 KEY RATIOS
CONTINUED**

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

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

NOTE 2
CONTINUED **DEFINITIONS**

Financial ratios

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

Financial ratios - capital and capital adequacy

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

Other financial ratios

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

2023

DKK million

NOTE 3 RECONCILIATION OF BUSINESS AREAS

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

2022

DKK million

NOTE 3
CONTINUED RECONCILIATION OF BUSINESS AREAS

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

DKK million	2023	2022
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NOTE 4 INTEREST INCOME

Due from credit institutions and central banks	114	7
Loans and other receivables	2,291	1,422
Bonds	497	147
Other interest income	0	3
Derivatives		
Interest rate contracts	2,107	735
Foreign exchange contracts	14	0
Total interest income¹	5,023	2,314

Of this amount, income from genuine purchase and resale transactions recognised in:

Due from credit institutions and central banks	110	5
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1) A DKK 0.3 million component of interest income reflects negative interest rates in 2023 (2022: DKK 0.4 million).

DKK million	2023	2022
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NOTE 5 INTEREST EXPENSES

Credit institutions and central banks	(172)	(14)
Bonds	0	(1)
Issued bonds	(1,165)	(244)
Other interest expenses	(10)	(50)
Derivatives		
Interest rate contracts	(3,073)	(1,379)
Total interest expenses¹	(4,421)	(1,687)

Of this amount, interest expenses for genuine sale and repurchase transactions recognised in:

Due to credit institutions and central banks	(171)	(14)
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1) A DKK 0.1 million component of interest expenses reflects negative interest rates in 2023 (2022: DKK 0.7 million).

DKK million	2023	2022
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NOTE 6 NET INTEREST INCOME**Net interest income from lending**

Loans and other receivables	2,291	1,422
Bonds	200	38
Due from credit institutions	29	(13)
Interest to credit institutions	(1)	(1)
Issued bonds	(1,165)	(244)
Other interest income	12	3
Derivatives		
Interest rate contracts	(966)	(644)
Foreign exchange contracts	14	0
Total net interest income from lending	413	562

Net interest income from investment activities

Bonds	297	107
Due from credit institutions	85	20
Other interest income	-	0
Interest to credit institutions	(171)	(13)
Other interest expenses	(22)	(49)
Total net interest income from investment activities	189	65

Total net interest income	602	626
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DKK million	2023	2022
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NOTE 7 FEE AND COMMISSION INCOME

Guarantee commission	0	1
Fee and other commission income	14	12
Total fee and commission income	15	14

NOTE 8 MARKET VALUE ADJUSTMENTS

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

DKK million 2023 2022

NOTE 9 STAFF COSTS AND ADMINISTRATIVE EXPENSES

Remuneration of Board of Directors and Executive Board

Board of Directors	(3)	(3)
Executive Board	(26)	(25)
Total remuneration of Board of Directors and Executive Board	(29)	(28)

Staff costs

Salaries and wages	(97)	(91)
Pensions	(10)	(9)
Social security costs and financial services employer tax	(21)	(18)
Total staff costs	(128)	(118)

Other administrative expenses	(44)	(41)
Total staff costs and administrative expenses	(201)	(187)

Number of employees - full-time equivalents	81	82
Average number of employees - full-time equivalents	80	81

NOTE 9 INFORMATION ON REMUNERATION POLICY CONTINUED

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

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

The remuneration policy and remuneration report are available on the company's [website](#).

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

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

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

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

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

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

The pension plans of all employees are defined contribution plans.

DKK million

NOTE 9
CONTINUED

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

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

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

DKK million

2023

2022

NOTE 10 AUDIT FEES

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

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

DKK million	2023	2022
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NOTE 11 TAX**Tax on profit for the year**

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

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

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

DKK million	2023	2022
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NOTE 12 DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

Genuine purchase and resale transactions (reverse repo)	2,706	(0)
Other receivables	112	22
Total due from credit institutions and central banks	2,818	22

Broken down by due date

Demand deposits	52	22
Up to 3 months	2,767	0
Total due from credit institutions and central banks	2,818	22

The company cannot have term deposits with central banks.

DKK million 2023 2022

NOTE 13 LOANS AT AMORTISED COST

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

DKK million 2023 2022

NOTE 14 LOANS AT AMORTISED COST BROKEN DOWN BY DUE DATE

Gross loans at exchange rates at the balance sheet date	31,812	34,756
Accumulated loan impairment charges	(624)	(726)
Total loans	31,187	34,029

Total loans broken down by due date

Up to 3 months	1,248	1,428
From 3 months to 1 year	4,034	3,924
From 1 to 5 years	21,284	23,715
Over 5 years	4,621	4,962
Total loans	31,187	34,029

Total loans

Loans at fair value	31,221	34,155
Loans at amortised cost	31,187	34,029

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

DKK million 2023 2022

NOTE 15 NON-PERFORMING LOANS

Impaired loans (DSF Rating 11)

Loans subject to forbearance or otherwise impaired, gross	903	544
Accumulated loan impairment charges	(406)	(218)
Impaired loans, net	497	326

Defaulted loans (DSF Rating 12)

Loans in default, gross	-	701
Accumulated loan impairment charges	-	(296)
Defaulted loans, net	-	405

Non-performing loans, gross (NPL)	903	1,245
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Non-performing loans, net (net NPL)	497	731
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NPL ratio	2.8%	3.6%
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Net NPL ratio	1.6%	2.1%
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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.

DKK million 2023 2022

NOTE 16 LOAN IMPAIRMENT CHARGES

The following loan impairment charges/loss allowances were made on loans/credit commitments

Accumulated loan impairment charges	624	726
Accumulated loss allowances for credit commitments	47	9
Total	672	736

Accumulated loan impairment charges as a % of the loan book	2.0	2.1
---	-----	-----

Reconciliation of total allowance account

As of 1 January	736	1,007
New loan impairment charges/loss allowances	176	253
Reversal of loan impairment charges/loss allowances	(239)	(523)
Gross write-offs debited to the allowance account	0	(2)
Total	672	736

Loan impairment charges for the period

New loan impairment charges/loss allowances	(176)	(253)
Reversal of loan impairment charges/loss allowances	239	523
Reclassification of interest	1	0
Recovery on loans previously written off	442	313
Loan impairment charges	506	583

DKK million 2023 2022

NOTE 17 CREDIT RISK

Reconciliation of loans and guarantees (loan book)

Balance sheet

Loans at amortised cost	31,187	34,029
Other receivables	169	164
Accumulated loan impairment charges	624	726
Total balance sheet items	31,980	34,920

Guarantees	-	85
Total guarantees	-	85

Total loans and guarantees 31,980 35,005

Reconciliation of other contingent liabilities

Credit commitments	3,093	2,667
Total other contingent liabilities	3,093	2,667

Reconciliation of financial exposure

Due from credit institutions and central banks	2,818	22
Bonds at fair value and amortised cost	26,118	20,217
Shares, etc,	0	75
Derivatives	2,711	775
Total financial exposure	31,647	21,089

Total credit risk from loans, guarantees, credit commitments and financial exposures 66,720 58,761

DKK million

NOTE 17 RATING CATEGORY BREAKDOWN CONTINUED

The internal DSF Rating scale consists of 12 rating categories.

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

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

Loan book before loan impairment charges broken down by rating category

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

DKK million

NOTE 17 STAGES FOR CHANGES IN CREDIT RISK
CONTINUEDLoan 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 STAGES FOR CHANGES IN CREDIT RISK
CONTINUED

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 STAGES FOR CHANGES IN CREDIT RISK
CONTINUED

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

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

DKK million

NOTE 17 STAGES FOR CHANGES IN CREDIT RISK
CONTINUED

Credit commitments broken down by rating category and stage

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

DKK million

NOTE 17 STAGES FOR CHANGES IN CREDIT RISK
CONTINUED

Changes in total ECL allowance account broken down by stage

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

DKK million

NOTE 17 STAGES FOR CHANGES IN CREDIT RISK
CONTINUED

Changes in total ECL allowance account broken down by stage

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

NOTE 17 **Classification, stage migration and loan impairment charges**

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

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

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

The [Risk Report 2023](#) provides more detailed information.

NOTE 17 **Arrears/past due loans**

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

Credit risk mitigation

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

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

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

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

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

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

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

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

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

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

DKK million	2023	2022
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NOTE 18 BONDS**Bond portfolio**

Own non-callable bonds (amortised cost)	2,710	1,925
Non-callable bonds (fair value)	20,808	14,944
Non-callable bonds, hold-to-maturity (amortised cost)	4,963	4,920
Callable bonds (fair value)	346	353
Total portfolio of bonds	28,828	22,142

Own bonds (offset against issued bonds at amortised cost)	(2,710)	(1,925)
Total bond portfolio	26,118	20,217

Bond portfolio

Own bonds (amortised cost)	2,710	1,925
Government bonds and bonds issued by KommuneKredit (fair value)	1,295	1,537
Mortgage bonds (fair value)	19,860	13,760
Mortgage bonds, hold-to-maturity (amortised cost) ^{1,2}	4,963	4,920
Total portfolio of bonds	28,828	22,142

Own bonds (offset against issued bonds at amortised cost)	(2,710)	(1,925)
Total bond portfolio	26,118	20,217

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

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

DKK million	2023	2022
-------------	------	------

NOTE 19 BONDS BY TIME TO MATURITY**Bond portfolio**

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

NOTE 20 CSA COLLATERAL**Collateral under CSA agreements**

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

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

DKK million 2023 2022

NOTE 21 SHARES, ETC.

Listed shares	0	75
Total shares, etc.	0	75

NOTE 22 LAND AND BUILDINGS

Domicile properties

Valuation, as of 1 January	342	334
Property improvements during the year	82	8
Valuation including improvements, as of 31 December	424	342

Accumulated depreciation, as of 1 January	2	2
Depreciation for the year	0	0
Accumulated depreciation, as of 31 December	2	2

Total valuation, as of 31 December	421	340
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NOTE 22 CONTINUED The domicile properties are the office properties at Sankt Annæ Plads 3, Copenhagen (public property valuation on 13 December 2022: DKK 79 million) and Langebrogade 5, Copenhagen (public property valuation on 13 December 2022: DKK 88 million).

