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Interim report – first half 2023  
Danish Ship Finance Holding A/S

## **COMPANY INFORMATION**

### **COMPANY**

Danish Ship Finance Holding A/S  
Company reg. no. (CVR): 38 03 64 83

Sankt Annæ Plads 3  
1250 Copenhagen K  
Phone: +45 33 33 93 33  
Website: [www.shipfinance.dk](http://www.shipfinance.dk)

Municipality of registered Office: Copenhagen

### **BOARD OF DIRECTORS**

Povl Christian Lütken Frigast (Chairman)  
Anders Damgaard  
Michael Nellemann Pedersen

### **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

## FINANCIAL HIGHLIGHTS

DKK MILLION <sup>1</sup>	HOLDING 1ST HALF 2023	GROUP 1ST HALF 2023	HOLDING FULL YEAR 2022	GROUP FULL YEAR 2022
Net interest income from lending	-	191	(0)	562
Net interest income from investment activities	(115)	(15)	(184)	(119)
Net interest income	(115)	176	(184)	442
Net interest and fee income	(115)	184	(184)	456
Market value adjustments	-	74	-	(206)
Staff costs and administrative expenses	(1)	(107)	(2)	(189)
Loan impairment charges	-	181	-	583
Income from investments in associated companies	276	-	558	-
Profit before tax	159	331	371	643
Net profit for the period	191	252	412	517
Loans and other receivables at amortised cost	-	34,298	-	34,029
Issued bonds	-	40,281	-	41,402
Subordinate loan capital	2,000	2,000	2,000	2,000
Total equity	2,124	8,059	1,934	7,894
Total assets	4,323	58,978	4,020	58,802

1) The key figures are calculated in accordance with Appendix 7 of the Danish FSA's Executive Order on Financial Reports.

## MANAGEMENT'S REPORT

### MAIN ACTIVITY

Danish Ship Finance Holding A/S ('DSH') is a financial holding company, of which the purpose is to hold shares in Danish Ship Finance A/S ('DSF'). DSH has no other activities than the ownership of shares in DSF.

The Interim Report has been reviewed by our auditors.<sup>1</sup>

### INCOME STATEMENT

Net profit in Holding for the period was DKK 191 million and DKK 252 million for the Group.

Net interest and fee income were an expense of DKK 115 million for Holding and income of DKK 184 million for the Group.

Market value adjustments of securities and foreign exchange, exclusively relating to Danish Ship Finance A/S, generated an income of DKK 74 million for the Group.

Staff costs and administrative expenses amounted to DKK 107 million for the Group.

Income from equity investments in Holding, corresponding to Holding's share of net profit of DSF for the period was DKK 276 million.

Tax on profit for the year was an income of DKK 31 million in Holding. The Group recorded a total tax expense of DKK 79 million.

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**

Holding's total assets amounted to DKK 4,323 million at 30 June 2023, compared with DKK 4,020 million at 31 December 2022.

Assets consisted mainly of investments in group enterprises in the amount of DKK 3,991 million, and liabilities were mainly additional tier 2 capital of DKK 2,000 million and equity of DKK 2,124 million.

At 30 June 2023, the Group's total assets were DKK 58,978 million, of which loans and other receivables represented DKK 34,298 million and bonds DKK 18,856 million. The corresponding figures at the end of 2022 were DKK 58,802 million, DKK 34,029 million and DKK 20,217 million, respectively.

The Group's consolidated capital ratio was 19.6% at 30 June 2023, compared with 19.4% at the end of 31 December 2022.

At Group level, adequate own funds were calculated at DKK 5,757 million, corresponding to 13.4% of the total risk exposure amount as of 30 June 2023. This corresponded to excess coverage in the amount of DKK 2,636 million at 30 June 2023, against DKK 2,720 million at the end of 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 review of the ownership of Danish Ship Finance Holding A/S, announced in our half-year 2022 report, is ongoing and may lead to a reassessment of the Group ownership in 2023. We are confident that the outcome will support DSF in realising its commercial ambitions going forward.

## **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 group.

## **THE SHIPPING MARKET**

The global economy is slowing from an estimated 3.5% growth in 2022 to 3.0% in 2023 and 2024. The rise in interest rates, to fight inflation, continues to weigh on economic activity. Global inflation is currently estimated to fall from 8.7% in 2022 to 6.8% in 2023 and is predicted to fall to 5.2% in 2024. Around two-thirds of the world economy will experience inflation rates that outpace economic growth in 2023. The balance of risks to global growth remains tilted to the downside. Inflation could remain high and even rise if further shocks occur.

China still faces well-known challenges. The anticipated rebound in economic growth after the lifting of Covid restrictions has not materialised. The debt-burdened Chinese real estate sector continues to weigh on economic growth. Household income growth has weakened, and the

population is ageing and shrinking. Consumers lack confidence in future pension and healthcare coverage and continue to spend cautiously. Monetary or fiscal stimuli may postpone the effects of structural issues but are not able to reverse them.

Geopolitical tensions pose a growing risk to global trade. The world is becoming more fragmented. Western countries have imposed widespread sanctions against Russia, affecting the global supply of energy and food. Global trade is being affected by high inflation and interest rates, which have weakened the purchasing power of households. The WTO expects growth in world trade volumes of 1.7% in 2023 versus 2.7% in 2022.

