DANISH SHIP FINANCE 2022

› Interim Report – first half

COMPANY INFORMATION

COMPANY

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

Sankt Annæ Plads 3
1250 Copenhagen K
Phone: +45 33 33 93 33
Website: www.shipfinance.dk

Municipality of registered Office: Copenhagen

EXECUTIVE BOARD

Erik I. Lassen
Lars Jebjerg
Michael Frisch

BOARD OF DIRECTORS

Eivind Drachmann Kolding (Chairman)
Peter Nyegaard (Vice Chairman)
Marcus Freuchen Christensen
Anders Damgaard
Povl Christian Lütken Frigast
Thor Jørgen Guttormsen
Anna-Berit Koertz
Ninna Møller Kristensen
Jacob Balslev Meldgaard
Michael Nellemann Pedersen
Christopher Rex
Henrik Sjøgreen

AUDITORS

EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg
Company reg. no. (CVR): 30 70 02 28

MID-YEAR UPDATE TO OUR STAKEHOLDERS

The shipping industry continued to enjoy generally favourable fundamentals in the first half of the year. Continued high freight rates in most segments underpinned a healthy earnings picture for the sector. This was particularly evident in Container shipping, Dry Bulk and Product Tankers.

Strong earnings combined with overall moderate newbuild orderbooks should support credit fundamentals in most shipping segments that we are actively lending to. At the same time, we observed a resurgence of financing activity as owners took the opportunity to consolidate their positions.

We were very pleased to gain six new clients in the first half of 2022 and were equally delighted that both our existing and prospective clients for the second year in a row voted us the number one ranked ship financing institution in the Prospera industry survey.

Net profit for the first half of 2022 was DKK 118 million, a significant 76% improvement on the DKK 67 million we reported for the same period of 2021.

The loan book grew to DKK 38.0 billion as of 30 June, up from DKK 37.5 billion at year-end 2021, partly driven by USD appreciation.

The credit quality of the loan book improved further in the first half of 2022 to its strongest level for more than a decade, fuelled by positive rating migrations on the back of very healthy market conditions across most segments.

Prudent lending standards and solid secondhand vessel values underpinned a loan book with a weighted average loan-to-value ratio after impairment charges of only 44%.

Healthy credit developments and successful workouts of certain non-performing legacy loans, primarily in the Offshore segments, led to a DKK 126 million reversal of loan impairment charges in the first half of 2022.

Financial markets have been seeking to balance expectations of further central bank monetary tightening to contain inflationary pressures with the risks of recessionary outcomes. Those two outcomes are inherently conflicting and will have very different implications for asset prices. Considerable uncertainty remains and asset prices have not reacted well to this, with negative sentiment being prevalent in financial markets at the half-year stage.

Our investments of own funds in mostly Danish AAA-rated bonds again yielded a negative return in the first half of 2022. However, a strong focus on downside protection significantly mitigated the overall negative effects as markets sharply repriced for higher future interest rates. The upward shift of market interest rates will be supportive of underlying portfolio performance going forward.

Staff costs and administrative expenses remain well under control, supported by upgrades of our operational processes and systems. We continue to make targeted investments in operational excellence to enable efficient growth. We also continue to invest in our sustainability efforts.

We remain on track to deliver attractive financial results and long-term sustainable value to our owners and stakeholders, this year and beyond.

In our 2021 annual report, we laid out a number of ESG targets and key performance indicators. These unfolded according to expectations in the first half of this year. In particular, sustainability-linked shipping loans finally took off and loans linked to the reduction of carbon emissions made up approximately two-thirds of our new lending in the first half of the year.

With the green agenda advancing at high speed, the shipping industry faces very large-scale investment needs to accelerate its sustainability transformation. We intend to take a significant role in financing the transition to a sustainable shipping industry.

We are pleased to report a strong solvency ratio of 19.5% and a liquidity coverage ratio of 328%, well above the regulatory minimums of 11.5% and 100%, respectively.

In summary, we remain well on track to deliver on the expectations previously set out and continue to be confident in the prospects for Danish Ship Finance in 2022 and beyond.

Eivind Kolding
Chairman

Erik I. Lassen
Chief Executive Officer

FINANCIAL HIGHLIGHTS

KEY FIGURES

DKK MILLION[1]	1ST HALF 2022	1ST HALF 2021	FULL YEAR 2021
Net interest income from lending[2]	277	258	541
Net interest and fee income from lending[2]	267	243	573
Net interest income from investment activities[2]	(7)	(14)	(37)
Total net interest income	263	229	504
Net interest and fee income	270	244	536
Market value adjustments	(166)	(69)	(82)
Staff costs and administrative expenses	(89)	(86)	(167)
Loan impairment charges	126	(1)	39
Profit before tax	140	87	326
Net profit for the period	118	67	254
Loan book[5]	38,012	36,705	37,544
Issued bonds	41,467	40,981	43,228
Equity	9,315	9,284	9,325
Total assets	53,564	54,948	54,457
Common Equity Tier 1 capital after deductions	8,761	9,119	9,131

KEY RATIOS[1]

DKK MILLION[1]	1ST HALF 2022	1ST HALF 2021	FULL YEAR 2021
Return on equity after tax (%)	1.3	0.7	2.7
Return on investment activities (%)[3]	(1.4)	(0.5)	(0.9)
Common Equity Tier 1 capital ratio (%)	19.5	19.9	20.1
Combined capital buffer requirement (%)	11.5	11.8	11.6
Cost/income ratio (%)[4]	85.8	49.5	36.8
Equity as a % of loan book	24.5	25.3	24.8
Loan impairment ratio for the period (%)	(0.3)	0.0	(0.1)
Accumulated loan impairment charges as a % of loan book	2.4	3.2	2.6
Weighted loan-to-value ratio after loan impairment charges (%)	44	51	44
Proportion of loans covered within 60% of market value (%)	99	98	99

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

2) The link between income in the income statement and the business areas can be seen in note 3

3) Return on financial activities is calculated exclusive of the return from shares and currency.

4) The calculation of the cost/income ratio does not include loan impairment charges.

5) The loan book consists of loans and guarantees. See note 8 for further details.

MANAGEMENT'S REPORT

The Board of Directors of Danish Ship Finance A/S has today considered the Interim Report for the first half of 2022.

Danish Ship Finance A/S presents its financial statements in accordance with the rules set out in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (Executive Order on Financial Reports).