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

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

DKK million	2023	2022
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NOTE 23 OTHER TANGIBLE ASSETS

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

NOTE 24 OTHER ASSETS

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

DKK million	2023	2022
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NOTE 25 DUE TO CREDIT INSTITUTIONS AND CENTRAL BANKS

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

DKK million	2023	2022
-------------	------	------

NOTE 26 ISSUED BONDS AT AMORTISED COST

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

Specification of issued bonds**Bonds issued in DKK**

Bullet bonds	35,507	35,669
Amortising CIRR bonds	-	73
Total Danish bonds	35,507	35,742

Bonds issued in foreign currency

Bullet bonds	10,798	7,585
Total bonds issued in foreign currency	10,798	7,585

Own bonds	(2,710)	(1,925)
Total issued bonds	43,595	41,402

DKK million	2023	2022
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**NOTE 26 Broken down by term to maturity
CONTINUED**

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

DKK million 2023 2022

NOTE 27 OTHER LIABILITIES

Interest payable	676	242
Derivatives	2,802	4,225
Other liabilities	143	67
Total other liabilities	3,620	4,534

DKK million 2023 2022

NOTE 28 DEFERRED TAX

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

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

DKK million 2023 2022

NOTE 29 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	1,341	842
Proposed dividends for the financial year	320	167
Total equity	10,407	9,755

The share capital is divided into the following denominations:

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

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

DKK million 2023 2022

NOTE 30 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	1,341	842
Proposed dividends for the financial year	320	167
Revaluation reserves	70	70
Total Common Equity Tier 1 capital before deductions	10,407	9,755

Deductions from Common Equity Tier 1 capital

Proposed dividends for the financial year	320	167
Additional capital charge pursuant to the Executive Order		
on a Ship Finance Institute	-	-
Prudent valuation pursuant to article 105 of the CRR	37	31
Deductions for NPE Loss coverage	64	260
Deductions pursuant to transitional rules regarding B share capital	33	33
Total deductions from Common Equity Tier 1 capital	455	492

Common Equity Tier 1 capital after deductions 9,952 9,263

DKK million	2023	2022
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**NOTE 30
CONTINUED**

Risk exposure amount

Assets outside the trading book	32,842	34,414
Off-balance sheet items	1,546	1,892
Counterparty risk outside the trading book	2,995	2,645
Market risk	3,660	2,625
Operational risk	1,050	813
Total risk exposure amount	42,093	42,389

Common Equity Tier 1 capital ratio	23.6	21.9
Tier 1 capital ratio	23.6	21.9
Total capital ratio	23.6	21.9

The risk exposure amount for market risk consists of:

Position risk related to debt instruments	3,216	1,994
Position risk related to shares	18	93
Total currency position	425	538
Total risk-weighted exposure amount for market risk	3,660	2,625

DKK million	2023	2022
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NOTE 31 CONTINGENT LIABILITIES

In the ordinary course of its lending operations, DSF has undertaken guarantee commitments of	-	85
Total contingent liabilities	-	85

NOTE 32 OTHER CONTINGENT LIABILITIES

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

DKK million

	2022	2021
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NOTE 33 RELATED PARTIES

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

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

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

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

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

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

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

DKK million

NOTE 34 CONSOLIDATED FINANCIAL STATEMENTS

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

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

DKK million

NOTE 35 HEDGE ACCOUNTING

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

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

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

DKK million

2023

2022

NOTE 36 NOTIONAL PRINCIPALS OF OUTSTANDING DERIVATIVES**Swap agreements**

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

Receivables	-	73
Credit institutions	58,312	59,533

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

Credit institutions	103,347	113,544
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Swap agreements for which financial risks are not fully hedged have been made with the following parties:

Credit institutions	37,008	56,423
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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	14,122	12,966
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DKK million	2023 Positive	2023 Negative	2022 Positive	2022 Negative
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NOTE 37 FAIR VALUES OF OUTSTANDING DERIVATIVES**Swap agreements**

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

Receivables	-	-	16	-
Credit institutions	1,084	114	1,284	92

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

Credit institutions	1,321	1,881	1,123	2,112
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Swap agreements, for which financial risks are not fully hedged, have been made with the following parties:

Credit institutions	1,079	1,617	2,580	2,821
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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	156	20	250	93
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DKK million	2023 Positive	2022 Positive
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NOTE 37 Netting of exposure value

CONTINUED The positive gross fair value of financial contracts after netting:

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

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

Counterparties with risk weight of 0%	-	-
Counterparties with risk weight of 20%	148	278
Counterparties with risk weight of 50%	1,378	1,398
Counterparties with risk weight of 100%	-	16

DKK million

NOTE 38 FOREIGN EXCHANGE RISK AND USE OF DERIVATIVES

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

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

The net position is specified as follows:

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

DKK million 2023 2022

NOTE 39 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:

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

	47	82
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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.

DKK million 2023 2022

NOTE 39 CONTINUED

An appreciation of the USD exchange rate against the DKK

Change in net profit for the year and equity	5	45
Percentage change in total capital ratio	(2.3)	(2.0)

A depreciation of the USD exchange rate against the DKK

Change in net profit for the year and equity	(7)	(49)
Percentage change in total capital ratio	2.9	2.5

An appreciation of the GBP exchange rate against the DKK

Change in net profit for the year and equity	(6)	-
Percentage change in total capital ratio	0.0	-

A depreciation of the GBP exchange rate against the DKK

Change in net profit for the year and equity	6	-
Percentage change in total capital ratio	0.0	-

An appreciation of the NOK exchange rate against the DKK

Change in net profit for the year and equity	(7)	(25)
Percentage change in total capital ratio	(0.1)	(0.2)

A depreciation of the NOK exchange rate against the DKK

Change in net profit for the year and equity	7	19
Percentage change in total capital ratio	0.1	0.2

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

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

DKK million	2023	2022
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**NOTE 40 FAIR VALUE OF FINANCIAL INSTRUMENTS
MEASURED AT AMORTISED COST**

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

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

Loans

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

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

Issued bonds

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

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

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

RISK MANAGEMENT

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

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

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

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

CREDIT RISK

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

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

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

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

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

Note 17 includes a more detailed description of credit risk.

NOTE 41 MARKET RISK CONTINUED

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

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

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

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

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

NOTE 41 LIQUIDITY RISK

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

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

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

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

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

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

For further information, please see the unaudited [Risk Report](#) at our website.

DKK million	Capital Centre Institute in general	Capital Centre A	Total
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NOTE 42 CAPITAL CENTRES 2023

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

Income statement

Interest, loans and other receivables	1,891	399	2,291
Other interest and fee income, net	(1,382)	(292)	(1,674)
Market value adjustments	(168)	343	175
Staff costs and administrative expenses	(166)	(35)	(201)
Loan impairment charges	475	31	506
Tax	(166)	(113)	(278)
Net profit for the year	484	334	818

Assets

Loans and other receivables at amortised cost	23,408	7,779	31,187
Other assets	29,734	3,307	33,041
Total assets	53,142	11,086	64,228

Liabilities

Issued bonds at amortised cost	34,969	8,626	43,595
Other liabilities	10,187	39	10,226
Equity	7,986	2,421	10,407
Total liabilities	53,142	11,086	64,228

Transfers of capital between capital centres	(865)	865	-
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DKK million	Capital Centre Institute in general	Capital Centre A	Total
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**NOTE 42 CAPITAL CENTRES 2022
CONTINUED****Income statement**

Interest, loans and other receivables	1,185	238	1,422
Other interest and fee income, net	(651)	(131)	(782)
Market value adjustments	116	(322)	(206)
Staff costs and administrative expenses	(156)	(32)	(188)
Loan impairment charges	477	106	583
Tax	(197)	31	(166)
Net profit for the year	773	(110)	663

Assets

Loans and other receivables at amortised cost	27,835	6,194	34,029
Other assets	23,230	1,558	24,789
Total assets	51,065	7,753	58,818

Liabilities

Issued bonds at amortised cost	35,213	6,189	41,402
Other liabilities	7,653	8	7,661
Equity	8,199	1,556	9,755
Total liabilities	51,065	7,753	58,818

Transfers of capital between capital centres	501	(501)	-
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The financial statements of the individual capital centre are unaudited. The complete financial statements for the individual capital centre are available upon request.



Statements

Statement *by Management*

Statement by Management on the Annual Report

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

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

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

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

Copenhagen, 28 February 2024

Executive Board

Erik Ingvar Lassen
Chief Executive Officer

Lars Jebjerg
Chief Financial Officer

Board of Directors

Eivind Drachmann Kolding
(Chairman)

Peter Nyegaard
(Vice Chairman)

Marcus Freuchen Christensen

Anders Damgaard

Povl Christian Lütken Frigast

Thor Jørgen Guttormsen

Ninna Møller Kristensen

Jacob Balslev Meldgaard

Michael Nellemann Pedersen

Christopher Rex

Henrik Sjøgreen

Henrik Rohde Søgaard

Independent *auditor's report*

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

Report on the audit of the financial statements

Opinion

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

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

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

Basis for opinion

We conducted our audit in accordance with International

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

Independence

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

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

Appointment of auditor

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year 2023. These matters were

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

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

LOANS AND PROVISIONS FOR CREDIT LOSSES

KEY AUDIT MATTERS

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

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

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

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

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

HOW OUR AUDIT HAS ADDRESSED THE KEY AUDIT MATTERS

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

Specifically, the audit included the following procedures:

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

Test of internal controls regarding

- Granting and monitoring of exposures.
- Assessment of credit risk and stage allocation.
- Valuation of collateral.

Test of individual loans on a sample basis

- Assessment of credit risk and stage allocation.
- Assessment of realisable value of collateral in ships, future cash flows, calculation of losses.
- Challenge of management judgments.

Test of calculation models

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

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

Report on compliance with the ESEF Regulation

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

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

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

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

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

Lars Rhod Søndergaard
State Authorised
Public Accountant
mne28632

Thomas Hjortkjær Petersen
State Authorised
Public Accountant
mne33748

Income statement

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

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

Balance sheet

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

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

Statement of changes in equity

DKK million	Share capital	Tied-up reserve capital	Revaluation reserves	Retained earnings	Proposed dividend	Total
Equity as at 1 January 2021	333	8,343	70	471	59	9,275
Dividends paid for the financial year 2020	-	-	-	-	(59)	(59)
Extraordinary dividends	-	-	-	(146)	-	(146)
Comprehensive income	-	-	-	126	128	254
Equity as at 31 December 2021	333	8,343	70	451	128	9,325
Dividends paid for the financial year 2021	-	-	-	-	(128)	(128)
Extraordinary dividends	-	-	-	(105)	-	(105)
Comprehensive income	-	-	-	496	167	663
Equity as at 31 December 2022	333	8,343	70	843	167	9,755

List of notes

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

NOTE 1 ACCOUNTING POLICIES**GENERAL**

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

The accounting policies are unchanged from those applied in the Annual Report 2021, except for the addition of policies regarding hold-to-maturity ('HTM') bonds at amortised cost.

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

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

Significant accounting estimates

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

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

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

Measurement of expected credit losses

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

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

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

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

Fair value measurement of financial instruments

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

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

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

Segment reporting

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

Offsetting

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

Translation of transactions in foreign currency

The financial statements are presented in DKK, and the functional currency is DKK.

NOTE 1 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.

CONTINUED

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

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

Financial instruments

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

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

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

Classification

Financial instruments are divided into financial assets and financial liabilities.

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

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

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

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

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

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

The HTM portfolio comprises the following financial assets:

- Bonds at amortised cost

Hedge accounting

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

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

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

Determination of fair value

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

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

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

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

NOTE 1 BALANCE SHEET CONTINUED

Amounts due from credit institutions and central banks

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

Loans

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

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

Loan impairment charges

The current impairment rules, pursuant to IFRS 9, became effective as at 1 January 2018, introducing a forward-looking approach to measuring impairment of financial assets based on expected credit losses (ECL).

The loan impairment charge for ECL depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loan impairment charge equals ECL within the next 12 months (Stage 1). If the credit risk has increased significantly since initial recognition or is showing significant signs of weakness (e.g., a loan is more than 30 days past due), the loan impairment charge equals the lifetime ECL (Stage 2). If the credit exposure is in default (e.g., a loan is more than 90 days past due) or otherwise impaired, the loan impairment charge equals the lifetime ECL (Stage 3).

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

$$\text{ECL} = \text{PD} * \text{EAD} * \text{LGD} * \text{MEF}$$

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

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

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

Bonds at fair value

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

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

Bonds at amortised cost

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

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

The interest rate risk on bonds at 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.

NOTE 1 Land and buildings

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

Owner-occupied property

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

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

Other tangible assets

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

Other assets

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

Due to credit institutions and central banks

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

Issued bonds at amortised cost

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

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

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

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

Other liabilities

Other provisions are recognised and measured as the best estimate of the costs required to settle the liabilities at the balance sheet date. Provisions with an expected term of more than a year after the balance sheet date are measured at discounted value. Other liabilities include accrued interest, prepayments, derivatives with a negative market value and other provisions such as provisions relating to guarantees. The liability is recognised at the present value of expected payments.

Deferred tax assets and deferred tax liabilities

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

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

Equity

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

Proposed dividends

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

OFF-BALANCE SHEET ITEMS**Contingent liabilities**

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

NOTE 1 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.