Shipping markets are unevenly impacted. Lower demand for containerised goods and a normalisation of supply chains have led to steep reductions in freight rates in the Container segment, while Western sanctions on Russian oil and gas have boosted earnings for Oil and Gas Carriers, as cargoes are being transported over longer distances. Vessels that support offshore oil and gas are also experiencing a period of high earnings, while Dry Bulk is struggling to utilise the growing fleet after the 2022 drop in transported volumes.

The ClarkSea Index, which measures average earnings across the main shipping segments, experienced a decline of 1.8% in the first half of 2023, to USD 22,000 per day. Falling freight rates in the Dry Bulk and Container segments contributed negatively, while high freight rates in the Tanker and Gas segments kept the ClarkSea Index stable. The average secondhand vessel price index increased by 1.2% during the same period.

### **The shipping segments**

The Container market is facing surplus vessel capacity. Easing of port congestion has increased the fleet's cargo-carrying capacity, while inflation and higher interest rates have reduced demand for containerised goods at a time when many new vessels are being delivered. However, even as freight rates dropped by 70-80% between March 2022 and February 2023, freight rates for the first half of 2023 remained within the highest 30% observed since 2000. Freight rates and asset prices will likely continue to deteriorate, as a large number of new vessels are scheduled to be delivered from 2023 onwards, which is expected to weaken fleet utilisation further.

The Dry Bulk market had a soft start to the year, as seasonally lower demand combined with easing port congestion weakened the average fleet utilisation – especially for larger vessels. Freight rates have since stabilised, due to increased shipments of coal and iron ore. Market fundamentals will likely be supported by positive supply-side dynamics, as a low orderbook will limit fleet growth for some time. However, uncertainty remains on the demand side, particularly for larger vessels, as the Chinese economy has still not shown signs of a strong rebound. The Chinese property sector, which in recent decades has been a driver for dry bulk demand, is challenged with high debt and a decreasing population.

Oil Tanker earnings increased in the first half of 2023. Higher global oil demand, mainly attributable to a recovery in Chinese demand, coupled with limited fleet growth has kept both fleet utilisation and freight rates high. Meanwhile, market dynamics are being supported by longer travel

distances following the rerouting of seaborne oil trade flows. Steady volumes, longer travel distances and supportive supply-side fundamentals are expected to keep earnings high in the short to medium term. Still, oil supply cuts in OPEC+ countries may cloud the outlook.

Global seaborne gas demand has increased in 2023. Larger volumes and longer travel distances, driven by strong demand from Asia and Europe, elevated freight rates in the first half of 2023. However, large orderbooks continue to weigh on the outlook and may create periods of freight rate volatility in the second half of this year.

The Offshore market continued to improve in the first half of 2023, with day rates rising as a result of firm demand, constrained vessel supply and a supportive energy price environment. Freight rates for larger AHTS vessels have stabilised above even 2014 levels, driven by higher demand in the US, Brazil and the North Sea. Continued optimism in the Offshore market is being supported by a historically low orderbook, an ageing fleet, and expectations of more investments in upstream greenfield activities in the years to come, propelled by increased concerns about energy security in Western countries. The bright outlook for the Offshore market is expected to gain further support from investments in the offshore wind industry.

The Ro-Ro, Ferry and Car Carrier markets experienced strong and stable freight rates in the first half of 2023. The supply side looks manageable for all three segments, due to the positive rebalancing potential. Demand growth could be muted if the current macroeconomic uncertainties lead to an economic recession in 2023 for some countries in the world. Furthermore, the strong freight rates seen in the Car Carrier market have partly been supported by ongoing supply chain bottlenecks, which are expected to ease as new Car Carrier vessels enter the market.

## **COMPETITION**

The need for financing from banks and leasing companies was somewhat subdued in the first half of 2023, as many shipowners have been using the strong shipping markets to strengthen their balance sheets and reduce leverage. At the same time, most ship finance providers have appetite for lending to the shipping industry, which has resulted in competitive bidding for the deals coming to the market from the strongest shipowners. This has put pressure on loan margins. We expect to see an overall increase in loan demand for new vessel ordering, which is likely to push margins paid by shipowners upwards during the second half of 2023.

Sustainability-linked loans continue to be sought after by shipowners and offered by the financial institutions providing the loans. Combined with green financing, this trend is expected to increase further.

## **OUTLOOK FOR THE SECOND HALF OF 2023**

Taking stock at the mid-point of the year, we maintain a positive on the outlook for 2023.

At year-end 2022, we guided for a financial result in the range of DKK 425 million to DKK 525 million for the full-year 2023 for Danish Ship Finance A/S.

We upgrade our net profit guidance for Danish Ship Finance A/S for 2023 to the range of DKK 500 million to DKK 600 million. The outlook is underpinned by a generally benign shipping environment, our very solid loan portfolio credit quality, and the benign effects on investment income from the normalisation of market interest rates.

Full-year net profit may come in at the high end of the new guidance range if new lending activity continues at a similar pace to that of the second quarter, credit quality remains benign, and interest rates remain at current levels.

The market outlook for most major shipping segments remains supportive, albeit supply may be running slightly ahead of demand. The new environmental regulation is likely to cause older and less efficient vessels to slow stream or retire prematurely which supports a balanced market outlook. Orderbooks are generally well balanced in a historical context, but low growth in seaborne trade volumes may cause a continued need to retire older vessels. The Container segment is severely challenged by the large orderbook.

