

DANISH SHIP FINANCE 2021

› Interim Report – first half



COMPANY INFORMATION

COMPANY

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

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Municipality of Registered Office: Copenhagen

BOARD OF DIRECTORS

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

EXECUTIVE BOARD

Erik I. Lassen
Lars Jebjerg
Michael Frisch

AUDITORS

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

MID-YEAR UPDATE TO OUR STAKEHOLDERS

In the first six months of this year, we have witnessed the shipping industry make a very soft landing, only a year after being upended by the tsunami of the Covid-19 pandemic.

It is safe to say that, as a whole, the shipping industry has weathered this storm better than most observers predicted. Owners and operators are now again able to navigate effectively with much improved visibility. While differences exist across segments, vessel values have overall remained robust, with healthy cargo demand and firm rates (in container shipping, reaching ten-year highs) leading to good earnings for our ship owning clients.

A few segments have not benefitted nearly as much. Crude oil tanker demand is still affected by the extension of OPEC production cuts, however, prudent owners carry a financial cushion on the back of exceptionally strong 2020 earnings. The offshore market remains weak and oversupplied but increasing exploration activities and demand from offshore wind give cause for moderate optimism.

We remain positive on the outlook for ship financing.

The resumption of vessel sales and purchase and new-build activity has spurred demand for vessel financing. Healthy fundamentals and an overall moderate orderbook continue to support the segments that we are active in.

We are pleased to see higher market activity reflected in sustained lending growth since the final months of 2020 and to have deepened our engagement with many existing clients while welcoming a number of new clients. We are especially delighted to have been awarded a Global Number One client satisfaction ranking in this year's Prospera survey.

We are adding to our sustainability team, increasing our efforts to be at the forefront of sustainable ship financing.

With the green agenda advancing at high speed, the industry faces an investment programme of potentially very large scale to effectuate its sustainability transformation in the coming years. We are preparing to take a significant role in financing the transition.

These developments put us on track to deliver attractive financial results and long-term sustainable value to our owners and stakeholders.

Net profit of DKK 67 million for the first half-year, compared to a negative half-year result of DKK 25 million in 2020, represents a first significant step on the path to a normal level of net profits for the core business.

The loan book at the half-year stood at DKK 36.7 billion, significantly up from DKK 33.6 billion at the end of 2020. Lending volume is expected to increase further in the second half-year and we foresee over a period regaining the pre-Covid-19 trajectory.

We are sanguine about credit quality. Shipping market fundamentals remain healthy, and we further take comfort from the quality of our clients' balance sheets. Net loan impairment charges of only DKK 1 million for the period reflect a high degree of stability in the loan book. A historically low portfolio loan-to-value ratio of 51% provides further cushion against future volatility in rates and values.

We are pleased to report a strong solvency ratio of 19.9% and a liquidity coverage ratio of 477%, well above the regulatory minimums of 11.8% and 100%, respectively.

Our investment portfolio of mostly Danish 'AAA' rated bonds yielded a negative return in the first half 2021 as the Danish bond market experienced historically strong headwinds. However, a strong focus on downside protection mitigated the overall effect and we believe this will continue to be effective. The increase in interest rates experienced in the first half-year will provide a moderate earnings uplift going forward.

Staff costs and administrative expenses were effectively managed in the first-half of 2021, enabled by prior years' efficiency initiatives.

In summary, we remain confident about the prospects for Danish Ship Finance in the second half of 2021 and beyond.

Eivind Kolding
Chairman

Erik I. Lassen
Chief Executive Officer

FIRST HALF-YEAR RESULTS

SUMMARY RESULTS

DKK MILLION	1 ST HALF 2021	1 ST HALF 2020	FULL YEAR 2020
Total net interest and fee income	244	282	562
Market value adjustments	(69)	(134)	(150)
Staff costs and administrative expenses	(86)	(80)	(158)
Loan impairment charges	(1)	(95)	(100)
Net profit for the period	67	(25)	117

Net profit totalled DKK 67 million (compared to a negative DKK 25 million for the first half of 2020). Income from own funds investments was higher and credit costs were significantly smaller in the first half of 2021 compared to the prior year period.

Total net interest and fee income decreased to DKK 244 million (DKK 282 million in the first half of 2020) reflecting lower investment interest income and a lower loan book¹. Market value adjustments of securities and foreign exchange amounted to a net expense of DKK 69 million (an expense of DKK 134 million in the first half of 2020).

Loan impairment charges were a minimal net expense of DKK 1 million (net expense of DKK 95 million for the first half of 2020), reflecting a very stable credit performance. Largely, credit quality of lending to conventional shipping continued to be robust. Staff costs and administrative expenses were DKK 86 million (DKK 80 million for the prior year period, including non-recurring personnel related costs).

During first half of 2021, no clients applied for Covid-19 concessions on loans in DSF.

¹⁾ The loan book comprises of loans and guarantees. See note 8 for further details.

BUSINESS AREAS

Management commentary below on income developments for the main business areas².

DKK MILLION	1 ST HALF 2021	1 ST HALF 2020	FULL YEAR 2020
Income by business area			
Lending	261	290	554
Funding	(32)	(34)	(43)
Investments	(54)	(106)	(99)
Income	175	149	412

LENDING

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

DKK MILLION	1 ST HALF 2021	1 ST HALF 2020	FULL YEAR 2020
Income, lending			
Net interest income	245	282	533
Net fees & commission	15	8	21
Income	261	290	554

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

Net income from lending in the first half of 2021 was DKK 261 million, 10% lower than the income from lending in the first half 2020. Fees made up a slightly higher proportion of total net income relative to interest income in first half 2021 compared to the prior year period.