CONTINUED

Other contingent liabilities

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

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Interest income and expenses

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

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

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

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

Fee and commission income and expenses

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

Market value adjustments

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

Staff costs and administrative expenses

Staff costs

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

Bonuses and share-based payments

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

Pension costs

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

Depreciation and impairment of tangible assets

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

Loan impairment charges

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

Tax

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

DKK million	2022	2021	2020	2019	2018
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NOTE 2 KEY FIGURES

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

DKK million	2022	2021	2020	2019	2018
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**NOTE 2 KEY RATIOS
CONTINUED**

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

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

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

2022

DKK million

NOTE 3 RECONCILIATION OF BUSINESS AREAS

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

2021

DKK million

NOTE 3 RECONCILIATION OF BUSINESS AREAS
CONTINUED

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

DKK million	2022	2021
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NOTE 4 INTEREST INCOME

Due from credit institutions and central banks	7	15
Loans and other receivables	1,422	936
Bonds	147	138
Other interest income	3	0
Derivatives		
Interest rate contracts	735	37
Foreign exchange contracts	0	2
Total interest income¹	2,314	1,129

Of this amount, income from genuine purchase and resale transactions recognised in:

Due from credit institutions and central banks	5	16
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1) A DKK 0.4 million component of interest income reflects negative interest rates in 2022 (2021: DKK 0.6 million).

DKK million	2022	2021
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NOTE 5 INTEREST EXPENSES

Credit institutions and central banks	(14)	(6)
Bonds	(1)	(6)
Issued bonds	(244)	(138)
Other interest expenses	(50)	(135)
Derivatives		
Interest rate contracts	(1,379)	(340)
Total interest expenses¹	(1,687)	(625)

Of this amount, interest expenses for genuine sale and repurchase transactions recognised in:

Due to credit institutions and central banks	(14)	(12)
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1) A DKK 0.7 million component of interest expenses reflects negative interest rates in 2022 (2021: DKK 6.1 million).

DKK million	2022	2021
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NOTE 6 NET INTEREST INCOME**Net interest income from lending**

Loans and other receivables	1,422	936
Bonds	38	46
Due from credit institutions	(13)	3
Interest to credit institutions	(1)	(5)
Issued bonds	(244)	(138)
Other interest income	3	0
Derivatives		
Interest rate contracts	(644)	(303)
Foreign exchange contracts	0	2
Total net interest income from lending	562	541

Net interest income from financial activities

Bonds	107	87
Due from credit institutions	20	12
Other interest income	0	0
Interest to credit institutions	(13)	(2)
Other interest expenses	(49)	(135)
Total net interest income from financial activities	65	(37)

Total net interest income	626	504
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DKK million	2022	2021
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NOTE 7 FEE AND COMMISSION INCOME

Guarantee commission	1	2
Fee and other commission income	12	31
Total fee and commission income	14	32

NOTE 8 MARKET VALUE ADJUSTMENTS

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

DKK million 2022 2021

NOTE 9 STAFF COSTS AND ADMINISTRATIVE EXPENSES

Remuneration of Board of Directors and Executive Board

Board of Directors	(3)	(3)
Executive Board	(25)	(15)
Total remuneration of Board of Directors and Executive Board	(28)	(18)

Staff costs

Salaries and wages	(91)	(87)
Pensions	(9)	(9)
Social security costs and financial services employer tax	(22)	(21)
Total staff costs	(122)	(116)

Other administrative expenses	(37)	(32)
Total staff costs and administrative expenses	(187)	(167)

Number of employees - full-time equivalents	82	79
Average number of employees - full-time equivalents	81	79

NOTE 9 INFORMATION ON REMUNERATION POLICY CONTINUED

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

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

The remuneration policy and remuneration report are available on our [website](#).

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

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

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

NOTE 9 CONTINUED Detailed information about the remuneration for the Board of Directors and the Executive Board can be found in the company's remuneration report which includes information on variable salary for the 2022 performance.

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

The pension plans of all employees are defined contribution plans.

Variable salary

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

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

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

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

DKK million 2022 2021

NOTE 10 AUDIT FEES

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

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

DKK million	2022	2021
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NOTE 11 TAX**Tax on profit for the year**

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

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

DKK million	2022	2021
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Tax on other comprehensive income

Deferred tax	-	-
Total tax	-	-

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

DKK million	2022	2021
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NOTE 12 DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

Genuine purchase and resale transactions (reverse repo)	(0)	367
Other receivables	22	21
Total due from credit institutions and central banks	22	388

Broken down by due date

Demand deposits	22	21
Up to 3 months	0	367
Total due from credit institutions and central banks	22	388

The company has no term deposits with central banks.

DKK million	2022	2021
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NOTE 13 LOANS AT AMORTISED COST

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

DKK million	2022	2021
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NOTE 14 LOANS AT AMORTISED COST BROKEN DOWN BY DUE DATE

Gross loans at exchange rates at the balance sheet date	34,756	37,284
Accumulated loan impairment charges	(726)	(991)
Total loans	34,029	36,293

Total loans broken down by due date

Up to 3 months	1,428	1,981
From 3 months to 1 year	3,924	4,230
From 1 to 5 years	23,715	25,329
Over 5 years	4,962	4,753
Total loans	34,029	36,293

Total loans

Loans at fair value	34,155	37,066
Loans at amortised cost	34,029	36,293

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

DKK million 2022 2021

NOTE 15 NON-PERFORMING LOANS

Impaired loans (DSF Rating 11)

Loans subject to forbearance or otherwise impaired, gross	544	635
Accumulated loan impairment charges	(218)	(231)
Impaired loans, net	326	404

Defaulted loans (DSF Rating 12)

Loans in default, gross	701	1,276
Accumulated loan impairment charges	(296)	(569)
Defaulted loans, net	405	707

Non-performing loans, gross (NPL)	1,245	1,911
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Non-performing loans, net (net NPL)	731	1,111
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NPL ratio	3.6%	5.1%
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Net NPL ratio	2.1%	3.0%
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NPL ratio definition: NPL divided by loan book.

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

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

DKK million 2022 2021

NOTE 16 LOAN IMPAIRMENT CHARGES

The following loan impairment charges/loss allowances were made on loans/credit commitments

Accumulated loan impairment charges	726	991
Accumulated loss allowances for credit commitments	9	16
Total	736	1,007

Accumulated loan impairment charges as a % of the loan book	2.1	2.6
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Reconciliation of total allowance account

As at 1 January	1,007	1,330
New loan impairment charges/loss allowances	253	277
Reversal of loan impairment charges/loss allowances	(523)	(307)
Gross write-offs debited to the allowance account	(2)	(293)
Total	736	1,007

Loan impairment charges for the period

New loan impairment charges/loss allowances	(253)	(277)
Reversal of loan impairment charges/loss allowances	523	307
Reclassification of interest	0	0
Recovery on loans previously written off	313	9
Loan impairment charges	583	39

DKK million 2022 2021

NOTE 17 CREDIT RISK

Reconciliation of loans and guarantees (loan book)

Balance sheet

Loans at amortised cost	34,029	36,293
Other receivables	164	160
Accumulated loan impairment charges	726	991
Total balance sheet items	34,920	37,444

Guarantees	85	101
Total guarantees	85	101

Total loans and guarantees	35,005	37,544
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Reconciliation of other contingent liabilities

Credit commitments	2,667	3,356
Total other contingent liabilities	2,667	3,356

Reconciliation of financial exposure

Due from credit institutions and central banks	22	388
Bonds at fair value	20,217	16,007
Shares, etc,	75	-
Derivatives	775	1,153
Total financial exposure	21,089	17,548

Total credit risk from loans, guarantees, credit commitments and financial exposures	58,761	58,449
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DKK million

NOTE 17 RATING CATEGORY BREAKDOWN CONTINUED

The internal DSF Rating scale consists of 12 rating categories.

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

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

Loan book before loan impairment charges broken down by rating category

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

DKK million

NOTE 17 STAGES FOR CHANGES IN CREDIT RISK
CONTINUED

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

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

DKK million

NOTE 17 STAGES FOR CHANGES IN CREDIT RISK
CONTINUED

Credit commitments broken down by rating category and stage

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

DKK million

NOTE 17 STAGES FOR CHANGES IN CREDIT RISK
CONTINUED

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

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

DKK million

NOTE 17 STAGES FOR CHANGES IN CREDIT RISK
CONTINUED

Credit commitments broken down by rating category and stage

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

DKK million

NOTE 17 STAGES FOR CHANGES IN CREDIT RISK
CONTINUED

Changes in total ECL allowance account broken down by stage

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	171	37	800	1,007
Transferred to Stage 1 during the period	7	(7)	-	0
Transferred to Stage 2 during the period	-	-	-	-
Transferred to Stage 3 during the period	-	-	-	-
New loan impairment charges/loss allowances	101	12	140	253
Reversal of loan impairment charges/loss allowances	(69)	(30)	(424)	(523)
Gross write-offs for the period	-	-	(2)	(2)
Total ECL allowance account as at 31 December 2022	210	12	514	736
Of which:				
- Accumulated loan impairment charges	201	12	514	726
- Accumulated loss allowances for credit commitments	9	-	-	9
Of which:				
- Management judgments	-	-	85	85

DKK million

NOTE 17 STAGES FOR CHANGES IN CREDIT RISK
CONTINUED

Changes in total ECL allowance account broken down by stage

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

NOTE 17 Classification, stage migration and loan impairment charges

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

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

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

The Risk Report 2022 provides more detailed information.

NOTE 17 Arrears/past due loans

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

Covid-19 concessions

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

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

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

Credit risk mitigation

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

The USD market value of mortgaged vessels increased by 1.5% on average in 2022.

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

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

The table above shows that at year-end 100% (2021: 99%) of all loans were secured within 60% of the market value of the mortgage.

The weighted loan-to-value ratio on the loan book after loan impairment charges was 43% (2021: 44%).

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

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

The table above shows that at year-end 100% (2021: 99%) of non-performing loans were secured within 60% of the market value of the mortgage.

The weighted average loan-to-value ratio for non-performing loans after loan impairment charges was 36% (2021: 47%).

DKK million	2022	2021
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NOTE 18 BONDS**Bond portfolio**

Own non-callable bonds (amortised cost)	1,925	3,225
Non-callable bonds (fair value)	14,944	15,626
Non-callable bonds, hold-to-maturity (amortised cost) ¹	4,920	-
Callable bonds (fair value)	353	381
Total portfolio of bonds	22,142	19,232

Own bonds (offset against issued bonds at amortised cost)	(1,925)	(3,225)
Total bond portfolio	20,217	16,007

Bond portfolio

Own bonds (amortised cost)	1,925	3,225
Government bonds and bonds issued by KommuneKredit (fair value)	1,537	2,385
Mortgage bonds (fair value)	13,760	13,622
Mortgage bonds, hold-to-maturity (amortised cost)	4,920	-
Total portfolio of bonds	22,142	19,232

Own bonds (offset against issued bonds at amortised cost)	(1,925)	(3,225)
Total bond portfolio	20,217	16,007

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

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

DKK million	2022	2021
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NOTE 19 BONDS BY TIME TO MATURITY**Bond portfolio**

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

NOTE 20 CSA COLLATERAL**Collateral under CSA agreements**

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

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

DKK million	2022	2021
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NOTE 21 SHARES, ETC.

Listed shares	75	0
Unlisted shares recognised at fair value	-	-
Total shares, etc.	75	0

NOTE 22 LAND AND BUILDINGS**Owner-occupied properties**

Valuation, as at 1 January	334	325
Acquisition	-	-
Property improvements during the year	8	9
Revaluation	-	-
Valuation including improvements, as at 31 December	342	334

Accumulated depreciation, as at 1 January	2	2
Depreciation for the year	0	0
Accumulated depreciation, as at 31 December	2	2

Total valuation, as at 31 December	340	332
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NOTE 22 CONTINUED The owner-occupied properties are the office properties at Sankt Annae Plads 3, Copenhagen (public property valuation on 13 December 2022: DKK 79 million) and Langebrogade 5, Copenhagen (public property valuation on 13 December 2022: DKK 88 million).