Our credit outlook for the second half of 2023 remains favourable, supported by still-strong overall vessel values and prudent financial management by shipowners. We expect the stock of remaining non-performing loans to continue to be reduced 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 to 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, macroeconomics and global trade may impact the shipping markets. Unexpected credit or market events could lead to adverse credit performance and may cause a reassessment of the outlook. Adverse conditions in financial markets, in particular primary and secondary bond markets, and interest rate and foreign exchange markets, may affect the financial performance of the company and the outlook.

Our mostly AAA-rated fixed income investment portfolio is exposed to temporary mark-to-market losses in adverse financial market conditions. While mitigated by the conservative investment approach, significant deterioration of conditions in Danish and European fixed income markets, could put our expectations for the second half-year at risk.

A return to supra-normal profits in major shipping segments could reduce the need for secured financing. Any impact on current-year net income would likely be relatively muted.

Sharply increased geopolitical tensions or a large-scale conflict, or recessionary economic and 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 Annual Report of Danmarks Skibskredit Holding A/S for the period 1 January – 30 June 2023.

The consolidated financial statements and the parent company financial statements for DSH have been prepared in accordance with the Danish Financial Business Act and the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

In our opinion, the Management report includes a fair summary of developments in the activities and financial position of the Group and the parent company and fairly describes the principal risks and uncertainties that may affect the Group and the parent company.

Further, in our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 30 June 2023 and of the results of the Group's and the parent company's operations for the period 1 January – 30 June 2023.

Copenhagen, 29 August 2023

### **EXECUTIVE BOARD**

Erik Ingvar Lassen  
Chief Executive Officer

Lars Jebjerg  
Chief Financial Officer

Michael Frisch  
Chief Commercial Officer

### **BOARD OF DIRECTORS**

Povl Christian Lütken Frigast  
(Chairman)

Anders Damgaard

Michael Nellemann Pedersen

## **Independent auditor's report**

### **To the shareholders of Danmarks Skibskredit Holding A/S**

We have reviewed the consolidated interim financial statements and the parent company financial statements of Danish Ship Finance Holding A/S (Danmarks Skibskredit Holding A/S) for the period 1 January – 30 June 2023, which comprise income statement, balance sheet, statement of changes in equity, and notes including accounting policies for the Group and Parent Company. The consolidated interim financial statements and the parent company 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 consolidated interim financial statements and the parent company 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 consolidated interim financial statements and parent company 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 consolidated interim financial statements and parent company interim financial statements do not give a true and fair view of the financial position of the group and parent Company at 30 June 2023 and of the results of the group's and the parent Company's operations for the period 1 January – 30 June 2023 in accordance with the Danish Financial Business Act.

Frederiksberg, 29 August 2023

EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Lars Rhod Søndergaard  
State Authorised  
Public Accountant  
mne28632

Thomas Hjortkjær Petersen  
State Authorised  
Public Accountant  
mne33748

## INCOME STATEMENT

NOTE	DKK MILLION	HOLDING 1ST HALF 2023	GROUP 1ST HALF 2023	HOLDING 1ST HALF 2022	GROUP 1ST HALF 2022	HOLDING FULL YEAR 2022	GROUP FULL YEAR 2022
	Interest income	1	1.456	(0)	572	0	2.314
	Interest expenses	(116)	(1.279)	(87)	(397)	(184)	(1.872)
	<b>Net interest income</b>	<b>(115)</b>	<b>176</b>	<b>(87)</b>	<b>176</b>	<b>(184)</b>	<b>442</b>
	Fee and commission income	-	7	-	7	-	14
	<b>Net interest and fee income</b>	<b>(115)</b>	<b>184</b>	<b>(87)</b>	<b>183</b>	<b>(184)</b>	<b>456</b>
3	Market value adjustments	-	74	-	(166)	-	(206)
	Staff costs and administrative expenses	(1)	(107)	(2)	(91)	(2)	(189)
	Depreciation and impairment of property, plant and equipment	-	(1)	-	(1)	-	(2)
	Other operating expenses	(1)	0	(1)	0	(1)	-
6	Impairment charges on loans and receivables	-	181	-	126	-	583
	Income from investments in associated companies	276	-	96	-	558	-
	<b>Profit before tax</b>	<b>159</b>	<b>331</b>	<b>7</b>	<b>51</b>	<b>371</b>	<b>643</b>
	Tax	31	(79)	20	(3)	41	(125)
	<b>Net profit for the period</b>	<b>191</b>	<b>252</b>	<b>27</b>	<b>48</b>	<b>412</b>	<b>517</b>
	Other comprehensive income	-	-	-	-	-	-
	Tax on other comprehensive income	-	-	-	-	-	-
	<b>Other comprehensive income after tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Comprehensive income for the period</b>	<b>191</b>	<b>252</b>	<b>27</b>	<b>48</b>	<b>412</b>	<b>517</b>