The Interim Report has been reviewed by our auditors.[1]

INCOME STATEMENT

- Net profit for the period increased to DKK 118 million, compared with DKK 67 million for the first half of 2021.
- Net interest and fee income from lending amounted to DKK 277 million, including pre-funding and hedging costs, in the first half of 2022, up 7% compared to the first half of 2021.
- Interest income from investment activities was a negative DKK 7 million, compared to a negative DKK 14 million in the first half of 2021, reflecting increasing interest rates.
- In total, net interest and fee income increased by DKK 26 million to DKK 270 million from DKK 244 million in the first half of 2021.
- Market value adjustment of securities and foreign exchange for the first half of 2022 was a net expense of DKK 166 million against a net expense of DKK 69 million in the first half of 2021, reflecting market value losses on highly rated mortgage bonds and buybacks of own bonds.
- Loan impairment charges for the first half of 2022 were a net income of DKK 126 million against a net expense of DKK 1 million for the same period in 2021.
- Staff costs and administrative expenses totalled DKK 89 million, compared to DKK 86 million recorded for the same period of 2021.
- The cost/income ratio of 85.8% was higher than in the prior-year period, primarily due to a lower result from investments activities but partly mitigated by a higher net result from lending and funding activities.

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

BALANCE SHEET AND CAPITAL STRUCTURE

- Total assets amounted to DKK 53.6 billion as at 30 June 2022 against DKK 54.5 billion as at 31 December 2021.
- Average lending was up 12% in the first half of 2022 compared to the same period in 2021.
- The loan book increased to DKK 38.0 billion as at 30 June 2022, from DKK 37.5 billion as at 31 December 2021. New loans of DKK 2.6 billion were disbursed in the period. Loan repayments and prepayments amounted to DKK 5.0 billion, while a higher USD/DKK exchange rate contributed a positive DKK 2.9 billion to the loan book measured in DKK.
- The total allowance account was reduced to DKK 0.9 billion as at 30 June 2022, from DKK 1.0 billion as at 31 December 2021.
- Issued bonds totalled DKK 41.5 billion as at 30 June 2022, a decrease of DKK 1.8 billion from 31 December 2021 and an increase of DKK 0.5 billion from 30 June 2021.Bond issuance in the first half of 2022 was DKK 1.2 billion. Maturing bonds and buybacks totalled a DKK 2.5 billion.
- The total capital ratio was 19.5% as at 30 June 2022, compared to 20.1% at year-end 2021.

An extraordinary resolution to pay dividends of DKK 105 million to A shareholders was adopted on 29 August 2022 by the Board of Directors. The dividends cover six months of accrued interest on the Tier II regulatory capital instrument[2] held in Danish Ship Finance Holding A/S and associated minority A shareholder dividends. The dividends will be paid on 15 November 2022.

Danish Ship Finance Holding A/S (DSH) owns 96,2% of the A-shares in Danish Ship Finance A/S (DSF), the operating company. Since being established in 2016, DSH has been equally owned by Axcel, PFA and PKA, with a small minority stake held by members of the Board and management. The majority owners of DSH intend now to initiate a review of the future ownership of DSH. This process may result in a sale of DSH as a whole. We welcome this process which we believe will allow DSF to further its growth trajectory, building on the strengths of our offering to customers and investors alike.

2) Another six months of accrued interest on the Tier II regulatory capital instrument was covered by the DKK 128 million dividend declared for the fiscal year 2021 and paid out in April 2022.

BUSINESS AREAS

Performance across the three main business areas diverged in the first half of 2022. Compared to the prior-year period, income from lending of DKK 276 million was higher, net funding costs of DKK 37 million were marginally higher, and investment income of a negative DKK 135 million was substantially more negative.

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

Income by business area

DKK MILLION	1ST HALF 2022	1ST HALF 2021	FULL YEAR 2021
Lending	276	261	563
Funding	(37)	(32)	(8)
Investments	(135)	(54)	(100)
Income	**105**	**175**	**455**

LENDING

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

Income, lending

DKK MILLION	1ST HALF 2022	1ST HALF 2021	FULL YEAR 2021
Net interest income	269	245	531
Net fees & commission	7	15	32
Income	**276**	**261**	**563**

Income from lending of DKK 276 million in the first half of 2022 was 6% higher than income from lending in the first half of 2021. Fees, of DKK 7 million, accounted for a lower proportion of total net income in the first half of 2022.

Higher net interest income reflected the larger average loan book in the period. The average loan book increased to DKK 38.4 billion in the first half of 2022 from DKK 34.4 billion in the same period of 2021, an increase of 12%. Credit margins remained largely unchanged compared to the same period in 2021.

In the first half of 2022, the credit quality across the loan book strengthened further from an already good level, and there were no loan defaults.

FUNDING

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

Income, funding

DKK MILLION	1ST HALF 2022	1ST HALF 2021	FULL YEAR 2021
Funding costs not covered	10	(5)	(13)
Warehousing	(35)	(8)	0
Non-business activities	(12)	(18)	4
Income	**(37)**	**(32)**	**(8)**

In total, the cost of funding activities increased by DKK 5 million year-on-year to DKK 37 million in the first half of 2022 (DKK 32 million in the first half of 2021).

During the first half-year, we issued bonds in the notional amount of DKK 1.2 billion and repurchased DKK 1.8 billion of shorter-dated own bonds.

The net cost of warehousing pre-funding proceeds by investing in liquid AAA-rated DKK government and covered bonds was DKK 35 million. The warehousing bond portfolio held DKK 5.8 billion of liquidity as at 30 June 2022.

Funding costs not covered resulted in a net profit of DKK 10 million in the first half of 2022, reflecting favourable timing of bond issuance and including associated hedging costs.

Non-business activities generated a negative result of DKK 12 million in the first half of 2022. This comprised positive contributions from prior buybacks of own bonds as well as negative mark-to-market effects of hedging present-year USD loan margin income (a corresponding positive effect will appear as net interest income from lending).

INVESTMENTS

The investments activity consists of investment of the company's own funds, core equity and amounts held in the allowance account.

Income, investments

DKK MILLION	1ST HALF 2022	1ST HALF 2021	FULL YEAR 2021
Net interest income	(7)	(14)	(37)
MV adjustments	(128)	(40)	(62)
Total Income	**(135)**	**(54)**	**(100)**

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

The investment portfolio faced significant headwinds in the first half of 2022, caused by a significant repricing of market yield curves and credit spreads as central banks globally began the process of increasing policy interest rates on the back of the highest rates of inflation observed in a generation. Major central banks either started increasing rates or announced their intention to do so, thus ending the period of extraordinary monetary stimulus since the Great Financial Crisis. Anticipation of higher interest rates unsettled markets, causing mark-to-market losses.

Net income from investments in the first half-year was negative at DKK 135 million, a return of a negative 1.4%. The very conservative risk profile maintained throughout the first half of the year was instrumental in a relative outperformance compared to many peers during historically difficult market conditions as fixed-income markets sharply repriced to a new environment.

THE SHIPPING MARKET

The world economy is experiencing severe challenges. Commodity and financial markets have been greatly affected by the war in Ukraine and global supply chain problems. Inflation concerns have rapidly become a major driver of policy. Growth in major economies has dramatically slowed and some economies may enter a recession.

