



**Danish Ship Finance A/S**  
(domiciled in Denmark as a Danish limited liability company, CVR no. 27492649)

**Base prospectus for the issuance of covered bonds, ship mortgage bonds and senior secured bonds**

On the basis of this base prospectus (the “**Base Prospectus**”), prepared in accordance with the regulation of the European Parliament and the Council (EU) 2017/1129 (“**Prospectus Regulation**”), Danish Ship Finance A/S (the “**Issuer**”, the “**Company**” or “**Danish Ship Finance**”) will from time to time issue covered bonds, ship mortgage bonds and senior secured bonds (“**Bonds**”) in accordance with the Danish Act no. 1780 of 12 December 2018 on a Ship Finance Institute (the “**Act**”) (in Danish: *lov om et skibsfinansieringsinstitut*) and the Executive Order no. 79 of 27 January 2015 on a Ship Finance Institute (the “**Executive Order**”) (in Danish: *bekendtgørelse om et skibsfinansieringsinstitut*). The Base Prospectus constitutes a base prospectus according to Article 8 of the Prospectus Regulation and has been prepared in accordance with the Prospectus Regulation and related delegated regulations with the purpose of offering information about the issued Bonds. No maximum issuance amount or outstanding amount has been defined under the Base Prospectus.

Ship covered bonds (“**SCBs**”) and ship mortgage bonds (“**SMBs**”) are issued with a view to financing loans collateralised by ship mortgages. Senior secured bonds (“**Senior Secured Bonds**”) may be issued to provide supplementary collateral or to increase the overcollateralisation of the Issuer’s capital centre. Bonds may be denominated in any legally valid currency declared by the Issuer and may carry interest at a fixed or floating rate.

For Bonds issued under the Base Prospectus, an application may be submitted for trading and possibly listing on a regulated market (as defined by the European Parliament’s and the Council’s Directive 2014/65 EU on markets in financial instruments (“**MiFID II**”)) in Denmark. References in the Base Prospectus to Bonds being “listed” (and all similar references) shall mean that such Bonds have been included on the official list and been admitted to trading on a regulated market according to MiFID II. Bonds are issued and registered in electronic (book-entry) form at VP Securities A/S (“**VP**”) as bearer securities and are settled through VP.

Unless otherwise announced, the Base Prospectus shall be valid for 12 months from the approval date of the Base Prospectus as the basis for Bonds to be admitted to trading on a regulated market in the European Economic Area (“**EEA**”) and/or offered to the public in the EEA, except for the cases where an exception is in force under Article 1(4) and/or Article 3(2) of the Prospectus Regulation. The obligation to prepare an addendum to the Base Prospectus in the event of a material new circumstance, error or inaccuracy shall not apply when the Base Prospectus is no longer valid.

The Bonds have not been and will not be registered under the US Securities Act of 1933 (“**U.S. Securities Act**”) and may be subject to US tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold, distributed or delivered within the United States or to, or for the account or benefit of, “US persons” (as defined in Regulation S of the U.S. Securities Act). The Bonds may be offered and sold outside the United States to non-US persons according to Regulation S of the U.S. Securities Act. For a description of certain restrictions for the supply, offer, sale and delivery of the Bonds and of distribution of the Base Prospectus and other offer documents relating to the Bonds, please see section 13 “**SALES AND TRADING RESTRICTIONS**”.

Information on the Bonds’ currency, denomination, number and interest rate and other information that applies to an ISIN code (“**ISIN code**”) for Bonds issued under the Base Prospectus will be stated in the relevant final terms (“**Final Terms**”).

The Issuer currently has an issuer rating of BBB+ (stable) from the international rating agency Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”). The Issuer’s SCBs from a capital centre named (“**Capital Centre A**”) have an S&P programme rating of A (stable). The Issuer’s SMBs from the “institute in general” (“**Institute in General**”) have an S&P programme rating of A (stable). The rating of any Senior Secured Bonds issued by the Company is expected to reflect the Issuer’s issuer rating.

S&P was established in the European Union (“**EU**”) and registered according to regulation (EC) No. 1060/2009 of the European Parliament and of the Council on the date of the Base Prospectus. A rating is not a recommendation to buy, sell or own securities and may at any time be suspended, lowered or withdrawn by the relevant credit rating agency. The Issuer may decide not to have the issued Bonds rated. The Issuer may choose to terminate the cooperation on rating with S&P or choose other credit rating agencies. The expected rating at the time of issuance of the Bonds will appear in the Final Terms of the Bonds in question.

**This Base Prospectus, including the Final Terms of the Bonds in question, is not intended to provide the basis of any credit or other evaluation and does not constitute a recommendation to subscribe for or purchase Bonds issued in accordance with this Base Prospectus. Each recipient of this Base Prospectus and/or the Final Terms of the Bonds in question must make his or her own assessment of the Bonds and of the Issuer on the basis of the contents of this Base Prospectus, all documents incorporated by reference herein, the Final Terms of each offer under this Base Prospectus and any supplements to this Base Prospectus. Prospective investors should read the section 3 “RISK FACTOR” on pages 8ff of this Base Prospectus carefully and make their own independent investigation of the financial position and affairs and their own appraisal of the creditworthiness of the Issuer and (if applicable) any relevant capital centre. Each investor should make sure that they understand the terms and conditions of the Bonds as well as the extent of their exposure to risk, and make sure that they assess the suitability of the Bonds as an investment in light of their own circumstances and financial situation. Each investor must also assess any possible legal implications, including but not limited to any potential tax implications on subscription, purchase or sale of the Bonds issued in accordance with this Base Prospectus and consult their own advisers with respect to the consequences thereof.**

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# 1 Introduction

## 1.1 Introduction to the Base Prospectus

The Base Prospectus is a base prospectus in accordance with the Prospectus Regulation. The purpose of the Base Prospectus is to provide the information about the Issuer and the Bonds covered by the Base Prospectus that, according to the nature of the Issuer and the Bonds covered by the Base Prospectus, is considered necessary for investors to form a qualified opinion of the Issuer's (or the relevant capital centre's) assets and liabilities, financial position, results and future prospects as well as the rights that are associated with the bonds offered. Investors must form their own opinion of whether the Bonds constitute a suitable investment for them.

Under the Base Prospectus, bonds that are subject to the rules of the Act can be issued. Bonds that can be issued under the Base Prospectus are ship covered bonds (SCBs) (in Danish: *saerligt dækkede obligationer*) according to Section 2d of the Act, ship mortgage bonds (SMBs) (in Danish: *skibskreditobligationer*) according to Section 2a of the Act and senior secured bonds (Senior Secured Bonds) according to Section 2j of the Act.

Any reference in this Base Prospectus to "Bonds" applies to all types of securities issued under this Base Prospectus, i.e. SCBs, SMBs and Senior Secured Bonds. Investors holding Bonds, including nominees and/or custodians, are referred to as ("**Bondholders**"). Where in this Base Prospectus the terms "covered bonds", "ship mortgage bonds" or "senior secured bonds" are written without capital letters, they describe the type of security in general, i.e. the text applies to securities issued under this Base Prospectus as well as that type of security in general.

All references in the Base Prospectus to "**DKK**" shall mean Danish kroner, which is the official currency of Denmark at the time of the approval of the Base Prospectus. All references in the Base Prospectus to "**USD**" shall mean United States dollar, which is the official currency of the United States of America. All references to "**EUR**" shall mean euro, which designates the single European currency, which is used by the participating member states of the third stage of the Economic and Monetary Union.

The outstanding number of Bonds issued under the Base Prospectus fluctuates dependent on the Issuer's requirements. The volumes of Bonds in circulation appear, with reference to relevant ISIN codes, on [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com).

In this Base Prospectus, "**Final Terms**" shall refer to the final terms that, read in the context of the Base Prospectus and information incorporated by references, apply to an ISIN code for Bonds issued under the Base Prospectus.

This Base Prospectus shall be read in the context of all documents that are incorporated by reference in the Base Prospectus and the Final Terms for the various Bonds. Please see section 7 "INFORMATION INCORPORATED IN THE BASE PROSPECTUS BY REFERENCE" and section 6 "TEMPLATE FOR FINAL TERMS". In addition to the documents that by reference are included in the Base Prospectus, information on the websites that the Base Prospectus refers to shall not be included in this Base Prospectus, and the information has not been reviewed or approved by the Danish Financial Supervisory Authority (the "**DFSA**").

## 1.2 Introduction to the sale and trading of the Bonds

Any offering of Bonds in any other member state of the EEA than Denmark will be carried out according to an exemption from the requirement to publish a prospectus for the offering of securities according to the Prospectus Regulation. Consequently, any person who makes or intends to make an offering of the Bonds in the EEA member state in question will only be able to do so in the event where no obligation arises for the Issuer to publish a prospectus according to the Prospectus Regulation or to prepare an addendum to a prospectus prepared according to the Prospectus Regulation in each case in connection with such an offering. The Issuer has not consented to or in any other way approved that an offering be made of Bonds in circumstances where an obligation arises for the Issuer to publish or supplement a prospectus for such an offering.

In connection with an offering of Bonds to the public that is not exempted from the requirement in the Prospectus Regulation to publish a prospectus, any financial intermediary who uses this Base Prospectus to offer Bonds shall be obliged to inform investors of the terms and conditions for the offering at the time of the offering. Financial intermediaries using this Base Prospectus are also under the obligation to state on their website that they use this Base Prospectus in accordance with the related consent and its conditions.

No persons have been authorised to give information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of Bonds, and if such information or representation has been given or made, such information or representation may not be relied upon as having been authorised by the Issuer in relation to an issuance of Bonds.

Neither the distribution of this Base Prospectus nor any offering, sale or delivery of any Bonds creates, under any circumstances, any indication that there have not been any changes in the affairs of the Issuer since the date of this Base Prospectus or since the date upon which this Base Prospectus was last amended or supplemented, or that there has been no adverse change in the financial position of the Issuer since the date of this Base Prospectus or since the date upon which this Base Prospectus was last amended or supplemented, or that any other information supplied in connection with this Base Prospectus is correct at any time subsequent to the date on which it is given.

The distribution of this Base Prospectus and the Final Terms of the Bonds in question and the offering, sale or delivery of the Bonds may be restricted by law in certain jurisdictions. The Issuer presumes that persons who get possession of this Base Prospectus and/or the Final Terms of the Bonds in question issued inform themselves about and observe any such relevant restrictions.

The Bonds have not been and will not be registered under the US Securities Act and may be subject to US tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold, distributed or delivered within the United States or to, or for the account or benefit of, "US persons" (as defined in Regulation S of the U.S. Securities Act). The Bonds may be offered and sold outside the United States to non-US persons according to Regulation S of the U.S. Securities Act. For a description of certain restrictions for the supply, offer, sale and delivery of the Bonds and of distribution of the Base Prospectus and other offer documents relating to the Bonds, please see section 13 "SALES AND TRADING RESTRICTIONS".

### **1.3 The Benchmark Regulation**

Amounts payable to holders of floating-rate Bonds may, if stated in the relevant Final Terms, be calculated on the basis of a reference rate. If such a reference rate constitutes a 'benchmark' according to Regulation (EU) 2016/1011 of the European Parliament and of the Council (the "**Benchmark Regulation**"), this will be stated in the Final Terms whether or not the reference rate in question is delivered by an administrator, who is listed in the European Securities and Markets Authority's ("**ESMA**") register of administrators according to Article 36 of the Benchmark Regulation at the time of publication of the Base Prospectus. Unless it is required by law, the Issuer does not intend to update the Base Prospectus or relevant Final Terms with new registration status of an administrator, as the ESMA's register of administrators is publicly available.

### **1.4 MiFID II product management/target markets**

The relevant Final Terms of the Bonds will include a subsection titled "MiFID II product management", which will describe the assessment of which target markets and distribution channels have been deemed suited for the relevant Bonds. Any person who subsequently offers, sells or recommends the Bonds (a "**Distributor**") must take the assessment of the target market into consideration. A Distributor who is subject to MiFID II is, however, solely responsible for undertaking their own assessment of the target market of the Bonds (either by assuming or improving the assessment of the target market) and also for determining appropriate distribution channels.

## 2 Responsibility statement

### 2.1 Issuer's responsibility

Danish Ship Finance A/S, Danish company reg. (CVR) no. 27 49 26 49, Sankt Annae Plads 3, 1250 Copenhagen K, Denmark, is responsible for this Base Prospectus under applicable Danish law.

### 2.2 Persons responsible

On behalf of the Issuer, the following persons are responsible for the Base Prospectus:

Board of Directors:

Eivind Drachmann Kolding  
Professional Board Member  
(Chairman)

Peter Nyegaard  
CFO and Partner, Axcel  
(Deputy Chairman)

Anders Damgaard  
Group CFO, PFA Pension

Nanna Flint  
Employee representative

Povl Christian Lütken Frigast  
Partner, Axcel

Thor Jørgen Guttormsen  
Professional Board Member

Anna-Berit Koertz  
Employee representative

Ninna Møller Kristensen  
Employee representative

Jacob Balslev Meldgaard  
CEO, Torm A/S

Michael Nellemann Pedersen  
Management Executive, PKA A/S

Christopher Rex  
Employee representative

Henrik Sjøgreen  
CEO, FIH A/S

In accordance with the powers conferred on them, they have authorised the Executive Board to jointly sign this Base Prospectus as well as any future addenda.

Executive Board:

Erik Ingvar Lassen  
Chief Executive Officer

Lars Jebjerg  
Chief Financial Officer

Michael Frisch  
Chief Commercial Officer

### **2.3 Statement**

The persons responsible for the information provided in this Base Prospectus hereby declare to the best of their knowledge, the information contained in the Base Prospectus is in accordance with the facts and that the Base Prospectus makes no omission likely to affect its import.

This Base Prospectus (including the declaration contained in the Base Prospectus) is hereby signed on behalf of the Issuer's Executive Board by special authority of the Issuer's Board of Directors:

Copenhagen, 9 July 2021

Erik I. Lassen  
Chief Executive Officer

Lars Jebjerg  
Chief Financial Officer

Michael Frisch  
Chief Commercial Officer

### **2.4 Declaration**

The Issuer declares that:

- i) The Base Prospectus has been approved by the DFSA in its capacity as competent authority under the Prospectus Regulation.
- ii) The DFSA only approves this Base Prospectus as meeting the standards for completeness, comprehensibility and consistency imposed by the Prospectus Regulation.
- iii) Such approval should not be considered as an endorsement of the Issuer (Danish Ship Finance).

### **3 Risk factors**

It is the assessment of the Issuer that the circumstances described below represent the principal risks inherent in investing in Bonds issued under the Base Prospectus. If one or more of the below-mentioned circumstances occur, this may have a negative effect on the Issuer's activities, financial position, results and reputation, which may cause the Issuer to become unable to pay interest, principal or other amounts on or in connection with some or all Bonds and consequently investors may, in part or in full, lose their investment in the Bonds. In addition, each of the risks highlighted below could adversely affect the trading price of the Bonds or the rights of investors under the Bonds, and, as a result, investors could lose some or all of their investment. It is not possible for the Issuer to identify all such risk factors or determine which risk factors are most likely to occur, as the Issuer is not aware of all possible relevant risk factors, and certain risk factors not considered material at this time may subsequently turn out to be material due to circumstances beyond the Issuer's control.

Risk factors are grouped into three sections. The first section covers risk factors relating to the Issuer that may affect the Issuer's ability to pay amounts due in connection with the Bonds. The second section covers factors related to the market in general that are material to assess market risks associated with the Bonds. The third section covers risks relating to the offered Bonds.

Prospective investors should consider carefully the risks and uncertainties described below together with all other information contained in this Base Prospectus in its entirety (including documents incorporated by reference) and form their own opinion, including consulting own advisers, prior to making any investment decision.

#### **3.1 Risk factors relating to the Issuer that may affect the Issuer's ability to pay amounts due in connection with the Bonds**

##### **3.1.1 Risks associated with geopolitical and economic conditions**

The Issuer's business is subject to inherent and indirect risks arising from general and sector-specific economic conditions in the markets in which it operates. The Issuer conducts its business activities worldwide and the performance of the Issuer may be influenced by both domestic and international economic and political events, including the impact of global pandemics such as COVID-19. 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 (SME) or personal insolvency rates, borrowers' reduced ability to repay loans, increased tenant defaults, fluctuations in commodity prices, business changes in foreign exchange rates and global trade volumes could have a material adverse effect on the results of the operations, financial condition or prospects of the Issuer.

The Issuer's business activities and performance are also specifically dependent on the demand for ship finance in the Danish and international markets and the prevailing competitive situation. Given that the Issuer's lending is secured by ship mortgages, the credit risk may depend on the performance of the shipping markets and the volatility in ship values. The shipping industry is cyclical, and fluctuations in freight earnings 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 ship values. Declining freight rates and declining market values for vessels may reduce the security provided for loans granted by the Issuer. During such market conditions, the Issuer's exposure to losses will increase, and this may have a negative effect on the Issuer's activities, financial position and results. This could cause the Issuer to become unable to pay interest, principal or other amounts due in connection with some or all Bonds.

##### **3.1.2 Credit risk**

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

#### **BORROWERS**

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

The Issuer's ability to fulfil its payment obligations under the Bonds may be negatively affected by the borrowers' ability to repay the loans and other credit commitments, which, in turn, may be affected by (amongst other things) changes to prevailing interest rates, changes in the overall economy (nationally and internationally), changes to taxation and changes in inflation.

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

The Issuer's loan portfolio is characterised by concentration at the borrower level. Therefore, it cannot be ruled out that the bankruptcy or restructuring of a small number or more of the Issuer's largest borrowers may cause the Issuer to suffer a loss that may threaten the Issuer's continued existence. The Issuer has sought to mitigate concentration through diversification of the portfolio at vessel-type level, 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.

A negative change in the credit quality of the Issuer's borrowers may negatively affect the value of the Issuer's assets and increase impairment charges and losses, and this may, in turn, have a negative effect on the Issuer's activities, financial position and results. This could cause the Issuer to become unable to pay interest, principal or other amounts due in connection with some or all Bonds.

#### **Valuation of ship mortgages**

In its lending operations, the Issuer depends on external shipbrokers to issue a fair appraisal of the market value of the mortgaged vessels. The market valuations are used, among other things, to determine the loan-to-value ratio of the Issuer's loans and for the Issuer's loan impairment review. If the external valuations overstate the value of the vessels, the Issuer may not be able to recover the expected amount from any enforcement action. Widespread overstatement of vessel valuations could have a negative effect on the Issuer's activities, financial position and results. This could cause the Issuer to become unable to pay interest, principal or other amounts due in connection with some or all Bonds.

#### **Risk pertaining to enforcement**

The Issuer's lending operations involve the use of extensive loan documentation and supporting documents. The purpose is, among other things, to enable the Issuer to enforce the ship mortgages in case of a borrower's default. The Issuer 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. Such enforcement will usually take time and will be associated with increased costs. The Issuer's risk of loss will increase in situations where enforcement is protracted.

While the Bonds are governed by Danish law, the underlying collateral in the form of vessels may be registered in other jurisdictions where local legislation may protract or delay a forced sale of the mortgaged vessels.

If a forced sale of vessels takes longer than anticipated, or if significant costs are required, it could reduce the funds recovered from such forced sales, and this may have a negative effect on the Issuer's activities, financial position and results, which may cause the Issuer to become unable to pay interest, principal or other amounts on or in connection with some or all Bonds.

#### **FINANCIAL COUNTERPARTIES**

Transactions with financial counterparties are made to hedge currency interest rates and other risks in the capital centres as well as in connection with the investment of the Issuer's own funds and any surplus liquidity from Bonds issued. The transactions concern cash deposits, securities and derivatives.

Financial contracts may involve a risk of loss if the contract has a positive market value for the Issuer 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. Counterparty risk on financial contracts may be reduced through netting agreements as well as margin calls and collateral provided in accordance with standard documentation from the International Swaps and Derivatives Association (ISDA) and the International Capital Market Association (ICMA).