## BALANCE SHEET

NOTE	DKK MILLION	HOLDING AT 30 JUNE 2023	GROUP AT 30 JUNE 2023	HOLDING AT 31 DEC 2022	GROUP AT 31 DEC 2022
	ASSETS				
	Due from credit institutions and central banks	101	2.421	24	46
4, 5	Loans and other receivables at amortised cost	-	34.298	-	34.029
	Bonds at fair value	-	13.915	-	15.297
	Bonds at amortised cost	-	4.941	-	4.920
	Shares	-	100	-	75
	Shares in subsidiary undertaking	3.991	-	3.795	-
	Land and buildings				
	Owner-occupied property	-	364	-	340
	Other tangible assets	-	6	-	6
	Current tax assets	215	-	186	7
	Deferred tax assets	15	136	15	64
	Other assets	1	2.797	-	4.018
	<b>Total assets</b>	<b>4.323</b>	<b>58.978</b>	<b>4.020</b>	<b>58.802</b>
	LIABILITIES AND EQUITY				
	<b>Liabilities</b>				
	Due to credit institutions and central banks	-	4.606	-	2.786
8	Issued bonds at amortised cost	-	40.281	-	41.402
	Current tax liabilities	-	292	-	145
	Other liabilities	199	3.715	86	4.565
	<b>Total liabilities</b>	<b>199</b>	<b>48.893</b>	<b>86</b>	<b>48.898</b>
	<b>Provisions</b>				
	Other provisions	-	26	-	9
	<b>Total provisions</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>9</b>
	<b>Additional Tier 2 capital</b>	<b>2.000</b>	<b>2.000</b>	<b>2.000</b>	<b>2.000</b>
9	<b>Equity</b>				
	Share capital	1.224	1.224	1.224	1.224
	Premium received on issues of shares	1	1	1	1
	Revaluation reserves	46	46	46	46
	Retained earnings	853	788	663	599
	<b>Holding's share of equity</b>	<b>2.124</b>	<b>2.059</b>	<b>1.934</b>	<b>1.870</b>
	<b>Minority interests' share of equity</b>	<b>-</b>	<b>5.999</b>	<b>-</b>	<b>6.024</b>
	<b>Total equity</b>	<b>2.124</b>	<b>8.059</b>	<b>1.934</b>	<b>7.894</b>
	<b>Total liabilities and equity</b>	<b>4.323</b>	<b>58.978</b>	<b>4.020</b>	<b>58.802</b>
	<b>Off-balance sheet items</b>				
	Contingent liabilities	-	-	-	85
	Other contingent liabilities	-	2.282	-	2.667
	<b>Total off-balance sheet items</b>	<b>-</b>	<b>2.282</b>	<b>-</b>	<b>2.752</b>

## STATEMENT OF CHANGES IN EQUITY

### Group

DKK MILLION	Share capital	Share premium at issue	Revaluation reserves	Retained earnings	Holding's share of Equity	Minority's share of Equity	Total
Equity as at 1 January 2022	1.224	1	46	188	1.459	5.964	7.424
Dividends paid for the financial year 2021	-	-	-	-	-	(42)	(42)
Amount for distribution	-	-	-	27	27	22	48
Purchase of own shares	-	-	-	(0)	(0)	-	(0)
Sale of own shares	-	-	-	0	0	-	0
<b>Equity at 30 June 2022</b>	<b>1.224</b>	<b>1</b>	<b>46</b>	<b>215</b>	<b>1.486</b>	<b>5.944</b>	<b>7.431</b>
Dividends paid for the financial year 2021	-	-	-	-	-	(4)	(4)
Amount for distribution	-	-	-	385	385	84	469
Purchase of own shares	-	-	-	(1)	(1)	-	(1)
Sale of own shares	-	-	-	0	0	-	0
<b>Equity at 31 December 2022</b>	<b>1.224</b>	<b>1</b>	<b>46</b>	<b>599</b>	<b>1.870</b>	<b>6.024</b>	<b>7.894</b>
Dividends paid for the financial year 2022	-	-	-	-	-	(87)	(87)
Amount for distribution	-	-	-	191	191	62	252
Purchase of own shares	-	-	-	(1)	(1)	-	(1)
Sale of own shares	-	-	-	0	0	-	0
<b>Equity at 30 June 2023</b>	<b>1.224</b>	<b>1</b>	<b>46</b>	<b>788</b>	<b>2.059</b>	<b>5.999</b>	<b>8.059</b>

### Danish Ship Finance Holding A/S

DKK MILLION	Share capital	Share premium at issue	Revaluation reserves	Retained earnings	Total
Equity as at 1 January 2022	1.224	1	46	252	1.524
Amount for distribution	-	-	-	27	27
Purchase of own shares	-	-	-	(0)	(0)
Sale of own shares	-	-	-	0	0
<b>Equity at 30 June 2022</b>	<b>1.224</b>	<b>1</b>	<b>46</b>	<b>279</b>	<b>1.551</b>
Amount for distribution	-	-	-	385	385
Purchase of own shares	-	-	-	(1)	(1)
Sale of own shares	-	-	-	0	0
<b>Equity at 31 December 2022</b>	<b>1.224</b>	<b>1</b>	<b>46</b>	<b>663</b>	<b>1.934</b>
Amount for distribution	-	-	-	191	191
Purchase of own shares	-	-	-	(1)	(1)
Sale of own shares	-	-	-	0	0
<b>Equity at 30 June 2023</b>	<b>1.224</b>	<b>1</b>	<b>46</b>	<b>853</b>	<b>2.124</b>

### Group overview

Affiliated companies	Ownership	Assets	Equity	Net profit	Liabilities
Danish Ship Finance A/S, Denmark	86,6%	58.916	9.926	338	48.990

Activity: Financing of vessels for Danish and international shipowners, secured on first lien ship mortgages.

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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).