The Russian invasion of Ukraine and the subsequent sanctions against Russia have created a shortage of various goods, including energy and foodstuffs. In addition, supply chains have not yet recovered from the effects of Covid-19 lockdowns and many manufacturers are still struggling to meet demand. Consequently, inflation rates are surging, keeping a lid on global economic output. The IMF now projects global GDP growth declining to 3.2% in 2022 and 2.9% in 2023.

Inflation rates are projected to stay high throughout 2022 and the first half of 2023. The IMF estimates that consumer prices will increase by 6.6% in advanced economies and 9.5% in developing economies this year. The high inflation rates have forced central banks to raise interest rates, thereby reducing growth and exposing debt vulnerabilities, especially in developing economies.

While Covid-19 restrictions have been lifted in most countries, China continues to enforce a zero-tolerance policy towards Covid-19. This is hampering economic activity, as cities, ports and manufacturing sites are being temporarily closed in the event of nearby outbreaks. In addition, there has been a growing uncertainty related to the Chinese real estate market. Consequently, growth in the world's second-largest economy is being dampened, which is affecting most of Asia as well as commodity trade.

This year, growth in global trade is moderating after strong growth in 2021. The war in Ukraine and a rebalancing of consumption towards services is constraining traded goods volumes. In shipping, the Container and Dry Bulk segments have continued to perform strongly, and other segments have started experiencing positive trends - albeit mostly driven by goods and commodities being transported on longer voyages due to global supply chain inefficiencies. According to the WTO, world trade volumes are expected to increase by 3% in 2022.

The ClarkSea Index, which measures average earnings across the main shipping segments, increased by approximately USD 12,000 per day to USD 43,000 per day in the first half of 2022, just shy of 40%. The improved freight rate environment has resulted in strong earnings in most shipping segments. The average secondhand price index increased by 15% during the period. Growth rates have recently begun to ease off after 18 months of elevated levels.

The macroeconomic outlook represents a double-edged sword for the shipping industry. Disruptions to the global energy market and logistical bottlenecks are causing travel distances to lengthen, thereby contributing to higher freight rates. Still, the global demand outlook is burdened by the risk of sharply lower or even negative economic growth in Europe, the United States and China, the three markets driving demand across most shipping segments.

The industry at large is well positioned to navigate in a future market with lower demand and freight rates. Earnings have – in some segments – been high for 18 months, asset prices have increased more or less in tandem with earnings, and few older vessels have been scrapped. Shipyards have been largely filled with orders for Container and Gas Carriers until 2025, which has imposed strict capital discipline across other segments. The supply side is therefore expected to show only a small increase during the next three years. Container and Gas Carriers, however, are scheduled for a period of extraordinary fleet expansion that may create freight rate volatility until demolition of older vessels has rebalanced the market. Fleet availability across segments may be reduced by the introduction of new environmental regulation from 2023 that will force older vessels to slow down.

The shipping segments

The Container market stayed extraordinarily high during the first half of 2022, but sentiment is softening, which may indicate that the market has passed its peak. Infrastructural bottlenecks are still sizeable and continue to support the extremely positive market. However, vessel availability has increased, as port congestion on the North American West Coast and closures of ports in China has eased, while demand has stagnated. Consequently, the market has started to show signs of weakening. Freight income and asset prices are likely to deteriorate from 2023 alongside the massive delivery of new vessels ordered during the last two years of high earnings.

The positive trends in the Dry Bulk market have continued in 2022, although macroeconomic challenges and the war in Ukraine calmed demand growth towards the summer. The midsize and small vessels have experienced strong freight rates, while larger vessels have struggled to keep level. Chinese Covid-19 restrictions, uncertainty surrounding the real estate market in China, and years of high fleet growth are keeping a lid on Capesize rates and secondhand prices. Low fleet growth provides cover for the small and midsize vessels despite expectations of very little volume growth in the second half of 2022.

Crude and Product Tanker earnings experienced an increase in the first half of 2022, which primarily favoured Product Tankers and smaller-sized Crude Tankers. The higher earnings have partly been supported by longer travel distances due to Russian oil increasingly being sanctioned by western countries, as well as a rebound in global oil demand. However, global oil supply has struggled to keep pace, as some OPEC countries have been unable to meet their production targets, while oil output from Russia has gradually declined. Although oil demand and tanker earnings are expected to increase in the short term, the outlook is challenged by the growing risk of a global recession, high inflation and a shortage of oil supply.

Global gas shipping demand increased in the first half of 2022, as disruption in energy markets caused higher trade volumes to be diverted to Europe. Major export countries have seen production fully utilised and investments in infrastructure and liquefication projects are increasing. The outlook for freight rates and secondhand prices for Gas Carriers is positive in the short term due to tight supply levels. However, the long-term outlook is negative, since supply is expected to run ahead of cargo availability. A large orderbook continues to weigh on the outlook for Gas Carriers, even though freight rates and secondhand prices increased during the first half of 2022.

The Offshore market continued to improve in the first half of 2022, driven by both the offshore oil & gas and wind industries. Earnings have increased across all segments, although they are still at a low level. A rebound in global oil demand and a shift away from Russian oil and gas have encouraged more investment into the Offshore market – especially in the North Sea region. Average fleet utilisation was fairly stable in the first six months of 2022 at around 65%. The outlook is relatively optimistic in the short term, with demand expected to increase for flexible Offshore vessels that can operate in both the wind and oil & gas industries.

The Ro-Ro, Ferry and Car Carrier markets experienced increased freight rates in the first six months of 2022. The supply side looks manageable for these segments, but volume growth could be muted if the current macroeconomic uncertainties lead to a global economic recession.

COMPETITION

We are continuing to observe strong interest from financial institutions in financing shipowners with strong balance sheets. As major shipping segments are enjoying high earnings currently, many finance providers seemed to increase their appetite for shipping exposure during the first half of 2022. During the first quarter of the year, increased competition led to reduced margins for new loans, but the general spread widening in credit markets during the second quarter started to impact ship finance as well, with widening spreads reflecting lenders' overall increased funding costs.

We expect competition to remain strong during the second half of 2022.

Sustainability-linked loans are increasingly being sought after by shipowners and offered by the financial institutions providing the loans. This trend is set to continue.

IMPACT OF USD ON THE INCOME STATEMENT

The USD/DKK exchange rate for the first half of 2022 averaged just over 6.81, compared with 6.18 for the same period in 2021. All else being equal, this had a positive impact of DKK 18 million on net interest and fee income in the period. As parts of net interest and fee income in USD were hedged during the comparison period, the net effect is not this exact figure.

The USD/DKK exchange rate of 7.16 as at 30 June 2022 was 9% higher than the USD/DKK exchange rate of 6.56 as at 31 December 2021, which, all else being equal, increased loan impairment charges in the first half of 2022 by DKK 25 million.

EVENTS SINCE THE BALANCE SHEET DATE

No events occurred in the period up to the presentation of the Interim Report which materially affect the financial position.