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

In mid-July 2020, we entered into an agreement for the sale of our current domicile property at Sankt Annae Plads and the property has therefore been valued based on its sale price. The sale will be effected once we can move to our new offices, expected to be in 2023.

DKK million	2022	2021
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NOTE 23 OTHER TANGIBLE ASSETS

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

NOTE 24 OTHER ASSETS

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

DKK million	2022	2021
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NOTE 25 DUE TO CREDIT INSTITUTIONS AND CENTRAL BANKS

Repo transactions	2,786	509
Other amounts due	0	249
Total due to credit institutions and central banks	2,786	758

Broken down by due date

On demand		
Up to 3 months	2,786	758
From 3 months to 1 year	-	-
From 1 to 5 years	-	-
Over 5 years	-	-

DKK million	2022	2021
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NOTE 26 ISSUED BONDS AT AMORTISED COST

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

Specification of issued bonds**Bonds issued in DKK**

Bullet bonds	35,669	35,170
Amortising CIRR bonds	73	161
Total Danish bonds	35,742	35,330

Bonds issued in foreign currency

Bullet bonds	7,585	11,123
Amortising CIRR bonds, at year-end exchange rates	-	-
Total bonds issued in foreign currency	7,585	11,123

Own bonds	(1,925)	(3,225)
Total issued bonds	41,402	43,228

DKK million	2022	2021
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**NOTE 26 Broken down by term to maturity
CONTINUED**

Up to 3 months	1,428	625
From 3 months to 1 year	49	3,739
From 1 to 5 years	33,754	31,884
Over 5 years	8,096	10,206
Total issued bonds	43,327	46,454

Own bonds	(1,925)	(3,225)
Total issued bonds	41,402	43,228

DKK million	2022	2021
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NOTE 27 OTHER LIABILITIES

Interest payable	242	124
Derivatives	1,381	779
Other liabilities	67	59
Total other liabilities	1,690	962

DKK million	2022	2021
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NOTE 28 DEFERRED TAX

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

	2022 Deferred tax assets	2022 Deferred tax liabilities	2022 Deferred tax net	2021 Deferred tax net
DSF RATING				
Property, plant and equipment	0	(21)	(21)	(21)
Loans	36	-	36	35
Shares, etc.	2	-	2	0
Issued bonds	9	0	9	(134)
Employee obligations	15	-	15	11
Balance of tax losses	0	-	0	0
Adjustment for increase in corporate tax rate ¹	11	(4)	7	-
Total deferred tax	73	(24)	48	(108)

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

DKK million 2022 2021

NOTE 29 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	842	451
Proposed dividends for the financial year	167	128
Total equity	9,755	9,325

The share capital is divided into the following denominations:

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

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

DKK million 2022 2021

NOTE 30 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	842	451
Proposed dividends for the financial year	167	128
Revaluation reserves	70	70
Total Common Equity Tier 1 capital before deductions	9,755	9,325

Deductions from Common Equity Tier 1 capital

Proposed dividends for the financial year	167	128
Additional capital charge pursuant to the Executive Order		
on a Ship Finance Institute	-	-
Prudent valuation pursuant to article 105 of the CRR	31	24
Deductions for NPE Loss coverage	260	8
Deductions pursuant to transitional rules regarding B share capital	33	33
Total deductions from Common Equity Tier 1 capital	492	194

Common Equity Tier 1 capital after deductions 9,263 9,131

DKK million	2022	2021
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**NOTE 30
CONTINUED**

Risk exposure amount

Assets outside the trading book	34,414	36,856
Off-balance sheet items	1,892	1,678
Counterparty risk outside the trading book	2,645	2,766
Market risk	2,625	3,346
Operational risk	813	829
Total risk exposure amount	42,389	45,477

Common Equity Tier 1 capital ratio	21.9	20.1
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Tier 1 capital ratio	21.9	20.1
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Total capital ratio	21.9	20.1
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The risk exposure amount for market risk consists of:

Position risk related to debt instruments	1,994	3,045
Position risk related to shares	93	18
Total currency position	538	284
Total risk-weighted exposure amount for market risk	2,625	3,346

DKK million	2022	2021
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NOTE 31 CONTINGENT LIABILITIES

In the ordinary course of its lending operations, DSF has undertaken guarantee commitments of	85	101
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Total contingent liabilities	85	101
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NOTE 32 OTHER CONTINGENT LIABILITIES

In the ordinary course of its lending operations, DSF has undertaken commitments in relation to unutilised drawing rights on loans with revolving credit facilities in the amount of	1,117	896
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In the ordinary course of its lending operations, DSF has undertaken commitments relating to irrevocable credit commitments in the amount of	1,550	2,460
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Total other contingent liabilities	2,667	3,356
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DKK million

	2022	2021
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NOTE 33 RELATED PARTIES

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

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

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

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

Related-party transactions concerning loans and loan offers totalled as at 31 December 2022 a nominal amount of DKK 1,417 million (as at 31 December 2021: DKK 1,456 million). Transactions with related parties are settled on an arm's-length basis and recognised in the financial statements according to the same accounting policy as for similar transactions with unrelated parties."

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

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

DKK million

NOTE 34 CONSOLIDATED FINANCIAL STATEMENTS

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

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

DKK million

NOTE 35 HEDGE ACCOUNTING

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

2022	Nominal value	Carrying amount	Fair value
Commitments			
Issued bonds	16,141	14,895	15,227
Total commitments	16,141	14,895	15,227
Derivatives			
Interest rate swaps	(16,141)	1,125	1,125
Total derivatives	(16,141)	1,125	1,125
Net	0	16,019	16,352

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

DKK million

NOTE 36 NOTIONAL PRINCIPALS OF OUTSTANDING DERIVATIVES

Swap agreements

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

Receivables	73	161
Credit institutions	59,533	85,578

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

Receivables	-	-
Credit institutions	113,544	132,962

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

Credit institutions	56,423	56,768
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Forward interest rate and currency agreements

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

Credit institutions	12,966	31,745
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DKK million	2022 Positive	2022 Negative	2021 Positive	2021 Negative
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NOTE 37 FAIR VALUES OF OUTSTANDING DERIVATIVES**Swap agreements**

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

Receivables	16	-	19	-
Credit institutions	1,284	92	109	501

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

Receivables	-	-	-	-
Credit institutions	1,123	2,112	1,069	979

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

Credit institutions	2,580	2,821	711	1,278
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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	250	93	44	121
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DKK million	2022 Positive	2021 Positive
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NOTE 37 Netting of exposure value

CONTINUED The positive gross fair value of financial contracts after netting:

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

Netting of exposure value

The positive gross fair value of financial contracts after netting:

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

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

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

DKK million

NOTE 38 FOREIGN EXCHANGE RISK AND USE OF DERIVATIVES

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

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

The net position is specified as follows:

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

DKK million 2022 2021

NOTE 39 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:

(94) (20)

Calculated in accordance with internal calculation methods, the interest rate risk associated with a 1 percentage point decrease in interest rates would technically lead to:

82 (1)

Exchange rate risk

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

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

DKK million 2022 2021

NOTE 39 CONTINUED

An appreciation of the USD exchange rate against the DKK

Change in net profit for the year and equity	45	30
Percentage change in total capital ratio	(2.0)	(2.1)

A depreciation of the USD exchange rate against the DKK

Change in net profit for the year and equity	(49)	(31)
Percentage change in total capital ratio	2.5	2.6

An appreciation of the NOK exchange rate against the DKK

Change in net profit for the year and equity	(25)	(29)
Percentage change in total capital ratio	(0.2)	(0.2)

A depreciation of the NOK exchange rate against the DKK

Change in net profit for the year and equity	19	22
Percentage change in total capital ratio	0.2	0.2

The impact on net profit for the year and equity from a change in the USD, GBP and NOK exchange rates assumes a permanent change of 14% (which equals a DKK 1 change against the USD) for an entire financial year. The impact comprises the change in the value of ongoing net interest and fee income as well as the change in the need for loan impairment charges due to the change in the exchange rates in question.

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

DKK million	2022	2021
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**NOTE 40 FAIR VALUE OF FINANCIAL INSTRUMENTS
MEASURED AT AMORTISED COST**

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

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

Loans

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

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

Issued bonds

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

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

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

RISK MANAGEMENT

DSF is exposed to different types of risk.

The most important types of risk are:

- Credit risk: The risk of loss caused by borrowers or counterparties failing to meet all or part of their payment obligations.
- Market risk: The risk of loss resulting from changes in the fair value of the assets and liabilities as a result of changes in market conditions.

CREDIT RISK

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

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

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

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

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

NOTE 41 MARKET RISK CONTINUED

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

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

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

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

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

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

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

For further information, please see the unaudited [Risk Report](#) at our website.

DKK million	Capital Centre Institute in general	Capital Centre A	Total
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NOTE 42 CAPITAL CENTRES, 2022

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

Income statement

Interest, loans and other receivables	1,185	238	1,422
Other interest and fee income, net	(651)	(131)	(782)
Market value adjustments	116	(322)	(206)
Staff costs and administrative expenses	(156)	(32)	(188)
Loan impairment charges	477	106	583
Tax	(197)	31	(166)
Net profit for the year	773	(110)	663

Assets

Loans and other receivables at amortised cost	27,835	6,194	34,029
Other assets	20,386	1,558	21,944
Total assets	48,221	7,753	55,974

Liabilities

Issued bonds at amortised cost	35,213	6,189	41,402
Other liabilities	4,809	8	4,817
Equity	8,199	1,556	9,755
Total liabilities	48,221	7,753	55,974

Transferrals of capital between capital centres	501	(501)	0
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DKK million	Capital Centre Institute in general	Capital Centre A	Total
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**NOTE 42 CAPITAL CENTRES, 2021
CONTINUED****Income statement**

Interest, loans and other receivables	777	159	936
Other interest and fee income, net	(332)	(68)	(400)
Market value adjustments	(108)	27	(82)
Staff costs and administrative expenses	(139)	(29)	(168)
Loan impairment charges	9	30	39
Tax	(45)	(26)	(72)
Net profit for the year	161	93	254

Assets

Loans and other receivables at amortised cost	28,971	7,322	36,293
Other assets	15,477	2,687	18,165
Total assets	44,448	10,010	54,457

Liabilities

Issued bonds at amortised cost	35,281	7,947	43,228
Other liabilities	1,899	5	1,904
Equity	7,268	2,057	9,325
Total liabilities	44,448	10,010	54,457

Transferrals of capital between capital centres	(272)	272	0
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The financial statements of the individual capital centre are unaudited.
The complete financial statements for the individual capital centre are available upon request.

A photograph of a ship's deck with a red-painted floor. On the left, there are white vertical pipes and a red valve. In the center, there are white structural pillars. On the right, there are two large white cylindrical tanks mounted on metal frames, with the text 'X-PRESS ODYSSEY' and 'SINGAPORE' visible on them. The floor has several circular white markings with numbers like '115', '116', '117', '118', '119', '120', '121', '122', '123', '124', '125', '126', '127', '128', '129', '130', '131', '132', '133', '134', '135', '136', '137', '138', '139', '140', '141', '142', '143', '144', '145', '146', '147', '148', '149', '150', '151', '152', '153', '154', '155', '156', '157', '158', '159', '160', '161', '162', '163', '164', '165', '166', '167', '168', '169', '170', '171', '172', '173', '174', '175', '176', '177', '178', '179', '180', '181', '182', '183', '184', '185', '186', '187', '188', '189', '190', '191', '192', '193', '194', '195', '196', '197', '198', '199', '200'. In the background, there are shipping containers and a large ship at a port.