Lower net interest income reflected a smaller average loan book in the period. Credit margins remained unchanged compared to the same period in 2020. The average loan book over the period decreased to DKK 34.5 billion in the first half of 2021 from DKK 42.3 billion over the same period of 2020, a decrease of 18%.

Credit quality of new business remained robust, with the average DSF Rating of new business better than the portfolio average and a comparable level of collateral coverage for new business.

FUNDING

Funding activities comprise the issuance of ship covered bonds to fund lending to clients, and income and costs not allocated to the business areas lending and own funds investment: primarily warehousing of bond issuance proceeds until loan disbursement, buybacks of own bonds and hedging costs.

Income, funding			
DKK MILLION	1ST HALF 2021	1ST HALF 2020	FULL YEAR 2020
Funding costs not covered	(5)	(27)	(29)
Warehousing	(8)	1	(8)
Non-business activities	(18)	(9)	(6)
Income	(32)	(34)	(43)

We continued to enjoy good access to funding markets in the first half of 2021, which allowed issuance of predominantly longer-dated bonds in DKK on good terms, supporting the duration of outstanding funding.

We supported liquidity for existing investors by buying targeted amounts of our outstanding bonds, especially shorter-dated series. These buy-backs will reduce future interest expenses.

Our liquidity position remained very strong. This is reflected in an average warehousing bond portfolio of DKK 4.1 billion end-June 2021. The income from warehousing was slightly negative in the first half of 2021 due to negative carry on short term liquid DKK government and covered bonds. In addition, headwinds for Danish fixed income markets resulted in some mark-to-market losses. Our intention is to reduce the amount of excess liquidity as loan book growth gradually materialises.

Not covered funding costs was an expense of DKK 5 million, significantly better than the first half-year 2020. While funding costs and fixing rates were fairly stable throughout the period, there were some costs attributable to minor FX mismatches.

In total, net income in non-business activities was a negative DKK 18 million in first half 2021. This was predominantly driven by a crystallization of amortized cost when buying back issued bonds. These losses will be offset over time by reduced interest costs. FX hedges contributed a negative DKK 6 million.

In total, the cost of funding activities decreased by DKK 2 million year-on-year to a cost of DKK 32 million.

INVESTMENTS

The Investments activity comprises investment of the company's own funds: core equity and amounts held in the allowance account.

Income, investments			
DKK MILLION	1ST HALF 2021	1ST HALF 2020	FULL YEAR 2020
Net interest income	(14)	26	41
MV adjustments	(40)	(132)	(139)
Total Income	(54)	(106)	(99)

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, and bonds with similar risk profiles.

The portfolio faced some headwinds in the first half of 2021 driven by market concerns about rising inflation and a potential roll-back of the extraordinary volume of stimulus provided by central banks. These concerns drove spreads on many DKK fixed income assets higher, causing mark-to-market losses. The result was however helped by the fact that the portfolio risk has been kept low. Although net income from investments in the first half-year was negative at DKK 54 million, a return of minus 0.5%, the result is considered acceptable relative to comparable benchmarks.

FINANCIAL HIGHLIGHTS

KEY FIGURES

DKK MILLION ¹	1 ST HALF 2021	1 ST HALF 2020	FULL YEAR 2020
Net interest income from lending	243	248	501
Net interest income from financial activities	(14)	26	41
Total net interest income	229	274	542
Net interest and fee income	244	282	562
Market value adjustments	(69)	(134)	(150)
Staff costs and administrative expenses	(86)	(80)	(158)
Loan impairment charges	(1)	(95)	(100)
Profit before tax	87	(28)	154
Net profit for the period	67	(25)	117
Loan book	36,705	41,576	33,576
Issued bonds	40,981	46,131	42,477
Equity	9,284	9,114	9,275
Total assets	54,948	62,870	59,805
Common Equity Tier 1 capital after deductions	9,119	9,046	9,156

KEY RATIOS

DKK MILLION	1 ST HALF 2021	1 ST HALF 2020	FULL YEAR 2020
Return on equity after tax (%)	0.7	(0.3)	1.3
Return on investments activities (%) ²	(0.5)	(1.0)	(0.9)
Total capital ratio (%)	19.9	18.4	22.3
Combined capital buffer requirement (%)	11.8	11.9	12.0
Cost/income ratio (%) ³	49.5	54.7	38.3
Equity as % of loan book	25.3	23.2	27.6
Loan impairment ratio for the period (%)	0.0	0.2	0.3
Accumulated loan impairment charges as % of loan book	3.2	4.6	3.9
Weighted loan-to-value ratio after loan impairment charges (%)	51	52	54
Proportion of loans covered within 60% of market value (%)	98	98	98

Unless otherwise indicated, the ratios have been calculated in accordance with Appendix 5 of the Danish FSA's instructions for financial reports for credit institutions, etc.

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

²⁾ Return on financial activities is calculated exclusive of the return from shares and currency.

³⁾ The calculation of the cost/income ratio does not include loan impairment charges.

MANAGEMENT'S REPORT

The Board of Directors of Danish Ship Finance A/S has today considered the Interim Report for the first half of 2021.

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).

As in previous years, the Interim Report is unaudited and has not been reviewed.

INCOME STATEMENT

- Net interest and fee income from lending amounted to DKK 258 million, including pre-funding and hedging costs, in the first half of 2021, lower than the result in first half of 2020.
- Interest income from investment activities was negative DKK 14 million, compared to an income of DKK 26 million in the first half of 2020, reflecting lower interest rates.
- In total, net interest income decreased by DKK 38 million from DKK 282 million to DKK 244 million.
- Market value adjustment of securities and foreign exchange for the first half of 2021 was a net expense of DKK 69 million against a net expense of DKK 134 million in the first half of 2020, reflecting losses on highly rated mortgage bonds and buybacks of own bonds.
- Loan impairment charges for the first half of 2021 were a net expense of DKK 1 million against a net expense of DKK 95 million for the same period in 2020.
- Staff costs and administrative expenses totalled DKK 86 million, compared to DKK 80 million recorded in the same period of 2020.