OUTLOOK FOR THE SECOND HALF OF 2022

Taking stock at the mid-point of the year, we maintain our positive outlook for 2022. Our expectation continues to be that the full-year financial result will markedly exceed the result realised for 2021.

We maintain our financial outlook for 2022, with a guidance range for full-year net profit of DKK 275 million – DKK 335 million. The outlook is underpinned by a generally benign shipping environment and our solid portfolio credit quality.

Full-year net profit may come in at the high end of the guidance range if new lending continues at a similar pace to that experienced in the second quarter, credit quality remains benign, and our own funds investments generate a positive return in the second half of the year.

If short-term interest rates increase to the levels the market is expecting, this will provide a very strong earnings uplift from our own funds investment portfolio, which will gradually begin to take effect from the second half of the year.

The full year result could exceed our current expectations if ongoing workout of legacy non-performing loans lead to further reversals of loan impairment charges or reversal of prior-year write-offs in the second half of the year.

We believe the shipping market outlook for most major segments remains supportive. Orderbooks are well balanced in a historical context, which indicates a healthy supply-demand balance.

Our credit outlook for the second half of 2022 remains benign, supported by still-strong overall vessel values and prudent financial management by shipowners. We expect the stock of remaining problem loans to gradually diminish over time.

Our operations remain well capitalised, making us comfortably able to support our clients and continue growing the loan book. We do not foresee any major negative regulatory risks in the medium term.

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

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

RISKS TO THE FULL-YEAR OUTLOOK

The business outlook remains subject to market factors and elements beyond our direct control. Uncertainties related to global politics, conflicts, epidemics, macro-economics and global trade may impact the shipping markets. Unexpected credit or market events could lead to a reassessment of the outlook. Adverse conditions in financial markets, in particular primary and secondary bond markets, interest rate and foreign exchange markets, may affect the financial performance of the company.

Our mostly AAA-rated fixed income investment portfolio is exposed to temporary mark-to-market losses in adverse financial market conditions, as fixed income markets experienced in the first half of 2022 when central banks started to signal an end to very accommodative monetary policies. A significant further deterioration of financial market sentiment, particularly in the Danish and European fixed income markets, would put our expectations for the second half-year at risk.

A continuation of supra-normal profits in major shipping segments could lead clients to further deleverage their balance-sheets, reducing the need for bank funding. This could reduce loan volumes below current expectations, although the impact on current-year net income would likely be relatively muted.

We expect a continued reduction of the remaining legacy non-performing loans. While we believe that the ECL allowance account of DKK 0.9 billion provides adequate coverage for future credit losses, adverse credit performance remains a risk to our outlook for the full-year.

A significant worsening of shipping market credit conditions compared to current expectations could lead us to change our assessment of required impairment charges for performing or non-performing loans.

Sharply increased geopolitical tension or large-scale conflict, an exacerbation of the global pandemic situation, or recessionary financial conditions could challenge our expectations for the second half-year.

Forecast lending volumes and lending income remain subject to fluctuations in currency rates, in particular the USD against the DKK.

STATEMENT BY THE MANAGEMENT

The Board of Directors and the Executive Board have today considered and approved the Interim Report of Danish Ship Finance A/S for the period 1 January - 30 June 2022.

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

In our opinion, the interim financial statements give a true and fair view of the company's assets, liabilities and financial position as at 30 June 2022 and the results of the company's activities for the period 1 January - 30 June 2022.

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

Copenhagen, 29 August 2022

EXECUTIVE BOARD

Lars Jebjerg
Chief Financial Officer

Erik Ingvar Lassen
Chief Executive Officer

Michael Frisch
Chief Commercial Officer

BOARD OF DIRECTORS

Eivind Drachmann Kolding
(Chairman)

Peter Nyegaard
(Vice Chairman)

Marcus Freuchen Christensen

Anders Damgaard

Povl Christian Lütken Frigast

Thor Jørgen Guttormsen

Anna-Berit Koertz

Ninna Møller Kristensen

Jacob Balslev Meldgaard

Michael Nellemann Pedersen

Christopher Rex

Henrik Sjøgreen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Danmarks Skibskredit A/S

We have reviewed the interim financial statements of Danmarks Skibskredit A/S for the period 1 January – 30 June 2022, which comprise income statement, balance sheet, statement of changes in equity, and notes including accounting policies. The interim financial statements are prepared in accordance with the Danish Financial Business Act.

Management's responsibilities for the interim financial statements

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

Auditor's responsibilities

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

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

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not give a true and fair view of the financial position of the Company at 30 June 2022 and of the results of the Company's operations for the period 1 January – 30 June 2022 in accordance with the Danish Financial Business Act.

Frederiksberg, 29 August 2022
EY Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28

Lars Rhod Søndergaard State Authorised Public Accountant mne28632	Thomas Hjortkjær Petersen State Authorised Public Accountant mne33748

INCOME STATEMENT

NOTE	DKK MILLION	1ST HALF 2022	1ST HALF 2021	FULL YEAR 2021
	Interest income	578	563	1,129
	Interest expenses	(315)	(334)	(625)
	Net interest income[1]	**263**	**229**	**504**
	Fee and commission income	7	15	32
	Net interest and fee income	**270**	**244**	**536**
4	Market value adjustments	(166)	(69)	(82)
	Other operating income	1	0	1
	Staff costs and administrative expenses	(89)	(86)	(167)
	Depreciation and impairment of property, plant and equipment	(1)	(1)	(2)
7	Loan impairment charges	126	(1)	39
	Profit before tax	**140**	**87**	**326**
	Tax	(22)	(19)	(72)
	Net profit for the year	**118**	**67**	**254**
	Other comprehensive income[1]	-	-	-
	Tax on other comprehensive income	-	-	-
	Other comprehensive income after tax	**-**	**-**	**-**
	Comprehensive income for the year	**118**	**67**	**254**

1) A DKK 0.3 million component of interest income reflects negative interest rates in the 1st half of 2022 (1st half of 2021: DKK 0.4 million) and a DKK 3.0 million component of interest expenses reflect negative interest rates in the 1st half of 2022 (1st half of 2021: DKK 3.4 million).