A negative change in the credit quality of the Issuer's counterparties may negatively affect the value of the Issuer's assets and increase the Issuer's impairment charges and losses, and this may have a negative effect on the Issuer's activities, financial position and results. This could cause the Issuer to become unable to pay interest, principal or other amounts due in connection with some or all Bonds.

#### **3.1.3 Market risk**

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

The principal market risks are associated with the Issuer's investment portfolio (investment of the Issuer's own funds and any surplus liquidity from Bonds issued), of which interest rate risk and spread risk on the bond portfolio are the most significant risks. The Issuer maintains its investment portfolio to support its primary business activities. Issuance of Bonds and lending are subject to regulatory restrictions on interest rate, foreign exchange and liquidity risk and are therefore less exposed to market risks. The Issuer currently funds its lending by issuing Bonds subject to the specific balance principle (in Danish: *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**") (in Danish: *bekendtgørelse om obligationsudstedelse, balanceprincip og risikostyring*).

Market value fluctuations may also result in losses and have an adverse effect on the income from the Issuer's primary activities. The Issuer's loan portfolio is largely denominated in currencies other than the currencies of the Bonds. The Issuer therefore seeks to hedge market risk through derivatives agreements. Financial contracts are subject to risk, including counterparty risk (see section 3.1.2 "Credit Risk").

Fluctuations in fixed income and foreign exchange markets, spread and option risk may affect the market value and liquidity of the Issuer's assets. In addition, the occurrence of such events may have an adverse impact on the revenue generated from the Issuer's primary activities, which may, in turn, have a negative effect on the Issuer's activities, financial position and results. This could cause the Issuer to become unable to pay interest, principal or other amounts due in connection with some or all Bonds.

#### **3.1.4 Liquidity risk**

The Issuer defines liquidity risk as the risk of a lack of access to liquidity and/or higher funding costs, as a result of which the Issuer may not be able to continue its operations in their current scope and which may have a negative effect on the Issuer's activities, financial position and results. This could cause the Issuer to become unable to pay interest, principal or other amounts due in connection with some or all Bonds.

A lack of access to supplementary capital or interest-bearing liabilities – for example, Senior Secured Bonds or senior unsecured debt or other credit lines – may also be associated with a direct liquidity risk for the Issuer.

Although the Issuer currently funds its lending by issuing Bonds subject to the specific balance principle, in accordance with the provisions of the Executive Order on Bond Issuance, losses may occur if there is a liquidity mismatch between Bonds issued and loans granted. The Issuer is required by law to ensure that any liquidity deficit can be covered by the Issuer's own funds.

#### **3.1.5 Operational risk**

The Issuer is subject to operational risk. Operational risk may arise from human error, system error, breakdown of IT systems, inadequate or defective internal procedures or external events like operational failures or fraud committed by business partners. Operational risk also includes risk pertaining to reputation and strategy as well as legal risk.

Operational risk is principally managed through the Issuer's internal policies and controls. These include, amongst others, disaster recovery and IT contingency plans. The Issuer's internal control function monitors compliance with internal policies.

If any of the Issuer's policies or controls fail, the Issuer may incur losses, costs and liabilities, which may have a negative effect on the Issuer's activities, financial position, results and reputation, and could ultimately cause the Issuer to become unable to pay interest, principal or other amounts on or in connection with some or all Bonds.

#### **3.1.6 Business risk**

Competition in secured shipping finance is keen, both from new and established players in the international shipping finance market. An increase of competition in the sector may impact the scale or profitability of the Issuer's business activities which could lead to a less favorable business position for the Issuer.

Increased competition or changed borrower demands in the shipping finance markets may adversely affect the Issuer's business position, which could have a negative effect on the Issuer's activities, and this may have a negative effect on the Issuer's activities, financial position and results. This could cause the Issuer to become unable to pay interest, principal or other amounts due in connection with some or all Bonds.

### 3.1.7 Cyber risk

The Issuer's business activities and other activities are increasingly dependent on highly advanced IT systems. The Issuer maintains IT security systems, yet the Issuer may, despite this, suffer from malicious activity with consequences in the form of a loss of operability of some or all of the Issuer's IT systems. Consequences of a malicious attack may be a lack of possibility to issue bonds, lack of possibility to service payments on time, etc., which may have a negative effect on the Issuer's activities, financial position, results and reputation. This could ultimately cause the Issuer to become unable to pay interest, principal or other amounts due in connection with any Bonds.

### 3.1.8 Risk relating to implementation of new regulation

The Issuer is subject to extensive legislation and supervision. Changes to these may have an adverse effect on the Issuer's ability to maintain its current level of business activities, and this may have a negative effect on the Issuer's activities, financial position and results. This could cause the Issuer to become unable to pay interest, principal or other amounts due in connection with some or all Bonds.

The Issuer 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, which are the competent European supervisory authorities in respect of the Issuer 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 the Issuer follows the work of the BCBS, ESRB, the Commission and DFSA closely and consistently monitors the development in the regulation of financial enterprises, changes are unpredictable and beyond the control of the Issuer. No assurance can be given for the impact of future changes to regulation or the effect of a decision by courts or administrative bodies as of the date of approval of this Base Prospectus.

On 7 December 2017, the Basel Committee issued a publication titled: "*Basel III: Finalising post-crisis reforms*" (informally referred to as "**Basel IV**"). The publication includes, among other things, a standardised approach for credit risk, internal ratings-based approaches for credit risk, the credit valuation adjustment risk framework, the operational risk framework, the leverage ratio framework and a revised output floor. As a result of the COVID-19 outbreak, the Basel Committee released a statement on 27 March 2020 with a one-year postponement to the implementation timeline for Basel IV. The Basel Committee now expects these changes to be implemented from January 2023, with transitional arrangements until January 2028, although these timelines remain unclear until such rules are translated into draft European legislation. The specific impact of Basel IV depends on the actual implementation in the EU and may have an adverse impact on the Issuer's business and the Issuer's ability to pay interest, principal or other amounts due in connection with some or all Bonds; however, the implementation is currently not expected to have a material adverse effect on the Issuer, as the Issuer uses the standard method for calculating risk-weighted assets and is therefore less exposed to the contemplated introduction of "capital floors".

Directive (EU) 2019/2162 of the European Parliament and of the Council as of 27 November 2019 on the issue of covered bonds and covered bond public supervision was published in the Official Journal of the European Union on 18 December 2019 (the "**Covered Bonds Directive**"). The Covered Bonds Directive is implemented into national law by 8 July 2021, and the rules will apply from 8 July 2022 at the latest. The Covered Bonds Directive specifies the core elements of covered bonds (such as SCBs and SMBs) and will form the basis for regulation of covered bonds in other EU regulation. The Covered Bonds Directive introduces two new material changes compared with previous Danish legislation: New coverage requirements (in addition to the so-called Danish balance principle) based on a determination of the value of assets (lending) and liabilities (bonds) as well as a new special-purpose cover pool liquidity buffer available at the point of non-viability of an issuer. The Issuer expects to fulfil the legislative amendments without any material changes to the business model. It remains uncertain if – and if so, to what extent – the Covered Bonds Directive will affect the Issuer's issuance of covered bonds (such as SCBs and SMBs).

### **3.1.9 Risk relating to regulatory capital**

The Issuer is subject to a regulatory capital requirement, including a minimum capital requirement, individual solvency requirement and a combined capital buffer requirement. These requirements and the statement thereof may be changed or increased in the future.

If the Issuer has, or is perceived to have, a shortage of regulatory capital, it may be subject to regulatory interventions and sanctions by the DFSA (and, ultimately, revocation of the Issuer's licence to operate as a ship finance institution) 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 a negative effect on the Issuer's activities, financial position, results and reputation, and could ultimately cause the Issuer to become unable to pay interest, principal or other amounts due in connection with any Bonds.

### **3.1.10 Risk relating to anti-money laundering, counter-terrorist financing, anti-bribery and sanctions regulations**

The Issuer 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 the Issuer, amongst 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 the Issuer (including the revocation of its licence) and the Issuer'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 a negative effect on the Issuer's activities, financial position, results and reputation, and could ultimately cause the Issuer to become unable to pay interest, principal or other amounts on or in connection with any Bonds.

## **3.2 Risks associated with the market in general that are material to assess market risks associated with the Bonds**

### **3.2.1 Risk relating to discontinuation of reference rates**

The basis for determining the interest coupon for floating rate Bonds that apply a reference rate or other benchmark may be disrupted if the relevant reference rate or benchmark is no longer published or listed, if the terms and conditions for such reference rates or benchmarks change materially, if one or more public authorities challenges the relevant reference rate or benchmark, or if a relevant financial sector enters into an agreement with a public authority to use a different basis (reference rate) than the one agreed.

Due to the Issuer's business profile, the Issuer is exposed to Interbank Offered Rates ("IBORs") through the cash products in the loan book, bonds and derivatives.

If future reference rates develop in such a way that mismatches are introduced between loans, bonds and the swap base rate, this could introduce additional risk of financial loss for the Issuer.

Investors must be aware that in connection with Bonds that use estimate-based reference rates as the basis for the interest rate fixing, there may be a risk that these, before the Bonds mature, may be lower and/or more volatile than would otherwise have been the case and/or may have to be replaced by other reference rates that are very likely to have other characteristics than those of the various reference rates they are to replace.

Investors should consult their own independent advisers and make their own assessment of the potential risks that ensue from the current work with Danish and international reference rates when making investment decisions about Bonds that use any of these as a reference rate.

Currently, work is undertaken in Denmark and internationally to reform and/or find alternatives to existing (in full or in part) estimate-based reference rates in most currencies, with a view to securing the use of transaction-based reference rates to a greater extent. In the long term, this may be of importance to the development and use of Danish and international reference rates, such as LIBOR (London Interbank Offered Rate), CIBOR (Copenhagen Interbank Offered Rate), CITA (Copenhagen Interbank Tomorrow/Next Average) and EURIBOR (Euro Interbank Offered Rate).

### **3.2.2 Foreign exchange risk**

The Issuer obtains its funding by issuing bonds in DKK and EUR and potentially other currencies; however, as most of the Issuer's loan portfolio is denominated in USD, the issuer has an ongoing need to convert from DKK/EUR to USD, which is conducted via DKK/USD or EUR/USD currency basis swaps. The opportunities for sourcing USD liquidity rely on an efficient capital market and access to financial counterparties. The Issuer's ability to convert DKK/EUR funding into USD entails a risk of higher financing costs or a loss of business opportunities in case of market disruption. The same applies in the event that future issuance is made in another currency than DKK and EUR. This may, in turn, have a negative effect on the Issuer's activities, financial position, results and reputation, and could ultimately cause the Issuer to become unable to pay interest, principal or other amounts due in connection with any Bonds.

### **3.2.3 Transfer of funds between capital centres**

The Issuer has the right, at any time and without notice or consent from the affected Bondholders, to segregate and transfer Bonds and loans, securities and derivatives to another capital centre, provided that the rating of the segregated Bonds is not adversely affected.

The rules on a minimum level of capital also apply to each capital centre. The issuer has established Capital Centre A for the issuance of SCBs, while SMBs are issued out of the Institute in General. The Issuer can transfer funds (overcollateralisation) between capital centres and the Institute in General, and funds can also be transferred from the Institute in General to the capital centres to meet the capital centre's solvency requirement, requirement of supplementary collateral or further overcollateralisation requirements, among other things due to the rating of the Bonds, provided that the solvency requirement of the Institute in General will also subsequently be met. A decline in the value of the assets of a capital centre may also have an effect on the payments to the holders of Senior Secured Bonds, which rank below SCBs and SMBs in the order of priority of creditors.

In the case of the bankruptcy of the Issuer, the Bondholders will only have a claim against the Issuer under the general Danish law of damages for any loss suffered by the Bondholder as a result of the transfer of funds from one capital centre to another.

### **3.2.4 Operating risk on assets taken in possession by the Issuer**

The Issuer may, under certain circumstances, take possession of mortgaged ships, in which case the Issuer may assume an operating risk in respect of the vessels in question during the period until the vessels are sold. As part of the operating risk assumed, the Issuer may also bear the risk of shipwreck or environmental liability. In the case of inadequate insurance coverage in such cases, notwithstanding the Issuer's policies regarding insurance, the Issuer may suffer a loss that may have a negative effect on the Issuer's activities, financial position, results and reputation. This could ultimately cause the Issuer to become unable to pay interest, principal or other amounts due in connection with any Bonds.

## **3.3 Risks associated with the offered Bonds**

### **3.3.1 No events of default**

In accordance with the law applicable to the Bonds, the terms of the Bonds do not contain any events of default that relate to the Issuer and/or the capital centres, and, if any insolvency proceedings are initiated against the Issuer, the holders of SCBs, SMBs and Senior Secured Bonds may not claim early repayment of payment obligations on the basis of such order.

Similarly, any failure by the Issuer to comply with its obligations to provide supplementary collateral with regards to the SCBs cannot be claimed as grounds for early repayment of payment obligations.

### **3.3.2 The secondary market for the Bonds**

There can be no assurance of a liquid market for the Bonds following issuance. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a return comparable with returns on similar investments in the secondary market.

Although the Issuer will apply for listing of the Bonds on Nasdaq Copenhagen A/S, the Issuer cannot ensure that the Bonds will be or will remain listed on that stock exchange or that an active trading market will develop for the Bonds.

The demand for the Bonds is subject to changes in the general market conditions. The demand for the Bonds may, thus, be affected by financial and economic factors that are not foreseeable at the time of investment. Such a change in the demand for the Bonds may occur over the entire life of the Bonds and could adversely affect the trading price of the Bonds, and investors could, as a result, lose some or all of their investment.

The marketability of the Bonds, and thus the price that may be obtained if they are sold, depends on the liquidity of the securities trading market. Low liquidity may mean increased trading spreads and resultant lower trading prices in connection with the sale of Bonds.

### **3.3.3 Interest rate risk on the Bonds**

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Bonds. In particular, long-term Fixed Rate Bonds may suffer from significant price reductions in the face of rising market interest rates.

Similarly, there is a risk that the coupon on Floating Rate Bonds will be negative, in which event the Issuer will have a claim against the Bondholders. In this case, the Issuer is entitled, but not required, to redeem the Bonds for settlement at par value, equivalent to a value of up to the nominal negative interest coupon, and is entitled to make a claim against the Bondholders that will be set off as part of the redemption.

The effective yield of the Bonds may be affected by any number of factors, many of which cannot be predicted at the time of investment.

### **3.3.4 Credit ratings do not reflect all risks**

The Issuer currently has an S&P issuer rating of BBB+ (stable). The Issuer's SCBs from Capital Centre A have an S&P programme rating of A (stable). The Issuer's SMBs from the Institute in General have an S&P programme rating of A (stable). The rating of any Senior Secured Bonds issued by the Institute in General is expected to reflect the Issuer's issuer rating.

S&P has a stable outlook for the Issuer's credit rating. S&P's outlook assesses the potential direction of an issuer's long-term credit rating over the intermediate term, but an outlook is not necessarily predictive of a rating change or future rating action by S&P. S&P states that a future negative rating action can stem from, e.g. the Issuer's increased risk appetite due to a significant deterioration in the shipping industry or a marked worsening of funding and liquidity metrics. These ratings may not reflect the potential impact of all risk related to the structure, market, additional factors discussed in this section and other factors that may affect the value of the Bonds or the financial standing of the Issuer.

A rating is not a recommendation to buy, sell or hold securities, and any credit rating agency may at any time revise, suspend or withdraw a rating assigned by it if, in the judgement of the credit rating agency, the credit quality of the Bonds or the Issuer, as the case may be, has declined or is questioned.

The credit rating agencies may also, at any time, change the methodology/principles applied to the rating of the Issuer and the Bonds, and this may result in material changes to previously assigned ratings. Such action may result in increased costs of capital, and may have a negative effect on the Issuer's activities, financial position, results and reputation. This could ultimately cause the Issuer to become unable to pay interest, principal or other amounts on or in connection with any Bonds.

There can be no assurance that a rating of the Bonds and/or the Issuer will be retained after the date of this Base Prospectus.

The Issuer's ratings may also decline if the rating of the Kingdom of Denmark is downgraded without any direct correlation with the Issuer's activities.

If a rating assigned to the Bonds and/or the Issuer is downgraded, suspended, withdrawn, and/or the Issuer terminates its business relationship with one or more rating agencies, it could adversely affect the trading price of the Bonds and, as a result, investors could lose some or all of their investment.

The Issuer can, at any time, choose to cancel its cooperation with the relevant credit rating agencies, which would have the consequence that the Bonds are no longer rated, unless the Issuer chooses to be rated by one or several other credit rating agencies. If a Bond is no longer rated, one of the consequences may be that the Bond will be included at a lower value in capital adequacy

calculations, and this could adversely affect the trading price of the Bond and potentially other Bonds and, as a result, investors could lose some or all of their investment.

### **3.3.5 Interest on overdue payments with respect to Bonds**

Investors in Bonds will only receive amounts when they fall due under the terms of the Bonds.

If any payment of interest and/or principal due in respect of the Bonds is not made on the relevant due date, the terms of the Bonds do not include provisions on the payment of default interest on such amounts during such a delay. This does not affect any rights that Bondholders may have with respect to interest on any such payments under the general rules of Danish law.

### **3.3.6 Investor meetings and changes to the terms of the Bonds**

The terms of the Bonds do not contain any provisions for convening Bondholder meetings to discuss circumstances that generally relate to their interests. Any modifications to the terms of the Bonds may, depending on the circumstances, require the consent of all the Bondholders as well as the approval of the Issuer. This requirement may prevent the implementation of necessary changes to the terms of the Bonds; for example, in connection with restructuring proceedings, which, in the circumstances, may inflict a loss on the holder of the Bonds.

### **3.3.7 Possible Euro system eligibility of the Bonds**

The Bonds are intended to be issued in a manner that will make them Euro system-eligible, so that they can be deposited with a Euro system-eligible central securities depository in a joint safe-custody account.

This does not necessarily mean that the Bonds will be recognised as eligible collateral for Euro system monetary policy operations and intraday credit, neither upon issuance nor during their term to maturity. Such recognition will at all times depend upon the ECB being satisfied that the Euro system eligibility criteria have been met. Failure to be recognised as eligible collateral could adversely affect the trading price of the Bonds, and, as a result, investors could lose some or all of their investment.

### **3.3.8 The European Monetary Union**

In the event that, prior to the maturity of the Bonds, the euro becomes the official currency of Denmark:

- i) all amounts payable in respect of the Bonds denominated in DKK may become payable in EUR;
- ii) legislation may allow or require such Bonds to be re-denominated into EUR and/or additional measures to be taken in respect of such Bonds;
- iii) the reference rates in DKK used to determine the rates of interest on the Bonds may no longer be published; and
- iv) changes may be made to the way those rates are calculated, quoted, published or displayed.

The introduction of the euro as the denomination currency of already issued Bonds could also involve certain risks in relation to currency exchange if an investor's financial activities are primarily carried out in a currency other than EUR.

### **3.3.9 Clearing risk**

All payments to investors under the Bonds take place through the central securities depository at which the Bonds are registered, as stated in the Final Terms, and in accordance with the rules applicable to the central securities depository in question.

As regards the Bonds issued through VP, the payments are made to the central bank account linked to each relevant VP custody account through account-holding institutions that participate in VP. Once the Issuer has made a payment on time to the relevant account-holding institution's central bank account according to the terms of the bonds, this payment will discharge the Issuer's liabilities. In the event that the Issuer's payment to the account-holding institution is not passed on to investors – irrespective of the reason – the Issuer shall not be legally obliged to make a payment again. If, irrespective of the reason, the relevant account-holding institution does not pass on the Issuer's payment to investors, this may have the effect that investors do not receive the payment.