Financial statement figures are presented in Danish kroner (DKK), which is the functional currency of DSF and rounded to nearest million, unless otherwise stated.

The accounting policies are unchanged from the policies applied in the Annual Report 2022. The Annual Report 2022 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.

Certain insignificant changes have been made til comparative figures for 2022 due to reclassifications.

The financial statements of DS are consolidated into the financial statements of Danish Ship Finance Holding A/S ("DSH"), the smallest and largest group entity for which consolidated financial statements are prepared.

	HOLDING 1ST HALF 2023	GROUP 1ST HALF 2023	HOLDING FULL YEAR 2022	GROUP FULL YEAR 2022
<b>DKK MILLION</b>				
<b>NOTE 2</b>				
Net interest income	(115)	176	(184)	442
Net interest and fee income	(115)	184	(184)	456
Market value adjustments	-	74	-	(206)
Staff costs and administrative expenses	(1)	(107)	(2)	(189)
Loan impairment charges	-	181	-	583
Income from investments in associated companies	276	0	558	-
Profit before tax	159	331	371	643
Net profit for the period	191	252	412	517
Loans and other receivables at amortised cost	-	34.298	-	34.029
Bonds	-	18.856	-	20.217
Subordinate loan capital	2.000	2.000	2.000	2.000
Total equity	2.124	8.059	1.934	7.894
Total assets	4.323	58.978	4.020	58.802

	HOLDING 1ST HALF 2023	GROUP 1ST HALF 2023	HOLDING FULL YEAR 2022	GROUP FULL YEAR 2022
<b>KEY RATIOS</b>				
Common Equity Tier 1 capital ratio	-	14,9	-	14,7
Tier 1 capital ratio	-	14,9	-	14,7
Total capital ratio	-	19,6	-	19,4
Return on equity before tax (%) <sup>1)</sup>	7,9	16,9	21,4	38,6
Return on equity including minorities before tax (%) <sup>1)</sup>	-	4,3	-	8,4
Return on equity after tax (%) <sup>1)</sup>	9,4	12,8	23,8	31,1
Return on equity including minorities after tax (%) <sup>1)</sup>	-	3,3	-	6,8
Income/cost ratio <sup>2)</sup>	(100,0)	(3,5)	(116,6)	(0,6)
Income/cost ratio (excluding loan impairment charges)	(100,0)	2,4	(116,6)	1,3
Foreign exchange position (%)	-	5,3	-	6,5
Gearing of loans	-	16,7	-	18,2
Growth in lending for the period (%)	-	0,8	-	(6,2)
Loan impairment charges for the period (%)	-	(0,5)	-	(1,7)
Accumulated loan impairment charges as a % of loan book	-	1,8	-	2,1
Rate of return on assets (%)	4,4	0,4	10,2	0,9

The key figures are calculated in accordance with Appendix 7 of the Danish FSA's Executive Order on Financial Reports.

1) Return on equity is calculated as profit for the period as a percentage of average equity hence biannual ratio is not comparable to annual ratio.

2) In accordance with the Danish FSA's guidance, the income/cost ratio must be calculated including loan impairment charges.



DKK MILLION	HOLDING 1ST HALF 2023	GROUP 1ST HALF 2023	HOLDING 1ST HALF 2022	GROUP 1ST HALF 2022	HOLDING FULL YEAR 2022	GROUP FULL YEAR 2022
<b>NOTE 3 MARKET VALUE ADJUSTMENTS</b>						
Market value adjustment of bonds	-	29	-	(968)	-	(1.325)
Market value adjustment of shares	-	-	-	-	-	-
Exchange rate adjustments	-	(2)	-	(4)	-	(5)
Market value adjustment of derivative financial instruments	-	47	-	807	-	1.124
<b>Total market value adjustments</b>	<b>-</b>	<b>74</b>	<b>-</b>	<b>(166)</b>	<b>-</b>	<b>(206)</b>

DKK MILLION	HOLDING AT 30 JUNE 2023	GROUP AT 30 JUNE 2023	HOLDING AT 31 DEC 2022	GROUP AT 31 DEC 2022
<b>NOTE 4</b>	<b>LOANS AT AMORTISED COST</b>			
At 1 January	-	34.029	-	36.293
Additions	-	6.622	-	6.577
Ordinary repayments and redemptions	-	(2.301)	-	(5.765)
Extraordinary repayments	-	(3.550)	-	(4.779)
Net change concerning revolving credit facilities	-	(105)	-	(573)
Exchange rate adjustment of loans	-	(487)	-	2.017
Change in amortised cost for the period	-	(8)	-	(5)
Depreciation, amortisation and impairment for the period	-	98	-	265
<b>At 30 June</b>	<b>-</b>	<b>34.298</b>	<b>-</b>	<b>34.029</b>
<b>Total loans</b>				
Loans at fair value	-	34.141	-	34.155
Loans at amortised cost	-	34.298	-	34.029
Loans at fair value is assessed using the market value of fixed-rate loans.				
<b>NOTE 5</b>	<b>NON-PERFORMING LOANS</b>			
<b>Impaired loans (rating category 11)</b>				
Loans subject to forbearance or otherwise impaired, gross	-	1.172	-	544
Loan impairment charges	-	(438)	-	(218)
<b>Impaired loans, net</b>	<b>-</b>	<b>734</b>	<b>-</b>	<b>326</b>
<b>Defaulted loans (rating category 12)</b>				
Loans in default, gross	-	-	-	701
Loan impairment charges	-	-	-	(296)
<b>Defaulted loans, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>405</b>
<b>Non-performing loans, gross (NPL)</b>	<b>-</b>	<b>1.172</b>	<b>-</b>	<b>1.245</b>
<b>Non-performing loans, net (net NPL)</b>	<b>-</b>	<b>734</b>	<b>-</b>	<b>731</b>
<b>NPL ratio</b>	<b>-</b>	<b>3,3%</b>	<b>-</b>	<b>3,6%</b>
<b>Net NPL ratio</b>	<b>-</b>	<b>2,1%</b>	<b>-</b>	<b>2,1%</b>

NPL ratio definition: NPL divided by loan book.