BALANCE SHEET

NOTE	DKK MILLION	AT 30 JUNE 2022	AT 30 JUNE 2021	AT 31 DEC 2021
	ASSETS			
	Due from credit institutions and central banks	1,092	977	388
5,6	Loans and other receivables at amortised cost	36,859	35,240	36,293
	Bonds at fair value	15,008	16,846	16,007
	Shares, etc.	25	0	-
	Land and buildings			
	Owner-occupied properties	332	330	332
	Other tangible assets	6	6	6
	Current tax assets	-	-	7
	Deferred tax assets	11	14	-
	Other assets	231	1,535	1,425
	Total assets	**53,564**	**54,948**	**54,457**

NOTE	DKK MILLION	AT 30 JUNE 2022	AT 30 JUNE 2021	AT 31 DEC 2021
	LIABILITIES AND EQUITY			
	Liabilities			
	Due to credit institutions and central banks	1,360	3,251	758
9	Issued bonds at amortised cost	41,467	40,981	43,228
	Current tax liabilities	4	50	60
	Deferred tax liabilities	-	-	108
	Other liabilities	1,386	1,364	962
	Total liabilities	**44,217**	**45,647**	**45,117**
	Provisions			
	Other provisions	33	17	16
	Total provisions	**33**	**17**	**16**
10	**Equity**			
	Share capital	333	333	333
	Tied-up reserve capital	8,343	8,343	8,343
	Revaluation reserves	70	70	70
	Retained earnings	464	538	451
	Proposed dividends for the financial year	105	-	128
	Total equity	**9,315**	**9,284**	**9,325**
	Total liabilities and equity	**53,564**	**54,948**	**54,457**
	Off-balance sheet items			
	Contingent liabilities	93	108	101
	Other contingent liabilities	4,395	3,724	3,356
	Total off-balance sheet items	**4,488**	**3,833**	**3,457**

DANISH SHIP FINANCE

STATEMENT OF CHANGES IN EQUITY

DKK MILLION	SHARE CAPITAL	TIED-UP RESERVE CAPITAL	REVALUATION RESERVES	RETAINED EARNINGS	PROPOSED DIVIDEND FOR THE FINANCIAL YEAR	TOTAL
Equity as at 1 January 2021	**333**	**8,343**	**70**	**471**	**59**	**9,275**
Dividends paid for the financial year 2020	-	-	-	-	(59)	(59)
Comprehensive income	-	-	-	67	-	67
Equity as at 30 June 2021	**333**	**8,343**	**70**	**538**	**-**	**9,284**
Extraordinary dividends	-	-	-	(146)	-	(146)
Comprehensive income	-	-	-	59	128	187
Equity as at 31 December 2021	**333**	**8,343**	**70**	**451**	**128**	**9,325**
Dividends paid for the financial year 2021	-	-	-	-	(128)	(128)
Comprehensive income	-	-	-	13	105	118
Equity as at 30 June 2022	**333**	**8,343**	**70**	**464**	**105**	**9,315**

LIST OF NOTES

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DKK MILLION

NOTE 1 ACCOUNTING POLICIES

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

The interim financial statements are presented in Danish kroner (DKK) and in millions unless otherwise stated.

The accounting policies are unchanged from the policies applied in the Annual Report 2021. The Annual Report 2021 provides a more detailed description of the accounting policies, including the definitions of the ratios used, which are calculated in accordance with the definitions laid down in the Executive Order on Financial Reports.

The preparation of the interim financial statements is based on Management's estimates and judgements of future events that may significantly affect the carrying amounts of assets and liabilities. As was the case in the Annual Report 2021, the amounts most influenced by critical estimates in the Interim Report are the fair value of financial instruments as well as measurement and impairment of loans.

NOTES

DKK MILLION	1ST HALF 2022	1ST HALF 2021	FULL YEAR 2021
NOTE 2 KEY FIGURES			
Net interest income from lending	270	243	541
Net interest income from investment activities	(7)	(14)	(37)
Total net interest income	263	229	504
Net interest and fee income	270	244	536
Market value adjustments	(166)	(69)	(82)
Staff costs and administrative expenses	(89)	(86)	(167)
Loan impairment charges	126	(1)	39
Profit before tax	140	87	326
Net profit for the period	118	67	254
Loans	36,859	35,240	36,293
Bonds	15,008	16,846	16,007
Equity	9,315	9,284	9,325
Total assets	53,564	54,948	54,457

DKK MILLION	1ST HALF 2022	1ST HALF 2021	FULL YEAR 2021
NOTE 2 CONTINUED KEY RATIOS			
Common Equity Tier 1 capital ratio (%)	19.5	19.9	20.1
Tier 1 capital ratio (%)	19.5	19.9	20.1
Total capital ratio (%)	19.5	19.9	20.1
Return on equity before tax (%)	1.5	0.9	3.5
Return on equity after tax (%)	1.3	0.7	2.7
Income/cost ratio[1]	(2.9)	2.0	3.5
Income/cost ratio (excluding loan impairment charges)	1.2	2.0	2.7
Foreign exchange position (%)	5.5	5.0	3.1
Gearing of loans	4.0	3.8	3.9
Growth in lending for the period (%)	1.6	10.3	13.6
Loan impairment ratio for the period (%)	(0.3)	0.0	(0.1)
Accumulated loan impairment charges as a % of loan book	2.4	3.2	2.6
Rate of return on assets (%)	0.2	0.1	0.5

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

1) In accordance with the guidelines, the income/cost ratio must be calculated including loan impairment charges.

DANISH SHIP FINANCE

NOTES

1ST HALF 2022 | **DKK MILLION**

NOTE 3 RECONCILIATION OF BUSINESS AREAS

		Income statement								
Business areas		Net interest income, lending	Net interest income, investment activities	Fees and commission	Market value adjustments	Other operating income	Staff costs and adm. expenses	Dep. and imp. of property, plant and equip.	Loan impairment charges	Profit before tax
INCOME										
Lending										
Net interest income	269	269							0	
Net fees and commission	7			7						
Funding										
Funding costs not covered	10	(2)			12					
Warehousing	(35)	0			(35)					
Non-business activities	(12)	4			(16)	1				
Investments										
Net interest income	(7)		(7)							
MV adjustments	(128)				(128)					
Total income	**105**	**296**	**(7)**	**7**	**(166)**	**1**	**0**	**0**	**0**	**0**
Staff costs and adm. expenses	(90)						(89)	(1)		
Loan impairment charges before reclassification of interest	(126)								(126)	
Profit before tax	140									140
	Total	**270**	**(7)**	**7**	**(166)**	**1**	**(89)**	**(1)**	**126**	**140**

DANISH SHIP FINANCE

NOTES

1ST HALF 2021 **DKK MILLION**

NOTE 3 CONTINUED

RECONCILIATION OF BUSINESS AREAS

		Income statement								
Business areas		Net interest income, lending	Net interest income, investment activities	Fees and commission	Market value adjustments	Other operating income	Staff costs and adm. expenses	Dep. and imp. of property, plant and equip.	Loan impairment charges	Profit before tax
INCOME										
Lending										
Net interest income	245	245								
Net fees and commission	15			15						
Funding										
Funding costs not covered	(5)	(15)			10					
Warehousing	(8)	(11)			3					
Non-business activities	(18)	24			(42)					
Investments										
Net interest income	(14)		(14)							
MV adjustments	(40)				(40)					
Total income	**175**	**243**	**(14)**	**15**	**(69)**	**0**	**0**	**0**	**0**	**0**
Staff costs and adm. expenses	(87)						(86)	(1)		
Loan impairment charges before reclassification of interest	(1)								(1)	
Profit before tax	87									87
	Total	**243**	**(14)**	**15**	**(69)**	**0**	**(86)**	**(1)**	**(1)**	**87**