Statements

Statement *by Management*

Statement by Management on the Annual Report

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the financial year 1 January to 31 December 2022. The Annual Report is presented in accordance with the Danish Financial Business Act. Furthermore, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

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

Further, in our opinion, the financial statements give a true and fair view of the company's financial position as at 31 December 2022 and of the results of its activities for the financial year 1 January to 31 December 2022.

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

Copenhagen, 27 February 2023

Executive Board

Erik Ingvar Lassen
Chief Executive Officer

Michael Frisch
Chief Commercial Officer

Lars Jebjerg
Chief Financial Officer

Board of Directors

Eivind Drachmann Kolding
(Chairman)

Peter Nyegaard
(Vice Chairman)

Marcus Freuchen Christensen

Anders Damgaard

Povl Christian Lütken Frigast

Thor Jørgen Guttormsen

Anna-Berit Koertz

Ninna Møller Kristensen

Jacob Balslev Meldgaard

Michael Nellesmann Pedersen

Christopher Rex

Henrik Sjøgreen

Independent *auditor's report*

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the financial year 1 January – 31 December 2022, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, and notes, including accounting policies. The financial statements have been prepared in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

In our opinion, the financial statements give a true and fair view of the financial position as at 31 December 2022 and of the results of its operations for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

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

Basis for opinion

We have conducted our audit in accordance with International

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

Independence

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

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

Appointment of auditor

We were initially appointed as auditor of Danish Ship Finance A/S (Danmarks Skibskredit A/S) on 26 February 2021 for the financial year 2021. We have been reappointed annually by resolution of the general meeting for a total consecutive period of one year up until the financial year 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the financial statements for the financial year 2022. These matters have

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

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

LOANS AND PROVISIONS FOR CREDIT LOSSES

KEY AUDIT MATTERS

A significant part of the company's assets consists of loans, which amounted to DKK 34,029 million as at 31 December 2022 (DKK 36,293 million as at 31 December 2021), and provisions for credit losses on loans amounted to DKK 726 million as at 31 December 2021 (DKK 991 million in 2021).

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

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

In 2022, the following required a high level of management judgement and audit attention:

Identification of credit-impaired exposures
Parameters and management judgments in the calculation model used to determine expected credit losses for loans in Stages 1 and 2.

Realisable value of collateral in ships and estimation of future cash flows including management judgement involved in determining expected credit losses for loans in Stage 3.

HOW OUR AUDIT HAS ADDRESSED THE KEY AUDIT MATTER

Based on our risk assessment, our audit comprises a review of relevant business procedures, test of selected internal controls as well as analysis of the loans and the amount of impairment charges. Specifically, the audit includes the following procedures:

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

Test of internal controls regarding

- Granting and monitoring of exposures
- Assessment of credit risk and stage allocation
- Valuation of collateral

Test of individual loans on a sample basis

- Assessment of credit risk and stage allocation.
- Assessment of realisable value of collateral in ships, future cash flows, calculation of losses.
- Challenge of management judgments

Test of calculation models

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds. We have not identified any material misstatement of the Management's review.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

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

Report on compliance with the ESEF Regulation

As part of our audit of the financial statements of Danish Ship Finance A/S (Danmarks Skibskredit A/S) we performed procedures to express an opinion on whether the Annual Report for the financial year 1 January – 31 December 2022 with the file name Annual Report 2022 (XHTML) has been prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the Annual Report in XHTML format.

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

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

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

Frederiksberg, 27 February 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard
State Authorised
Public Accountant
mne28632

Thomas Hjortkjær Petersen
State Authorised
Public Accountant
mne33748

INCOME STATEMENT

NOTE	1 JANUARY - 31 DECEMBER	DKK MILLION	2021	2020
4	Interest income		1,129	1.500
5	Interest expenses		(625)	(958)
6	Net interest income		504	542
	Fee and commission income		32	21
7	Net interest and fee income		536	562
8	Market value adjustments		(82)	(150)
	Other operating income		1	1
9,10	Staff costs and administrative expenses		(167)	(158)
22,23	Depreciation and impairment of property, plant and equipment		(2)	(1)
16	Loan impairment charges		39	(100)
	Profit before tax		326	154
11	Tax		(72)	(37)
	Net profit for the year		254	117
	Other comprehensive income ¹		-	40
	Tax on other comprehensive income		-	(9)
	Other comprehensive income after tax		-	31
	Comprehensive income for the year		254	148

1) Revaluation of current domicile property

NOTE	1 JANUARY - 31 DECEMBER	DKK MILLION	2021	2020
	AMOUNT AVAILABLE FOR DISTRIBUTION			
	Distributable reserves		325	412
	Comprehensive income for the year		254	148
	Total		579	560
	PROPOSED ALLOCATION OF PROFIT			
	Distribution		128	59
	Other comprehensive income transferred to revaluation reserves		-	31
	Distributable reserves		451	471
	Total		579	560

BALANCE SHEET

NOTE	AT 31 DECEMBER	DKK MILLION	2021	2020
	ASSETS			
12	Due from credit institutions and central banks		388	1,298
13,14,15,16,17	Loans and other receivables at amortised cost		36,293	31,950
18,19,20	Bonds at fair value		16,007	24,319
21	Shares, etc.		-	-
22	Land and buildings			
	Owner-occupied property		332	323
23	Other tangible assets		6	6
	Current tax assets		7	10
28	Deferred tax assets		-	-
24	Other assets		1,425	1,898
	Total assets		54,457	59,805

NOTE	AT 31 DECEMBER	DKK MILLION	2021	2020
	LIABILITIES AND EQUITY			
	Liabilities			
25	Due to credit institutions and central banks		758	6,693
26	Issued bonds at amortised cost		43,228	42,477
	Current tax liabilities		60	-
	Deferred tax liabilities		108	68
20,27	Other liabilities		962	1,275
	Total liabilities		45,117	50,514
	Provisions			
	Other provisions		16	16
	Total provisions		16	16
29	Equity			
	Share capital		333	333
	Tied-up reserve capital		8,343	8,343
	Revaluation reserves		70	70
	Retained earnings		451	471
	Proposed dividend for the financial year		128	59
	Total equity		9,325	9,275
	Total liabilities and equity		54,457	59,805
	Off-balance sheet items			
31	Contingent liabilities		101	116
32	Other contingent liabilities		3,356	3,723
	Total off-balance sheet items		3,457	3,839

STATEMENT OF CHANGES IN EQUITY

DKK MILLION	Share capital	Tied-up reserve capital	Revaluation reserves	Retained earnings	Proposed dividend for the financial year	Total
Equity as at 1 January 2020	333	8,343	38	412	133	9,260
Dividends paid for the financial year 2019	-	-	-	-	(133)	(133)
Comprehensive income	-	-	31	59	59	148
Equity as at 31 December 2020	333	8,343	70	471	59	9,275
Dividends paid for the financial year 2020	-	-	-	-	(59)	(59)
Extraordinary dividends	-	-	-	(146)	-	(146)
Comprehensive income	-	-	-	126	128	254
Equity as at 31 December 2021	333	8,343	70	451	128	9,325

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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 2020.

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

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

Significant accounting estimates

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

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

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

balance sheet date express management's best estimate of such events and circumstances.

In 2021, the parameters used for amortisation of fees which are an integral part of the current yield of a financial instrument have been revised to better reflect the nature and development of the loan book. The change in the parameters affected the interest income in 2021 by approx. DKK 35 million accumulated over the previous years.

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.

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.

NOTES

NOTE 1 CONTINUED

Segment reporting

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

Offsetting

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

Translation of transactions in foreign currency

The financial statements are presented in DKK, and the functional currency is DKK.

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 their fair value at the settlement date, which is usually the same as the transaction price. See the description under the individual items.

Before the settlement date, changes in the value of financial instruments are recognised. 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 two categories:

- Trading book assets measured at fair value
- Loans and other financial receivables measured at amortised cost

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

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

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

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

Hedge accounting

DSF uses derivatives to hedge the interest rate risk on fixed-rate liabilities 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 liabilities 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.

NOTES

NOTE 1 CONTINUED

Determination of fair value

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

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

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

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

BALANCE SHEET

Amounts due from credit institutions and central banks

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

Loans

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

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

Loan impairment charges

The current impairment rules, pursuant to IFRS 9, became effective as at 1 January 2018, introducing a forward-looking approach to measuring impairment of financial assets based on expected credit losses (ECL).

The loan impairment charge for ECL depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loan impairment charge equals ECL within the next 12 months (Stage 1). If the credit risk has increased significantly since initial recognition or is showing significant signs of weakness (e.g., a loan is more than 30 days past due), the loan impairment charge equals the lifetime ECL (Stage 2). If the credit exposure is in default (e.g., a loan is more than 90 days past due) or otherwise impaired, the loan impairment charge equals the lifetime ECL (Stage 3).

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

$$ECL = PD * EAD * LGD * MEF$$

NOTES

NOTE 1 CONTINUED

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 allowance account and offset against loans or recognised as provisions (loss allowances) for guarantees and credit commitments.

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

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

Bonds at fair value

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

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

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 DSF's fully owned domiciles at Sankt Annæ Plads 3, Copenhagen and Langebrogade 5, Copenhagen.

Owner-occupied property

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

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

Other tangible assets

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

Other assets

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

Due to credit institutions and central banks

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

Issued bonds at amortised cost

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

NOTES

NOTE 1 CONTINUED

Issued bonds are measured at amortised cost (i.e., including any discount at issuance and any commission that is considered an integral part of the effective rate of interest).

Pursuant to the rules on hedge accounting, the fair value of the hedged interest rate risk for fixed rate issued bonds is recognised.

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

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

Other liabilities

Other provisions are recognised and measured as the best estimate of the costs required to settle the liabilities at the balance sheet date. Provisions with an expected term of more than a year after the balance sheet date are measured at discounted value. Other liabilities include accrued interest, prepayments, derivatives with a negative market value and other provisions such as provisions relating to guarantees. The liability is recognised at the present value of expected payments.

Deferred tax assets and deferred tax liabilities

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

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

Equity

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

Proposed dividends

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

OFF-BALANCE SHEET ITEMS

Contingent liabilities

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

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.

NOTES

NOTE 1 CONTINUED

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Interest income and expenses

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

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

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

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

Fee and commission income and expenses

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

Market value adjustments

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

Staff costs and administrative expenses

Staff costs

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

Bonuses and share-based payments

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

Pension costs

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

Depreciation and impairment of tangible assets

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

Loan impairment charges

This item includes write-offs on loans 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.