- The lower cost/income ratio was primarily due to a higher result from investment activities.
- Net profit for the period was DKK 67 million compared with a negative DKK 25 million for the first half of 2020.

BALANCE SHEET AND CAPITAL STRUCTURE

- Total assets amounted to DKK 54.9 billion at 30 June 2021 against DKK 59.8 billion at 31 December 2020.
- During the first half of 2021, the loan book increased by DKK 3.1 billion from DKK 33.6 billion at 31 December 2020 to DKK 36.7 billion at 30 June 2021, an increase of 9%.
- New loans of DKK 5.3 billion were disbursed and revolving credits of DKK 0.6 billion were drawn. Loan repayments and prepayments amounted to DKK 3.5 billion. Accumulated loan impairment charges amounted to DKK 1.2 billion.
- Average lending was down 15% in the first half of 2021 compared to the same period in 2020.
- The total allowance account reduced to DKK 1.2 billion as at 30 June 2021 from DKK 1.3 billion as at 31 December 2020.
- Issued bonds totalled DKK 41.0 billion as at 30 June 2021, a decrease of DKK 1.5 billion over the period and an decrease of 5.1 billion from 30 June 2020.
- Bond issuance in the first half of 2021 was a nominal amount of DKK 4.1 billion. Maturing bonds and buybacks totalled nominal DKK 5.1 billion.

- Total bond investments, comprising investment of own funds, bond repo transactions and investment of proceeds from bonds issued to fund loans not yet disbursed, totalled DKK 16.8 billion as at 30 June 2021 against DKK 24.3 billion as at 31 December 2020.
- The total capital ratio was 19.9% as at 30 June 2021, compared to 22.3% at year-end 2020.

THE SHIPPING MARKET AND COMPETITION

The global economy is this year poised to stage its most robust post-recession recovery for decades. While prospects diverge across countries and sectors, most major economies look set to register strong growth while many developing economies lag.

Growing vaccine coverage in most developed economies lifts sentiment although new virus mutations are raising concerns. Economic recoveries reflect variation in pandemic-induced disruptions and the extent of policy support. The outlook for the world economy depends not only on the rollout of vaccinations but as importantly on how effectively economic policies can limit lasting damage from the crisis. The IMF projects global GDP growth of 6.0% in 2021 and 4.4% in 2022.

About half of projected global growth can be attributed to the United States and China. Massive fiscal support and widespread vaccinations are expected to power the strongest economic growth in United States since 1984 according to the World Bank.

The shadows of the pandemic are likely to leave many developing economies below pre-Covid-19 levels of activity for an extended period. Their outlook will likely be further dampened by erosion of skills from lost work and schooling, a sharp drop in investments, higher debt burdens and greater financial vulnerabilities.

World trade has recovered strongly during the second half of 2020 and first half of 2021. In shipping, Containers and Dry Bulk have performed particularly strongly while other vessel segments are recovering more slowly, since they continue to be influenced by lockdowns and travel restrictions. According to the WTO, the volume of world trade may increase by 8% in 2021.

The ClarkSea index, indicating average earnings across the main vessel segments, has in the first half of 2021 increased by approximately USD 10,000 per day to USD 26,000 per day. The improved freight rate environment is primarily driven by strong earnings in the Container

and Dry Bulk segments. The average secondhand vessel price increased by an astonishing 43% during the period. Sale and purchase volumes were high in the first half-year after a period of muted activity in 2020.

The shipping industry is facing encouraging market fundamentals. Seaborne trade volumes are expected to grow across all ship segments in the short to medium-term while orderbooks are historically low in most segments. Uncertainty related to the sustainability agenda and the necessary move away from carbon fuels has kept newbuilding activity low with large container vessels as a notable exception.

Broadly speaking, the industry should be able to see healthy freight rates and increasing secondhand prices across most vessel segments this year and into 2022.

Shipping segments

Tanker earnings have remained depressed during the first half of 2021. Travel bans, border closures and quarantine measures continued to reduce economic activity and spilled over into low global oil demand. However, due to the OPEC coalition reducing overall output, oil demand was kept well above supply. This has drained the elevated oil storages back to normal – paving the way for a quicker recovery in the tanker market.

The Dry Bulk market has experienced a rebound in 2021 from the decline in 2020. Freight rates are at the highest in the past 10 years which has been partly supported by the backlog of trade from the lockdowns and political factors such as China's ban on import of coal from Australia. However, the fleet is expected to increase for the larger segments which may put downward pressure on rates and vessel prices.

The Container market has seen extraordinarily high freight rates and secondhand prices during the first half of 2021. There is a moderate global demand boom that is skewed towards North America. But the biggest contributor is infrastructural bottlenecks which has resulted in port congestions and a reduction of the available capacity by as much as 10% during the first half of 2021. Supply chains are likely to gradually improve, but it may take time. Heavy ordering on the back of what appears to be short-term effects is somewhat concerning and may indicate a renewed downturn once the spike in the orderbook has been delivered.

Global gas demand saw an increase in the first months of 2021 driven by a higher need of heating during the prolonged winter period. This has offset some of the declines seen in the industrial sectors during 2020.

The freight rate and secondhand price outlook for LPG Carriers is negative since supply is expected to run ahead of demand.