### **3.3.10 Risk associated with bankruptcy rules**

Under the insolvency rules of certain jurisdictions, payments made to the Issuer in the period leading up to the initiation of insolvency proceedings against a borrower may be avoided, and the Issuer may be required to return any such payment to the borrower's bankruptcy estate. If payments to the Issuer are avoided, it may have a negative effect on the Issuer's financial position and results and could ultimately cause the Issuer to become unable to pay interest, principal or other amounts on or in connection with any Bonds.

Wherein relation to the insolvency of the Issuer, the investors should be aware that SCBs or SMBs together with certain derivative counterparties hold a primary preferential right (subject to certain costs relating to the administration of the estate) to the assets in the relevant capital centre, and the holders of Senior Secured Bonds hold a secondary preferential right to the assets of the relevant capital centre. Should the assets of the relevant capital centre be insufficient to satisfy the claims under the SCBs or SMBs and certain derivative counterparties, these claims will rank before all unsecured claims of the Issuer's bankruptcy estate, while the unsatisfied claim under the Senior Secured Bonds can be filed as an unsecured claim against the Issuer's estate in bankruptcy, according to section 97 of the Danish Bankruptcy Act.

### **3.3.11 Investors in Bonds to bear the risk of withholding tax**

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Kingdom of Denmark or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If such withholding or deduction is required, the Issuer will not be obliged to pay any additional amounts and will make such deduction or withholding from the payment of principal or interest. If this event should occur and Investors receive a reduced amount this may significantly decrease the demand for the Bonds and thereby may have an adverse impact on the pricing or liquidity of the Bonds.

The rules on investor taxation are described in more detail in section 11 "TAXATION".

### **3.3.12 No financial intermediaries have conducted a thorough review of loans or other assets that may now or in the future be placed in the capital centres**

No financial intermediaries have conducted or will conduct reviews, surveys, searches or other acts in connection with the loans or other assets that now or in future may be placed with the capital centres but will instead refer to the Issuer's liabilities according to the Act. If any liability should arise in this relation, this may only be satisfied to the extent such liability is covered by the Act.

### **3.3.13 Bondholders only receive a limited description of the capital centres**

The composition of the individual capital centre may vary over time. Bondholders do not receive any detailed statistics or information about the loans, the mortgaged ships or other assets that now or in future may be placed at the capital centre in question, as the composition of the individual capital centre is to be expected to change over time.

### **3.3.14 Exemption from Issuer's liability in relation to Bonds**

Under the terms and conditions for the Bonds (see section 5 "TERMS AND CONDITIONS"), the Issuer's liability for damages towards the Bondholders is subject to certain general limitations and the Issuer will have no liability, even in areas where stricter liability applies, for losses incurred as a result of: (i) interruption/lack of access to IT systems or damage to the data of these systems that can be attributed to the events below, regardless of whether the Issuer or an external supplier is responsible for the operation of the systems; (ii) failures in the Issuer's power supply or telecommunications, statutory intervention or administrative acts, natural disasters, war, insurrection, civil unrest, sabotage, terrorism or vandalism (including computer viruses and hacking); (iii) strike, lockout, boycott or blockade, regardless of whether the conflict is directed at or initiated by the Issuer or its organisation and regardless of the reason for the conflict (this shall also apply where the conflict only affects part of the Issuer or its organisation; and (iv) other circumstances beyond the Issuer's control.

Any exemptions from the Issuer's liability due to matters mentioned above may prevent or reduce the size of any claims which the Bondholders are entitled to raise against the Issuer in the event of default.

### **3.3.15 Risks associated with the structure of the offer of SCBs and SMBs**

#### **EARLY REDEMPTION**

The Issuer reserves the right to effect early redemption in the following cases:

- In the event of a negative interest coupon, the Issuer will have a claim against the Bondholders equivalent to the absolute value of the negative interest coupon. In such a case, the Issuer will be entitled, but not required, free of charge to redeem Bonds for settlement at par value, equivalent to a value of up to the nominal negative interest coupon. The Bondholders' payment of the negative interest coupon will be made by set-off against the redeemed Bonds. In case of extraordinary redemption at par value, the nominal redemption amount may deviate from the amount that could have been obtained if the redeemed Bonds had been sold in the market. The proceeds from the redemption will fall due for payment to the Bondholders on the due date of the payment period. The Issuer must calculate the total redemption to be made before the redemption.
- The Issuer reserves the right to redeem the Bonds, in full or in part, before maturity, or alternatively, to offer investors an exchange of their existing Bonds for new Bonds, in full or in part, if the terms of the loans financed by the Bonds are changed as a result of legislative amendments, orders issued by the authorities and/or changes in market conditions. Redemption by the Issuer of the Bonds may take place at the prevailing market price of the Bond issued under the relevant ISIN in the event of early redemption immediately or later. This may have an adverse impact on the Issuer's business and at the pricing of the Bonds.

#### **NON-COMPLIANCE WITH THE BALANCE PRINCIPLE**

In accordance with the balance principle (in Danish: *balanceprincippet*) set out in the Executive Order on Bond Issuance, the Issuer must manage its capital centres in a manner that ensures an appropriate balance between the payment streams under the outstanding assets and liabilities of the capital centres in terms of currency, interest rate and maturity structure.

Non-compliance with the balance principle may cause the Bondholders to incur a loss and the Issuer to lose its authorisation to issue Bonds, which may have a negative effect on the Issuer's activities, financial position, results and reputation, and could ultimately cause the Issuer to become unable to pay interest, principal or other amounts on or in connection with any Bonds.

#### **LOSS OF COVERED BOND STATUS**

If the Issuer fails to provide supplementary collateral for SCBs as required by legislation, the SCBs will lose their status as SCBs, which may affect the risk weighting of the SCBs in the capital calculations of financial institutions that use the SCBs to satisfy regulatory liquidity requirements or are otherwise required to hold high-quality liquid assets. This could adversely affect the trading price of the Bonds and, as a result, investors could lose some or all of the value of their investment.

Provided that other requirements are met, the SCBs will, in such a case, change status to SMBs.

## 4 Legislative framework for the Issuer's activities

Danish Ship Finance is a ship finance institute.

As a ship finance institute, the Issuer is subject to the Act, the Executive Order and other relevant regulation. Under provisions of the Act and the Executive Order, certain parts of the Danish Financial Business Act no. 937 of 6 September 2019 as amended from time to time (“**FBA**”) have also been made applicable to the Issuer.

The Act and the Executive Order (including the applicable parts of the FBA) 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. The Issuer 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 the Issuer's activities on an ongoing basis, including by way of inspection, and on the basis of regular reporting from the Issuer.

As of 1 January 2014, the Issuer's business activities are also regulated by certain aspects of 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 Regulation (EU) 876/2019 of 20 May 2019 (“**CRR**”) made applicable by virtue of the Executive Order.

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.

The Issuer 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 (“**CRD**”) and any related directives; however, the Act and the Executive Order do implement certain provisions of CRD in relation to the Issuer. The most important consequence of this exemption is that, unlike most other credit institutions, the Issuer is not subject by statutory limits on maximum exposure to individual borrowers. The Board of Directors must, however, lay down rules concerning risk diversification, including for borrower concentration.

The Issuer is not allowed to engage in any activities other than ship financing, with the exception that the Issuer may engage in activities ancillary to ship financing (the DFSA may require that such ancillary activities are carried out through a subsidiary), see the Act.

If the legislation and regulation governing the Issuer's activities are amended, the Issuer reserves the right to revise this Base Prospectus by way of a supplement to ensure that the Issuer's future bond issuances under this Base Prospectus comply with national and international legislation and regulation in force from time to time.

Set out below is an overview of the contents of the legislation governing the Issuer's issuance of Bonds as well as the operation of the Issuer.

The overview does not take into account any legislative amendments entering into force after the date of this Base Prospectus.

### 4.1 Provisions on lending

The Issuer's objects are set out in article 2 of the Issuer'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.”*

However, the Issuer 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 temporarily operating vessels the Issuer has taken possession of for the purpose of obtaining payment under a defaulted loan.

When granting loans against mortgages in vessels financed through the issuance of SCBs and SMBs, the Issuer must perform valuations and determine lending limits based on the provisions of the Executive Order and executive order no. 288 of 27 March 2014 on the valuation of mortgages and loans in ships as security for the issuance of covered bonds (“**Valuation Order**”) (in Danish: *bekendtgørelse om værdiansættelse af pant og lån i skibe som stilles til sikkerhed for udstedelse af særligt dækkede obligationer*).

## **4.2 Capital centre**

SCBs and SMBs are issued in capital centres. SCBs and SMBs may not be issued from the same capital centre.

SCBs are, if issued, issued from Capital Centre A, and SMBs are currently 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.

The assets of each capital centre consist of all mortgages relating to vessels and the reserve funds 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, and only if the contracts for the derivatives stipulate that insolvency proceedings or failure to provide security for the mortgage institute do not constitute events of default.

The income of the 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 off-balance sheet items.

The expenses of the capital centres are made up of the coupons paid on issued SCBs and SMBs as well as coupons paid on 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.

The Issuer 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 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.

If the Issuer establishes additional capital centres in the future, such capital centres may, subject to the publication of a supplementary prospectus, be added to the Base Prospectus.

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

The Issuer may only grant loans secured by ship mortgages (maritime liens on ships) and certain other qualified assets.

The Issuer may grant loans in amounts up to 70% of the current market value of the mortgaged vessel(s).

Under certain conditions, however, the Issuer may grant loans exceeding 70% of the market value of the mortgaged ship, if the loans are supported by additional high-quality collateral and/or are subject to additional reservations of the Issuer’s own funds (additional capital charge), as described below.

Such reservations of own funds are made as a deduction from the Tier 1 capital (described and defined under Clause 4.8.2) 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 calculation of the additional reservations of own funds is made on the basis of independent broker assessments of the market value of the mortgaged ship.

The additional reservations of own funds of a loan are, however, maximised to an amount in DKK determined on the date of the granting of the loan or at the disbursement of the loan at the latest. The provisions on the determination of maximum additional reservations of own funds apply to bonds already issued and in connection with the issuance of SMBs as well as SCBs.

In a capital centre from which SCBs are issued, the loan-to-value ratio shall at no time exceed 60%. Such a requirement for continuous compliance with a certain loan-to-value ratio does not apply to the Institute in General from which SMBs are issued.

#### **4.3.1 Specifically on the issuance of SMBs**

Loans granted with a principal amount of more than 70% but less than 100% of the market value of the financed vessel and other vessel(s) provided as collateral (each as determined in accordance with the Valuation Order and the guidelines laid down by the Board of Directors) are subject to the following requirements that for the part of the loan that exceeds 70% of the market value of the mortgaged ship(s):

- additional collateral of a particularly high quality, as defined in section 16 of the Executive Order, must be provided; or
- the Issuer must make an additional reservation of own funds (additional capital charge).

Notwithstanding the above, construction loans for the purpose of financing new vessels or conversions may be granted without a mortgage on the vessel, if the collateral of the type mentioned in Section 15(2) of the Executive Order is provided.

Construction loans covered by Section 15(1)(iii) of the Executive Order are included in the determination of the Issuer's capital adequacy at a risk weight of 200%, provided that the total amount of outstanding construction loans does not at any time exceed 125% of the overcollateralisation (the part of the Tier 1 capital that exceeds the own funds requirement).

#### **4.3.2 Specifically on the issuance of SCBs**

The value of cover assets collateralising SCBs must at least equal the value of the SCBs issued, and the mortgage security with respect to each loan must at all times comply with the loan-to-value limits thereof.

Loans with a principal amount of more than 60% but less than 100% of the value of the mortgaged vessel(s) (each as determined in accordance with the Valuation Order and the guidelines laid down by the Board of Directors) may only be included as cover assets for SCBs if the Issuer posts collateral of the asset types listed in Section 2d(1) of the Act, covering the part of the loan that exceeds 60% of the mortgaged vessel(s). The loan amount between 60% and 70% of the market value of the mortgaged vessel(s) must be considered when calculating the Issuer's Pillar II capital requirement.

#### **4.3.3 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 of more than one vessel.

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

- Cross-liability, meaning that all borrowers are liable for all loans comprising the fleet mortgage;
- Cross-default, meaning that all loans covered by the fleet mortgage fall due if one of the loans defaults;
- Cross-collateral, meaning that all vessels covered by the fleet mortgage are provided as collateral against all loans covered by the fleet mortgage; and
- The borrower shall undertake not to provide collateral for other loans in the vessel(s) covered by the fleet mortgage (negative pledge).

#### **4.4 Provisions on maturity**

The maturity of a loan granted by the Issuer must not exceed 15 years from the date of disbursement of the loan and, in the case of construction loans, four years from the date of the first disbursement.

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

#### **4.5 Valuation of vessels**

Under the Executive Order, the Board of Directors must lay down guidelines for the valuation of vessels, including for the inspection of mortgaged vessels and for the use of independent valuations. These guidelines must be posted on the Issuer's website and published in the management report.

Valuations for use in connection with collateral of SCB issuance shall be within the estimated amount at which the ship can be traded during a sales period of not more than 12 months from the valuation date in an independent 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. When making the valuation in connection with collateral, the Issuer takes into consideration any risk of changes to market and structural conditions.

At least twice a year, the Issuer shall prepare a valuation of each individual vessel in order to ensure that the loan-to-value requirement is observed. The Issuer 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.

As a supplement to the half-yearly market valuations, physical inspections of financed vessels are made on a spot-check basis. The inspection may be made during the financing period or before issuing the loan offer as far as financing of second-hand vessels is concerned. For financing of second-hand vessels, the focus areas for inspection include age and maintenance status, amongst others.

#### **4.6 Assets eligible as collateral for the issuance of Bonds**

The following asset types may be used as collateral for the issuance of SCBs and Senior Secured Bonds:

- Loans secured by ship mortgages up to the difference between 60% of the value of the mortgaged ship and the value of any prior mortgages.
- Loans against a registered mortgage within 60% of the collateral value of vessels other than the vessel(s) financed (fleet mortgages).
- Loans in excess of 60% but less than 100% of the value of the funded vessel(s) assigned for use in granting the collateral must only (for this part of the loan) be granted against collateral in the types of assets specified in Section 2d(1) of the Act.
- Exposures to or guaranteed by central governments, ESCB central banks, public sector entities, regional governments or local authorities in the European Union.
- Exposures to or guaranteed by third-country central governments, third-country central banks, multilateral development banks and international organisations that qualify for credit quality step 1 according to the CRR; exposures to or guaranteed by third-country public sector entities, third-country regional governments or third-country local authorities that are risk-weighted as exposures to institutions or central governments and central banks in accordance with CRR Article 115(1) or (2), or Article 116(1), (2) or (4), respectively, and qualify for credit quality step 1; and exposures within the meaning of this item that qualify, as a minimum, for credit quality step 2 according to the CRR, provided that they do not exceed 20% of the nominal amount of outstanding covered bonds of the issuing institutions.
- Exposures to institutions that qualify for credit quality step 1. The total exposure of this kind must not exceed 15% of the nominal amount of outstanding covered bonds of the issuing institution.
- Exposures to institutions in the European Union with a maturity not exceeding 100 days shall not be subject to the step 1 requirement, but those institutions shall, as a minimum, qualify for credit quality step 2 (such exposures shall not exceed 10% of the nominal value of the outstanding covered bonds of the issuing institution).

The following asset types may be used as collateral for the issuance of SMBs in addition to those offered as collateral for the issuance of SCBs:

- Loans secured by a registered mortgage on the financed vessel that initially do not exceed 70% of the value of the vessel as determined for collateral purposes.

- Loans against a registered mortgage within 70% of the collateral value of vessels other than the vessel(s) financed (fleet mortgages).
- Loans secured by a registered mortgage on the financed vessel that do not exceed 100% of the value of the vessel as determined for collateral purposes, provided that the portion of the loan that exceeds 70% of the value of the vessel is either: (i) further collateralised by eligible assets as set out in CRR Article 129(1) paras (a)-(c) or (g) or Article 129(2), or (ii) that reservations are made in the Issuer's own funds for this portion of the loan.
- Deposits in or guarantees by central banks with a quality step 2 or higher.
- Guarantees from central governments with a quality step 2 or higher.
- Guarantees from regional or local authorities with a quality step 2 or higher.
- Bonds and instruments of debt issued or guaranteed by governments with a quality step 2 or higher.
- Bonds and instruments of debt within 90% of the officially quoted securities price issued or guaranteed by regional or local authorities with quality step 2 or higher.
- Covered bonds, mortgage covered bonds, mortgage bonds and other bonds offering similar collateral issued by a credit institution having obtained permission in a country in the European Union, or a country with which the Community has made an agreement for the financial sector, within 90% of the officially quoted securities price. Securities ranking junior to other receivables must not be used.
- Deposit bonds, ship mortgage bonds or covered bonds issued by a ship finance institute or by a credit institution that is the parent or subsidiary of a ship finance institute.
- Guarantees issued by or deposits with a credit institution that qualifies for a quality step 2 or higher following careful examination and prudent valuation in each individual case.
- Similar security with similarly especially high liquidity and similarly especially low counterparty risk. This includes a guarantee issued by or deposits with credit institutions that are licensed to operate in the U.S. and that have obtained the best or second-best rating by an ECAI. This also includes especially liquid bonds that are issued by such institutions, admitted to trading on a regulated market approved by a competent authority and do not exceed 90% of the officially listed market price of the security. Deposits and securities ranking subordinate to other debts may not be used. Those asset types may be included at an amount equivalent to a maximum of 25% of the own funds.

## **4.7 Balance principle**

According to the Executive Order on Bond Issuance, the Issuer must observe a balance principle and may choose either a general balance principle (Part 2 of the Executive Order on Bond Issuance) or a specific balance principle (Part 3 of the Executive Order on Bond Issuance).

The SCBs and SMBs are issued in accordance with the specific balance principle.

The proceeds from the issuance of Senior Secured Bonds are also subject to the same risk management provisions as the investment portfolio and are, therefore, covered by the provisions on interest rate and currency risk limits that apply thereto.

If the Issuer decides to change the balance principle for bonds already issued, notice of such a decision will be given in a supplementary prospectus. If the Issuer decides to establish a new capital centre, the choice of balance principle for this capital centre will be notified by way of a base prospectus or a supplement.

### **4.7.1 The specific balance principle**

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

- i) 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 discounted for all future cash inflows and outflows.
- ii) Any future cash 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.
- iii) 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 amount(s), 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 ways, as set out in the Executive Order on Bond Issuance.

- iv) The interest rate risk of the capital centre's assets, liabilities and off-balance items may not exceed 8% of its own funds.
- v) 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.

#### **4.7.2 Specific provisions on the balance principle for issuance of SCBs**

Exposures originating from financial contracts for hedging purposes with credit institutions as counterparties must be accommodated within the framework of the CRR.

### **4.8 Provisions on capital adequacy**

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

- Pillar I contains a set of rules for determining the minimum capital 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.
- 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.

#### **4.8.1 Provisions on the internal capital adequacy requirement**

Under Danish law, the Issuer must determine and publish its internal adequacy requirement each quarter. The internal capital adequacy assessment determines the capital considered sufficient for covering the Issuer'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 the Issuer's risks.

#### **4.8.2 Provisions on leverage risk**

The CRR and the CRD require the Issuer to calculate, report on and monitor its leverage ratio, which is defined as (“**Tier 1 capital**”) as a percentage of total risk exposures (unweighted). 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% from 28 June 2021, when the main part of the CRR Amendment Regulation will enter into force.

#### **4.8.3 Provisions on capital buffer requirements**

The Issuer is subject to capital requirements that will increase the need for overcollateralisation as well as require that a larger portion of the own funds consists of CET1. The combined capital buffer requirement consists in the case of the Issuer 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.

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 long-term, non-cyclical systemic or macroprudential risks not covered by the CRR. The Danish systemic risk buffer rate is only applied to systemically important financial institutions, and the Issuer does currently not qualify as such.