NOTES

FULL YEAR 2021 — **DKK MILLION**

NOTE 3 CONTINUED — **RECONCILIATION OF BUSINESS AREAS**

		Income statement								
Business areas		Net interest income, lending	Net interest income, investment activities	Fees and commission	Market value adjustments	Other operating income	Staff costs and adm. expenses	Dep. and imp. of property, plant and equip.	Loan impairment charges	Profit before tax
INCOME										
Lending										
Net interest income	531	531							0	
Net fees and commission	32			32						
Funding										
Funding costs not covered	(13)	(14)			1					
Warehousing	0	(19)			20					
Non-business activities	4	44			(41)	1				
Investments										
Net interest income	(37)		(37)							
MV adjustments	(62)				(62)					
Total income	**455**	**541**	**(37)**	**32**	**(82)**	**1**	**0**	**0**	**0**	**0**
Staff costs and adm. expenses	(169)						(167)	(2)		
Loan impairment charges before reclassification of interest	39								39	
Profit before tax	326									326
	Total	**541**	**(37)**	**32**	**(82)**	**1**	**(167)**	**(2)**	**39**	**326**

DANISH SHIP FINANCE

NOTES

DKK MILLION	1ST HALF 2022	1ST HALF 2021	FULL YEAR 2021
NOTE 4 MARKET VALUE ADJUSTMENTS			
Market value adjustment of bonds	(968)	(352)	(459)
Market value adjustment of shares	0	0	0
Exchange rate adjustments	(4)	1	1
Market value adjustment of derivatives	807	281	376
Total market value adjustments	**(166)**	**(69)**	**(82)**

DKK MILLION	AT 30 JUNE 2022	AT 30 JUNE 2021	AT 31 DEC 2021
NOTE 5 LOANS AT AMORTISED COST			
As at 1 January	36,293	31,950	31,950
Additions	2,616	5,320	9,380
Ordinary repayments and redemptions	(2,910)	(2,413)	(4,962)
Extraordinary repayments	(1,854)	(1,107)	(3,047)
Net change concerning revolving credit facilities	(274)	556	461
Exchange rate adjustment of loans	2,898	779	2,152
Change in amortised cost for the period	14	2	36
Depreciation, amortisation and impairment for the period	76	154	323
At the end of the period	**36,859**	**35,240**	**36,293**
Gross loans at exchange rates at the balance sheet date	37,774	36,399	37,284
Accumulated loan impairment charges	(915)	(1,159)	(991)
Total loans	**36,859**	**35,240**	**36,293**
Total loans			
Loans at fair value	37,066	35,832	37,066
Loans at amortised cost	36,859	35,240	36,293

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

DANISH SHIP FINANCE

NOTES

NOTE 6 NON-PERFORMING LOANS

DKK MILLION	AT 30 JUNE 2022	AT 30 JUNE 2021	AT 31 DEC 2021
Impaired loans (DSF Rating 11)			
Loans subject to forbearance or otherwise impaired, gross	567	865	635
Accumulated loan impairment charges	(209)	(180)	(231)
Impaired loans, net	**357**	**685**	**404**
Defaulted loans (DSF Rating 12)			
Loans in default, gross	1,049	1,607	1,276
Accumulated loan impairment charges	(534)	(795)	(569)
Defaulted loans, net	**515**	**812**	**707**
Non-performing loans, gross (NPL)	**1,616**	**2,472**	**1,911**
Non-performing loans, net (net NPL)	**873**	**1,497**	**1,111**
NPL ratio	**4.3%**	**6.8%**	**5.1%**
Net NPL ratio	**2.3%**	**4.2%**	**3.0%**

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

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

NOTE 7 LOAN IMPAIRMENT CHARGES

DKK MILLION	AT 30 JUNE 2022	AT 30 JUNE 2021	AT 31 DEC 2021
The following loan impairment charges/loss allowances were made on loans/credit commitments			
Accumulated loan impairment charges	915	1,159	991
Accumulated loss allowances for credit commitments	33	17	16
Total	**948**	**1,176**	**1,007**
Accumulated loan impairment charges as a % of the loan book	2.4	3.2	2.6
Reconciliation of total allowance account			
As at 1 January	1,007	1,330	1,330
New loan impairment charges/loss allowances	155	115	277
Reversal of loan impairment charges/loss allowances	(213)	(111)	(307)
Gross write-offs debited to the allowance account	(2)	(157)	(293)
Total	**948**	**1,176**	**1,007**
Loan impairment charges for the period			
New loan impairment charges/loss allowances	(155)	(115)	(277)
Reversal of loan impairment charges/loss allowances	213	111	307
Reclassification of interest	0	0	0
Recovery on loans previously written off	68	2	9
Loan impairment charges	**126**	**(1)**	**39**

NOTES

DKK MILLION	AT 30 JUNE 2022	AT 30 JUNE 2021	AT 31 DEC 2021
NOTE 8 CREDIT RISK			
Reconciliation of loans and guarantees (loan book)			
Balance sheet			
Loans at amortised cost	36,859	35,240	36,293
Other receivables	146	198	160
Accumulated loan impairment charges	915	1,159	991
Total balance sheet items	**37,920**	**36,597**	**37,444**
Guarantees	93	108	101
Total guarantees	**93**	**108**	**101**
Total loans and guarantees	**38,012**	**36,705**	**37,544**
Reconciliation of other contingent liabilities			
Credit commitments	4,395	3,724	3,356
Total other contingent liabilities	**4,395**	**3,724**	**3,356**
Reconciliation of financial exposure			
Due from credit institutions and central banks	1,092	977	388
Bonds at fair value	15,008	16,846	16,007
Shares, etc.	25	0	-
Derivatives	111	1,353	1,153
Total financial exposure	**16,237**	**19,176**	**17,548**
Total credit risk from loans, guarantees, credit commitments and financial exposures	**58,134**	**59,606**	**58,449**

DKK MILLION

NOTE 8 CONTINUED

RATING CATEGORY BREAKDOWN

The internal DSF Rating scale consists of 12 rating categories.

The main objective of the DSF Rating model is to rank clients according to credit risk and to estimate each client's probability of default (PD). As an integral part of the credit risk management, each client is assigned a DSF Rating, and the DSF Rating is reviewed upon receipt of new information or in case of a risk event, and at least annually.

Clients with non-performing loans are placed in DSF Rating category 11 or 12. This includes clients with loans for which no loan impairment charges have been recognised, for example because adequate collateral has been provided.