NOTES

	DKK MILLION	2021	2020	2019	2018	2017
NOTE 2 KEY FIGURES						
Net interest income from lending		541	501	516	477	541
Net interest income from investment activities		(37)	41	115	163	135
Total net interest income		504	542	631	640	676
Net interest and fee income		536	562	657	672	696
Market value adjustments		(82)	(150)	(197)	(135)	37
Staff costs and administrative expenses		(167)	(158)	(166)	(158)	(141)
Loan impairment charges		39	(100)	2	(35)	(163)
Profit before tax		326	154	296	343	427
Net profit for the year		254	117	227	262	334
Loans		36,293	31,950	39,082	36,735	34,492
Bonds		16,007	24,319	25,027	22,470	20,093
Equity		9,325	9,275	9,260	9,229	9,307
Total assets		54,457	59,805	66,824	62,349	58,161

	DKK MILLION	2021	2020	2019	2018	2017
NOTE 2 CONTINUED KEY RATIOS						
Common Equity Tier 1 capital ratio (%)		20.1	22.3	18.5	19.0	19.7
Tier 1 capital ratio (%)		20.1	22.3	18.5	19.0	19.7
Total capital ratio (%)		20.1	22.3	18.5	19.0	19.7
Return on equity before tax (%)		3.5	1.7	3.2	3.7	4.6
Return on equity after tax (%)		2.7	1.3	2.5	2.8	3.6
Income/cost ratio ¹		3.5	1.6	2.8	2.8	2.4
Income/cost ratio (excluding loan impairment charges)		2.7	2.6	2.7	3.4	5.1
Foreign exchange position (%)		3.1	2.9	2.8	4.8	10.8
Gearing of loans		3.9	3.4	4.2	4.0	3.7
Annual growth in lending (%)		13.6	(18.2)	6.4	6.5	(13.4)
Annual loan impairment ratio (%)		(0.1)	0.3	0.0	0.1	0.4
Accumulated loan impairment charges as a % of loan book		2.6	3.9	4.9	6.3	6.9
Rate of return on assets (%)		0.5	0.2	0.4	0.4	0.6

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

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

NOTES

2021

DKK MILLION

NOTE 3 RECONCILIATION OF BUSINESS AREAS

		Income statement								
Business areas		Net interest income, lending	Net interest income, investment activities	Fee and commission	Market value adjustments	Other operating income	Staff costs and adm. expenses	Dep. and imp. of property, plant and equip.	Loan impairment charges	Profit before tax
Income										
Lending										
Net interest income	531	531							0	
Net fees and commission	32			32						
Funding										
Funding costs not covered	(13)	(14)			1					
Warehousing	0	(19)			20					
Non-business activities	4	44			(41)	1				
Investments										
Net interest income	(37)		(37)							
MV adjustments	(62)				(62)	(62)				
Total income	455	541	(37)	32	(82)	1	0	0	0	0
Staff costs and adm. expenses	(169)						(167)	(2)		
Loan impairment charges before reclassification of interest	39								39	
Profit before tax	326									326
		Total	541	(37)	32	(82)	1	(167)	(2)	39
										326

NOTES

2020

DKK MILLION

NOTE 3 CONTINUED RECONCILIATION OF BUSINESS AREAS

RECONCILIATION OF BUSINESS AREAS		Income statement								
		Net interest income, lending	Net interest income, investment activities	Fee and commission	Market value adjustments	Other operating income	Staff costs and adm. expenses	Dep. and imp. of property, plant and equip.	Loan impairment charges	Profit before tax
Business areas										
Income										
Lending										
Net interest income	533	533							0	
Net fees and commission	21			21						
Funding										
Funding costs not covered	(29)	(53)			24					
Warehousing	(8)	(21)			13					
Non-business activities	(6)	42			(4)					
Investments										
Net interest income	41		41							
MV adjustments	(139)				(139)					
Total income	412	501	41	21	(150)	0	0	0	0	0
Staff costs and adm. expenses	(158)					1	(158)	(1)		
Loan impairment charges before reclassification of interest	(100)								(100)	
Profit before tax	154									154
	Total	501	41	21	(150)	1	(158)	(1)	(100)	154

NOTES

	DKK MILLION	2021	2020
NOTE 4 INTEREST INCOME			
Due from credit institutions and central banks		15	30
Loans and other receivables		936	1,255
Bonds		138	155
Other interest income		0	0
Derivatives			
Interest rate contracts		37	59
Foreign exchange contracts		2	2
Total interest income¹		1,129	1,500
Of this amount, income from genuine purchase and resale transactions recognised in:			
Due from credit institutions and central banks		16	31

1) A DKK 1.7 million component of interest income reflects negative interest rates in 2021 (2020: DKK 0.5 million).

	DKK MILLION	2021	2020
NOTE 5 INTEREST EXPENSES			
Credit institutions and central banks		(6)	(2)
Bonds		(6)	(18)
Issued bonds		(138)	(169)
Other interest expenses		(135)	(108)
Derivatives			
Interest rate contracts		(340)	(662)
Foreign exchange contracts		-	-
Total interest expenses¹		(625)	(958)
Of this amount, interest expenses for genuine sale and repurchase transactions recognised in:			
Due from credit institutions and central banks		(12)	(12)

1) A DKK 6.1 million component of interest expenses reflects negative interest rates in 2021 (2020: DKK 18.9 million).

NOTES

	DKK MILLION	2021	2020
NOTE 6 NET INTEREST INCOME			
Net interest income from lending			
Loans and other receivables		936	1,255
Bonds		46	14
Due from credit institutions		3	4
Interest to credit institutions		(5)	0
Issued bonds		(138)	(169)
Other interest expenses		0	(2)
Derivatives			
Interest rate contracts		(303)	(604)
Foreign exchange contracts		2	2
Total net interest income from lending		541	501
Net interest income from investment activities			
Bonds		87	123
Due from credit institutions		12	27
Other interest income		0	0
Interest to credit institutions		(2)	(3)
Other interest expenses		(135)	(106)
Total net interest income from investment activities		(37)	41
Total net interest income		504	542

	DKK MILLION	2021	2020
NOTE 7 FEE AND COMMISSION INCOME			
Guarantee commission		2	2
Fee and other commission income		31	19
Total fee and commission income		32	21
NOTE 8 FEE AND COMMISSION INCOME			
Market value adjustment of bonds		(459)	(64)
Market value adjustment of shares		0	6
Exchange rate adjustments		1	(5)
Market value adjustment of derivatives		376	(87)
Total market value adjustments		(82)	(150)

NOTES

DKK MILLION	2021	2020
NOTE 9 STAFF COSTS AND ADMINISTRATIVE EXPENSES		
Remuneration of Board of Directors and Executive Board		
Board of Directors	(3)	(3)
Executive Board	(15)	(15)
Total remuneration of Board of Directors and Executive Board	(18)	(18)
Staff costs		
Salaries and wages	(87)	(73)
Pensions	(9)	(8)
Social security costs and financial services employer tax	(21)	(23)
Total staff costs	(116)	(105)
Other administrative expenses	(32)	(35)
Total staff costs and administrative expenses	(167)	(158)
Number of employees - full-time equivalents ¹	79	78
Average number of employees - full-time equivalents ¹	79	79

1) The number includes Student Assistants.

DKK '000

NOTE 9 INFORMATION ON REMUNERATION POLICY CONTINUED

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

The remuneration policy and remuneration report were adopted at the company's annual general meeting on 18 March 2021. The remuneration policy and remuneration report are available on the company's website:

→ www.shipfinance.dk/investor-relations/

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

2021	Fixed salary/fee	Variable salary	Total salary/fee	Number of recipients
Board of Directors	2,950	-	2,950	12
Executive Board	14,871	402	15,273	3
Other employees whose activities have a material impact on the company's risk profile	12,169	1,271	13,440	7
Total	29,990	1,673	31,663	

NOTES

DKK '000

NOTE 9 CONTINUED

Detailed information about remuneration for the Board of Directors and the Executive Board can be found in the company's remuneration report.

The variable remuneration of other employees is provided as a bonus in the form of equity-like instruments (Total Shareholder Return) with a deferral period of four years and a retention period of one year.

The pension plans of other employees are defined contribution plans.

2020	Fixed salary/fee	Variable salary	Total salary/fee	Number of recipients
Board of Directors	3,260	-	3,260	12
Executive Board	14,628	(28)	14,600	3
Other employees whose activities have a material impact on the company's risk profile	12,203	1,579	13,782	7
Total	30,091	1,551	31,642	

The Executive Board has received a variable remuneration in the form of warrants in Danish Ship Finance Holding A/S. The related costs are recognised in Danish Ship Finance Holding A/S.

The variable remuneration terms and pension plans for 2020 for other employees are identical with the terms for 2021.

DKK MILLION

2021

2020

NOTE 10 AUDIT FEES

Fees for statutory audit of financial statements	(1.0)	(0.8)
Fees for tax advisory services	0.0	(0.2)
Fees for non-audit services	0.0	0.0
Fees for other assurance engagements	(0.1)	(0.2)
Total fees	(1.2)	(1.2)

The Executive Board has received a variable remuneration in the form of warrants in Danish Ship Finance Holding A/S. The related costs are recognised in Danish Ship Finance Holding A/S.

The variable remuneration terms and pension plans for 2020 for other employees are identical with the terms for 2021.

NOTES

	DKK MILLION	2021	2020
NOTE 11 TAX			
Tax on profit for the year			
Estimated tax on profit for the year		(52)	(22)
Changes in deferred tax		(20)	(13)
Adjustment of prior-year tax charges		0	(2)
Total tax		(72)	(37)
Tax on other comprehensive income			
Deferred tax		-	(9)
Total tax		-	(9)
Pct. (%)			
Effective tax rate			
Tax rate in Denmark		22.0	22.0
Non-taxable income and non-deductible expenses		0.0	0.6
Adjustment of prior-year tax charges		0.0	1.3
Effective tax rate		22.0	24.0

	DKK MILLION	2021	2020
NOTE 12 DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS			
Genuine purchase and resale transactions (reverse repo)		367	1,170
Other receivables		21	127
Total due from credit institutions and central banks		388	1,298
Broken down by due date			
Demand deposits		21	24
Up to 3 months		367	1,274
Total due from credit institutions and central banks		388	1,298

The company has no term deposits with central banks.

NOTES

	DKK MILLION	2021	2020
NOTE 13	LOANS AT AMORTISED COST		
As at 1 January		31,950	39,082
Additions		9,380	6,472
Ordinary repayments and redemptions		(4,962)	(5,181)
Extraordinary repayments		(3,047)	(4,533)
Net change concerning revolving credit facilities		461	(318)
Exchange rate adjustment of loans		2,152	(4,287)
Change in amortised cost for the year		36	2
Depreciation, amortisation and impairment for the year		323	713
As at 31 December		36,293	31,950

	DKK MILLION	2021	2020
NOTE 14	LOANS AT AMORTISED COST BROKEN DOWN BY DUE DATE		
Gross loans at exchange rates at the balance sheet date		37,284	33,264
Accumulated loan impairment charges		(991)	(1,314)
Total loans		36,293	31,950
Total loans broken down by due date			
Up to 3 months		1,981	1,257
From 3 months to 1 year		4,230	2,529
From 1 to 5 years		25,329	24,140
Over 5 years		4,753	4,024
Total loans		36,293	31,950
Total loans			
Loans at fair value		37,066	32,703
Loans at amortised cost		36,293	31,950

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

NOTES

	DKK MILLION	2021	2020
NOTE 15 NON-PERFORMING LOANS			
Impaired loans (DSF Rating 11)			
Loans subject to forbearance or otherwise impaired, gross		635	650
Accumulated loan impairment charges		(231)	(150)
Impaired loans, net		404	500
 Defaulted loans (DSF Rating 12)			
Loans in default, gross		1,276	1,757
Accumulated loan impairment charges		(569)	(901)
Defaulted loans, net		707	855
 Non-performing loans, gross (NPL)		1,911	2,407
 Non-performing loans, net (net NPL)		1,111	1,357
 NPL ratio		5.1%	7.2%
 Net NPL ratio		3.0%	4.2%

NPL ratio definition: NPL divided by loan book.