A large orderbook continues to weigh on the outlook for LNG Carriers although freight rates and secondhand prices increased during the first half of 2021.

The Ro-Ro, Ferry and Car Carriers markets experienced large declines in demand in 2020 but have started to recover. Restrictions set in place to limit mobility have been less severe in 2021, and the vaccine roll-out may pave the way for a full recovery for most vessels as we reach 2022.

Offshore oil related investments experienced another setback in 2020 since oil majors reduced, postponed and cancelled E&P spending. Still, demand for offshore related vessels is improving in tandem with the offshore wind industry and increased activity among the best performing offshore fields. Mature oil fields continue to deplete which may pave the way for renewed investments in offshore oil production, although the investment horizon versus the speed of the energy transition makes it a difficult call. The market for offshore supply vessels is expected to see higher demand in the years to come.

Competition

In some segments, Covid-19 caused a large increase in margins to shipowners during Q2 2020. This effect has been gradually decreasing and we are now almost back to pre-Covid-19 levels. Shipowners with strong balance sheets still seem to get good support from their banking groups and competition amongst ship finance providers remain fierce. The trend towards commercial banks focusing on core clients in their home markets continues and we furthermore also do not see any decline in leasing companies' appetite for financing ships globally.

We expect that the ESG agenda will increase in importance and access to financing will to some degree depend on ship owners' ability to show progress especially on curtailing CO2 emission. We furthermore expect margins on more loans to be partly linked to sustainability measures going forward.

IMPACT OF USD ON THE INCOME STATEMENT

The USD/DKK exchange rate for the first half of 2021 averaged just over 6.18 compared with just over 6.77 for the same period in 2020. All else being equal, this had a negative impact of DKK 18 million on net interest and fee income in the period. As net interest and fee income had been partially hedged at the beginning of the year, the stated effect is not the exact figure.

As at 30 June 2021, the USD/DKK exchange rate of 6.26 was 3% up compared with the USD/DKK exchange rate of 6.06 at 31 December 2020, which all else being equal contributed DKK 12 million to loan impairment charges as of 30 June 2021.

EVENTS SINCE THE BALANCE SHEET DATE

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

OUTLOOK FOR THE SECOND HALF OF 2021

As the contours of 2021 unfold, we maintain our expectation of positive loan growth and a full-year financial result that will markedly exceed the 2020 result, that was negatively affected by the Covid-19 pandemic. Our full-year guidance remains for net profit of DKK 235 million to DKK 305 million.

We expect that the lending growth already experienced in the first half of the year will continue into the second half. Our liquidity, solvency, and access to funding, remain strong and fully adequate to support our projected growth.

We view the shipping market outlook for most major segments to remain supportive. Orderbooks are well-balanced in a historical context, which benefits a healthy supply-demand balance.

Credit quality in the performing book is expected to remain robust, supported by increasing vessel values and prudent financial management by shipowners. Additionally, we hope to resolve one or more existing legacy problem loans by the end of the year.

While our baseline scenario for 2021 remains benign, this is founded in our assessment of the current market environment and external factors could in the second half of 2021 change this assessment. In the box on the following page, we outline sensitivities to our outlook. This list is not exhaustive.

With a strong focus on downside protection, we expect investment performance this year to remain relatively stable compared to market conditions. The portfolio has very little direct exposure to rising interest rates.

Operating costs are expected to remain well controlled, supported by prior upgrades of our operational processes. We will continue to make targeted investments in operational excellence and to invest in our sustainability efforts.

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, epidemics, macroeconomics 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.

Our mostly 'AAA' rated fixed-income investment portfolio, is exposed to temporary market-to-market losses in adverse financial market conditions, as were experienced in Danish fixed income markets in the first half of 2021. A significant further deterioration of financial markets sentiment in the second half, particularly in the Danish fixed income market, would put our expectations for the second half-year at risk.

Although we expect a gradual reduction of the remaining non-performing loans in the Off-shore segments, the process will be slow. While we believe that the ECL allowance account of DKK 1.2 billion provides adequate coverage for future credit losses, adverse credit performance remains a risk to our outlook for the full year.

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

A large-scale worsening of the global Covid-19 pandemic, with extension of lockdowns and other restrictions, could challenge our expectation for the second half-year.

Forecast lending volumes remain subject to fluctuations in currency rates, in particular the US Dollar vs. Danish Kroner.

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 2021.

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 at 30 June 2021 and the results of the company's activities for the period 1 January - 30 June 2021.

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, 25 August 2021

EXECUTIVE BOARD

Erik Ingvar Lassen
Chief Executive Officer

Lars Jebjerg
Chief Financial Officer

Michael Frisch
Chief Commercial Officer

BOARD OF DIRECTORS

Eivind Drachmann Kolding
(Chairman)

Peter Nyegaard
(Vice Chairman)

Anders Damgaard

Nanna Flint

Povl Christian Lütken Frigast

Thor Jørgen Guttormsen

Anna-Berit Koertz

Ninna Møller Kristensen

Jacob Balslev Meldgaard

Michael Nellemann Pedersen

Christopher Rex

Henrik Sjøgreen

INCOME STATEMENT

NOTE	DKK MILLION	1 ST HALF 2021	1 ST HALF 2020	FULL YEAR 2020
	Interest income	563	886	1,500
	Interest expenses	(334)	(612)	(958)
	Net interest income¹	229	274	542
	Dividends on shares, etc.	-	0	-
	Fee and commission income	15	8	21
	Fees and commission expenses	-	-	-
	Net interest and fee income	244	282	562
4	Market value adjustments	(69)	(134)	(150)
	Other operating income	0	0	1
	Staff costs and administrative expenses	(86)	(80)	(158)
	Depreciation and impairment of property, plant and equipment	(1)	(1)	(1)
7	Loan impairment charges	(1)	(95)	(100)
	Profit before tax	87	(28)	154
	Tax	(19)	(3)	(37)
	Net profit for the period	67	(25)	117
	Other comprehensive income	-	15	40
	Tax on other comprehensive income	-	(3)	(9)
	Other comprehensive income after tax	-	12	31
	Comprehensive income for the period	67	(13)	148

¹) A DKK 0.4 million component of interest income reflects negative interest rates in 1st half 2021 (1st half 2020: DKK 1.1 million) and a DKK 3.4 million component of interest expenses reflect negative interest rates in 1st half 2021 (1st half 2020: DKK 13.8 million).