#### **4.8.4 Capital adequacy in the 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 the Issuer as a whole 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.

#### **4.9 Covered Bonds Directive**

The Covered Bonds Directive and the amendments to CRR regarding covered bonds, pursuant to Regulation (EU) 2019/2160 of 27 November 2019 on amendments to Regulation (EU) No. 575/2013, as regards exposures in the form of covered bonds shall, in the future, establish the framework of EU-harmonised "European Covered Bonds".

The Covered Bonds Directive is a framework directive implemented in the Danish law. The Covered Bonds Directive establishes which types of assets can be provided as collateral for covered bonds and the basic qualities of covered bonds, which also means that in the event of bankruptcy investors shall be entitled to direct their claims to both the issuer and the underlying collateral of the issued covered bonds ("dual recourse"). Other elements are, among others, the use of derivatives, adequacy requirements, transparency requirements and special public supervision of issuers of covered bonds.

To a great extent, the future EU regulation will continue the Danish regulation of covered bonds and ship mortgage bonds. Covered bonds issued before the new EU regulation was applied are subject to transitional provisions (grandfathering) so that they can maintain their status as covered bonds under the new regulation. Only covered bonds issued after the new rules are applied must meet the requirements of the new rules.

The Covered Bonds Directive is implemented in Danish law and applies from 8 July 2022 (see also the description under Clause 3.1.8).

Mortgage bonds (SMB's) that solely meet the requirements of the Covered Bonds Directive will in future be assigned the designation 'Euro Covered Bonds', while covered bonds (SCBs) that meet the supplementary CRR requirements for overcollateralisation and ongoing compliance with loan-to-value limits will be eligible for the designation 'Euro Covered Bonds (Premium)'. The requirements will apply from 8 July 2022. If the current capital centre decides to halt new issuances no later than 7 July 2022, it or both, as applicable, will not be subject to the requirements. At this point, the Issuer has decided that issuance will continue past 7 July 2022, which means that the Institute in General and Capital Centre A shall meet the new requirements.

#### **4.10 Liquidity provisions**

The Issuer is subject to the EU liquidity rules, Liquidity Coverage Ratio ("**LCR**") and Net Stable Funding Ratio ("**NSFR**"), stipulating minimum requirements for liquidity and term funding. The LCR and the NSFR are in force today. In addition, the new Covered Bonds Directive will implement a liquidity buffer requirement applicable to the capital centres from which issues are made after 8 July 2022.

##### **4.10.1 Liquidity Coverage Ratio**

As a result of the LCR requirements, the Issuer 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.

The Issuer's liquidity buffer consists of High-Quality Liquid Assets ("**HQLA**"), including government bonds and covered bonds (ROs, SDOs, SDROs) issued by other Danish mortgage banks. Covered bonds may be included in the liquidity buffer as so-called "level 1B" assets if the size of the bond series is more than EUR 500 million, subject to a 7% haircut. If the size of the bond series is more than EUR 250 million, the bonds may be included as so-called "level 2A" assets, subject to a 15% haircut. Net liquidity outflows are limited by pre-funding and the specific balance principle.

The rules may also have a bearing on investors in connection with their purchase of Bonds, as the possibility of including the Bonds in the investor's liquidity buffer will, on an ongoing basis, depend on the amount of Bonds outstanding. The Issuer does not guarantee that a certain amount of Bonds will be outstanding at all times.

#### **4.10.2 Net Stable Funding Ratio**

According to the CRR (as amended by the CRR Amendment Regulation), the Issuer 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.

#### **4.10.3 Cover pool liquidity buffer requirements (180 days)**

Due to the new Covered Bonds Directive, the Issuer must meet a new 180-day liquidity buffer requirement for each of the capital centres (cover pools) from which issues are made after 8 July 2022. The requirement is to be met with HQLA.

#### **4.11 Provisions on supplementary collateral**

If the value of the cover assets no longer equals the value of the SCBs issued – for example, as a result of the declining market value of the mortgaged vessels – the Issuer must provide supplementary collateral to satisfy the requirement and must notify the DFSA.

In the event that the Issuer fails to provide supplementary collateral, all SCBs issued in the capital centre in question will lose their SCB designation. Bonds having lost their SCB designation may be designated SMBs, provided that they complied with the statutory requirements for SMBs when the loan offer was made.

If the bonds subsequently again satisfy the requirements for SCBs, the DFSA may allow such bonds to be re-designated as SCBs. The requirement regarding supplementary collateral does not apply to loans financed by SMBs.

#### **4.12 MiFID II**

The Issuer issues Bonds on an ongoing basis that are admitted to trading and officially listed on Nasdaq Copenhagen A/S, but the Issuer only sells the Bonds to eligible counterparties that are able to sell the Bonds to others. The Issuer is generally not covered by the Danish provisions that implement MiFID II as well as Regulation No. 600/2014 of the European Parliament and of the Council on markets in financial instruments (“**MiFIR**”).

#### **4.13 Provisions on the right to raise debt capital**

Under Section 2j of the Act, the Issuer is entitled to raise debt capital, including through the issuance of bonds, to meet requirements for the provision of supplementary collateral or to increase overcollateralisation in a capital centre (Senior Secured Bonds).

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

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

#### **4.14 Provisions on the recovery and resolution of credit institutions**

The Issuer is only covered by the parts of the Bank Recovery and Resolution Directive (“**BRRD**”) that require a recovery plan to be prepared. Chapter 16 of the FBA, which implements parts of the BRRD, applies to the Issuer – see Section 48 of the Executive Order.

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. As a result of the BRRD, the Issuer must prepare and maintain a plan for how to avoid a rapid deterioration of the institution's financial situation – see Section 71a of FBA. The plan must be updated at least every other year.

## **4.15 Bankruptcy**

If the Issuer becomes insolvent, the DFSA and any creditor with a claim against the Issuer may file for bankruptcy proceedings to be commenced against the Issuer. 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 the holders of SCBs, SMBs and certain counterparties relating to derivatives in the event of bankruptcy.

### **4.15.1 Generally on bankruptcy**

Holders of debenture bonds (in Danish: *kasseobligationer*), SMBs, SCBs or Senior Secured Bonds may not claim early repayment of payment obligations based on a bankruptcy order issued against the Issuer. If a bankruptcy order is issued against the Issuer, this will not deprive the Issuer's borrowers of their obligation to repay loans, in whole or in part, in accordance with the repayment terms applying to the loan.

The bankruptcy estate cannot effect payment in satisfaction of claims by holders of debenture bonds (in Danish: *kasseobligationer*), SMBs or SCBs at an earlier date than when the Issuer was entitled to be released by effecting such payment. To the furthest extent possible, the trustee must, in the performance of its duties, continue or resume the performance of the Issuer's obligations in the form of interest and repayments to the holders of debenture bonds, SMBs or SCBs and claims from creditors under agreements on financial contracts concluded by the Issuer for the purpose of hedging risks between assets and bonds issued. To the extent that sufficient funds are not available, interest will be payable before redemption or before other repayments are made.

There can be no transfer of funds from one capital centre to another or to the Institute in General after insolvency proceedings have been initiated or a bankruptcy order has been issued. The amount that the holders of debenture bonds (in Danish: *kasseobligationer*), SMBs, SCBs and other securities are entitled to receive as secured creditors consists of the assets of a capital centre at any time calculated after allocation of income and expenses.

### **4.15.2 Specifically on issuance from capital centres**

If the Issuer is declared bankrupt, the Act provides that capital centre assets, minus the costs incurred in connection with bankruptcy proceedings, etc., including liquidator fees, salaries, etc., will be used first to satisfy claims notified by holders of SMBs or SCBs of the relevant capital centre and claims for interest accrued after the date of the bankruptcy order on the claims in question. The Act provides the holders of Senior Secured Bonds with the status of secondary secured creditors, pursuant to Section 3a of the Act. Any excess funds will be included in the assets available for distribution, pursuant to Section 32 of the Danish Bankruptcy Act (in Danish: *konkursloven*).

The holders of SCBs or SMBs issued from a capital centre may only direct their claim against the relevant capital centre. Any uncovered residual claims can be made against any assets of the Issuer available for distribution and will rank *pari passu* with residual claims of the holders of SMBs and with preferential treatment in the Institute in General, and prior to the Issuer's unsecured creditors (pursuant to Section 97 of the Danish Bankruptcy Act) but subsequent to other preferential creditors (pursuant to Sections 94-96 of the Danish Bankruptcy Act).

If the Issuer is declared bankrupt pursuant to Section 3a(3) of the Act, counterparties to financial contracts concluded for the purpose of hedging the risks in a capital centre will rank on par for bankruptcy rules purposes with the holders of SCBs and SMBs in the relevant capital centre, if the agreement on the financial contracts provides that the Issuer's reconstruction proceedings or bankruptcy are not an event of default.

### **4.15.3 Specifically on issuance from the Institute in General**

If the Issuer is declared bankrupt, the Act provides that funds, minus the costs incurred in connection with bankruptcy proceedings, etc., including liquidator fees, salaries, etc., in the Institute in General will be used to satisfy claims notified by holders of debenture bonds (in Danish: *kasseobligationer*) and SMBs issued through the Institute in General and claims for interest accrued after the date of the bankruptcy order on the claims in question. Funds used as described above, however, may not exceed the assets underlying the debenture bonds (in Danish: *kasseobligationer*) or SMBs, including the mortgage instruments, deposits and securities, plus an amount equivalent to 8% of the risk-weighted value of the assets underlying the debenture bonds and SMBs that the Issuer may have issued outside the capital centres.

Any excess funds will be included in the assets available for distribution pursuant to Section 32 of the Danish Bankruptcy Act. Pursuant to Section 3a(3) of the Act, counterparties to financial contracts concluded for the purpose of hedging the risks between loans and debenture bonds (in Danish: kasseobligationer) or SMBs issued through the Institute in General will rank on par for bankruptcy law purposes with the holders of debenture bonds (in Danish: *kasseobligationer*) or SMBs issued in the Institute in General if the agreement on the financial contracts provides that the Issuer's suspension of payments or bankruptcy is not an event of default.

## 5 Terms and Conditions

### 5.1 Introduction

The following terms and conditions (the “**Terms and Conditions**”) apply to the Bonds issued by the Issuer according to this Base Prospectus in ISIN codes that are opened on or after the date of the Base Prospectus.

For covered bonds, ship mortgage bonds and debenture bonds (in Danish: *kasseobligationer*) issued by the Issuer in ISIN codes opened prior to the date of the Base Prospectus, please see the relevant base prospectus applicable at the time of the opening of the ISIN code in question and the relevant final terms. See also section 7 “INFORMATION INCORPORATED IN THE BASE PROSPECTUS BY REFERENCE”.

For each issue of Bonds in ISIN codes that is opened on or after the date of the Base Prospectus, a final terms document (“**Final Terms**”) applies, which, together with the below Terms and Conditions, lay down the terms applicable to issues of Bonds in the relevant ISIN code. The Final Terms are published on [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com) and <https://www.shipfinance.dk/investor-relations/rating-and-bonds/>, among other places.

In the event of inconsistency between the Terms and Conditions and other parts of the Base Prospectus, the Terms and Conditions will prevail. In the event of inconsistency between the Terms and Conditions and the applicable Final Terms, the applicable Final Terms will prevail.

All information set out in these Terms and Conditions also applies to the Final Terms, unless otherwise stated in the applicable Final Terms. A reservation is made for minor differences, which sometimes occur between the wording of the Final Terms and of these Terms and Conditions, whereas material changes or additional information will be incorporated by way of a new base prospectus or a supplement to the Base Prospectus.

### 5.2 Form, title, listing, denomination and currency

#### 5.2.1 Form of the Bonds

The Bonds are issued in book-entry dematerialised form, settled through the Danish central securities depository or another central securities depository with which the Bonds are registered and registered in the name of the holder, with no physical securities being issued.

The Issuer entered into an agreement with VP concerning VP services on 4 October 2017. Within the framework of this agreement, the Issuer may, in its own data systems, record bonds electronically in dematerialised form, approved by VP before they are recorded.

#### 5.2.2 Title to the Bonds

The title to the Bonds is determined exclusively from the entry in the records of VP or another central securities depository with which the Bonds are registered, as the case may be. Accordingly, title to the Bonds can only be transferred by the recording of the transfer with VP or another central securities depository with which the Bonds are registered, as the case may be, in accordance with the rules and procedures for the time being of these securities depositories.

All payments under the Bonds will be made to the account appearing in the records on the Date of Recording (as defined under Clause 5.3) with VP or another central securities depository with which the Bonds are registered. In the event that the Issuer’s payment to the clearing centre is not passed on to Bondholders – irrespective of the reason – the Issuer is not legally obliged to make a payment again.

Bonds and interest coupons cannot be separated.

#### 5.2.3 Trading and possible official listing

The Bonds issued under this Base Prospectus have been or are expected to be admitted to trading and officially listed at Nasdaq Copenhagen A/S. However, the Issuer may resolve not to apply for official listing of new issues of Bonds. The regulated market in which the Bonds are admitted to trading is disclosed in the Final Terms.

The first expected day of listing, if relevant, will appear in the Final Terms.

#### 5.2.4 Denomination

The denomination of the Bonds is stated in the Final Terms, and in these it will also appear if, for the relevant Bonds, a minimum trading unit applies that deviates from the denomination.

#### 5.2.5 Currency

The Bonds are issued in DKK, EUR or another currency. The currency in which the Bonds are issued is stated in the Final Terms.

#### 5.2.6 ISIN code

The Bonds are issued in one or more ISINs. The ISIN is stated in the Final Terms.

#### 5.2.7 Opening period

The ISIN code for the Bonds in question is open for new issues during a predetermined opening period. The Issuer may issue Bonds on tap during the opening period. The opening date and closing date (opening period) for the individual ISINs appears from the Final Terms.

The Issuer may decide to terminate the offer during parts of the opening period.

#### 5.2.8 Access to information on the Bondholders

If stated in the Final Terms under "Access to information on Bondholders", the securities depository shall be entitled to disclose certain information regarding the Bondholders to the Issuer for the purpose of the Issuer performing its obligations under the Bonds, in accordance with Section 36(3) of the Danish executive order on electronic recording etc. of securities in dematerialised form with a securities depository (in Danish: *bekendtgørelse nr. 819 af 26 juni 2013 om registrering m.v. af fondsaktiver i en værdipapircentral*).

### 5.3 Definitions

In addition to terms defined elsewhere in the Base Prospectus in these Terms and Conditions, the following terms and expressions have the meanings set forth below:

“**Adjustment Spread**” means any addition or subtraction from a Substitute Reference Rate determined by the Issuer, in good faith and in a commercially reasonable manner, and applied such as to place Bondholders in the same situation as if the Reference Rate had been available.

“**Banking Day**” means either:

- i) a day on which both Danish payment systems and Danish banks located in Denmark are open for business (“**Danish Banking Day**”);
- ii) a “**TARGET2 Banking Day**”, which means a day on which the TARGET2 (Trans-European Automated Real-time Gross settlement Express Transfer) payment system is open for payments in EUR; or
- iii) such other days as set out in the Final Terms.

“**Calculation Agent**” means the Issuer or such agent as may be stated in the applicable Final Terms.

“**Closing Date**” means the last day on which Bonds may be issued in the relevant ISIN as set out in the Final Terms.

“**Date of Recording**” means the day immediately prior to the Payment Date when the relevant securities depository is open for recording in the relevant currency.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest:

- i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - a. in the case of Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment

date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- b. in the case of Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - i. the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
  - ii. the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;
- iii) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date in the payment period divided by 360; and
- iv) any other day count fraction set out in the Final Terms

“**Denomination**” means the smallest unit into which the relevant Bonds may be divided and is set out in the Final Terms. It also appears in the Final Terms whether the smallest trading unit of the relevant Bonds deviates from the Denomination.

“**Determination Date**” is set out in the Final Terms.

“**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including – when either the Interest Commencement Date or the final Payment Date is not a Determination Date – the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

“**DKK**” means Danish kroner, the lawful currency in Denmark at the time of the approval of the Base Prospectus.

“**EUR**” means euro, the single European currency of the participating member states.

“**Fixed Rate Bond**” means a Bond on which interest is calculated at a fixed rate payable in arrears on one or more Payment Dates in each year, as indicated in the applicable Final Terms.

“**Floating Rate Bond**” means a Bond on which interest is calculated at a floating rate, payable in arrears on one or more Payment Dates in each year, as indicated in the applicable Final Terms.

“**First Day of Listing**” means the first day on which the relevant ISIN is expected to be admitted to trading on a Regulated Market.

“**Interest Commencement Date**” means the date specified in the applicable Final Terms from and including which the Bonds bear interest, which may or may not be the Issue Date.

“**Interest Coupon**” means:

- i) with respect to Fixed Rate Bonds, the rate of interest on the Bonds expressed as a percentage rate per annum, as set out in the applicable Final Terms; and
- ii) with respect to Floating Rate Bonds, the aggregate of the Reference Rate and the Interest Rate Spread, each as set out in the applicable Final Terms.

“**Interest Rate Spread**” means the percentage per annum set out in the Final Terms. The Interest Rate Spread may be positive, negative or zero.

“**LEI**” is short for Legal Entity Identifier, which is a 20-digit code that uniquely identifies a legal entity participating in financial market transactions – across markets and legal systems.

**“Maturity Date”** means the day after the last day of the last Payment Period on which the relevant Bonds mature for redemption, as set out in the Final Terms.

**“Payment Dates”** means days on which the principal and/or the accrued interest for the preceding Payment Period fall(s) due for payment (together with redeemed amounts), as set out in the Final Terms.

**“Payment Period”** is defined by the first and the last day of such period, as set out in the Final Terms.

**“Place of Listing”** means the Regulated Market on which the Bonds are expected to be admitted to trading, as set out in the Final terms.

**“Place of Recording”** means the securities depository where the Bonds are recorded electronically in dematerialised form, as set out in the Final Terms.

**“Principal”** means the originally nominal amount of a Bond or the principal amount outstanding for the time being of that Bond.

**“Redemption Schedule”** means the method or timetable for redemption of the Bonds set out in the Final Terms, if elected.

**“Reference Rate”** means:

- i) the 1-, 3-, 6- or 12-month Copenhagen Interbank Offered Rate quoted daily by Nasdaq Copenhagen A/S (“**CIBOR**”);
- ii) the 1-, 3-, 6- or 12-month Copenhagen Interbank Tomorrow/Next Average swap rate quoted daily by Nasdaq Copenhagen A/S (“**CITA**”); or
- iii) the 1-, 3-, 6- or 12-month Euro Interbank Offered Rate quoted daily by the European Banking Federation (“**FBE**”) and the Financial Markets Association (“**ACT**”) – with Reuters as the current calculation agent (“**EURIBOR**”).

If Nasdaq Copenhagen A/S (or any other stock exchange replacing it) ceases quoting the relevant CIBOR and/or CITA rate, or should the Issuer deem that the relevant CIBOR or CITA rate (as the case may be) no longer reflects the Danish reference rate market, the Issuer may determine the bond interest rate on the basis of another market-consistent reference rate.

If Reuters (or the calculation agent that may succeed Reuters) ceases quoting the relevant EURIBOR rate or if the relevant EURIBOR rate, in the Issuer's opinion, no longer reflects the European money market, the Issuer may calculate the bond interest rate on the basis of market-consistent 1-, 3-, 6- or 12-month money market rates.

The Issuer may also determine the bond interest rate on the basis of another market-consistent reference rate, should one or more public authorities significantly dispute the use of the agreed Reference Rate as reference rate, or should the financial sector enter into an agreement with a public authority regarding the use of a reference rate other than the agreed Reference Rate.

Other reference rates may be agreed upon, in which case they will be defined and specified in the Final Terms.