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

Note 7 provides detailed information on loan-to-value intervals for the total loan book and for non-performing loans.

DKK MILLION		HOLDING AT 30 JUNE 2023	GROUP AT 30 JUNE 2023	HOLDING AT 31 DEC 2022	GROUP AT 31 DEC 2022
<b>NOTE 6</b>	<b>LOAN IMPAIRMENT CHARGES/LOSS ALLOWANCES</b>				
	<b>The following impairment charges/loss allowances were made on loans/loan commitments</b>				
	Individual impairment charges	-	629	-	726
	Loss allowance for loan commitments	-	26	-	9
	<b>Total</b>	<b>-</b>	<b>655</b>	<b>-</b>	<b>736</b>
	Accumulated loan impairment charges as % of the loan book	-	1,8	-	2,1
	<b>Reconciliation of total allowance account</b>				
	At 1 January	-	736	-	1.007
	New impairment charges/loss allowances	-	324	-	253
	Reversal of loan impairment charges/loss allowances	-	(405)	-	(523)
	Gross write-offs debited to the allowance account	-	0	-	(2)
	<b>Total</b>	<b>-</b>	<b>655</b>	<b>-</b>	<b>736</b>
	<b>Loan impairment charges for the period</b>				
	New impairment charges/loss allowances	-	(324)	-	(253)
	Reversal of impairment charges/loss allowances	-	405	-	523
	Reclassification of interest	-	0	-	0
	Recovery on loans previously written off	-	100	-	313
	<b>Loan impairment charges</b>	<b>-</b>	<b>181</b>	<b>-</b>	<b>583</b>
<b>NOTE 7</b>	<b>CREDIT RISK</b>				
	<b>Reconciliation of loans and guarantees (loan book)</b>				
	Balance sheet				
	Loans at amortised cost	-	34.298	-	34.029
	Other receivables	-	172	-	164
	Loan impairment charges	-	629	-	726
	<b>Total balance sheet items</b>	<b>-</b>	<b>35.098</b>	<b>-</b>	<b>34.920</b>
	Off-balance sheet items				
	Guarantees	-	-	-	85
	<b>Total off-balance sheet items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85</b>
	<b>Total loans and guarantees</b>	<b>-</b>	<b>35.098</b>	<b>-</b>	<b>35.005</b>
	<b>Reconciliation of other contingent liabilities</b>				
	Credit commitments	-	2.282	-	2.667
	<b>Total other contingent liabilities</b>	<b>-</b>	<b>2.282</b>	<b>-</b>	<b>2.667</b>
	<b>Reconciliation of financial exposure</b>				
	Due from credit institutions and central banks	101	2.421	24	46
	Bonds	-	18.856	-	20.217
	Shares	-	100	-	75
	Derivatives	-	2.391	-	3.620
	<b>Total financial exposure</b>	<b>101</b>	<b>23.768</b>	<b>24</b>	<b>23.957</b>
	<b>Total credit risk from loans, guarantees, credit commitments and financial exposures</b>	<b>101</b>	<b>61.148</b>	<b>24</b>	<b>61.629</b>

#### RATING CATEGORY BREAKDOWN

The DSF Rating scale consists of 12 rating categories.

The main objective of the DSF Rating model is to rank the 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.

DKK MILLION

NOTE 7 Loan book before loan impairment charges broken down by rating category  
CONTINUED

DSF RATING	HOLDING	GROUP	HOLDING	GROUP
	LOANS AND GUARANTEES AT 30 JUNE 2023	LOANS AND GUARANTEES AT 30 JUNE 2023	LOANS AND GUARANTEES AT 31 DEC 2022	LOANS AND GUARANTEES AT 31 DEC 2022
1 - 2	-	-	-	-
3 - 4	-	7.307	-	4.495
5 - 6	-	16.148	-	16.646
7 - 8	-	10.471	-	12.588
9 - 10	-	-	-	31
11	-	1.172	-	544
12	-	-	-	701
<b>Total</b>	<b>-</b>	<b>35.098</b>	<b>-</b>	<b>35.005</b>

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 30 JUNE 2023
1	-	-	-	-
2	-	-	-	-
3	2.040	-	-	2.040
4	5.268	-	-	5.268
5	6.667	-	-	6.667
6	9.481	-	-	9.481
7	8.847	-	-	8.847
8	1.625	-	-	1.625
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	1.172	1.172
12 (default)	-	-	-	-
<b>Total</b>	<b>33.927</b>	<b>-</b>	<b>1.172</b>	<b>35.098</b>