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

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

	DKK MILLION	2021	2020
NOTE 16 LOAN IMPAIRMENT CHARGES			
The following loan impairment charges/loss allowances were made on loans/credit commitments			
Accumulated loan impairment charges		991	1,314
Accumulated loss allowances for credit commitments		16	16
Total		1,007	1,330
 Accumulated loan impairment charges as a % of the loan book		2.6	3.9
 Reconciliation of total allowance account			
As at 1 January		1,330	2,035
New loan impairment charges/loss allowances		277	760
Reversal of loan impairment charges/loss allowances		(307)	(648)
Gross write-offs debited to the allowance account		(293)	(817)
Total		1,007	1,330
 Loan impairment charges for the period			
New loan impairment charges/loss allowances		(277)	(760)
Reversal of loan impairment charges/loss allowances		307	648
Reclassification of interest		0	0
Recovery on loans previously written off		9	12
Loan impairment charges		39	(100)

NOTES

NOTE 17 CREDIT RISK

DKK MILLION	2021	2020
Reconciliation of loans and guarantees (loan book)		
Balance sheet		
Loans at amortised cost	36,293	31,950
Other receivables	160	196
Accumulated loan impairment charges	991	1,314
Total balance sheet items	37,444	33,460
Guarantees	101	116
Total guarantees	101	116
Total loans and guarantees	37,544	33,576
Reconciliation of other contingent liabilities		
Credit commitments	3,356	3,723
Total other contingent liabilities	3,356	3,723
Reconciliation of financial exposure		
Due from credit institutions and central banks	388	1,298
Bonds at fair value	16,007	24,319
Shares, etc.	-	-
Derivatives	1,153	1,674
Total financial exposure	17,548	27,291
Total credit risk from loans, guarantees, credit commitments and financial exposures	58,449	64,590

NOTE 17 CONTINUED

DKK MILLION

DSF 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 2021	Loans and guarantees 2020
1 - 2	-	-
3 - 4	4,659	5,450
5 - 6	17,188	11,710
7 - 8	13,188	12,929
9 - 10	598	1,080
11 (impaired)	635	650
12 (default)	1,276	1,757
Total	37,544	33,576

NOTES

DKK MILLION

NOTE 17 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

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

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

DKK MILLION

NOTE 17 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

Credit commitments broken down by rating category and stage

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

NOTES

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 2020
1	-	-	-	-
2	-	-	-	-
3	1,803	-	-	1,803
4	3,648	-	-	3,648
5	1,073	-	-	1,073
6	10,637	-	-	10,637
7	8,179	1,543	-	9,722
8	3,207	-	-	3,207
9	-	358	-	358
10	-	722	-	722
11 (impaired)	-	-	650	650
12 (default)	-	-	1,757	1,757
Total	28,547	2,623	2,407	33,576

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 2020
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	1,221	-	-	1,221
5	298	-	-	298
6	1,023	-	-	1,023
7	727	-	-	727
8	429	-	-	429
9	-	25	-	25
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	3,698	25	-	3,723

NOTES

DKK MILLION

**NOTE 17
CONTINUED**

STAGES FOR CHANGES IN CREDIT RISK

Changes in total ECL allowance account broken down by stage

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

DKK MILLION

**NOTE 17
CONTINUED**

STAGES FOR CHANGES IN CREDIT RISK

Changes in total ECL allowance account broken down by stage

DKK MILLION	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	167	90	1,778	2,035
Transferred to Stage 1 during the period	-	-	-	-
Transferred to Stage 2 during the period	(9)	189	(179)	0
Transferred to Stage 3 during the period	-	-	-	-
New loan impairment charges/loss allowances	53	51	656	760
Reversal of loan impairment charges/loss allowances	(75)	(186)	(386)	(648)
Gross write-offs for the period	-	-	(817)	(817)
Total ECL allowance account as at 31 December 2020	135	144	1,051	1,330
Of which:				
- Accumulated loan impairment charges	119	144	1,051	1,314
- Accumulated loss allowances for credit commitments	16	-	-	16
Of which:				
- Management judgments			100	100

NOTES

NOTE 17 CONTINUED

Classification, stage migration and loan impairment charges

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

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

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

The Risk Report 2021 provides more detailed information.

Arrears/past-due loans

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

NOTE 17 CONTINUED

Covid-19 concessions

Our forbearance practices have been updated to cater for clients materially affected by the Covid-19 pandemic. Temporary Covid-19 concessions to clients are not considered forbearance if such clients - based on individual credit assessments - are considered to have viable business models post-Covid-19.

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 24.4% on average in 2021.

NOTES

NOTE 17 CONTINUED

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

Loan-to-value interval	Share of loans 2021	Share of loans 2020
0 - 20 %	49%	39%
20 - 40 %	37%	37%
40 - 60 %	13%	22%
60 - 80 %	1%	2%
80 - 90 %	0%	0%
90 - 100 %	0%	0%
Over 100 %	0%	0%

The table above shows that at year-end 99% (2020: 98%) of all loans were secured within 60% of the market value of the mortgage, and 100% (2020: 100%) of all loans were within 80% of the market value of the mortgage.

The weighted loan-to-value ratio on the loan book after loan impairment charges was 44% (2020: 54%).

NOTE 17 CONTINUED

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

Loan-to-value interval	Share of loans 2021	Share of loans 2020
0 - 20 %	48%	41%
20 - 40 %	37%	35%
40 - 60 %	15%	22%
60 - 80 %	1%	2%
80 - 90 %	0%	0%
90 - 100 %	0%	0%
Over 100 %	0%	0%

The table above shows that at year-end 99% (2020: 98%) of non-performing loans were secured within 60% of the market value of the mortgage, and 100% (2020: 100%) of non-performing loans were within 80% of the market value of the mortgage.

The weighted average loan-to-value ratio for non-performing loans after loan impairment charges was 47% (2020: 53%).

NOTES

	DKK MILLION	2021	2020
NOTE 18 BONDS AT FAIR VALUE			
Bond portfolio			
Own non-callable bonds		3,225	962
Non-callable bonds		15,626	21,697
Callable bonds		381	2,622
Total portfolio of bonds		19,232	25,281
Own bonds (offset against issued bonds at amortised cost)		(3,225)	(962)
Total bond portfolio		16,007	24,319
Bond portfolio			
Own bonds		3,225	962
Government bonds and bonds issued by KommuneKredit		2,385	7,048
Mortgage bonds		13,622	17,271
Total portfolio of bonds		19,232	25,281
Own bonds (offset against issued bonds at amortised cost)		(3,225)	(962)
Total bond portfolio		16,007	24,319

	DKK MILLION	2021	2020
NOTE 19 BONDS BY TIME TO MATURITY			
Bond portfolio			
Bonds with a maturity up to and including 1 year		4,107	1,658
Bonds with a maturity over 1 year and up to and including 5 years		8,774	17,935
Bonds with a maturity over 5 years and up to and including 10 years		1,417	1,624
Bonds with a maturity over 10 years		1,709	3,102
Total bonds specified by time to maturity		16,007	24,319
NOTE 20 CSA COLLATERAL			
Collateral under CSA agreements			
Collateral received		12	714
Collateral delivered		(1,274)	(999)
Net value of collateral under CSA agreements		(1,262)	(285)

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

NOTES

	DKK MILLION	2021	2020
NOTE 21 SHARES, ETC.			
Shares listed on Nasdaq Nordic		0	0
Unlisted shares recognised at fair value		-	-
Total shares, etc.		0	0
NOTE 22 LAND AND BUILDINGS			
Owner-occupied properties			
Valuation, as at 1 January		325	102
Acquisition		-	183
Property improvements during the year		9	-
Revaluation		-	40
Revaluation including improvements, as at 31 December		334	325
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		332	323

NOTE 22 CONTINUED

The owner-occupied properties are the office properties at Sankt Annæ Plads 3, Copenhagen (public property valuation on 1 October 2020: DKK 79 million) and Langebrogade 5, Copenhagen (public property valuation on 1 October 2020: DKK 88 million).

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

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

NOTES

	DKK MILLION	2021	2020
NOTE 23 OTHER TANGIBLE ASSETS			
Cost, as at 1 January		12	23
Additions during the year		0	0
Disposals during the year		0	(11)
Cost, as at 31 December		13	12
Accumulated depreciation, as at 1 January		6	16
Disposals during the year		0	(11)
Depreciation during the year		1	1
Accumulated depreciation, as at 31 December		7	6
Total other tangible assets		6	6
NOTE 24 OTHER ASSETS			
Interest receivable		147	131
Prepayments to swap counterparties		17	12
Derivatives		1,153	1,674
Miscellaneous receivables		107	81
Total other assets		1,425	1,898

	DKK MILLION	2021	2020
NOTE 25 DUE TO CREDIT INSTITUTIONS AND CENTRAL BANKS			
Repo transactions		509	6,693
Other amounts due		249	-
Total due to credit institutions and central banks		758	6,693
Broken down by due date			
On demand		-	-
Up to 3 months		758	6,693
From 3 months to 1 year		-	-
From 1 to 5 years		-	-
Over 5 years		-	-

NOTES

	DKK MILLION	2021	2020
NOTE 26 ISSUED BONDS AT AMORTISED COST			
As at 1 January		42,477	47,737
Additions in connection with pre-issuance		9,600	7,935
Amortisation of cost		(89)	(137)
Adjustment for hedge accounting		(71)	(1)
Exchange rate adjustment		(2)	(38)
Own bonds		(2,300)	(970)
Ordinary and extraordinary redemptions		(6,386)	(12,050)
As at 31 December		43,228	(42,477)
Specification of issued bonds			
Bonds issued in DKK			
Bullet bonds		(35,170)	35,653
Amortising CIRR bonds		161	276
Total Danish bonds		35,330	35,929
Bonds issued in foreign currency			
Bullet bonds		11,123	7,439
Amortising CIRR bonds, at year-end exchange rates		-	71
Total bonds issued in foreign currency		11,123	7,510
Own bonds		(3,225)	(962)
Total issued bonds		43,228	42,477

	DKK MILLION	2021	2020
NOTE 26 CONTINUED Broken down by term to maturity			
Up to 3 months		625	1,175
From 3 months to 1 year		3,739	38
From 1 to 5 years		31,884	38,042
Over 5 years		10,206	4,184
Total issued bonds		46,454	43,439
Own bonds		(3,225)	(962)
Total issued bonds		43,228	42,477

NOTES

	DKK MILLION	2021	2020
NOTE 27 OTHER LIABILITIES			
Broken down by term to maturity			
Interest payable		124	131
Derivatives		779	1,074
Other liabilities		59	70
Total other liabilities		962	1,275

	DKK MILLION	2021	2020
NOTE 28 DEFERRED TAX			
Deferred tax, as at 1 January		(68)	47
Adjustment of prior year		(21)	(91)
Estimated deferred tax on profit for the year		(20)	(24)
Total deferred tax		(108)	(68)

	2021 Deferred tax assets	2021 Deferred tax liabilities	2021 Deferred tax net	2020 Deferred tax net
Property, plant and equipment	0	(21)	(21)	(21)
Loans	35	-	35	72
Shares, etc.	0	-	0	1
Issued bonds	-	(134)	(134)	(121)
Employee obligations	11	-	11	0
Balance of tax losses	-	-	-	0
Total deferred tax	47	(155)	(108)	(68)

NOTES

	DKK MILLION	2021	2020
NOTE 29 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		451	471
Proposed dividends for the financial year		128	59
Total equity		9,325	9,275

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	2021	2020
NOTE 30 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		451	471
Proposed dividends for the financial year		128	59
Revaluation reserves		70	70
Total common Equity Tier 1 capital before deductions		9,325	9,275
Deductions from Common Equity Tier 1 capital			
Proposed dividends for the financial year		128	59
Additional capital charge pursuant to the Executive Order on a Ship Finance Institute		-	-
Prudent valuation pursuant to Article 105 of the CRR		24	28
Deductions for NPE Loss coverage		8	-
Deductions pursuant to transitional rules regarding B share capital		33	33
Total deductions from Common Equity Tier 1 capital		194	119
Common Equity Tier 1 capital after deductions		9,131	9,156

NOTES

	DKK MILLION	2021	2020
NOTE 30 CONTINUED	Risk exposure amount		
	Assets outside the trading book	36,856	32,309
	Off-balance sheet items	1,678	1,862
	Counterparty risk outside the trading book	2,766	2,255
	Market risk	3,346	3,736
	Operational risk	829	880
	Total risk exposure amount	45,477	41,042
	Common Equity Tier 1 capital ratio	20.1	22.3
	Tier 1 capital ratio	20.1	22.3
	Total capital ratio	20.1	22.3
	The risk exposure amount for market risk consists of:		
	Position risk related to debt instruments	3,045	3,454
	Position risk related to shares	18	18
	Total currency position	284	265
	Total risk-weighted exposure amount for market risk	3,346	3,736

	DKK MILLION	2021	2020
NOTE 31	CONTINGENT LIABILITIES		
	In the ordinary course of its lending operations, DSF has undertaken guarantee commitments of	101	116
	Payment guarantee provided to the Danish Securities Centre	0	0
	Total contingent liabilities	101	116
NOTE 32	OTHER CONTINGENT LIABILITIES		
	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	896	885
	In the ordinary course of its lending operations, DSF has undertaken commitments relating to irrevocable credit commitments in the amount of	2,460	2,837
	Total other contingent liabilities	3,356	3,723

NOTES

DKK MILLION

NOTE 33 RELATED PARTIES

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

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

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

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

Related-party transactions concerning loans and loan offers as at 31 December 2021 totalled a nominal amount of DKK 1,456 million (as at 31 December 2020: DKK 1,252 million). Transactions with related parties are settled on an arm's-length basis and recognised in the financial statements according to the same accounting policy as for similar transactions with unrelated parties."