BALANCE SHEET

NOTE	DKK MILLION	AT 30 JUNE 2021	AT 30 JUNE 2020	AT 31 DECEMBER 2020
	ASSETS			
	Due from credit institutions and central banks	977	335	1,298
5,6	Loans and other receivables at amortised cost	35,240	39,354	31,950
	Bonds at fair value	16,846	20,967	24,319
	Shares, etc.	0	9	-
	Land and buildings			
	Owner-occupied properties	330	297	323
	Other tangible assets	6	7	6
	Current tax assets	-	-	10
	Deferred tax assets	14	174	0
	Other assets	1,535	1,727	1,898
	Total assets	54,948	62,870	59,805

BALANCE SHEET

NOTE	DKK MILLION	AT 30 JUNE 2021	AT 30 JUNE 2020	AT 31 DECEMBER 2020
	LIABILITIES AND EQUITY			
	Liabilities			
	Due to credit institutions and central banks	3,251	6,146	6,693
9	Issued bonds at amortised cost	40,981	46,131	42,477
	Current tax liabilities	50	117	-
	Deferred tax liabilities	-	-	68
	Other liabilities	1,364	1,358	1,275
	Total liabilities	45,647	53,752	50,514
	Provisions			
	Other provisions	17	4	16
	Total provisions	17	4	16
10	Equity			
	Share capital	333	333	333
	Tied-up reserve capital	8,343	8,343	8,343
	Revaluation reserves	70	50	70
	Retained earnings	538	387	471
	Proposed dividends for the financial year			59
	Total equity	9,284	9,114	9,275
	Total liabilities and equity	54,948	62,870	59,805
	Off-balance sheet items			
	Contingent liabilities	108	124	116
	Other contingent liabilities	3,724	2,555	3,723
	Total off-balance sheet items	3,833	2,679	3,839

STATEMENT OF CHANGES IN EQUITY

DKK MILLION	SHARE CAPITAL	TIED-UP RESERVE CAPITAL	REVALUATION RESERVES	RETAINED EARNINGS	DIVIDENDS	TOTAL
Equity at 1 January 2020	333	8,343	38	412	133	9,260
Dividends paid for the financial year 2019	-	-	-	-	(133)	(133)
Amount for distribution	-	-	12	(25)	-	(13)
Equity at 30 June 2020	333	8,343	50	387	-	9,114
Comprehensive income	-	-	20	83	59	161
Equity at 31 December 2020	333	8,343	70	471	59	9,275
Dividends paid for the financial year 2020	-	-	-	-	(59)	(59)
Comprehensive income	-	-	-	67	-	67
Equity at 30 June 2021	333	8,343	70	538	(0)	9,284

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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 2020. The Annual Report 2020 provides a more detailed description of the accounting policies, including significant accounting estimates and 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 2020, 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.

DKK MILLION	1 ST HALF 2021	1 ST HALF 2020	FULL YEAR 2020
NOTE 2 KEY FIGURES			
Net interest income from lending	243	248	501
Net interest income from financial activities	(14)	26	41
Total net interest income	229	274	542
Net interest and fee income	244	282	562
Market value adjustments	(69)	(134)	(150)
Staff costs and administrative expenses	(86)	(80)	(158)
Loan impairment charges	(1)	(95)	(100)
Profit before tax	87	(28)	154
Net profit for the period	67	(25)	117
Loans	35,240	39,354	31,950
Bonds	16,846	20,967	24,319
Equity	9,284	9,114	9,275
Total assets	54,948	62,870	59,804

NOTES

	DKK MILLION	1 ST HALF 2021	1 ST HALF 2020	FULL YEAR 2020
NOTE 2	RATIOS			
CONTINUED				
	Common equity tier 1 capital ratio (%)	19.9	18.4	22.3
	Tier 1 capital ratio (%)	19.9	18.4	22.3
	Total capital ratio (%)	19.9	18.4	22.3
	Return on equity before tax (%)	0.9	(0.3)	1.7
	Return on equity after tax (%)	0.7	(0.3)	1.3
	Income/cost ratio ¹	2.0	0.8	1.6
	Income/cost ratio (excluding loan impairment charges)	2.0	1.8	2.6
	Foreign exchange position (%)	5.0	3.8	2.9
	Gearing of loans	3.8	4.3	3.4
	Growth in lending for the period (%)	10.3	0.7	(18.2)
	Loan impairment ratio for the period (%)	0.0	0.2	0.3
	Accumulated loan impairment charges as % of loans and guarantees	3.2	4.6	3.9
	Rate of return on assets (%)	0.1	(0.0)	0.2

The key figures are calculated in accordance with Appendix 5 of the Danish FSA's instructions for financial reports for credit institutions, etc.

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

The list of key figures also includes a income/cost ratio excluding loan impairment charges.