If the Reference Rate as stated in the relevant Final Bond Terms is no longer published or if the terms underlying the relevant Reference Rate change considerably, or if the Issuer finds that the agreed Reference Rate no longer reflects the relevant market for the relevant Reference Rate, the Issuer may (in good faith and in a commercially reasonable manner), if necessary, substitute the Reference Rate by a Substitute Reference Rate and determine an Adjustment Spread, if relevant.

Moreover, the Issuer may (in good faith and in a commercially reasonable manner) substitute the Reference Rate by a Substitute Reference Rate and determine an Adjustment Spread, if relevant, should one or more public authorities significantly dispute the use of the agreed Reference Rate as reference rate, or should a relevant financial sector enter into an agreement with a public authority about the use of a reference rate other than the agreed Reference Rate.

In the event of the above, the Issuer will (in good faith and in a commercially reasonable manner) make a choice based on the following options – in order of priority:

- i. If Danish and international participants essentially agree on a practice to replace the relevant Reference Rate that is no longer quoted, has been modified so it no longer reflects the relevant market or is materially non-reflective of the relevant market, the Issuer will follow this practice – including if such handling entails transition to another reference rate, which, in such case, will become a Substitute Reference Rate, possibly supplemented with an Adjustment Spread.
- ii. If there is no such agreement, the Issuer may ask one or more banks or other relevant financial participants to quote or offer advice on the choice of a Substitute Reference Rate, possibly supplemented with an Adjustment Spread.

- iii. If the contributing banks or other financial participants cannot indicate an appropriate Substitute Reference Rate, the Issuer will in good faith determine a Substitute Reference Rate and, if necessary supplemented with an Adjustment Spread.

“**Regulated Market**” means a market pursuant to article 4(1)(21) of Directive 2014/65/EU of the European Parliament and of the Council dated 15 May 2014 on markets for financial instruments.

“**Relevant Date**” means the date on which such payment first becomes due.

“**Substitute Reference Rate**” may in some cases substitute the Reference Rate – see “Reference Rate”. The Reference Rate may be positive, negative or zero. The Issuer will, in such a situation, choose a Substitute Reference Rate. When choosing a Substitute Reference Rate, the Issuer will act in good faith and in a commercially reasonable manner while safeguarding to the extent possible that Bondholders are placed in the same situation as if the Reference Rate had been available. If so required, an Adjustment Spread will be added or subtracted for that purpose

“**Sub-Unit**” means, with respect to any currency, the lowest amount of such currency that is available as legal tender in the country of such currency and with respect to euro, one cent.

“**Tax Jurisdiction**” means Denmark or any political subdivision or any authority thereof or therein having the power to tax (in the case of payments by the Issuer).

“**VP**” means the Securities Depository VP Securities A/S, Weidekampsgade 14, DK-2300 Copenhagen S, Denmark, CVR no: 21 59 93 36.

“**Zero Coupon Bond**” means a Bond on which no coupon is payable until maturity.

## **5.4 Status of the Bonds**

### **5.4.1 Issue of Bonds from capital centres and in general**

The Issuer issues Bonds from Capital Center A or from the Institute in General. The Final Terms states from which capital centre each specific ISIN is issued. Any new capital centres may be covered by the Base Prospectus by means of addenda supplements.

Any claims by the Bondholders with respect to the Bonds may only be made against the capital centre in which the specific ISIN is issued. Bondholders can exercise their rights by contacting the Issuer.

The Issuer determines the opening of other ISIN codes in the respective capital centres. The Issuer also determines when to transfer funds to the respective capital centres.

The Issuer is entitled at any time, and without notice to and consent from the relevant Bondholders, to separate and transfer to another capital centre Bonds covered by this Base Prospectus, any securities as well as any relevant derivative agreements. The separation presupposes that the rating, if any, of the Bonds in question with a credit rating agency is not lowered in connection with the separation.

### **5.4.2 SCBs and SMBs**

- i) The SCBs and SMBs constitute unconditional and unsubordinated obligations of the Issuer. The SCBs and the SMBs are covered bonds, pursuant to the Act's Sections 2d and 2a, respectively. SCBs are issued through the Capital Centre A and SMBs through the Institute in General, in accordance with the applicable legislation. The Issuer may, at any time and without notice, separate and transfer SCBs and SMBs as well as any attached financial instruments to another capital centre.
- ii) In the event of bankruptcy of the Issuer, holders of SCBs and SMBs and certain counterparties to financial contracts with preferential treatment will have a preferential right (after deduction of expenses relating to the bankruptcy estate and similar expenses) to all the assets in the capital centre through which the SCBs and the SMBs are issued. If the capital centres do not have sufficient assets to satisfy the claims of the holders of SCBs and SMBs, the residual claims of the holders of SCBs and SMBs will rank *pari passu* with residual claims of the holders of SMBs and financial contracts with preferential treatment in the Institute in General and prior to the Issuer's unsecured creditors (pursuant to Section 97 of the Danish Bankruptcy Act), but subsequent to other preferential creditors (pursuant to Sections 94-96 of the Danish Bankruptcy Act).

- iii) SMBs can be issued by the Institute in General or any new capital centres established by the Issuer. SCBs can be issued by Capital Centre A or any new capital centres established by the Issuer. Any new capital centre may become subject to this Base Prospectus through the issuance of a supplement to this Base Prospectus.

### **5.4.3 Senior Secured Bonds**

- i) The Senior Secured Bonds constitute unconditional obligations of the Issuer. The Senior Secured Bonds are secured claims against the Capital Centre A pursuant to Section 2j of the Act and are issued through a capital centre in accordance with the applicable Legislation.
- ii) In case of the Issuer's bankruptcy, the Senior Secured Bonds provide their holders with a secondary preferential right for payment against the Issuer in respect of all assets in the capital centre through which they are issued. In addition, any residual claim against the Institute in General will be treated as an unsecured claim in respect of the assets of the Institute in General that will be available for distribution in the case of bankruptcy, in accordance with Section 97 of the Danish Bankruptcy Act.
- iii) Senior Secured Bonds can be issued by Capital Centre A, the Institute in General or any new capital centres established by the Issuer.

## **5.5 Interest**

The applicable Final Terms will indicate whether the Bonds are Fixed Rate Bonds, Floating Rate Bonds or Zero Coupon Bonds, and, if relevant, the conditions for switching the interest basis of the Bonds and/or any applicable derivative components in the interest basis of the Bonds.

### **5.5.1 Fixed Rate Bonds**

- i) Each Fixed Rate Bond bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Interest Coupon. Interest will be payable in arrears on the Payment Date(s) in each year up to (and including) the Maturity Date.
- ii) Interest shall be calculated in respect of any period by applying the Interest Coupon to the aggregate outstanding nominal amount of the relevant Fixed Rate Bonds and, in each case, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest Sub-Unit of the relevant specified currency, half of any such Sub-Unit being rounded upwards or otherwise, in accordance with applicable market convention.

### **5.5.2 Floating Rate Bonds**

Each Floating Rate Bond bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrears on the Payment Date(s) in each year specified in the applicable Final Terms. Such interest will be payable in respect of each Payment Period.

- i) **Minimum Interest Coupon and/or Maximum Interest Coupon:** If the applicable Final Terms specify a "Minimum Interest Coupon" for any Payment Period, then, in the event that the Interest Coupon in respect of such Payment Period is less than such "Minimum Interest Coupon", the Interest Coupon for such Payment Period shall be such "Minimum Interest Coupon". If the applicable Final Terms specify a "Maximum Interest Coupon" for any Payment Period, then, in the event that the Interest Coupon in respect of such Payment Period above is greater than such "Maximum Interest", the Interest Coupon for such Payment Period shall be such "Maximum Interest Coupon".
- ii) **Negative Interest Coupon:** If in a Payment Period, the Interest Coupon is lower than zero, the Issuer will have a claim against the Bondholders equal to the absolute value of the Interest Coupon. The claim in the event of a negative Interest Coupon falls due on the Payment Date of the relevant Payment Period.
- iii) **Determination and calculation of the Interest Coupon:** The Interest Coupon is calculated by the Issuer. The Interest Coupon may be positive, negative or zero, and is rounded to four decimals. The Issuer will, at or as soon as practicable after each time at which the Interest Coupon is to be determined, determine the Interest Coupon for the relevant Payment Period. The Issuer will calculate the amount of interest payable on the Floating Rate Bonds for the relevant Payment

Period by applying the Interest Coupon to the aggregate outstanding nominal amount of the relevant Floating Rate Bonds, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest Sub-Unit of the relevant currency, half of any such Sub-Unit being rounded upwards or otherwise, in accordance with applicable market convention.

- iv) Fixing methods: The Interest Coupon of Floating Rate Bonds in the same ISIN code may be reset on the basis of one of the following fixing methods, as set out in the Final Terms:
  - a. [x] last Banking Day: An Interest Rate Spread is added to the Reference Rate quoted on the [x] last Banking Day before the beginning of a new Payment Period. The Interest Rate Spread may be negative. The Interest Coupon calculated accordingly will be the bond interest rate for the subsequent fixing period; or
  - b. Such other fixing method as may be set out in the applicable Final Terms.
- v) Notification of Interest Coupon: The Issuer will cause the Interest Coupon for each Payment Period and the relevant Payment Date to be notified to any stock exchange on which the relevant Floating Rate Bonds are for the time being listed and notice thereof to be published in accordance with Clause 14 (Notices) as soon as possible after their determination but in no event later than the fourth Danish Banking Day thereafter. Each Interest Coupon so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Payment Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Bonds are for the time being listed and to the Bondholders, in accordance with Clause 14 (Notices), as soon as possible.
- vi) Certificates to be final: All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Clause 5.2 shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer and all Bondholders and (in the absence of wilful default or bad faith) no liability to the Bondholders shall attach to the Issuer or in connection with the exercise or non-exercise by it of its powers, duties and discretions, pursuant to such provisions.

### **5.5.3 Accrual of interest**

Each Bond (or in the case of the redemption of part only of a Bond, that part only of such Bond) will cease to bear interest (if any) from the Maturity Date, or the date for its redemption if earlier than the Maturity Date.

Addition and accrual of interest may be adjusted as a result of changes in market conventions.

## **5.6 Redemption and Purchase**

### **5.6.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Bond will be redeemed by the Issuer on the Maturity Date or in accordance with the Redemption Schedule specified in the applicable Final Terms.

### **5.6.2 Redemption due to a negative Interest Coupon**

If in a Payment Period, the Interest Coupon of a Floating Rate Bond is at any time below zero and this results in the Issuer having a claim against the Bondholders equal to the absolute value of the Interest Coupon, in accordance with paragraph (ii) of Clause 5.5.2 (Floating Rate Bonds), then the Issuer will be entitled, but not required, to redeem the Bonds (in whole or in part) for settlement at the "Early Redemption Amount" specified in the applicable Final Terms, equivalent to a value of the negative Interest Coupon.

### **5.6.3 Redemption for tax reasons, changes in law or changes in market conditions**

Bonds may be redeemed in whole, but not in part, at any time at the option of the Issuer (if this Bond is not a Floating Rate Bond) or on a Payment Date (if this Bond is a Floating Rate Bond), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Bondholder and in accordance with Clause 5.15 (Notices), (which notice shall be irrevocable), if:

- i) on the occasion of the next payment date due under the Bonds, the Issuer has or will become obliged to pay additional amounts as provided or referred to in paragraph (iii) of Clause 5.10 (Taxation) as a result of any change in, or amendment

to, the laws or regulations of a Tax Jurisdiction or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the Bond in the ISIN for the first time and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; and/or

- ii) the terms of the loans financed by the Bonds are changed as a result of legislative amendments, orders issued by the authorities and/or changes in market conditions;

in each case 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 should a payment in respect of the Bonds then be due.

Bonds redeemed pursuant to this Clause 5.6.3 will be redeemed at their “Early Redemption Amount” specified in the applicable Final Terms with interest accrued to (but excluding) the date of redemption.

#### **5.6.4 Cancellation**

All Bonds that are redeemed by the Issuer will forthwith be cancelled.

#### **5.7 Issuer's acquisition of Bonds**

The Issuer and any of the Issuer's subsidiaries and affiliates may at any time purchase Bonds (or part thereof) in the open market and at any price prior to their maturity and keep such Bonds or cancel them.

#### **5.8 Payments**

- i) The Issuer pays interest and redemption amounts to the Bondholders by transferring, on the due date, the funds to (accounts with banks, payment agents, securities brokers, etc. designated by the account-holding bank to) a central securities depository and/or clearing bank.
- ii) The Bondholders' payments to the Issuer prompted by the negative Interest Coupon will be made through set-off upon the due date of the Payment Period.
- iii) The payment collection method reflects the current technical solution in the relevant securities depository. If the relevant securities depository materially changes its technical solution, the Issuer may change its payment collection method accordingly. In that case, the Issuer will update the Base Prospectus by issuing a supplement or a new Base Prospectus.
- iv) If a “Banking Day Convention” is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Payment Date would otherwise fall on a day that is not a Banking Day, then, if the “Banking Day Convention” specified is:
  - a. the “Following Banking Day Convention”, such Payment Date shall be postponed to the next day that is a Banking Day; or
  - b. the “Modified Following Banking Day Convention”, such Payment Date shall be postponed to the next day that is a Banking Day unless it would thereby fall into the next calendar month, in which event such Payment Date shall be brought forward to the immediately preceding Banking Day; or
  - c. the “Preceding Banking Day Convention”, such Payment Date shall be brought forward to the immediately preceding Banking Day.
- v) If the date for payment of any amount in respect of any Bond is not a Payment Date, the holder thereof shall not be entitled to payment until the next following Payment Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.
- vi) Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment 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.

## 5.9 Transferability of Bonds

The Bonds are transferable mass debt securities (in Danish: *massegældsbreve*). The Bonds are freely transferable and are not subject to any restrictions, except as set out in section 13 “SALES AND TRADING RESTRICTIONS”.

## 5.10 Taxation

- i) The Issuer does not accept any liability for taxes withheld or for collection of withholding taxes or other taxes irrespective of where the Bonds are recorded electronically in dematerialised form.
- ii) If (i) “Tax Gross Up” is specified as being non-applicable in the applicable Final Terms, and (ii) the Issuer is obliged to withhold tax or collect withholding tax pursuant to rules introduced after the Bonds have been issued, the Issuer will be obliged to withhold or collect such taxes, and the Issuer will not be obliged to pay any additional amounts to Bondholders, nor will the Issuer accept liability for any deduction in the amount disbursed to Bondholders.
- iii) If “Tax Gross Up” is specified as being applicable in the applicable Final Terms, then all payments of principal and interest in respect of the Bonds by or on behalf of the Issuer 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 Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the respective amounts of principal and interest that would otherwise have been receivable in respect of the Bonds, in the absence of such withholding or deduction; except that no such additional amounts shall be payable where it is excluded in the applicable Final Terms.

## 5.11 Events of default

### 5.11.1 SCBs, SMBs and Senior Secured Bonds

- i) Holders of SCBs, SMBs and Senior Secured Bonds may not rely on the issuance of a bankruptcy order against the Issuer as grounds for acceleration of payments by the Issuer. Correspondingly, a bankruptcy order against the Issuer will not bar the Issuer's borrowers in respect of loans funded by the SCBs and SMBs from prepaying their mortgage loans in full or in part, in accordance with the payment terms of the relevant loans.
- ii) The bankruptcy estate cannot meet a payment obligation prior to the pre-determined due date, thereby discharging itself from such obligation.
- iii) Finally, the Issuer's failure to fulfil its obligation to provide supplementary collateral does not constitute an event of default either.

## 5.12 Prescription

Claims for payment under the Bonds become time-barred, pursuant to the Danish Act on Limitations (in Danish: *lov nr. 522 af 6 juni 2017 om forældelse af fordringer (forældelsesloven)*). Claims for principal payments become statute-barred after 10 years and claims for interest payments become statute-barred after 3 years from the date on which the creditor's claim for payment crystallised, pursuant to section 2 of the Danish Act on Limitations.

## 5.13 Additional issues

- i) The Issuer shall be at liberty, from time to time and without the consent of the Bondholders, to create and issue further Bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue, and that the same shall be consolidated and form a single ISIN code with the outstanding Bonds.
- ii) If a Closing Date has been elected in the applicable Final Terms, the Issuer is entitled to close an ISIN code for further Bond issuance at any date before the stated Closing Date.

## 5.14 Conflicts of interest

With respect to the Bonds, the stakeholders are the borrowers in respect of loans funded by the SCBs and SMBs, the Bondholders, the Issuer and public authorities.

The Issuer is not aware of any interests and/or conflicts of interest of importance to the offering of the Bonds. Any interests and/or conflicts of interest that are of significant importance to the Issuer in connection with bond issuance, including a specification of the persons involved and the nature of the interest, will be described in the Final Terms.

## **5.15 Notices**

All notices regarding the Bonds will be deemed to be validly given if such notices are duly published in a manner that complies with the rules of any stock exchange or other relevant authority on which the Bonds are, for the time being, listed or by which they have been admitted to trading. Any such notice will be deemed to have been given 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.

## **5.16 Representation of Bondholders**

The terms applying to Bonds issued under this Base Prospectus do not contain any provisions on representation of the Bondholders.

## **5.17 Governing law and venue**

### **5.17.1 Governing law**

The Bonds (and any non-contractual obligations arising out of or in connection with the Bonds) are governed by and shall be construed in accordance with Danish law.

### **5.17.2 Submission to jurisdiction**

- i) The Danish courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Bonds, 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 Bonds (a “**Dispute**”) and all Disputes will be submitted to the exclusive jurisdiction of the Danish courts.
- ii) For the purposes of this Clause 5.17.2, each of the Issuer and any Bondholders taking proceedings in relation to any Dispute waives any objection to the Danish courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

## **5.18 The Issuer’s liability for damages**

- i) The Issuer will be liable for damages resulting from any delay or default in performing its obligations if such delay or default is due to error or negligence.
- ii) Even in areas where stricter statutory liability applies, the Issuer is not liable for losses due to:
  - a. Interruption/lack of access to IT systems or damage to the data of these systems that can be attributed to the events below, regardless of whether the Issuer or an external supplier is responsible for the operation of the systems;
  - b. failures in the Issuer's power supply or telecommunications, statutory intervention or administrative acts, natural disasters, pandemics, war, insurrection, civil unrest, sabotage, terrorism or vandalism (including computer viruses and hacking), strike, lockout, boycott or blockade regardless of whether the conflict is directed at or initiated by the Issuer or its organisation and regardless of the reason for the conflict (this shall also apply where the conflict only affects part of the Issuer or its organisation); and
  - c. other circumstances beyond the Issuer's control.
- iii) The Issuer's exemption from liability does not apply if:
  - a. The Issuer should have anticipated the circumstance causing the loss when this Base Prospectus was published or Bonds were issued or should have avoided or overcome the cause of the loss; or
  - b. The Issuer is liable for the circumstance causing the loss, pursuant to Danish law.

## 6 Template for Final Terms

*Below is shown a template for the Final Terms applicable to the issue of Bonds under the Base Prospectus. Text in italics in the below template indicates instructions on how to fill out the field.*

**Final Terms dated [●]  
Danish Ship Finance A/S  
LEI code: 549300T70JXFWEXCK295  
Business Reg. No. (CVR-nr.): 27492649  
("The Issuer")**

**For the issue of [Ship Covered Bonds (SCB)/Ship Mortgage Bonds (SMB)/Senior Secured Bonds]**

These final terms ("**Final Terms**") shall only apply to [Ship Covered Bonds (SMB)/Ship Mortgage Bonds (SMB)/Senior Secured Bonds] issued in the ISIN code stated below ("**Bonds**"). The Bonds are issued according to the Issuer's base prospectus for the issue of Ship Covered Bonds ("**SCB**"), Ship Mortgage bonds ("**SMB**") and bonds issued, pursuant to Section 2j of the Act ("**Senior Secured Bonds**") dated on [●] and any supplement to this base prospectus ("**Base Prospectus**").

