DANISH SHIP FINANCE ANNUAL REPORT 2018

Danish Ship Finance

Annual Report 2018

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Letter to our stakeholders

Dear stakeholders,

We are pleased to report on a busy 2018. The number of new clients exceeded 10% for the second consecutive year and the trend in the loan book is pointing upwards. As our business model is based on repeat business with trusted relationships, adding new reputable ship owners to our client base bodes well for the future development of our loan book and future earnings.

The overall financial results for 2018 did not improve compared to 2017. Particularly, income from investments was significantly lower than in the previous year, despite performing better than benchmarks, due to the very low interest rate levels on highly rated bonds.

Growth in the loan book materialised late in the year and will begin to show as a positive effect in earnings from lending in 2019. Loan impairment charges fell considerably in 2018 compared to both 2017 and 2016, even though a number of clients particularly in the Offshore segment remain challenged.

It is now two years ago that Danish Ship Finance A/S ("DSF") was bought by a strong consortium consisting of the two Danish pension funds PFA and PKA and Danish private equity fund Axcel. Since then, the Management team has been strengthened and the strategic direction has been reinforced. We will continue to build on our unique sector focused business model, lending to reputable ship owners, while maintaining a prudent and cautious stance on risk.

We were very pleased that an external client survey placed us as the leading shipping lender in the Nordics and in the top tier globally, in very respectable 4th position.

Our strategic plan for 2019 and onwards identifies several initiatives aiming to further strengthen the capabilities of DSF. We believe that these initiatives will ensure that we stay competitive and relevant for our clients. The initiatives fall in three main themes – "Operational Excellence", "Strengthening the Core" and "Diversification". Our core value driver, lending to reputable and creditworthy ship owners, continues to be our primary focus and we will strive to activate new income generating levers around and in support of the core lending activity. These initiatives are detailed later in this Annual Report.

We have during the strategic review process revisited our vision for the future direction of DSF. The new vision is to become "The Obvious Choice in Ship Finance", for clients, investors, owners and employees. At the same time, we acknowledge the role that lending institutions must play on sustainability issues and are ramping up our efforts in this respect.

During the year we took advantage of attractive funding levels not seen since before the 2008 financial crisis. Maintaining our very strong credit story with the investment community is of paramount importance for our continued success and remains a key focus. We intend to diversify our funding sources in 2019 by tapping into the European bond market. Market circumstances permitting, we will issue covered bonds through a separate capital centre as has been the case for Danish mortgage issuers for decades. The Danish bond market will, however, continue to be our primary source of funding and will be prioritised accordingly.

Finally, we would like to extend our gratitude for the hard and dedicated work of our employees.

Eivind Kolding
Chairman

Erik I. Lassen
Chief Executive Officer

The year in summary

The 2018 results reflect a year in which many developments began to take shape that will bear fruit in 2019 and beyond.

Welcoming new members of the management team in early spring was swiftly followed by a comprehensive review of the strategic direction. The strategic review resulted in identification of clear actionable initiatives. These include effectively building out the presence with key clients, effectively utilising lending capacity, ensuring continued access to bond markets on good terms, and continuing to develop an agile and scalable organisation.

The strategy combines initiatives with a renewed commitment to DSF's historical strengths: a long-term viable business model, a relentless focus on credit quality, ample reserves of capital and liquidity, operational efficiency, and the ability to attract highly talented and motivated individuals. These remain key ingredients in the future success.

Execution of strategic initiatives commenced in the second half of 2018 and will for the most part complete during 2019.

Some effects already began to materialise in the later part of 2018. The focus on being present with key clients was reflected in the addition of eight new clients, based in Europe and North America. Strong business momentum, underpinned by gradually stabilising shipping markets, resulted in a 6% increase of gross lending, to DKK 39.2 billion at the end of 2018. At the same time, new lending credit quality and collateral coverage remained strong.

DSF continued to enjoy good access to funding markets and the already strong liquidity position was further bolstered by net funding growth of DKK 1.1 billion year-on-year.

Developments in 2018 sowed the seeds of attractive and sustainable financial returns, putting DSF in a good position for the future. Shipping markets continued the long march to recovery and healthy earnings levels were achieved in the major segments. Although it is still too early to see the many developments initiated reflected in the present-year financial statements, the results from 2019 onwards will increasingly reflect run-rate results of strategic initiatives already underway at the turn of 2018.

Financial results 2018

Notwithstanding the ability to navigate difficult shipping markets and good progress on executing the strategic initiatives, financial results for 2018 did not yet evidence a reversal of the lower earnings experienced in 2017.