DANISH SHIP FINANCE

NOTES

DKK MILLION

NOTE 8
CONTINUED

Loan book before loan impairment charges broken down by rating category

DSF RATING	LOANS AND GUARANTEES 30 JUNE 2022	LOANS AND GUARANTEES 30 JUNE 2021	LOANS AND GUARANTEES 31 DEC 2021
1 - 2	-	-	-
3 - 4	5,170	4,603	4,659
5 - 6	19,194	13,586	17,188
7 - 8	11,770	15,416	13,188
9 - 10	262	629	598
11 (impaired)	567	865	635
12 (default)	1,049	1,607	1,276
Total	**38,012**	**36,705**	**37,544**

DKK MILLION

NOTE 8
CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

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

DSF RATING	STAGE 1	STAGE 2	STAGE 3	LOANS AND GUARANTEES 30 JUNE 2022
1	-	-	-	-
2	-	-	-	-
3	2,131	-	-	2,131
4	3,038	-	-	3,038
5	6,743	-	-	6,743
6	12,451	-	-	12,451
7	8,987	172	-	9,159
8	2,612	-	-	2,612
9	-	-	-	-
10	-	262	-	262
11 (impaired)	-	-	567	567
12 (default)	-	-	1,049	1,049
Total	**35,962**	**434**	**1,616**	**38,012**

NOTES

DKK MILLION

NOTE 8 CONTINUED

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

DSF RATING	STAGE 1	STAGE 2	STAGE 3	LOANS AND GUARANTEES 30 JUNE 2021
1	-	-	-	-
2	-	-	-	-
3	1,862	-	-	1,862
4	2,740	-	-	2,740
5	4,096	-	-	4,096
6	9,490	-	-	9,490
7	9,468	3,292	-	12,759
8	2,656	-	-	2,656
9	-	217	-	217
10	-	411	-	411
11 (impaired)	-	-	865	865
12 (default)	-	-	1,607	1,607
Total	**30,313**	**3,920**	**2,472**	**36,705**

DKK MILLION

NOTE 8 CONTINUED

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

DSF RATING	STAGE 1	STAGE 2	STAGE 3	LOANS AND GUARANTEES 30 DEC 2021
1	-	-	-	-
2	-	-	-	-
3	1,953	-	-	1,953
4	2,706	-	-	2,706
5	5,158	-	-	5,158
6	12,030	-	-	12,030
7	7,955	3,228	-	11,183
8	2,005	-	-	2,005
9	-	204	-	204
10	-	394	-	394
11 (impaired)	-	-	635	635
12 (default)	-	-	1,276	1,276
Total	**31,807**	**3,827**	**1,911**	**37,544**

NOTES

DKK MILLION

NOTE 8 CONTINUED

Credit commitments broken down by rating category and stage

DSF RATING	STAGE 1	STAGE 2	STAGE 3	CREDIT COMMITMENTS 30 JUNE 2022
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	215	-	-	215
6	1,332	-	-	1,332
7	1,718	-	-	1,718
8	1,131	-	-	1,131
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	**4,395**	**-**	**-**	**4,395**

DKK MILLION

NOTE 8 CONTINUED

Credit commitments broken down by rating category and stage

DSF RATING	STAGE 1	STAGE 2	STAGE 3	CREDIT COMMITMENTS 30 JUNE 2021
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	885	-	-	885
5	140	-	-	140
6	967	-	-	967
7	1,438	-	-	1,438
8	294	-	-	294
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	**3,724**	**-**	**-**	**3,724**

NOTES

DKK MILLION

NOTE 8
CONTINUED

Credit commitments broken down by rating category and stage

DSF RATING	STAGE 1	STAGE 2	STAGE 3	CREDIT COMMITMENTS 30 DEC 2021
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	741	-	-	741
5	142	-	-	142
6	1,213	-	-	1,213
7	914	-	-	914
8	346	-	-	346
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	**3,356**	**-**	**-**	**3,356**

DKK MILLION

NOTE 8
CONTINUED

Changes in total ECL allowance account broken down by stage

DSF RATING	STAGE 1	STAGE 2	STAGE 3	TOTAL
As at 1 January 2022	171	37	800	1,007
Transferred to Stage 1 during the period	5	(5)	-	-
Transferred to Stage 2 during the period	-	-	-	-
Transferred to Stage 3 during the period	-	-	-	-
New loan impairment charges/loss allowances	69	-	86	155
Reversal of loan impairment charges/loss allowances	(54)	(18)	(140)	(213)
Gross write-offs for the period	-	-	(2)	(2)
Total ECL allowance account as at 30 June 2022	**191**	**14**	**743**	**948**
Of which:				
- Accumulated loan impairment charges	158	14	743	915
- Accumulated loss allowances for credit commitments	33	-	-	33
Of which:				
- Management judgments			90	90

DANISH SHIP FINANCE

NOTE 8 CONTINUED

DKK MILLION	STAGE 1	STAGE 2	STAGE 3	TOTAL
As at 1 January 2021	135	144	1,051	1,330
Transferred to Stage 1 during the period	-	-	-	-
Transferred to Stage 2 during the period	-	-	-	-
Transferred to Stage 3 during the period	-	(17)	17	-
New loan impairment charges/loss allowances	65	-	49	115
Reversal of loan impairment charges/loss allowances	(59)	(67)	15	(111)
Gross write-offs for the period	-	-	(157)	(157)
Total ECL allowance account as at 30 June 2021	**141**	**60**	**975**	**1,176**
Of which:				
- Accumulated loan impairment charges	124	60	975	1,159
- Accumulated loss allowances for credit commitments	17	-	-	17
Of which:				
- Management judgments			5	5
As at 1 January 2021	135	144	1,051	1,330
Transferred to Stage 1 during the period	-	-	-	-
Transferred to Stage 2 during the period	-	-	-	-
Transferred to Stage 3 during the period	-	-	-	-
New loan impairment charges/loss allowances	117	-	160	277
Reversal of loan impairment charges/loss allowances	(81)	(107)	(118)	(307)
Gross write-offs for the period	-	-	(293)	(293)
Total ECL allowance account as at 31 December 2021	**171**	**37**	**800**	**1,007**
Of which:				
- Accumulated loan impairment charges	155	37	800	991
- Accumulated loss allowances for credit commitments	16	-	-	16
Of which:				
- Management judgments			75	75

NOTE 8 CONTINUED

DKK MILLION

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

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

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

The Risk Report 2021 provides more detailed information.

Arrears/past-due loans

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

As of 30 June 2022, there where no arrears/past-due loans in Stage 1 or Stage 2.

Credit risk mitigation

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

The USD market value of mortgaged vessels increased by 4.1% on average in the first half of 2022.

NOTES

DKK MILLION

NOTE 8
CONTINUED

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

LOAN-TO-VALUE INTERVAL	SHARE OF LOANS 30 JUNE 2022	SHARE OF LOANS 30 JUNE 2021	SHARE OF LOANS 31 DEC 2021
0 - 20%	51%	42%	49%
20 - 40%	35%	38%	37%
40 - 60%	13%	19%	13%
60 - 80%	1%	2%	1%
80 - 90%	0%	0%	0%
90 - 100%	0%	0%	0%
Over 100%	0%	0%	0%

As at 30 June 2022, the table above shows that 99% (end-2021: 99%) of all loans were secured within 60% of the market value of the mortgage, and 100% (end-2021: 100%) of all loans were within 80% of the market value of the mortgage.