Together with the terms of the bonds in the Base Prospectus section 5 "TERMS AND CONDITIONS", these Final Terms constitute the terms of the issued Bonds.

The total prospectus for the Bonds consists of the Base Prospectus and the Final Terms. Definitions stated in these Final Terms shall be understood in accordance with the definitions in section 5 "TERMS AND CONDITIONS" of the Base Prospectus. Definitions stated elsewhere in the Base Prospectus will have the same meaning in the Final Terms unless otherwise stated by the context.

The Issuer declares that:

- the Final Terms were prepared according to the Prospectus Regulation and must be read in connection with the Base Prospectus in order to obtain all relevant details about the Bonds
- the Base Prospectus (including any addenda) has been made available electronically on the Issuer's website [www.shipfinance.dk](http://www.shipfinance.dk)
- the Base Prospectus and the Final Terms must be read in order to obtain all information
- [the summary of the Bonds has been attached as Appendix A to these Final Terms.] [The reference to the summary is to be removed in the event it is not relevant to the specific issue]

### **MiFID II product management/target markets**

[THE TARGET MARKET FOR THE BONDS IS RETAIL CLIENTS, PROFESSIONAL CLIENTS AND ELIGIBLE COUNTERPARTIES - Solely what applies to the Issuer's procedure for product approval, the assessment of the target market of the Bonds led to the conclusion that: (i) the target market for the Bonds is solely eligible counterparties, professional clients and retail clients as defined in Directive 2014/65/EU ("**MiFID II**") and (ii) all channels of distribution are appropriate. Any person who subsequently offers, sells or recommends the Bonds (a "**Distributor**") must take the Issuer's assessment of the target market into consideration. A Distributor who is subject to MiFID II is, however, responsible for undertaking their own assessment of the target market of the Bonds (either by assuming or improving the Issuer's assessment of the target market) and also for determining appropriate distribution channels subject to the Distributor's execution of suitability and appropriateness tests under MiFID II, if relevant.]

[UNITED KINGDOM MiFIR PRODUCT GOVERNANCE – THE TARGET MARKET OF THE BONDS IS RETAIL CLIENTS, PROFESSIONAL CLIENTS AND ELIGIBLE COUNTERPARTIES – Solely for the purposes of each product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds solely consists of eligible counterparties as defined in FCA Handbook Conduct of Business Sourcebook ("**COBS**") and professional clients as defined in Regulation (EU) 600/2014, which has effect as national legislation pursuant to the European Union (Withdrawal) Act 2018/EUWA ("**EUWA**") ("**United Kingdom MiFIR**") and retail clients as defined in Article 2(8) of Regulation (EU) 2017/565, which has effect as national legislation pursuant to the EUWA; and (ii) all channels for distribution are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**Distributor**") should take into consideration the manufacturers' assessment of the type of clients; However, a Distributor subject to FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of

the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels subject to the Distributor's suitability and appropriateness test under COBS, if relevant.]

[THE TARGET MARKET FOR THE BONDS IS SOLELY PROFESSIONAL CLIENTS AND ELIGIBLE COUNTERPARTIES - Solely what applies to the individual Issuer's procedure for product approval, the assessment of the target market of the Bonds led to the conclusion that: (i) the target market for the Bonds is solely eligible counterparties and professional clients as defined in Directive 2014/65/EU ("MiFID II") and (ii) all channels of distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person who subsequently offers, sells or recommends the Bonds (a "Distributor") must take the Issuer's assessment of the client type into consideration. A Distributor who is subject to MiFID II is, however, responsible for undertaking their own assessment of the target market of the Bonds (either by assuming or improving the Issuer's assessment of the target market) and also for determining appropriate distribution channels.]

[UNITED KINGDOM MiFIR PRODUCT GOVERNANCE – THE TARGET MARKET OF THE BONDS IS PROFESSIONAL CLIENTS AND ELIGIBLE COUNTERPARTIES ONLY – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds solely consists of eligible counterparties as defined in FCA Handbook Conduct of Business Sourcebook and professional clients as defined in Regulation (EU) 600/2014, which has effect as national legislation pursuant to the European Union (Withdrawal) Act 2018/EUWA ("United Kingdom MiFIR") and all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "Distributor") should take into consideration the manufacturers' assessment of the type of clients; However, a Distributor subject to FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS -The Bonds 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 European Economic Area ("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 Directive 2014/65/EU ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (as defined below). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

|  |   |
|--|---|
| <b>Series/Capital Centre</b>                     | [Capital Centre A/Institute in General]   |
| <b>Bond type</b>                                 | [SMBs/SCBs/ Senior Secured Bonds]   |
| <b>ISIN</b>                                      | [•]   |
| <b>Trading</b>                                   | [Nasdaq Copenhagen A/S] [Other] [The bonds are not intended for trading and official listing] |
| <b>First day of listing</b>                      | [•]   |
| <b>Currency</b>                                  | [DKK/EUR/•]   |
| <b>Denomination</b>                              | [•]   |
| <b>Issue Price</b>                               | [•] percent of the Principal [plus accrued interest from [•]]                                 |
| <b>Issue Date</b>                                | [•]   |
| <b>Number of interest payment dates per year</b> | [•]   |
| <b>Principal</b>                                 | [•]   |

|                                    |  |
|------------------------------------|--|
| <b>Number of outstanding Bonds</b> | [•]  |
| <b>Interest Basis</b>              | [Fixed Rate Bonds][Floating Rate Bonds][Zero Coupon Bonds].<br>[if applicable, description of the conditions to switch between fixed, zero and floating rates until maturity and if relevant, the derivative components with respect to the interest payment applicable to the whole or part of the time the Bonds are outstanding, and/or for all or parts of the Bonds issued].  |
| <b>Interest Coupon</b>             | [[ ] percent per annum Fixed Rate]<br><br>[Reference Rate + Interest Rate Spread percent Floating Rate]<br><br>[Zero Coupon]   |
| <b>Reference rate</b>              | [Not applicable][ month [[currency] EURIBOR/CIBOR/CITA] [•][[currency] EURIBOR/CIBOR/CITA] is provided by [legal name of benchmark administrator] (the " <b>Administrator</b> "). On the date of these Final Bond Terms, the Administrator is [not] included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority, in accordance with Article 36 of Regulation (EU) 2016/1011 (the "Benchmarks Regulation"). [As far as the Issuer is aware, the transitional provisions of Article 51 of the Benchmarks Regulation apply, and the Administrator is not currently required to obtain authorisation or registration.] |
| <b>Interest Rate Spread(s)</b>     | [Not applicable][ •]   |
| <b>[Derivative Components]</b>     | [Not applicable][ •]   |
| <b>Minimum Interest Coupon</b>     | [Not applicable][ •]   |
| <b>Maximum Interest Coupon</b>     | [Not applicable][ •]   |
| <b>Fixing methods</b>              | [Not Applicable][[x] last Banking Day][ •]   |
| <b>Day Count Fraction</b>          | [30/360] [Actual/Actual (ICMA)][Actual/360][ •]  |
| <b>Determination Date</b>          | [•]  |
| <b>Interest Commencement Date</b>  | [•]  |
| <b>Banking Day</b>                 | [Danish Banking Day] [TARGET2 Banking Day] [•]   |
| <b>Banking Day Convention</b>      | [Following Banking Day Convention]/[Modified Following Banking Day Convention]/[Preceding Banking Day Convention]/[Not Applicable]   |
| <b>First bond coupon</b>           | First bond coupon is [•]%. The first interest period runs from and including [•] to [•].   |
| <b>Effective interest rate</b>     | The effective interest rate cannot be provided as the Bonds are issued on tap, and the effective interest rate depends on the price and the transaction date.  |
| <b>Interest rate floor/cap</b>     | [Insert description].  |
| <b>Price at redemption</b>         | [Not applicable] [100] [Market price] [other description]  |

|   |   |
|---|---|
| <b>Amortisation</b>   | The Bond is a [bullet loan/ annuity loan/ serial loan/ or other amortisation]. The Issuer may make an extraordinary redemption prior to the maturity date if the interest becomes negative in the payment period.   |
| <b>Redemption/<br/>Payment Basis</b>  | Subject to any purchase and cancellation or early redemption, the Bonds will be redeemed on the Maturity Date at 100 per cent of their nominal amount.  |
| <b>Payment</b>  | <p>If the date of interest accrual or redemption of the principal amount is not a Danish Banking day, payment will be deferred in accordance with the applicable Banking Day Convention.</p> <p>Bondholders will have no claim for interest or other amounts on account of such deferred payment.</p> |
| <b>Payment Dates</b>  | [•]   |
| <b>Payment Period</b>   | [•]   |
| <b>Redemption dates</b>   | [Not applicable] [The first redemption date is on [•]. Subsequent redemption may take place annually on each payment date [•]].   |
| <b>Termination</b>  | [Not applicable] [The Bonds are convertible and may be terminated for expiry on a payment date in the event of the borrower's extraordinary redemption.] [The Bonds are non-terminable by the creditor.]  |
| <b>Opening date</b>   | [•]   |
| <b>Closing date</b>   | [•]   |
| <b>Maturity date</b>  | [•]   |
| <b>Value date</b>   | [In general, when the Bonds are traded, the value date is two banking days, but exceptions may be made.]  |
| <b>Calculation agent</b>  | [Issuer] [•]  |
| <b>Restrictions on the individual investor's right to subscribe for the Bonds</b> | [•]   |
| <b>Place of Recording</b>   | <p>VP Securities A/S<br/> Weidekampsgade 14<br/> P.O. Box 4040<br/> 2300 Copenhagen S<br/> Denmark</p> <p>[other central securities depository]</p>   |
| <b>Names and addresses of the financial intermediaries</b>                        | [•]   |
| <b>Access to information on Bondholders</b>                                       | [Yes][No]   |

|   |   |
|---|---|
| <b>Rating</b>                                       | [Yes] [No][the bonds being issued [are expected/not expected to be] rated by [•]  |
| <b>Rating trigger</b>                               | [Yes/No]  |
| <b>Sales trigger</b>                                | [Yes/No]  |
| <b>Early Redemption Amount</b>                      | [Not applicable][•]   |
| <b>Issuer Call</b>                                  | [Applicable][Not applicable]<br><br>Optional Redemption Date(s): [•]<br><br>Optional Redemption Amount: [•]<br><br>If redeemable in part:<br>Minimum Redemption Amount: [•]<br>Maximum Redemption Amount: [•]   |
| <b>Investor Put</b>                                 | [Applicable][Not Applicable]<br><br>Optional Redemption Date(s): [•]<br><br>Optional Redemption Amount: [•]   |
| <b>Notice periods</b>                               | Minimum period: [•] days<br>Maximum period: [•] days  |
| <b>Redemption Schedule</b>                          | [Not Applicable][ •]  |
| <b>Tax Gross Up</b>                                 | [Applicable][Not Applicable]  |
| <b>Terms and conditions</b>                         | Together with section 5 "TERMS AND CONDITIONS" of the "Base Prospectus for Danish Ship Finance A/S Bond Programme", including the related supplements or appendices, these Final Terms constitute the terms and conditions for the issued Bonds.  |
| <b>General terms</b>                                | [•]   |
| <b>Conflicts of interest</b>                        | [Yes/No]<br>[Insert description].   |
| <b>Statement</b>                                    | The Issuer hereby states that:<br><br><ol style="list-style-type: none"> <li>1. the Final Terms have been prepared in accordance with the Prospectus Regulation and must be read in the context of this Base Prospectus including any supplements;</li> <li>2. the Base Prospectus including any supplements has been made available electronically on the Issuer's website: <a href="http://www.shipfinance.dk">www.shipfinance.dk</a>;</li> <li>3. the Base Prospectus and any supplements and the Final Terms must be read in order to obtain all information; and</li> <li>4. the summary of the specific issue is attached as an appendix to the Final Terms.</li> </ol> |
| <b>Prohibition of sales to EEA Retail Investors</b> | [Not Applicable][•]   |

These Final Terms are signed on behalf of the Issuer:

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Name:

## 7 Information incorporated in the base prospectus by reference

The Base Prospectus should be read and understood in connection with the following documents that are incorporated in the Base Prospectus by reference:

- i) The Issuer's audited financial annual reports for the financial years ending 31 December 2019 and 31 December 2020, and in both cases the relevant audit report, to which page references are made in the tables below
- ii) Pages 27-36 in the Issuer's Base Prospectus of 9 July 2020 for the offering of Covered Bonds and Ship Mortgage Bonds and addenda to this, which were previously published and registered with the DFSA
- iii) The Articles of Association of the Issuer
- iv) Copy of press releases from rating agencies

Information in the above-mentioned documents is deemed to be incorporated in, and form part of, this Base Prospectus, save that any statement contained in a document that is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus. Any documents or information themselves incorporated by reference, or cross-referred to, in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus unless also separately incorporated by reference above. In each case where only certain sections of a document referred to above are incorporated by reference in the Base Prospectus, the parts of the document that are not incorporated by reference are either not relevant to prospective investors in the Bonds or are covered elsewhere in this Base Prospectus.

The Issuer will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the documents that are incorporated in whole or in part by reference herein. Written or oral requests for such documents should be directed to the Issuer at its principal office set out at the end of this Base Prospectus.

For the sake of ease, the table below lists the relevant page references to the audited financial statements of the Issuer as stated in the Annual Report for the period 1 January – 31 December 2020 and the Annual Report for the period 1 January – 31 December 2019. The information incorporated by reference that is not included in the table below is considered to be supplementary information.

### Audited annual report for the Issuer, financial year 2020

|  |       |         |
|--|-------|---------|
| Management report                                | pages | 3 - 43  |
| Statement by the Management on the annual report | page  | 90      |
| Independent auditor's report                     | pages | 91 - 94 |
| Income statement                                 | page  | 45      |
| Balance sheet                                    | page  | 46      |
| Capital statement                                | pages | 78 - 79 |
| Accounting policies                              | pages | 49 - 54 |
| Notes  | pages | 48 - 88 |

Link to the Annual Report for 2020: <https://www.shipfinance.dk/investor-relations/reports-and-announcements/>

### Audited annual report for the Issuer, financial year 2019

|  |       |         |
|--|-------|---------|
| Management report                                | pages | 3 - 42  |
| Statement by the Management on the annual report | page  | 82      |
| Independent auditor's report                     | pages | 83 - 86 |
| Income statement                                 | page  | 43      |
| Balance sheet                                    | page  | 44      |
| Capital statement                                | page  | 72      |
| Accounting policies                              | pages | 47 - 51 |
| Notes  | pages | 46 - 80 |

Link to the Annual Report for 2019: <https://www.shipfinance.dk/investor-relations/reports-and-announcements/>

## **8 Use of proceeds**

### **8.1 SCBs and SMBs**

The net proceeds from each issue of SCBs and SMBs will be used by the Issuer to make loans secured against ship mortgages.

The Issuer may issue the SCBs and SMBs prior to the need to fund loans (pre-funding). The net proceeds from the issuance of SCBs can be invested in assets permissible according to CRR, article 129. The net proceeds from the issuance of SMBs may, in accordance with the Act, be invested in secure and liquid securities.

It is not relevant to state total expected net proceeds from issues under this Base Prospectus as the volume of the bond issues will depend on the development of the Issuer's business.

### **8.2 Senior Secured Bonds**

Senior Secured Bonds can be issued for the purpose of providing supplementary collateral for SCBs issued from Capital Centre A or with a view to building up overcollateralisation in support of SCBs issued from Capital Centre A or SMBs issued from the Institute in General.

The net proceeds from the issuance of Senior Secured Bonds can also be invested in assets permissible according to Article 129 of the CRR.

## 9 About the Issuer

### 9.1 Background

Danish Ship Finance dates back to 1961 when the company was formed to commence its ship financing operations under the auspices of Danmarks Skibskreditfond (Denmark's Ship Credit Fund). Danmarks Skibskreditfond was founded on 6 June 1961 by Danish banks, insurance companies, shipping companies, shipyards – represented by their trade associations – and Danmarks Nationalbank (the Danish central bank). No capital was 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 newbuildings from Danish shipyards and thereby provide a financial foundation for the ongoing development of the Danish maritime sector. This main objective still applies today.

Until the mid-1990s, the foundation was engaged in the financing of vessels built in 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 company (in Danish: *aktieselskab*). The conversion was affected via a merger with a 100% owned subsidiary, which continued as the surviving company. The merger between Danmarks Skibskreditfond and Danish Ship Finance 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 the Company's future operations, including a partial adjustment of the provisions to match those applicable to other financial businesses. As a consequence of the conversion, DKK 8,434 million of the equity has since 2005 been in the form of a tied-up reserve capital that cannot be distributed to the shareholders.

In 2015, the Board of Directors of Danish Ship Finance initiated a review of the company's future strategic direction. As part of this process, the majority of shares (86.6%) in Danish Ship Finance A/S was sold to a consortium consisting of Axcel, PKA and PFA. The Danish Maritime Fund still owns 10% of the share capital in Danish Ship Finance A/S, while the remaining 3.4% is owned by minority shareholders.

### 9.2 The Issuer

The Issuer is a privately held Denmark-based public limited company (in Danish: *aktieselskab*) that operates under Danish law.

The registered name of the Issuer is Danmarks Skibskredit A/S. The Issuer also operates under the following secondary names:

- Danish Ship Finance A/S
- Danmarks Skibskreditfond A/S
- Dansk Skibsfinansiering A/S

The Issuer, which was incorporated on 22 December 2003, is registered with the Danish Business Authority under the business registration no. (CVR-nr.) 27 49 26 49. The Issuer's LEI code is: 549300T70JXFWEXCK295. The Issuer's GIIN no. is: Q8HZ6L 99999 SL 208.

The objective of the Issuer is to provide ship financing in Denmark. In addition, the Company provides ship financing on the international market, provided that such activities do not unnecessarily limit the Company's Danish operations. (See Article 2 of the Articles of Association of Danish Ship Finance.) The existing objects clause of the Issuer is not included in the memorandum of association.

The Issuer is domiciled in Copenhagen. The Issuer's municipality of residence is Copenhagen. The Issuer is governed by Danish law and is registered in Denmark. The address and telephone number for the Issuer's registered office is:

Danish Ship Finance A/S  
Sankt Annae Plads 3  
DK- 1250 Copenhagen K  
Telephone: (+45) 33 33 93 33  
Email: [Danish@shipfinance.dk](mailto:Danish@shipfinance.dk)

Website: [www.shipfinance.dk](http://www.shipfinance.dk) (the information stated on the website shall not constitute part of the Base Prospectus unless the information is incorporated in the Base Prospectus by reference).

## 9.2.1 Share capital

The Issuer's share capital is DKK 333,333,334, divided into shares of DKK 1, corresponding to the Issuer having issued 333,333,334 shares. The share capital is fully paid up. The shares are divided into two share classes. The class A shares in the nominal amount of DKK 300,000,000 are held by Danish Ship Finance Holding A/S and a small number of minority shareholders. The class B shares in the nominal amount of DKK 33,333,334 are held by Den Danske Maritime Fond (the Danish Maritime Fund).

The two classes of shares differ with respect to voting and dividend rights. Class A shares carry 10 votes each at the Issuer's general meeting, whereas class B shares carry one vote each. Furthermore, before any dividends are distributed to all of the shareholders, the class B shareholder will receive a preference dividend of 15% of the Issuer's annual profit after tax provided that Den Danske Maritime Fond (the Danish Maritime Fund) owns the class B shares. However, dividend payments to the class B shareholder must not exceed a maximum amount corresponding to 1% of the Issuer's tied-up capital. If the Issuer records a loss after tax in any one year, such loss will be deducted when calculating the basis for distributing preference dividends to the class B shareholder the following year. Similarly, the class A shareholders will not receive any dividends or distributions in connection with a capital reduction until the tied-up reserve capital used, in whole or in part, to cover prior-year losses has been fully restored.