NOTES

1ST HALF 2021

DKK MILLION

NOTE 3 RECONCILIATION OF BUSINESS AREAS

Business areas	Income statement									
	Net interest income, lending	Net interest income, financial activities	Fee and commission income	Market value adjustments	Other operating income	Staff costs and adm. expenses	Dep. and imp. of property, plant and equip.	Loan impairment charges	Profit before tax	
INCOME										
Lending										
Net interest income	245	245							0	
Net fees and commission	15		15							
Funding										
Funding costs not covered	(5)	(15)		10						
Warehousing	(8)	(11)		3						
Non-business activities	(18)	24		(42)	0					
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

1ST HALF 2020

DKK MILLION

NOTE 3
CONTINUED

RECONCILIATION OF BUSINESS AREAS

Business areas	Income statement									
	Net interest income, lending	Net interest income, financial activities	Fee and commission income	Market value adjustments	Other operating income	Staff costs and adm. expenses	Dep. and imp. of property, plant and equip.	Loan impairment charges	Profit before tax	
INCOME										
Lending										
Net interest income	282	281							1	
Net fees and commission	8		8							
Funding										
Funding costs not covered	(27)	(29)		2						
Warehousing	1	(8)		9						
Non-business activities	(9)	5		(14)	0					
Investments										
Net interest income	26	26								
MV adjustments	(132)			(132)						
Total Income	149	248	26	8	(134)	0	0	0	1	0
Staff costs and adm. expenses	(81)					(80)	(1)			
Loan impairment charges before reclassification of interest	(96)							(96)		
Profit before tax	(28)									(28)
	Total	248	26	8	(134)	0	(80)	(1)	(95)	(28)

NOTES

FULL YEAR 2020

DKK MILLION

NOTE 3 RECONCILIATION OF BUSINESS AREAS

Business areas	Income statement									
	Net interest income, lending	Net interest income, financial activities	Fee and commission income	Market value adjustments	Other operating income	Staff costs and adm. expenses	Dep. and imp. of property, plant and equip.	Loan impairment charges	Profit before tax	
INCOME										
Lending										
Net interest income	533	533							0	
Net fees and commission	21		21							
Funding										
Funding costs not covered	(29)	(53)		24						
Warehousing	(8)	(21)		13						
Non-business activities	(6)	42		(48)						
Investments										
Net interest income	41	41								
MV adjustments	(139)			(139)						
Total Income	412	501	41	21	(150)	0	0	0	0	0
Staff costs and adm. expenses	(158)					1	(158)	(1)		
Loan impairment charges before reclassification of interest	(100)								(100)	
Profit before tax	154									154
	Total	501	41	21	(150)	1	(158)	(1)	(100)	154

NOTES

	1 ST HALF 2021	1 ST HALF 2020	FULL YEAR 2020
NOTE 4 MARKET VALUE ADJUSTMENTS			
Market value adjustment of bonds	(352)	(30)	(64)
Market value adjustment of shares	0	6	6
Exchange rate adjustments	1	(7)	(5)
Market value adjustment of derivatives	281	(104)	(87)
Total market value adjustments	(69)	(134)	(150)

	AT 30 JUNE 2021	AT 30 JUNE 2020	AT 31 DEC 2020
NOTE 5 LOANS AT AMORTISED COST			
As at 1 January	31,950	39,082	39,082
Additions	5,320	4,778	6,472
Ordinary repayments and redemptions	(2,413)	(2,714)	(5,181)
Extraordinary repayments	(1,107)	(1,386)	(4,533)
Net change concerning revolving credit facilities	556	(21)	(318)
Exchange rate adjustment of loans	779	(512)	(4,287)
Change in amortised cost for the period	2	(7)	2
Depreciation, amortisation and impairment for the period	154	134	713
At the end of the period	35,240	39,354	31,950
Gross loans at exchange rates at the balance sheet date	36,399	41,247	33,264
Accumulated loan impairment charges	(1,159)	(1,893)	(1,314)
Total loans	35,240	39,354	31,950
Total loans			
Loans at fair value	35,832	40,062	32,703
Loans at amortised cost	35,240	39,354	31,950

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

NOTES

DKK MILLION	AT 30 JUNE 2021	AT 30 JUNE 2020	AT 31 DEC 2020
NOTE 6 NON-PERFORMING LOANS			
Impaired loans (DSF Rating 11)			
Loans subject to forbearance or otherwise impaired, gross	865	1,293	650
Accumulated loan impairment charges	(180)	(492)	(150)
Impaired loans, net	685	801	500
Defaulted loans (DSF rating 12)			
Loans in default, gross	1,607	2,458	1,757
Accumulated loan impairment charges	(795)	(1,148)	(901)
Defaulted loans, net	812	1,310	855
Non-performing loans, gross (NPL)	2,472	3,750	2,407
Non-performing loans, net (Net NPL)	1,497	2,111	1,356
NPL ratio	6.8%	9.1%	7.2%
Net NPL ratio	4.2%	5.4%	4.2%

NPL ratio definition: NPL divided by loan book.