The weighted loan-to-value ratio on the loan book after loan impairment charges was 44% (end-2021: 44%).

DKK MILLION

NOTE 8
CONTINUED

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

LOAN-TO-VALUE INTERVAL	SHARE OF LOANS 30 JUNE 2022	SHARE OF LOANS 30 JUNE 2021	SHARE OF LOANS 31 DEC 2021
0 - 20%	52%	38%	48%
20 - 40%	36%	36%	37%
40 - 60%	12%	22%	15%
60 - 80%	0%	4%	1%
80 - 90%	0%	0%	0%
90 - 100%	0%	0%	0%
Over 100%	0%	0%	0%

As at 30 June 2022, the table above shows that 100% (end-2021: 99%) of non-performing loans were secured within 60% of the market value of the mortgage, and 100% (end-2021: 100%) of non performing loans were within 80% of the market value of the mortgage.

The weighted average loan-to-value ratio for non-performing loans after loan impairment charges was 42% (end-2021: 47%).

NOTES

DKK MILLION	AT 30 JUNE 2022	AT 30 JUNE 2021	AT 31 DEC 2021
NOTE 9 ISSUED BONDS AT AMORTISED COST			
As at 1 January	43,228	42,477	42,477
Additions in connection with pre-issuance	1,239	4,067	9,600
Amortisation of cost	(37)	(34)	(89)
Adjustment for hedge accounting	(398)	(74)	(71)
Exchange rate adjustment	3	(1)	(2)
Own bonds	(662)	(317)	(2,300)
Ordinary and extraordinary redemptions	(1,907)	(5,136)	(6,386)
At the end of the period	**41,467**	**40,981**	**43,228**
Specification of issued bonds			
Bonds issued in DKK			
Bullet bonds	34,106	34,592	35,170
Amortising CIRR bonds	117	218	161
Total Danish bonds	**34,223**	**34,810**	**35,330**
Bonds issued in foreign currency			
Bullet bonds	11,131	7,436	11,123
Amortising CIRR bonds, at period-end exchange rates	-	-	-
Total bonds issued in foreign currency	**11,131**	**7,436**	**11,123**
Own bonds	(3,887)	(1,265)	(3,225)
Total issued bonds	**41,467**	**40,981**	**43,228**

DKK MILLION	AT 30 JUNE 2022	AT 30 JUNE 2021	AT 31 DEC 2021
NOTE 10 EQUITY			
Share capital			
A shares	300	300	300
B shares	33	33	33
Total share capital	**333**	**333**	**333**
Tied-up reserve capital	8,343	8,343	8,343
Revaluation reserves	70	70	70
Retained earnings	464	538	451
Proposed dividend for the financial year	105	-	128
Total equity	**9,315**	**9,284**	**9,325**

The share capital is divided into the following denominations:

A shares 300,000,000 shares of DKK 1.00 each

B shares 33,333,334 shares of DKK 1.00 each

Each A share of DKK 1.00 entitles the holder to 10 votes, and each B share of DKK 1.00 entitles the holder to 1 vote.

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

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

NOTES

NOTE 11

CAPITAL ADEQUACY

DKK MILLION	AT 30 JUNE 2022	AT 30 JUNE 2021	AT 31 DEC 2021
Common Equity Tier 1 capital			
Share capital - A shares	300	300	300
Share capital - B shares	33	33	33
Tied-up reserve capital	8,343	8,343	8,343
Retained earnings	464	538	451
Proposed dividends for the financial year	105	-	128
Revaluation reserves	70	70	70
Total Common Equity Tier 1 capital before deductions	**9,315**	**9,284**	**9,325**
Deductions from Common Equity Tier 1 capital			
Proposed dividends for the financial year	105	-	128
Retained earnings	118	67	-
Additional capital charge pursuant to the Executive Order on a Ship Finance Institute	-	-	-
Prudent valuation pursuant to article 105 of the CRR	26	25	24
Deductions for NPE loss coverage	271	39	8
Deductions pursuant to transitional rules regarding B share capital	33	33	33
Total deductions from Common Equity Tier 1 capital	**553**	**165**	**194**
Common Equity Tier 1 capital after deductions	**8,761**	**9,119**	**9,131**
Own funds after deductions	**8,761**	**9,119**	**9,131**

NOTE 11 CONTINUED

DKK MILLION	AT 30 JUNE 2022	AT 30 JUNE 2021	AT 31 DEC 2021
Risk exposure amount			
Assets outside the trading book	37,273	35,322	36,856
Off-balance sheet items	2,198	2,414	1,678
Counterparty risk outside the trading book	2,045	2,321	2,766
Market risk	2,673	4,884	3,346
Operational risk	829	881	829
Total risk exposure amount	**45,018**	**45,822**	**45,477**
Common Equity Tier 1 capital ratio	**19.5**	**19.9**	**20.1**
Tier 1 capital ratio	**19.5**	**19.9**	**20.1**
Total capital ratio	**19.5**	**19.9**	**20.1**
The risk exposure amount for market risk consists of:			
Position risk related to debt instruments	2,144	4,412	3,045
Position risk related to shares	43	18	18
Total currency position	486	454	284
Total risk-weighted exposure amount for market risk	**2,673**	**4,884**	**3,346**

NOTES

DKK MILLION

NOTE 12 RELATED PARTIES

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

Related parties furthermore comprise Danish Ship Finance Holding A/S, which holds an ownership interest of 86.2% and more than 20% of the voting rights in the company.

Danish Ship Finance Holding A/S is majority owned by Axcel, PFA and PKA, which hold more than 20% of the share capital each and more than 20% of the voting rights each and are therefore also related parties of Danish Ship Finance A/S.

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

Related-party transactions concerning loans and loan offers totalled as at 30 June 2022 a nominal amount of DKK 1,517 million (as at 31 December 2021: DKK 1,456 million). Transactions with related parties are settled on an arm's-length basis and recognised "in the financial statements according to the same accounting policy as for similar transactions with unrelated parties."

Furthermore, related-party transactions included settlement of administration services provided by Danish Ship Finance Holding A/S and dividends to Danish Ship Finance Holding A/S.

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

DKK MILLION

NOTE 13 SUPPLEMENTARY NOTES WITHOUT REFERENCE

Reference is made to the description of financial risk and policies for financial risk management provided in the risk management sections in the Annual Report 2021, as no significant changes are deemed to have occurred as at 30 June 2022.

DANISH
SHIP FINANCE

DANISH SHIP FINANCE A/S (DANMARKS SKIBSKREDIT A/S)

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