The shares are issued to named holders and recorded in the Issuer's register of shareholders.

No share certificates are issued.

According to article 3.3 of the Issuer's Articles of Association, any transfer of shares is subject to the consent of the Board of Directors.

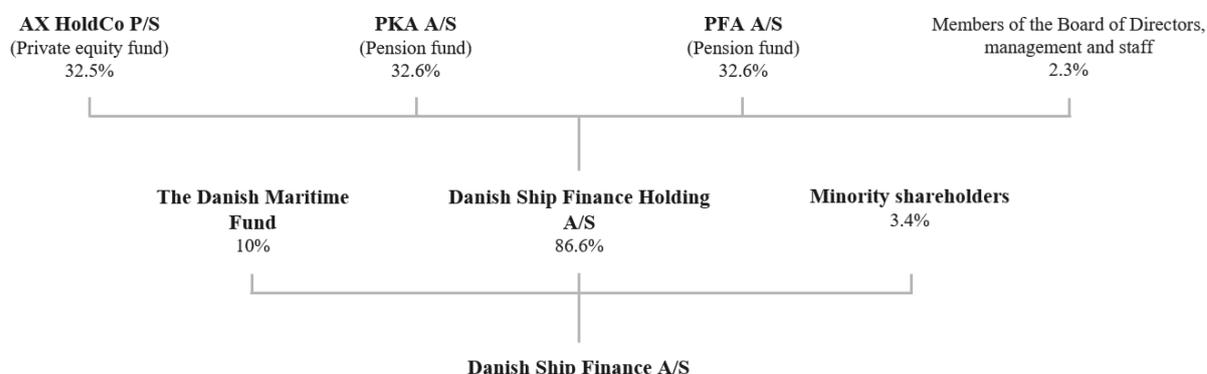
## 9.2.2 Ownership structure

The Issuer is a subsidiary of Danish Ship Finance Holding A/S, which holds 86.6% of the shares. In addition, Den Danske Maritime Fond (the Danish Maritime Fund) holds 10% of the shares, while the remaining 3.4% is held by a small number of minority shareholders.

Danish Ship Finance Holding A/S is a holding company, mainly owned by Axcel (AX IV HoldCo P/S), PFA Pension and PKA (The Social Workers', Social Pedagogues' and Office Staff Pension Fund, the Healthcare Professionals' Pension Fund and the State Registered Nurses' and Medical Secretaries' Pension Fund) (close to 33% each). Members of the Board of Directors, Executive Board, Danish Ship Finance Holding A/S and employees of Danish Ship Finance hold 2.3%.

The Issuer currently has no subsidiaries but may take over companies from time to time in the course of restructuring and settling non-performing loans.

### OWNERSHIP STRUCTURE



The Issuer does not depend directly on other entities in the Group to carry out its principal activities.

The Act and the Danish Companies Act (in Danish: *selskabsloven*) lay down the rules to prevent abuse by a major shareholder of a controlling interest. The Issuer has not taken any special precautions to prevent Danish Ship Finance Holding A/S's abuse of its controlling interest in the Issuer.

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

The Issuer is aware of Danish Ship Finance Holding A/S having issued Tier 2 capital instruments, which, under certain conditions (if common equity Tier 1 is lower than 7%), may be converted into shares in Danish Ship Finance Holding A/S, which may result in a change of control of Danish Ship Finance Holding A/S and, thus, indirectly of the Issuer.

Finally, the Issuer is aware that the shareholders in Danish Ship Finance Holding A/S have entered into a shareholders' agreement that may subsequently, under certain circumstances, result in a change of control of Danish Ship Finance Holding A/S and, thus, indirectly of the Issuer.

### 9.2.3 The Issuer's approved business areas

The Issuer has been permitted by the DFSA to perform activities as a ship finance institute according to the Act.

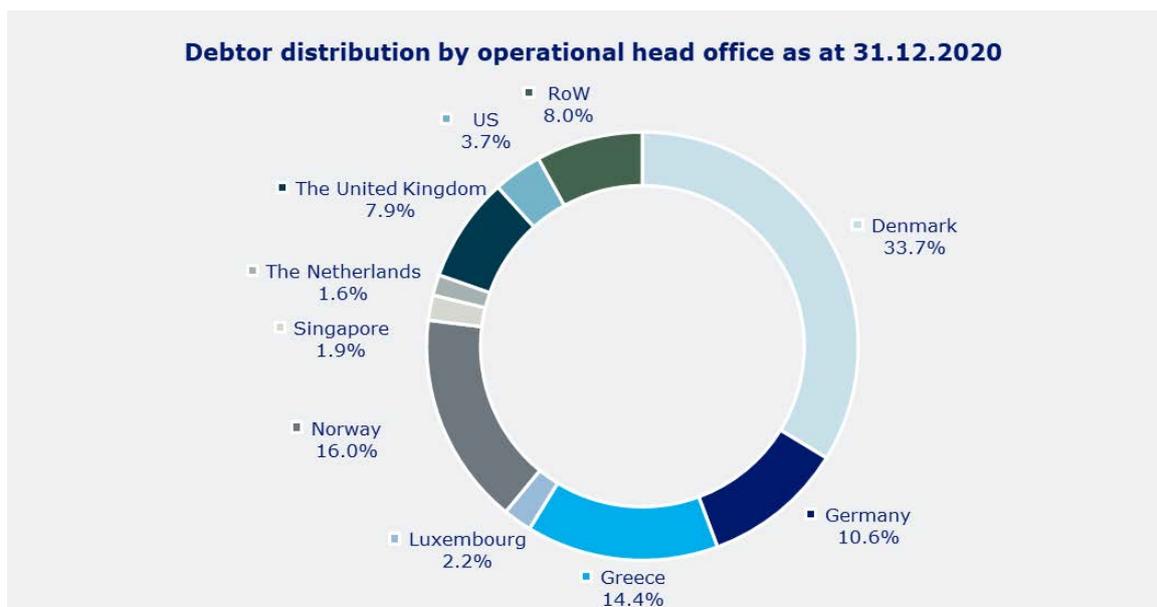
### 9.2.4 Area of activity

As of 31 December 2020, the Issuer's loan book equalled DKK 33.6 billion, collateralised by a total of 792 vessels.

The object of the Issuer 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 the Issuer is to provide ship financing in Denmark. In addition, the Issuer provides ship financing in the international market provided that those activities do not unnecessarily limit the Company's Danish operations.

The Issuer intends to develop new mortgage finance products and pursue new business opportunities within the ship mortgage finance business and to the extent it is deemed commercially viable. At the date of this Base Prospectus, the Issuer has no plans to introduce significant new mortgage credit products or pursue new business opportunities.

The Issuer's principal market is Denmark. Other principal markets are the rest of Europe, North America and Asia.



### 9.2.5 Risk organisation

The Issuer has a two-tier management structure:

- The Board of Directors defines the Issuer'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 incentive structure, the Board of Directors has also set up a remuneration committee.

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

For further information, see the Issuer's risk report, which is available on the Issuer's website (<https://www.shipfinance.dk/investor-relations/risk-and-capital-management/>)

### 9.2.6 Capital structure

The tables below based on the Issuer's Annual Report 2019 and the Annual Report 2020 show the Issuer's capital structure, capital ratios, adequate capital base and buffer requirements.

| <b>DKK MILLION</b>   | <b>2020</b>  | <b>2019</b>  |
|--|--------------|--------------|
| <b>CAPITAL ADEQUACY</b>  |              |              |
| <b>Common Equity Tier 1 capital</b>  |              |              |
| Share capital A shares   | 300          | 300          |
| Share capital B shares   | 33           | 33           |
| Tied-up reserve capital  | 8,343        | 8,343        |
| Retained earnings  | 471          | 412          |
| Proposed dividends for the financial year  | 59           | 133          |
| Revaluation reserves   | 70           | 38           |
| <b>Total Common Equity Tier 1 capital</b>  | <b>9,275</b> | <b>9,260</b> |
| <b>Deductions from Common Equity Tier 1 capital</b>                                      |              |              |
| Proposed dividends for the financial year  | 59           | 133          |
| Additional capital charge pursuant to the Executive Order<br>on a Ship Finance Institute | -            | -            |
| Prudent valuation pursuant to Article 105 of the CRR                                     | 28           | 28           |
| Deductions pursuant to transitional rules regarding B share capital                      | 33           | 33           |
| <b>Total deductions from Common Equity Tier 1 capital</b>                                | <b>119</b>   | <b>195</b>   |
| <b>Common Equity Tier 1 capital after deductions</b>                                     | <b>9,156</b> | <b>9,065</b> |
| <b>Own funds after deductions</b>  | <b>9,156</b> | <b>9,065</b> |

| <b>DKK MILLION</b>   | <b>2020</b>   | <b>2019</b>   |
|--|---------------|---------------|
| <b>Risk exposure amount</b>                                  |               |               |
| Assets outside the trading book                              | 32,309        | 40,069        |
| Off-balance sheet items                                      | 1,862         | 1,732         |
| Counterparty risk outside the trading book                   | 2,255         | 1,953         |
| Market risk  | 3,736         | 4,211         |
| Operational risk   | 880           | 1,056         |
| <b>Total risk exposure amount</b>                            | <b>41,042</b> | <b>49,020</b> |
| <b>Common Equity Tier 1 capital ratio</b>                    | <b>22.3</b>   | <b>18.5</b>   |
| <b>Tier 1 capital ratio</b>                                  | <b>22.3</b>   | <b>18.5</b>   |
| <b>Total capital ratio</b>                                   | <b>22.3</b>   | <b>18.5</b>   |
| <b>The risk exposure amount for market risk consists of:</b> |               |               |
| Position risk related to debt instruments                    | 3,454         | 3,952         |
| Position risk related to shares                              | 18            | 7             |
| Total currency position                                      | 265           | 253           |
| <b>Total risk exposure amount for market risk</b>            | <b>3,736</b>  | <b>4,211</b>  |

### 9.2.7 Financing

No material changes have taken place to the Issuer's credit requirements and financial structure since the latest annual report. The Issuer finances its lending activity through issues of SCBs and SMBs.

### 9.2.8 Selected financial information

Audited financial information, including the income statement, balance sheet, statement of changes in equity, capital statement and accounting policies, as well as notes for the latest two financial years, is set out in Annual Report 2019 and Annual Report 2020 of the Issuer. See section 7 "INFORMATION INCORPORATED IN THE BASE PROSPECTUS BY REFERENCE". The auditors' report is included in the Issuer's annual reports for 2019 and 2020.

The above-mentioned financial data were prepared in accordance with the national rules, the Danish Financial Business Act, including the Executive Order No. 281 of 26 March 2014, as amended most recently through the Executive Order No. 1441 of 3 December 2018 on Financial Reports for Credit Institutions and Investment Companies, etc., as consistent with the International Financial Reporting Standards ("IFRS").

### 9.2.9 Lawsuits or arbitration proceedings against the Issuer

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

### 9.2.10 Material contract

As of the date of this Base Prospectus, the Issuer has not entered into material contracts outside its normal course of business that could cause the Issuer to assume obligations or acquire rights that would affect the Issuer's ability to meet its obligations towards the Bondholders with respect to the Bonds.

### **9.2.11 Rating**

The Issuer currently has an S&P issuer rating of BBB+ (stable). The Issuer's SCBs from Capital Centre A have an S&P programme rating of A (stable). The Issuer's SMBs from the Institute in General have an S&P programme rating of A (stable). The rating of any Senior Secured Bonds issued by the Institute in General is expected to reflect the Issuer's issuer rating.

## 10 Board of Directors and Executive Board of the Issuer

### 10.1 Board of Directors

#### **Eivind Kolding**

Chairman of the Board  
Chairman of the Remuneration Committee

Directorships and executive positions:

- Chairman of Nordic Transport A/S
- Chairman of CASA A/S (and one group company)
- Vice Chairman of Leo Fondet (and one group company)
- Member of the Board of Directors:
  - o BiQ ApS
  - o NNIT A/S
  - o Altor Fund Manager AB

#### **Peter Nyegaard, CFO and Partner, Axcel**

Deputy Chairman of the Board  
Member of the Audit Committee

Directorships and executive positions:

- Chairman of FIH
- Member of the Board of Directors of Øens Murerfirma A/S
- Chairman/member of a number of boards in the Axcel Group

#### **Anders Damgaard, Group CFO, PFA Pension**

Chairman of the Audit Committee

Directorships and executive positions:

- Member of the Board of Directors:
  - o Blue Equity Management A/S
  - o Danish Ship Finance Holding A/S
  - o PFA Asset Management A/S
  - o PFA Bank A/S
  - o PFA DK Boliger Høj A/S
  - o PFA DK Boliger Lav A/S
  - o PFA Ejendomme Høj A/S
  - o PFA Ejendomme Lav A/S
  - o PFA Europe Real Estate High A/S
  - o PFA Europe Real Estate Low A/S
  - o PFA Europe Real Estate Medium A/S
  - o PFA Kapitalforening
  - o PFA Kollegier ApS
  - o PFA Sommerhuse ApS
  - o PFA US Real Estate Medium P/S
  - o PFA Nordic Real Estate Low P/S

#### **Christian Frigast, Partner, Axcel**

Member of the Remuneration Committee

Directorships and executive positions:

- Chairman of the Board of Directors:
  - o Axcel Management
  - o Danish Ship Finance Holding A/S
  - o EKF (Denmark's Export Credit Agency)
  - o Aktive Ejere (Active Owners)
  - o The Board Leadership Society in Denmark
- Vice Chairman of the Board of Directors:
  - o Pandora
  - o PostNord
  - o Axcelfuture, Axcel's think tank
  - o Axcel Advisory Board
- Member of the Board of Directors:
  - o Nissens A/S
- Associate professor at CBS (Copenhagen Business School)

**Thor Jørgen Guttormsen**

Member of the Remuneration Committee

Directorships and executive positions:

- Member of the Board of Directors:
  - o Høegh Autoliners
  - o Høegh LNG AS
  - o Høegh LNG Holdings Ltd (alternate)
  - o Telenor Maritime AS
  - o Aequitas Ltd

**Jacob Meldgaard, CEO, Torm A/S**

Member of the Remuneration Committee

Directorships and executive positions:

- Chairman of the Board of Directors:
  - o Danish Shipping (Danske Rederier)
  - o Grant Compass
- Member of the Board of Directors:
  - o Syfoglomad
  - o TORM Plc (board member in five companies under TORM)

**Michael N. Pedersen, Management Executive, PKA A/S**

Member of the Audit Committee

Directorships and executive positions:

- Management Executive of:
  - o Property companies owned by the three pension funds managed by PKA A/S
  - o Ejendomsselskabet Dronningegården
  - o OPP HoldCo ApS
  - o A/S Kjøbenhavns Ejendomsselskab
  - o Forstædernes Ejendomsaktieselskab
- Chairman/member of the Advisory Board and investment committees of various foundations relating to private equity, infrastructure and micro finance due to PKA's investment in such foundations.
- Member of the Board of Directors:
  - o Danish Ship Finance Holding A/S
  - o Refshaleøen Holding A/S

- Refshaleøens Ejendomsselskab A/S
- Margretheholmen P/S
- Komplementarselskabet Margretheholm ApS
- PKA Skejby Komplementar ApS
- PKA Skejby P/S
- Hotel Koldingfjord A/S
- Fonden Dansk Sygeplejehistorisk Museum
- Poppelstykket 12 A/S
- P/S PKAE Ejendom
- Komplementarselskabet PKA AE ApS
- SAS Pilot & Navigators Pension Fund
- Investeringselskabet af 24. februar 2015 A/S
- Tuborg Havnevej I/S
- PKA Ejendomme I I/S
- PKA Ejendomme af 2013 I/S
- PKA Projektselskab I/S
- Brokvarteret P/S
- P/S Tranders Høje
- Investeringselskabet af 4. juli 2018 ApS
- Institutional Holding GP ApS
- Institutional Holding P/S
- PKA Ejendomme af 2012 I/S
- IIP Denmark P/S
- Komplementarselskabet Vilvordevej 70 ApS
- Ejendomsselskabet Vilvordevej 70 P/S
- PKA Private Funds III GP ApS
- Rugårdsvej Odense A/S
- PKA Venture I GP ApS
- Falckgården P/S
- PKA AIP A/S
- PKA Private Funds
- IV GP ApS
- IIP Denmark GP
- ApS
- DEAS Invest I A/S
- DEAS Invest I
- Holding A/S
- PS Gjellerup

**Henrik Sjøgreen, CEO, FIH A/S**

Member of the Audit Committee

Directorships and executive positions:

- CEO of FIH Holding A/S
- Chairman of Simon Fougner Hartmanns Fond
- Member of the Board of Directors:
  - Henrik Frode Obels Fond
  - Spar Nord Bank A/S
- Advisor to the Executive Board in PFA Pensionsselskab

**Ninna Møller Kristensen, Executive Assistant**

Employee representative

**Berit Koertz, Senior Relationship Manager**

Employee representative

**Nanna Flint, Controller**

Employee representative

**Christopher Rex, Head of Innovation and Research**

Employee representative

## **10.2 Executive Board**

**Erik I. Lassen, Chief Executive Officer**

**Lars Jebjerg, Chief Financial Officer**

**Michael Frisch, Chief Commercial Officer**

## **10.3 The company address for the Board of Directors and the Executive Board of the Issuer is:**

Danish Ship Finance A/S  
Sankt Annae Plads 3  
DK- 1250 Copenhagen K  
Tel. +45 33 33 93 33

## **10.4 Conflict of interest**

There are no potential conflicts between the Board of Directors and the Executive Board, between the obligations that the members of the Issuer's Board of Directors and the Executive Board have to the Issuer and their private interests and/or other obligations.

## **10.5 Board committees and good corporate governance**

The Board of Directors of the Issuer 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.

### **10.5.1 Corporate Governance**

The Board of Directors of the Issuer has decided that the Issuer must act as a listed company in relation to the outside world, including operating the company on sound business terms. This means that the Issuer, with a few exceptions due to the special ownership structure, the size and the low complexity of the company, complies with the Corporate Governance Committee's revised Recommendations (the "**Recommendations**") for good corporate governance, the Finance Denmark Management Code of November 2013 and the Active Owners Ethical Guidelines of 2019, which incorporates and complements the Recommendations.

The overall account of the Issuer's relationship with good corporate management can be found at:

<https://www.shipfinance.dk/the-company/corporate-governance/>

## 11 Taxation

The following is not a comprehensive analysis of the tax consequences arising in respect of the Bonds. Prospective purchasers of Bonds are advised to consult their tax advisers about the tax consequences under the tax laws of the country of which they are residents regarding a purchase of Bonds, including, but not limited to, the consequences of receipts of interest and sale or redemption of Bonds. The tax legislation in the member state of Prospective purchasers and the Issuer's country of registration may affect the taxation of the income from the Bonds.

The Issuer does not accept any liability for taxes withheld or for collection of withholding taxes or other taxes irrespective of where the Bonds are recorded electronically in dematerialised form.

### 11.1 Danish taxation

Below is a summary of the most essential Danish tax rules that apply in connection with the acquisition, ownership and sale of Bonds. The summary is provided for general information purposes only and does not in any way aim to constitute tax or legal advice.

#### 11.1.1 Investors subject to full tax liability in Denmark

Investors subject to full tax liability in Denmark are usually natural persons residing in Denmark or persons that are staying in Denmark for a period of at least six months only interrupted by short stays abroad for holiday or the like, or whose vital interests are in Denmark.

Any interest income and capital gains from Bonds held by natural persons are subject to Danish taxation, whereas any capital loss is tax-deductible. Any gains or losses on the Bonds are subject to the de minimis threshold of DKK 2,000 as specified in Section 14 of the Danish Capital Gains Act (in Danish: *kursgevinstloven*).