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

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

DKK MILLION	AT 30 JUNE 2021	AT 30 JUNE 2020	AT 31 DEC 2020
NOTE 7 LOAN IMPAIRMENT CHARGES			
The following loan impairment charges/loss allowance were made on loans/credit commitments			
Accumulated loan impairment charges	1,159	1,893	1,314
Accumulated loss allowances for credit commitments	17	4	16
Total	1,176	1,897	1,330
Accumulated loan impairment charges as % of the loan book	3.2	4.6	3.9
Reconciliation of total allowance account			
As at 1 January	1,330	2,035	2,035
New loan impairment charges/loss allowances	115	562	760
Reversal of loan impairment charges/loss allowances	(111)	(466)	(648)
Gross write-offs debited to the allowance account	(157)	(234)	(817)
Total	1,176	1,897	1,330
Loan impairment charges for the period			
New loan impairment charges/loss allowances	(115)	(562)	(760)
Reversal of loan impairment charges/loss allowances	111	466	648
Reclassification of interest	0	1	0
Recovery on loans previously written off	2	-	12
Loan impairment charges	(1)	(95)	(100)

NOTES

DKK MILLION	AT 30 JUNE 2021	AT 30 JUNE 2020	AT 31 DEC 2020
NOTE 8 CREDIT RISK			
Reconciliation of loans and guarantees (loan book)			
Balance sheet			
Loans at amortised cost	35,240	39,354	31,950
Other receivables	198	205	196
Accumulated loan impairment charges	1,159	1,893	1,314
Total balance sheet items	36,597	41,452	33,460
Guarantees	108	124	116
Total guarantees	108	124	116
Total loans and guarantees	36,705	41,576	33,576
Reconciliation of other contingent liabilities			
Credit commitments	3,724	2,555	3,723
Total other contingent liabilities	3,724	2,555	3,723
Reconciliation of financial exposure			
Due from credit institutions and central banks	977	335	1,298
Bonds at fair value	16,846	20,967	24,319
Shares, etc.	0	9	-
Derivatives	1,353	1,509	1,674
Total financial exposure	19,176	22,820	27,291
Total credit risk from loans, guarantees, credit commitments and financial exposures	59,606	66,950	64,590

NOTE 8 RATING CATEGORY BREAKDOWN CONTINUED

The internal DSF Rating scale consists of 12 rating categories.

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

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

NOTES

DKK MILLION

NOTE 8
CONTINUED

Loan book before loan impairment charges broken down by rating category

DSF RATING	LOANS AND GUARANTEES AT 30 JUNE 2021	LOANS AND GUARANTEES AT 30 JUNE 2020	LOANS AND GUARANTEES AT 31 DEC 2020
1 - 2	-	-	-
3 - 4	4,603	7,664	5,450
5 - 6	13,586	13,098	11,710
7 - 8	15,416	15,685	12,929
9 - 10	629	1,379	1,080
11 (impaired)	865	1,293	650
12 (default)	1,607	2,458	1,757
Total	36,705	41,576	33,576

DKK MILLION

NOTE 8
CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

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

DSF RATING	STAGE 1	STAGE 2	STAGE 3	LOANS AND GUARANTEES AT 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

* Only loan impairment charges are included.

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 AT 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

DKK MILLION

NOTE 8
CONTINUED

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

DSF RATING	STAGE 1	STAGE 2	STAGE 3	LOANS AND GUARANTEES AT 30 JUNE 2020
1	-	-	-	-
2	-	-	-	-
3	3,854	-	-	3,854
4	3,810	-	-	3,810
5	1,247	-	-	1,247
6	11,851	-	-	11,851
7	9,811	2,310	-	12,121
8	3,563	-	-	3,563
9	-	1,009	-	1,009
10	-	371	-	371
11 (impaired)	-	-	1,293	1,293
12 (default)	-	-	2,458	2,458
Total	34,136	3,689	3,750	41,576

NOTES

DKK MILLION

NOTE 8
CONTINUED

Credit commitments broken down by rating category and stages

DSF RATING	STAGE 1	STAGE 2	STAGE 3	CREDIT COMMITMENTS AT 30 JUNE 2020
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	1,669	-	-	1,669
5	-	-	-	-
6	479	-	-	479
7	356	-	-	356
8	24	-	-	24
9	-	27	-	27
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	2,528	27	-	2,555

DKK MILLION

NOTE 8
CONTINUED

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

DSF RATING	STAGE 1	STAGE 2	STAGE 3	LOANS AND GUARANTEES AT 30 DEC 2020
1	-	-	-	-
2	-	-	-	-
3	1,803	-	-	1,803
4	3,648	-	-	3,648
5	1,073	-	-	1,073
6	10,637	-	-	10,637
7	8,179	1,543	-	9,722
8	3,207	-	-	3,207
9	-	358	-	358
10	-	722	-	722
11 (impaired)	-	-	650	650
12 (default)	-	-	1,757	1,757
Total	28,547	2,623	2,407	33,576

NOTES

DKK MILLION

NOTE 8
CONTINUED

Credit commitments broken down by rating category and stages

DSF RATING	STAGE 1	STAGE 2	STAGE 3	CREDIT COMMITMENTS AT 30 DEC 2020
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	1,221	-	-	1,221
5	298	-	-	298
6	1,023	-	-	1,023
7	727	-	-	727
8	429	-	-	429
9	-	25	-	25
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	3,698	25	-	3,723

DKK MILLION

NOTE 8
CONTINUED

Changes in total ECL allowance account broken down by stages

DSF RATING	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

NOTES

DKK MILLION

NOTE 8
CONTINUED

DSF RATING	STAGE 1	STAGE 2	STAGE 3	TOTAL
As at 1 January 2020	167	90	1,778	2,035
Transferred to stage 1 during the period	3	(3)	-	-
Transferred to stage 2 during the period	(9)	9	-	-
Transferred to stage 3 during the period	-	-	-	-
New impairment charges/loss allowances	23	41	498	562
Reversal of impairment charges/loss allowances	(39)	(24)	(403)	(466)
Gross write-offs for the period	-	-	(234)	(234)
Total ECL allowance account as at 30 June 2020	144	114	1,640	1,897

Of which:

- Accumulated loan impairment charges	140	114	1,640	1,893
- Accumulated loss allowances for credit commitments	4	-	-	4

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 2020 provides more detailed information.