Credit commitments broken down by rating category and stages

DSF RATING	STAGE 1	STAGE 2	STAGE 3	CREDIT COMMITMENTS 30 JUNE 2023
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	911	-	-	911
7	1.181	-	-	1.181
8	190	-	-	190
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
<b>Total</b>	<b>2.282</b>	<b>-</b>	<b>-</b>	<b>2.282</b>

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 31 DEC 2022
1	-	-	-	-
2	-	-	-	-
3	2.075	-	-	2.075
4	2.420	-	-	2.420
5	5.806	-	-	5.806
6	10.840	-	-	10.840
7	10.442	-	-	10.442
8	2.146	-	-	2.146
9	-	31	-	31
10	-	-	-	-
11 (impaired)	-	-	544	544
12 (default)	-	-	701	701
<b>Total</b>	<b>33.728</b>	<b>31</b>	<b>1.245</b>	<b>35.005</b>

**Credit commitments broken down by rating category and stages**

DSF RATING	STAGE 1	STAGE 2	STAGE 3	CREDIT COMMITMENTS 31 DEC 2022
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	366	-	-	366
6	1,198	-	-	1,198
7	647	-	-	647
8	456	-	-	456
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
<b>Total</b>	<b>2,667</b>	<b>-</b>	<b>-</b>	<b>2,667</b>

**Changes in total allowance account broken down by stages**

	STAGE 1	STAGE 2	STAGE 3	TOTAL
At 1 January 2023	210	12	514	736
Transferred to stage 1 during the period	12	(12)	-	-
Transferred to stage 2 during the period	-	-	-	-
Transferred to stage 3 during the period	-	-	-	-
New impairment charges/loss allowance	59	-	266	324
Reversal of impairment charges/loss allowance	(63)	-	(342)	(405)
Gross write-offs for the period	-	-	-	-
<b>Total ECL allowance account at 30 June 2023</b>	<b>217</b>	<b>-</b>	<b>438</b>	<b>655</b>

Of which:

- Loan impairment charges	191	-	438	629
- Loss allowances for credit commitments	26	-	-	26

Of which:

- Management judgements	-	-	50	50
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	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
<b>Total ECL allowance account as at 30 June 2022</b>	<b>191</b>	<b>14</b>	<b>743</b>	<b>948</b>

Of which:

- Accumulated loan impairment charges	158	14	743	915
- Accumulated loss allowances for credit commitments	33	-	-	33

Of which:

- Management judgements	-	-	90	90
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	STAGE 1	STAGE 2	STAGE 3	TOTAL
As at 1 January 2022	171	37	800	1,007
Transferred to Stage 1 during the period	7	-7	-	-
Transferred to Stage 2 during the period	-	-	-	-
Transferred to Stage 3 during the period	-	-	-	-
New loan impairment charges/loss allowances	101	12	140	253
Reversal of loan impairment charges/loss allowances	-69	-30	-424	-523
Gross write-offs for the period	-	-	-2	-2
<b>Total ECL allowance account as at 31 December 2022</b>	<b>210</b>	<b>12</b>	<b>514</b>	<b>736</b>

Of which:

- Accumulated loan impairment charges	201	12	514	726
- Accumulated loss allowances for credit commitments	9	-	-	9

Of which:

- Management judgements	-	-	85	85
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**Classification, stage migration and impairment charges**

The classification of loans between stage 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.

**NOTE 7** 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.

**CONTINUED**

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

The Risk Report 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 lifetime have been recognised.

**Credit risk mitigation**

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

The USD market value of mortgaged vessels increased by 3.3% on average in the first half of 2023.

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

LTV INTERVAL	HOLDING	GROUP	HOLDING	GROUP
	SHARE OF LOANS 30 JUNE 2023	SHARE OF LOANS 30 JUNE 2023	SHARE OF LOANS 31 DEC 2022	SHARE OF LOANS 31 DEC 2022
0 - 20%	-	53%	-	50%
20 - 40%	-	39%	-	38%
40 - 60%	-	7%	-	11%
60 - 80%	-	1%	-	0%
80 - 90%	-	0%	-	0%
90 - 100%	-	0%	-	0%
Over 100%	-	0%	-	0%

The table above shows that as at 30 June 2023 99% (31 December 2022: 100%) of all loans were secured within 60% of the market value of the mortgage, and 100% (31 December 2022: 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 41% (31 December 2022: 43%).

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

LTV INTERVAL	HOLDING	GROUP	HOLDING	GROUP
	SHARE OF LOANS 30 JUNE 2023	SHARE OF LOANS 30 JUNE 2023	SHARE OF LOANS 31 DEC 2022	SHARE OF LOANS 31 DEC 2022
0 - 20%	-	59%	-	60%
20 - 40%	-	40%	-	37%
40 - 60%	-	1%	-	3%
60 - 80%	-	0%	-	0%
80 - 90%	-	0%	-	0%
90 - 100%	-	0%	-	0%
Over 100%	-	0%	-	0%

The table above shows that as at 30 June 2023 100% (31 December 2022: 100%) of non-performing loans were secured within 60% of the market value of the mortgage.

The weighted average loan-to-value ratio for non-performing loans after loan impairment charges was 35% (31 December 2022: 36%).