Companies etc. registered as domiciled in Denmark or with the seat of management in Denmark are usually subject to full tax liability in Denmark. Any interest income or any capital gains from Bonds held by companies taxable to Denmark are subject to Danish taxation, whereas any capital loss is tax-deductible.

Under applicable law in Denmark, no withholding taxes are levied on interest payments and payment of principal amounts from Bonds.

Interest due as well as possession, redemption and transfer of Bonds must be reported to the Danish tax authorities in accordance with applicable rules.

The Issuer is not liable for any changes in the tax treatment of the Bonds or in the tax position of the investors, including, but not limited to, any withholding taxes or other taxes imposed by foreign tax authorities.

#### 11.1.2 Investors not subject to full liability in Denmark

The following tax treatment applies solely to Bondholders who are not subject to full tax liability in Denmark or included in a Danish joint taxation scheme and who do not carry out business in Denmark through a permanent establishment.

According to the Danish tax laws in effect as of the date of this Base Prospectus, (i) payments of interest or principal amounts to any Bondholder are not subject to Danish taxation or withholding taxes, (ii) payments of interest to any Bondholder are not subject to Danish taxation or withholding taxes if the Bond is not considered as controlled debt and (iii) any gain realised upon the sale, exchange or retirement of a Bond will not be taxable in Denmark.

### 11.2 Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as ("FATCA"), a "foreign financial institution" (as defined by FATCA) may be required to withhold certain of its payments ("foreign pass-through payments") to persons failing to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions, including Denmark, 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. Under the provisions of IGAs currently in effect, a foreign financial institution in an IGA jurisdiction

would generally not be required to withhold under FATCA or an IGA from its payments. Certain aspects of the application of FATCA provisions and IGAs to instruments such as the Bonds, including whether withholdings would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, 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 Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulation defining foreign pass-through payments are published in the U.S. Federal Register, and the Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal income tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign pass-through payments are filed with the U.S. Federal Register would generally be grandfathered for the purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Bonds that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Bondholders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

## 12 Offering, price determination, sale, registration and execution, etc.

### 12.1 Terms and conditions of the offer of Bonds under the Base Prospectus

The ISIN is open for new issuance during a determined issue period. The Issuer may issue additional Bonds on the same terms during the issue period. The Issuer will typically sell Bonds in blocks to securities dealers, who may choose to sell the issuance, in whole or in part, to other investors.

Terms and conditions together with the Final Terms set out the terms and conditions for the Bonds. In the event of inconsistency between the Terms and Conditions and other parts of the Base Prospectus, the Terms and Conditions will prevail. In the event of inconsistency between the Terms and Conditions and the applicable Final Terms, the applicable Final Terms will prevail.

The issue period of the ISIN is not determined in advance. The Issuer may decide to terminate the offer during parts of the opening period. The opening period is stated in the Final Terms. The closing date for a new issuance is set out in the Final Terms.

The Issuer has not determined limitations for the number of subscriptions of each investor. The Final Terms will lay out any possibility to reduce the number of subscriptions and the method to pay back any excess amounts that investors may have paid.

The minimum amount for investment is equivalent to the denomination of the individual ISIN code. The denomination of the Bonds is disclosed in the Final Terms. From time to time, the Final Terms may state a minimum trading unit, which – if so – means that trading cannot take place in smaller units than the minimum trading unit stated. Subsequently, the denomination may be changed by the Issuer, if this is necessary in the event that Denmark should join the Eurozone.

In connection with SCBs and SMBs, the final size of the issue required (and hence the final size of the offering of the SCBs and SMBs) is not known until the ISIN code of the relevant SCBs and SMBs has been closed. The maximum amount that can be invested is the total circulating number of Bonds in the relevant ISIN. During the opening period, the volume in circulation may be increased through ongoing issues, auctions, pre-issues or block issues. When the opening period ends, no more bonds are issued in an ISIN code, and the volume in circulation can no longer increase. The volume in circulation will, on an ongoing basis, be stated on Nasdaq Copenhagen A/S's website, [nasdaqomxnordic.com](http://nasdaqomxnordic.com) (or on the website of any other relevant regulated market).

The volume in circulation of Senior Secured Bonds will vary along with the Issuer's requirement for supplementary collateral and/or excess capital adequacy. The volume in circulation will, on an ongoing basis, be stated on Nasdaq Copenhagen A/S's website, [nasdaqomxnordic.com](http://nasdaqomxnordic.com). (or on the website of any other relevant regulated market).

In general, when the Bonds are traded, the value date is two banking days (being a day on which both Danish payment systems and Danish banks located in Denmark are open for business) after the trade is executed; however, this may be derogated from.

Trading in Bonds admitted to trading in a regulated market is made public in accordance with the rules laid down in the Danish Capital Market Act (in Danish: *kapitalmarkedsloven*) and other relevant legislation.

There are no subscription rights attached to the Bonds.

The Bonds are sold either on tap in the bond market or by auction.

When Bonds are sold on tap in the bond market, the price and amount are determined in connection with the transaction, and the Bonds usually have two banking days' settlement.

Auction participants will be notified of the price and the allocated amount immediately before the auction. Bonds may be traded before they have been issued. The Issuer has no influence on trading in Bonds between third parties.

### 12.2 Plan of allocation and allotment

Generally, the Bonds can be sold in various ways:

- Sale or auction to the market via Bloomberg systems
- Syndication with organisers
- Private placements, possibly via organisers
- Nasdaq Copenhagen A/S or another regulated market

In the event of regular issues and block issues, SCBs and SMBs are sold on an ongoing basis in the bond market, and no investor has any preferential right to buy these. In connection with auctions via Bloomberg's auction system, SCBs and SMBs are allocated according to the Issuer's conditions of sale by auction. The SCBs and SMBs are allocated after a period stipulated by the Issuer.

### **12.3 Price determination**

The offer price of the Bonds is determined on market terms based on bid/ask prices. Consequently, the price will change over the life of the Bonds.

Other than the market price of the Bonds, buyers of the Bonds are, when trading with the Issuer, not charged costs other than ordinary transaction costs.

### **12.4 Placing and underwriting**

As an issuer of Bonds, the Issuer is responsible for the coordination of the entire issue. The Issuer has not entered into any agreements with paying agents or securities depositaries for Bonds recorded by VP. The Issuer has not entered into any underwriting agreement or agreement under which a third party undertakes to place Bonds. If the Issuer enters into an agreement concerning underwriting by or placement with a third party, such information will be set out in the Final Terms.

### **12.5 Agreement on admission to trading and volume of trade**

The Bonds issued under this Base Prospectus have been or are expected to be admitted to trading and to be listed on Nasdaq Copenhagen A/S. The regulated market in which the Bonds are admitted to trading is disclosed in the Final Terms. The first day of listing will appear in the Final Terms. However, the Issuer may resolve not to apply for official listing of new issues.

The Issuer may enter into an agreement on the quotation of Bonds issued under this Base Prospectus. The agreements can at any time – possibly subject to a notice period – be terminated by the parties to the agreement. The agreements can cover all or only some Bonds under this Base Prospectus. The Issuer shall be under no obligation to maintain market-maker agreements or to enter into new agreements.

### **12.6 Yield to maturity**

The yield to maturity of the Bonds cannot be stated in the Final Terms because the Bonds are issued on tap or in block issues, and the yield to maturity depends on the price and transaction date.

The yield to maturity on the Bonds offered will depend on the selling price at the time of issue, the time of issue relative to the maturity date of the Bonds and the exact composition of the series of payments of the Bonds, which may be changed after the time of issue. For bonds that may be prepaid or are regulated via an index or in which index payments are made or where the interest rate is floating or where the terms and conditions of the Bond may change, the yield to maturity may only be calculated as an approximation.

### **12.7 Registration and execution**

Unless another place of registration has been stated in the Final Terms, the Bonds will be issued in a dematerialised register with VP.

Ownership of the Bonds shall solely be documented by the items entered in the register at VP or the place of registration that is stipulated in the Final Terms. The Bonds cannot be exchanged for physical bonds.

Registration and execution of transactions in connection with the Bonds will take place in accordance with the rules and procedures in force from time to time at VP or the place of registration that is stipulated in the Final Terms.

## 12.8 Financial intermediaries

In connection with an offering of Bonds to the public, which offering is not exempted from the requirement of the Prospectus Regulation to publish a prospectus, the Issuer may, on the basis of a written agreement, accept that, according to Article 5(2) of the Prospectus Regulation, financial intermediaries may use the Base Prospectus with a view to re-sale or final placement of the Bonds, provided this is stipulated in the Final Terms. In that case, the Issuer agrees to the use of the Base Prospectus. The Issuer declares that it assumes responsibility for the contents of the Base Prospectus, also in connection with re-sale or final placement of the Bonds via financial intermediaries who have been given an undertaking as regards the use of the Base Prospectus.

**Financial intermediaries using this Base Prospectus are obliged to state on their website that they use this Base Prospectus in accordance with the related consent and its conditions.**

Financial intermediaries who have been given the Issuer's consent on the basis of a written agreement shall hereafter be referred to as “**Authorised Financial Intermediaries**”. The Issuer will update the Base Prospectus on an ongoing basis, possibly through supplements, when necessary, with a view to being able to issue Bonds continuously that can be admitted to trading in a regulated market. The consent can be in force as long as this Base Prospectus is valid – i.e. up to 12 months from the approval date of the Base Prospectus, however, subject to the prior revocation, cancellation or replacement of this Base Prospectus. In such events, the Issuer will issue a corporate announcement to that effect. Any conditions relating to the consent made to Authorised Financial Intermediaries will be set out in the Final Terms for the specific issue and the attached summary for the specific issue. At the time of approval of the Base Prospectus, no consent was given on the basis of a written agreement to any financial intermediary. Authorised Financial Intermediaries may use the Base Prospectus in Denmark, the EU and the UK at re-sale or final placement of the Bonds.

In connection with an offering of Bonds to the public, which offering is not exempted from the requirement of the Prospectus Regulation to publish a prospectus, the Issuer has, except for the instances mentioned above, not given its consent that any financial intermediary or other natural or legal person may use the Base Prospectus for a public offering of Bonds, and hence the use of the Base Prospectus is not permitted. Such public offering to which the Issuer has not given its consent for the use of the Base Prospectus has not been made by the Issuer nor on behalf of the Issuer. Consequently, the Issuer shall not assume any responsibility or liability to pay damages for such offering or the persons who make the offering.

In connection with an offering of Bonds to the public, which offering is not exempted from the requirement of the Prospectus Regulation to publish a prospectus, any investor in the Bonds who buys, sells or is being offered these by Authorised Financial Intermediaries acts according to an agreement between the investor and the Authorised Financial Intermediary, and the Issuer is not party to such agreements. **Authorised Financial Intermediaries, if any such make an offering, shall inform the investors of the terms and conditions of the offering at the time when the offering takes place.**

No financial intermediary has participated in the preparation of the Base Prospectus and therefore no financial intermediary shall assume responsibility for the information stated in this.

This Base Prospectus does not constitute an offer or a solicitation from or on behalf of any financial intermediary to subscribe for or buy securities. To the greatest extent possible that it is allowed by law, any financial intermediaries disclaim responsibility for the content in this Base Prospectus or a declaration or allegation made by others in connection with the Issuer or the issue of securities under the Base Prospectus. Any financial intermediaries hence disclaim any responsibility, whether this arises contractually or non-contractually (except for what is described above) and which otherwise could be related to this Base Prospectus or such a declaration.

## 13 Sales and trading restrictions

The Issuer has not, as of the date of this Base Prospectus, entered into any Programme dealer or underwriting agreement with any third party in relation to potential contractual arrangements for offering and/or placing Bonds, but the Issuer may, from time to time, enter into such agreements or arrangements with any financial intermediary in respect of any issue of Bonds.

### 13.1 United States

The Bonds 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 or benefit 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 financial intermediary in relation to an issuance of Bonds will be deemed to represent and agree (and, if a subscription agreement will be entered into in relation to an issuance of Bonds, will be required to represent and agree) that it will not offer, sell or deliver such Bonds (a) as part of their distribution at any time, or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant financial intermediary or, in the case of an issuance of Bonds on a syndicated basis, the relevant lead manager, of all Bonds of the issue of which such Bonds are part, 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. Each financial intermediary will be also be deemed to agree (and, if a subscription agreement will be entered into in relation to an issuance of Bonds, will be required to agree) that it will send to each financial intermediary to which it sells any Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds 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 under the Securities Act.

Until 40 days after the commencement of the offering of any issue of Bonds, an offer or sale of such Bonds within the United States by any financial intermediary (whether or not participating in the offering) 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.

### 13.2 Prohibition of sales to EEA retail investors

Unless the Final Terms in respect of any Bonds specify “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each financial intermediary in relation to an issuance of Bonds will be deemed to represent and agree (and, if a subscription agreement will be entered into in relation to an issuance of Bonds, will be required to represent and agree) that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds that are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- i) 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 Directive 2016/97 (as amended, 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; or
  - c. not a qualified investor as defined in point (e) of Article 2 of the Prospectus Regulation; and
- ii) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

If the Final Terms in respect of any Bonds specify “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area (each, a “**Relevant Member State**”), each financial intermediary in relation to an issuance of Bonds will be deemed to represent and agree (and, if a subscription agreement will be entered into in relation to an issuance of Bonds, will be required to represent and agree) that it has not made and will not make an offer of Bonds that is the subject of the offering contemplated by this Base Prospectus as completed by the relevant Final Terms to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

- i) if the applicable Final Terms specify that an offer of those Bonds may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant Member State (a “**Non-Exempt Offer**”), following the date of publication of a prospectus in relation to such Bonds that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the applicable Final Terms, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-Exempt Offer;
- ii) at any time to any legal entity that is a qualified investor as defined in point (e) of Article 2 in the Prospectus Regulation;
- iii) at any time to fewer than 150 natural or legal persons, subject to obtaining the prior consent of the relevant financial intermediary or financial intermediaries nominated by the Issuer for any such offer;
- iv) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation;

provided that no such offer of Bonds referred to in (ii) to (iv) above requires the Issuer or any financial intermediary to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means, presenting sufficient information on the terms of the offer and the Bonds to be offered, so as to enable an investor to decide to purchase or subscribe for the Bonds as defined in point (d) of Article 2 of the Prospectus Regulation.

### 13.3 United Kingdom

Each financial intermediary in relation to an issuance of Bonds will be deemed to represent and agree (and, if a subscription agreement will be entered into in relation to an issuance of Bonds, will be required to represent and agree) that:

- i) in relation to any Bonds that have a maturity of less than one year, (i) it is a person whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or as agent) for the purposes of their businesses where the issuance of the Bonds would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “**FSMA**”) by the Issuer;
- ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issuance or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

### 13.4 Japan

The Bonds 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 financial intermediary in relation to an issuance of Bonds will be deemed to represent and agree (and, if a subscription agreement will be entered into in relation to an issuance of Bonds, will be required to represent and agree) that it will not offer or sell any Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Article 6, Paragraph 1, Item 5, of the Foreign Exchange and Foreign Trade Act (Act no. 228 of 1949, as amended)), or to others for re-offering or re-sale, 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.

### 13.5 Denmark

Each financial intermediary will be required to represent and agree that it has not offered or sold and will not offer, sell or deliver any of the Bonds directly or indirectly in the Kingdom of Denmark by way of public offering unless in compliance with the Danish Capital Market Act, Consolidated Act no. 1767 of 27 November 2020 governing Capital Markets, as amended and

executive orders issued thereunder and in compliance with the Executive Order on Investor Protection in connection with Securities Trading, cf. Executive Order no. 2092 of 14 December 2020, issued pursuant to the FBA to the extent applicable.

### **13.6 General**

Each financial intermediary in relation to an issuance of Bonds will be deemed to represent and agree (and, if a subscription agreement will be entered into in relation to an issuance of Bonds, will be required to represent and agree) 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 Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of such Bonds 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 neither the Issuer nor, if applicable, any other financial intermediaries in relation to such issuance of Bonds have any responsibility therefor.

Neither the Issuer nor any financial intermediary in relation to an issuance of Bonds represents that Bonds 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 such sale.

## **14 General information**

### **14.1 Approval**

The establishment of the Base Prospectus was approved by the Issuer's Board of Directors on 9 July 2020.

### **14.2 Disclosures from third parties and expert statements**

No information stated in the Base Prospectus originates from third parties, and the Base Prospectus does not include expert statements or expert reports.

### **14.3 Legal adviser**

The law firm, Bruun & Hjejle Advokatpartnerselskab, Nørregade 21, DK-1165 Copenhagen K, was legal adviser to the Issuer in connection with the preparation of the Base Prospectus.

### **14.4 Auditors**

Kasper Bruhn Udam, State-Authorised Public Accountant, and Bjørn W. Rosendal, State-Authorised Public Accountant, Deloitte Statsautoriseret Revisionsselskab, CVR no. 33 96 35 56, Weidekampsgade 6, 2300 Copenhagen S, audited the Issuer's annual reports for 2019 and 2020. Both are members of "Foreningen af Statsautoriserede Revisorer (FSR)" (The Institute of State-Authorised Public Accountants). The auditors' report was prepared in accordance with Directive 2014/56/EU and the Regulation (EU) No. 2014/537. Effective from 18 March 2021 the Issuer has changed auditors to EY Godkendt Revisionspartnerselskab, CVR no: 30700228, Dirch Passers Allé 36, DK-2000 Frederiksberg, represented by Lars Rhod Søndergaard (mne28632) and Thomas Hjortkjær Petersen (mne33748), both Danish State-Authorised Public Accountants, who will perform the future audit of the consolidated financial statements of the Issuer. The change is a consequence of the ordinary auditor rotation pursuant to the Danish Financial Business Act.

The Issuer's auditors have solely audited the annual reports to which reference is made in this Base Prospectus. All financial data included in the Base Prospectus originate from the Issuer's audited annual reports. The Base Prospectus has not been controlled or audited by the Issuer's auditors.

### **14.5 Solvency**

After the publication of the most recent annual report, no events have occurred that are to any significant degree of material relevance to the evaluation of the Issuer's solvency.

### **14.6 Future prospects**

At the date of this Base Prospectus, there has been no adverse material change in the prospects of the Issuer since the date of its latest published audited financial statements.

### **14.7 Several liability**

The borrowers of the loans financed in the individual [ISIN code] are not jointly and severally liable to the Issuer and are not entitled to receive a share of the Issuer's assets upon redemption of their loans.

### **14.8 Financial position**

The Issuer's financial position has not changed materially since the end of the most recent accounting period for which financial information has been published.

#### **14.9 Conflicts of interest**

The Issuer knows of no interests and/or conflicts of interest of significance to the offer of the Bonds. Descriptions of any interests and/or conflicts of interests that in connection with an issue of Bonds are material to the Issuer, including specification of the persons involved and the nature of the interest, will appear from the Final Terms.

#### **14.10 Trends**

On the date of this Base Prospectus, the Issuer is not aware of any trends, uncertainty, demands, commitments or events that may reasonably be expected to have a material impact on the Issuer's prospects for the current financial year.

#### **14.11 Earnings expectations or forecasts**

Earnings expectations or forecasts for the Issuer are generally not considered material to the pricing of the Bonds and are therefore not included in the Base Prospectus.

#### **14.12 Inspection of documents**

The Board of Directors and the Executive Board of the Issuer declare that the following documents are available for inspection during the life of the Base Prospectus:

- Articles of Association for Danish Ship Finance
- The Issuer's annual report and financial information, which are included in full or in part in the Base Prospectus. No further report, letters and other documents, assessments and expert statements appear in the Base Prospectus.

The documents are available for inspection in person on application to the Issuer's head office, Sankt Annae Plads 3, DK- 1250 Copenhagen K, between the hours of 09.00 and 16.00, or the documents may be inspected in electronic form on <https://www.shipfinance.dk/the-company/> or <https://www.shipfinance.dk/investor-relations/reports-and-announcements/>.