NOTE 8
CONTINUED

Arrears/Past-due loans

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

Covid-19 concessions

Our forbearance practices have been updated to cater for clients materially affected by the Covid-19 pandemic. Temporary Covid-19 concessions to clients are not considered forbearance if such clients - based on individual credit assessments - are considered to have viable business models post-Covid-19.

Credit risk mitigation

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

The USD market value of mortgaged vessels increased by 5.9% on average in first half of 2021.

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 2021	SHARE OF LOANS 30 JUNE 2020	SHARE OF LOANS 31 DEC 2020
0 - 20%	42%	40%	39%
20 - 40%	38%	38%	37%
40 - 60%	19%	20%	22%
60 - 80%	2%	2%	2%
80 - 90%	0%	0%	0%
90 - 100%	0%	0%	0%
Over 100%	0%	0%	0%

The table above shows that at 30 June 2021 98% (end-2020: 98%) of all loans are secured within 60% of the market value of the mortgage, and 100% (end-2020: 100%) of all loans are within 80% of the market value of the mortgage.

The weighted loan-to-value ratio on the loan book after loan impairment charges was 51% (end-2020: 54%).

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 2021	SHARE OF LOANS 30 JUNE 2020	SHARE OF LOANS 31 DEC 2020
0 - 20%	38%	40%	41%
20 - 40%	36%	39%	35%
40 - 60%	22%	20%	22%
60 - 80%	4%	2%	2%
80 - 90%	0%	0%	0%
90 - 100%	0%	0%	0%
Over 100%	0%	0%	0%

The table above shows that at 30 June 2021 96% (end-2020: 98%) of non-performing loans are secured within 60% of the market value of the mortgage, and 100% (end-2020: 100%) of non-performing loans are 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 56% (end-2020: 53%).

NOTES

	AT 30 JUNE 2021	AT 30 JUNE 2020	AT 31 DEC 2020
DKK MILLION			
NOTE 9 ISSUED BONDS AT AMORTISED COST			
As at 1 January	42,477	47,737	47,737
Additions in connection with pre-issuance	4,067	4,422	7,935
Amortisation of cost	(34)	(38)	(137)
Adjustment for hedge accounting	(74)	(19)	(1)
Exchange rate adjustment	(1)	(13)	(38)
Own bonds	(317)	-	(970)
Ordinary and extraordinary redemptions	(5,136)	(5,960)	(12,050)
At the end of the period	40,981	46,131	42,477
Specification of issued bonds			
Bonds issued in DKK			
Bullet bonds	34,592	38,419	35,653
Amortising CIRR bonds	218	334	276
Total Danish bonds	34,810	38,753	35,929
Bonds issued in foreign currency			
Bullet bonds	7,436	7,453	7,439
Amortising CIRR bonds, at period-end exchange rates	-	233	71
Total bonds issued in foreign currency	7,436	7,686	7,510
Own bonds	(1,265)	(308)	(962)
Total issued bonds	40,981	46,131	42,477

	AT 30 JUNE 2021	AT 30 JUNE 2020	AT 31 DEC 2020
DKK MILLION			
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	50	70
Retained earnings	538	387	471
Proposed dividend for the financial year	-	-	59
Total equity	9,284	9,114	9,275

The share capital is divided into the following denominations:

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

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

Each A share of DKK 1.00 entitles the holder to 10 votes, 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 a 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 had before being used wholly or partly to cover losses.

NOTES

	AT 30 JUNE 2021	AT 30 JUNE 2020	AT 31 DEC 2020
NOTE 11 CAPITAL ADEQUACY			
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	538	387	471
Proposed dividends for the financial year	-	-	59
Revaluation reserves	70	50	70
Total common equity tier 1 capital before deductions	9,284	9,114	9,275
Deductions from common equity tier 1 capital			
Proposed dividends for the financial year	-	-	59
Retained earnings	67	-	-
Additional capital charge pursuant to the Executive Order on a Ship Finance Institute	-	9	(0)
Prudent valuation pursuant to article 105 of the CRR	25	25	28
Deductions for NPE Loss coverage	39	-	-
Deductions pursuant to transitional rules regarding B share capital	33	33	3
Total deductions from common equity tier 1 capital	165	68	120
Common equity tier 1 capital after deductions	9,119	9,046	9,156
Own funds after deductions	9,119	9,046	9,156

	AT 30 JUNE 2021	AT 30 JUNE 2020	AT 31 DEC 2020
Risk exposure amount			
Assets outside the trading book	35,322	40,683	32,309
Off-balance sheet items	2,414	1,401	1,862
Counterparty risk outside the trading book	2,321	1,779	2,255
Market risk	4,884	4,151	3,736
Operational risk	881	1,056	880
Total risk exposure amount	45,822	49,070	41,042
Common equity tier 1 capital ratio	19.9	18.4	22.3
Tier 1 capital ratio	19.9	18.4	22.3
Total capital ratio	19.9	18.4	22.3
The risk exposure amount for market risk consists of:			
Position risk related to debt instruments	4,412	3,791	3,453
Position risk related to shares	18	18	18
Total currency position	454	342	265
Total risk-weighted exposure amount for market risk	4,884	4,151	3,736

NOTES

NOTE 12 RELATED PARTIES

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

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

Danmarks Skibskredit 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 Danmarks Skibskredit 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 2021 a nominal amount of DKK 1,451 million (as at 31 December 2020: DKK 1,252 million). Transactions with related parties are settled on an arm's-length basis and recognised" in the financial statements according to the same accounting policy as for similar transactions with unrelated parties."

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

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

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 2020, as no significant changes are deemed to have occurred as at 30 June 2021.



DANISH SHIP FINANCE

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