DKK MILLION		HOLDING AT 30 JUNE 2023	GROUP AT 30 JUNE 2023	HOLDING AT 31 DEC 2022	GROUP AT 31 DEC 2022
<b>NOTE 8</b>	<b>ISSUED BONDS AT AMORTISED COST</b>				
	At 1 January	-	41.402	-	43.228
	Additions in conjunction with pre-issuance	-	6.558	-	8.189
	Amortisation of cost	-	1	-	(87)
	Adjustment for hedge accounting	-	(34)	-	(1.204)
	Exchange rate adjustment	-	10	-	(0)
	Own bonds	-	20	-	1.289
	Ordinary and extraordinary redemptions	-	(7.676)	-	(10.013)
	<b>At the end of the period</b>	-	<b>40.281</b>	-	<b>41.402</b>
	<b>Specification of issued bonds</b>				
	<b>Bonds issued in DKK</b>				
	Bullet bonds	-	35.379	-	35.669
	Amortising CIRR bonds	-	29	-	73
	<b>Total Danish bonds</b>	-	<b>35.408</b>	-	<b>35.742</b>
	<b>Bonds issued in foreign currency</b>				
	Bullet bonds	-	6.799	-	7.585
	<b>Total bonds issued in foreign currency</b>	-	<b>6.799</b>	-	<b>7.585</b>
	Own bonds	-	(1.926)	-	(1.925)
	<b>Total issued bonds</b>	-	<b>40.281</b>	-	<b>41.402</b>

DKK MILLION		HOLDING AT 30 JUNE 2023	GROUP AT 30 JUNE 2023	HOLDING AT 31 DEC 2022	GROUP AT 31 DEC 2022
<b>NOTE 9</b>	<b>EQUITY</b>				
	<b>Share capital</b>				
	A-shares	1.224	1.224	1.224	1.224
	<b>Total share capital</b>	<b>1.224</b>	<b>1.224</b>	<b>1.224</b>	<b>1.224</b>

The share capital is divided into the following denominations:

A-shares 122,389,960,000 shares of 0.01 DKK each

Each A share of DKK 0.01 entitles the holder to one vote.

The company's holding of treasury shares totals 287,148,280 shares and the value has been deducted from the distributable reserves.

The tied-up reserve capital of Danish Ship Finance A/S 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.

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 under equity of Danish Ship Finance Holding A/S. The tied-up reserve capital is regarded as non-controlling interests, and the DKK 5,916 million represents the fair value of the tied-up reserve capital at the date of acquisition of 15 November 2016 with the addition of the non-controlling interest shares of profit and dividends for the period.

DKK MILLION	HOLDING AT 30 JUNE 2023	GROUP AT 30 JUNE 2023	HOLDING AT 31 DEC 2022	GROUP AT 31 DEC 2022
<b>NOTE 10 CAPITAL ADEQUACY</b>				
<b>Common Equity Tier 1 capital</b>				
Share capital	-	1,224	-	1,224
Tied-up reserve capital	-	4,846	-	4,719
Retained earnings	-	600	-	601
<b>Total Common Equity Tier 1 capital before deductions</b>	<b>-</b>	<b>6,670</b>	<b>-</b>	<b>6,544</b>
<b>Deductions from Common Equity Tier 1 capital</b>				
Proposed dividends for the financial period	-	-	-	-
Deductions for NPE Loss coverage	-	246	-	260
Prudent valuation pursuant to Article 105 of the CRR	-	28	-	31
Position of own shares	-	3	-	2
<b>Total deductions from Common Equity Tier 1 capital</b>	<b>-</b>	<b>277</b>	<b>-</b>	<b>294</b>
<b>Common Equity Tier 1 capital after deductions</b>	<b>-</b>	<b>6,392</b>	<b>-</b>	<b>6,250</b>
<b>Additional Tier 2 capital</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>2,000</b>
<b>Own funds after deductions</b>	<b>-</b>	<b>8,392</b>	<b>-</b>	<b>8,250</b>
<b>Risk exposure amount</b>				
Assets outside the trading book	-	37,086	-	36,770
Off-balance sheet items	-	527	-	775
Counterparty risk outside the trading book	-	1,410	-	1,456
Market risk	-	3,078	-	2,680
Operational risk	-	813	-	813
<b>Total risk exposure amount</b>	<b>-</b>	<b>42,914</b>	<b>-</b>	<b>42,494</b>
<b>Common Equity Tier 1 capital ratio</b>	<b>-</b>	<b>14,9</b>	<b>-</b>	<b>14,7</b>
<b>Tier 1 capital ratio</b>	<b>-</b>	<b>14,9</b>	<b>-</b>	<b>14,7</b>
<b>Total capital ratio</b>	<b>-</b>	<b>19,6</b>	<b>-</b>	<b>19,4</b>
<b>The risk exposure amount for market risk consists of:</b>				
Position risk related to debt instruments	-	2,675	-	2,049
Position risk related to shares	-	118	-	93
Total currency position	-	444	-	538
<b>Total risk-weighted items involving market risk</b>	<b>-</b>	<b>3,238</b>	<b>-</b>	<b>2,680</b>

#### NOTE 11 RELATED PARTIES

Related parties comprise members of the company's Executive Board and Board of Directors as well as its shareholders.

Related parties furthermore comprise Danish Ship Finance A/S, which became a related party in connection with the acquisition of the majority of the company's shares on 15 November 2016.

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

Related-party transactions concerning loans and loan offers totalled a nominal amount of DKK 1,331 million at 30 June 2023 (at 31 December 2022: DKK 1,417 million).

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

There were no related-party transactions other than as stated above.