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

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

DKK MILLION

NOTE 34 CONSOLIDATED FINANCIAL STATEMENTS

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

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

NOTES

DKK MILLION

NOTE 35 HEDGE ACCOUNTING

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

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

2020	Nominal Value	Carrying Amount	Fair Value
Commitments			
Issued bonds	12,910	13,014	13,350
Total commitments	12,910	13,014	13,350
Derivatives			
Interest rate swaps	(12,910)	(101)	(101)
Total derivatives	(12,910)	(101)	(101)
Net	0	12,913	13,249

DKK MILLION

2021

2020

NOTE 36 NOTIONAL PRINCIPALS OF OUTSTANDING DERIVATIVES

Swap agreements

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

Receivables	161	279
Credit institutions	85,578	78,741

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

Receivables	-	-
Credit institutions	132,962	129,437

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

Credit institutions	56,768	56,487
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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	31,745	34,619
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NOTES

DKK MILLION	2021 Positive	2021 Negative	2020 Positive	2020 Negative
NOTE 37 FAIR VALUES OF OUTSTANDING DERIVATIVES				
Swap agreements				
Swap agreements have been made with the following parties to hedge the foreign exchange risk on loans and issued bonds:				
Receivables	19	-	19	-
Credit institutions	109	501	1,240	285
Swap agreements have been made with the following parties to hedge the interest rate risk on loans, bonds and issued bonds:				
Receivables	-	-	-	-
Credit institutions	1,069	979	1,161	967
Swap agreements, for which financial risks are not fully hedged, have been made with the following parties:				
Credit institutions	711	1,278	1,200	1,861
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	44	121	46	258

DKK MILLION	2021 Positive	2020 Positive
NOTE 37 CONTINUED		
Netting of exposure value		
The positive gross fair value of financial contracts after netting:		
Counterparties with risk weight of 0%	-	-
Counterparties with risk weight of 20%	525	539
Counterparties with risk weight of 50%	1,407	1,251
Counterparties with risk weight of 100%	26	36
Value of total counterparty risk ¹		
Counterparties with risk weight of 0%	-	-
Counterparties with risk weight of 20%	580	881
Counterparties with risk weight of 50%	2,094	2,750
Counterparties with risk weight of 100%	26	36

1) Figures for 2021 are calculated according to method in SA-CCR (implemented in 2021) while figures for 2020 are calculated according to the market valuation method.

NOTES

DKK MILLION

NOTE 38 FOREIGN EXCHANGE RISK AND USE OF DERIVATIVES

Our total unhedged foreign currency position as at 31 December 2021, translated at year-end exchange rates into DKK, amounts to DKK (97) million (DKK 265 million as at 31 December 2020). 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	33,017	2,731	35,748	1,536	37,284
Loan impairment charges	-	-	-	(991)	(991)
Loans as per the balance sheet					36,293
Due from credit institutions and central banks	4	12	17	372	388
Bond portfolio	-	1,374	1,374	14,633	16,007
Interest receivable, other assets, etc.	109	51	160	1,609	1,769
Total assets as per the balance sheet	33,130	4,168	37,298	17,159	54,457
Issued bonds at year-end exchange rates	0	(8,034)	(8,034)	(35,195)	(43,228)
Issued bonds as per the balance sheet					(43,228)
Due to credit institutions and central banks	(235)	(75)	(310)	(448)	(758)
Interest payable, other payables	(3)	(4)	(7)	(1,124)	(1,131)
Provisions	-	-	-	(16)	(16)
Total equity	-	-	-	(9,325)	(9,325)
Total liabilities as per the balance sheet	(237)	(8,112)	(8,350)	(46,107)	(54,457)
Derivatives - receivables	12,668	28,579	41,247		
Derivatives - payables	(45,505)	(24,788)	(70,293)		
Total net position	56	(153)	(97)		

NOTES

DKK MILLION	2021	2020
NOTE 39 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:	(20)	(46)
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:	(1)	32

NOTE 39
CONTINUED

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.

NOTES

**NOTE 39
CONTINUED**

DKK MILLION	2021	2020
An appreciation of the USD exchange rate against the DKK		
Change in net profit for the year and equity	30	(2)
Percentage change in total capital ratio	(2.1)	(2.4)
A depreciation of the USD exchange rate against the DKK		
Change in net profit for the year and equity	(31)	(5)
Percentage change in total capital ratio	2.6	(3.1)
An appreciation of the GBP exchange rate against the DKK		
Change in net profit for the year and equity	(18)	(32)
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	18	32
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	(29)	(29)
Percentage change in total capital ratio	(0.2)	(0.3)
A depreciation of the NOK exchange rate against the DKK		
Change in net profit for the year and equity	22	22
Percentage change in total capital ratio	0.2	0.3

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 17% (which equals a DKK 1 change against the USD) for an entire financial year. The impact comprises the change in the value of ongoing net interest and fee income as well as the change in the need for loan impairment charges due to the change in the exchange rates in question.

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

NOTE 40

DKK MILLION	2021	2020
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**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	36,293	31,950
Measured at fair value	37,066	32,703
Difference between carrying amounts and fair value-based value of loans, total	773	753

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

Issued bonds

Measured at amortised cost, incl. hedging	43,228	42,477
Measured at fair value	43,842	43,034
Difference between carrying amounts and fair value-based value of issued bonds, total	613	557

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.

NOTES

DKK MILLION

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

DSF is exposed to different types of risk.

The most important types of risk are:

- Credit risk: The risk of loss caused by borrowers or counterparties failing to meet all or part of their payment obligations.
- Market risk: The risk of loss resulting from changes in the fair value of the assets and liabilities as a result of changes in market conditions.

CREDIT RISK

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

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

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

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

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

DKK MILLION

NOTE 41 MARKET RISK CONTINUED

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

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

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

The policies cover the identification and calculation of various types of market risk. The frameworks indicate specific limits on the extent of risk the company is willing to assume. The principles establish the methods to be used in the calculation of various risk targets.

The Board of Directors receives continuous reporting on risk developments and the utilisation of allocated risk limits.

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

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

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

For further information, please see the unaudited Risk Report at www.shipfinance.dk.

NOTES

DKK MILLION	Capital Centre Institute in general	Capital Centre A	Total
NOTE 42 CAPITAL CENTRES, 2021			
Income statement			
Interest, loans and other receivables	777	159	936
Other interest and fee income, net	(332)	(68)	(400)
Market value adjustments	(108)	27	(82)
Staff costs and administrative expenses	(139)	(29)	(168)
Loan impairment charges	9	30	39
Tax	(45)	(26)	(72)
Net profit for the year	161	93	254
Assets			
Loans and other receivables at amortised cost	28,971	7,322	36,293
Other assets	15,407	2,687	18,094
Total assets	44,377	10,010	54,387
Liabilities			
Issued bonds at amortised cost	35,281	7,947	43,228
Other liabilities	1,828	5	1,834
Equity ¹	7,268	2,057	9,325
Total liabilities	44,377	10,010	54,387
Transferrals of capital between capital centres	(272)	272	0

1) Capital Centre A was established in 2019, at which time DKK 1.7 billion was transferred to the centre.

DKK MILLION	Capital Centre Institute in general	Capital Centre A	Total
NOTE 42 CAPITAL CENTRES, 2020			
Income statement			
Interest, loans and other receivables	1,062	193	1,255
Other interest and fee income, net	(586)	(106)	(692)
Market value adjustments	(135)	(15)	(150)
Staff costs and administrative expenses	(134)	(24)	(158)
Loan impairment charges	(217)	117	(100)
Tax	(1)	(36)	(37)
Net profit for the year	(11)	128	117
Assets			
Loans and other receivables at amortised cost	26,021	5,929	31,950
Other assets	25,373	2,482	27,855
Total assets	51,394	8,411	59,805
Liabilities			
Issued bonds at amortised cost	35,857	6,620	42,477
Other liabilities	8,047	5	8,053
Equity ¹	7,490	1,785	9,275
Total liabilities	51,394	8,411	59,805
Transferrals between capital centres	(68)	68	0

STATEMENTS



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STATEMENTS

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 2021. The Annual Report is presented in accordance with the Danish Financial Business Act. Furthermore, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

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

Further, in our opinion, the financial statements give a true and fair view of the company's financial position as at 31 December 2021 and of the results of its activities for the financial year 1 January to 31 December 2021.

The Annual Report is recommended for adoption by the annual general meeting on 29 March 2022.

Copenhagen, 28 February 2022

Executive Board

Erik Ingvar Lassen
Chief Executive Officer

Michael Frisch
Chief Commercial Officer

Lars Jebjerg
Chief Financial Officer

Board of Directors

Eivind Drachmann Kolding
(Chairman)

Peter Nyegaard
(Vice Chairman)

Marcus Freuchen Christensen

Anders Damgaard

Povl Christian Lütken Frigast

Thor Jørgen Guttormsen

Anna-Berit Koertz

Ninna Møller Kristensen

Jacob Balslev Meldgaard

Michael Nellemann Pedersen

Christopher Rex

Henrik Sjøgreen

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DANISH SHIP FINANCE A/S (DANMARKS SKIBSKREDIT A/S)

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 2021, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. 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 at 31 December 2021 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2021 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2021. 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 consists of loans which amounted to DKK 36,293 million at 31 December 2021 (DKK 31,950 million at 31 December 2020), and provisions for credit losses on loans amounted to DKK 991 million at 31 December 2021 (DKK 1,314 million in 2020).

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

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

In 2021 the following required high level of management judgement and audit attention:

- Identification of credit-impaired exposures
- Parameters and management judgements in the calculation model used to determine expected credit losses for loans in stage 1 and 2
- Valuation of collateral and estimation of future cash flows including management judgement involved in determining expected credit losses for loans in stage 3.

How our audit addressed the key audit matter

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

Specifically the audit 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 valuation of collateral, future cash flows, calculation of losses and definition of scenarios
 - Challenge of management judgements
 - Test of calculation models
 - Assessment and validation of input, assumptions and calculations applied in determination of provisions for loans in stage 1 and 2
 - Challenge of management judgements 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 Report

Management is responsible for the Management's review.

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

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2021 with the file name Annual report 2021 (XHTML) is 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 2021 with the file name Annual report 2021 (XHTML) is prepared, in all material respects, in compliance with the ESEF Regulation.

Frederiksberg, 28 February 2022

EY

Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard
State Authorised
Public Accountant
mne28632

Thomas Hjortkær Petersen
State Authorised
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mne33748

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