Trends in the lending business were positive with increased loan demand from existing and new clients resulting in lending growth of DKK 2.2 billion year-on-year to DKK 36.7 billion (net of loan impairment charges) at the end of 2018, although the resurgence in activity occurred mainly in the fourth quarter and hence too late in the year to materialise in full-year earnings.

DSF was able to issue a significant volume of bonds at attractive rates very close to the Danish reference rate. A total of DKK 9.1 billion was issued in the Danish bond market, including one of the longest maturity DSF bond issuances since the financial crisis, at 9.3 years, in LCR compliant benchmark size. Average maturity of new issuances over the year was 5.6 years.

Issuance of ship mortgage bonds was increased as the volume of new loan offers started to grow significantly in the second half of the year. Effective issuance supported an overall positive net margin development for new lending. However, liquidity reserves and associated hedging costs in parts of 2018 were higher than normal, pending loan disbursements.

Investment income at DKK 66 million was significantly lower, by DKK 257 million, than in the previous year, as a still-low interest rate environment and the beginning of a turn in the rate cycle pressurised markets. Investment returns in 2018 were, however, still ahead of market benchmarks.

Excluding one-off exceptional items, mostly relating to management changes in the first half of 2018, operating costs were largely in line with the level observed in 2017.

Loan impairment charges for the full year were a manageable DKK 35 million and the number of problem cases reduced by two. The remaining portfolio saw average collateral coverage continue to improve such that 98% of outstanding loans are now covered inside 60% of ship market values and the portfolio average loan-to-value ratio stood at 52% (net of impairment charges). The average internal ratings assigned to new lending were stronger than the existing loan book.

Overall, financial results showed positive momentum during the year after a comparably slow start. Net of loan impairment charges, both pre-tax and post-tax income improved in the second half of 2018 compared to the first half of the year.

Financial results relative to outlook

Financial results for full-year 2018 were lower than expected at the beginning of the year. Particularly, the results contribution from investment of own funds was significantly below the result achieved in the previous year.

The expected increase in the net result from lending did not materialise in 2018. The resurgence in lending activity in the second half, resulting in a year-end balance largely in line with expectations, did not fully compensate for the lower average lending balance earlier in the year.

Macro economic developments did not materially impact the prospects of the shipping industry or the company in 2018. Global economic growth continued its subdued trends from prior years and, as expected, 2018 was a year of mixed trends for international shipping. A few shipping segments are still struggling to move up from the bottom of a very protracted economic cycle while others appear to be steadily improving.

Environmental regulations have not yet had a measurable effect on the ability of global shipping to meet its debt-servicing obligations, or on second hand vessel values. Increasing numbers of vessels were retro-fitted with emissions cleaning devices ("scrubbers") in 2018, in many cases financed by additional borrowing.

The effects of the implementation of IFRS 9 regulations resulted in a one-off reduction of equity by DKK 103 million (DKK 132 million before tax in line with prior guidance of DKK 125-150 million). Overall, the total allowance account remained largely unchanged, and write-offs in 2018 were, as expected, covered by existing loan impairment charges.

No material market impacts have been observed in 2018 relating to upcoming financial regulation, or from the announcements of several competitors of their intent to scale back or withdraw their shipping market lending exposure.

The funding conditions in the Danish high-grade bond market, particularly in the second half of the year, remained strong compared to original expectations, allowing the issuance of longer-dated bonds and a moderate amount of own bonds buybacks.

Outlook for 2019

Business momentum coming into the new year is strong on the back of increased client engagement in the second part of 2018. DSF enters 2019 with a healthy pipeline of accepted loan offers, indicating a strong start to lending activity, supported by a strong liquidity position and continued good access to funding markets.

A healthy operating performance with increased net interest income from lending is expected, and financial results from 2019 onwards will increasingly show the run-rate benefits of initiatives for which DSF laid the groundwork in 2018.

DSF will this year continue to invest in effectively utilising available lending capacity and strengthening the organisation for sustainable performance, laying the foundation for strong business and financial performance in the coming years. Strategy execution costs are fully budgeted in the projections and expected to result in temporarily higher costs in 2019 compared to 2018 levels, excluding other non-recurring items.

The net profit for the year is expected to be in the range DKK 325-425 million, assuming no net loan impairment charges, investment income at 2018-level and unchanged USD/DKK exchange rate compared to 2018.

Overall, shipping markets have seen improvements on the back of a steady increase in demand for seaborne transportation and stabilisation in orderbooks in most segments.

Although the troubled offshore sector appears to be gradually moving out of its depression, recovery of rates in the sector is expected to take several years and DSF expects some of the already challenged clients in the sector to remain under pressure in the coming years.

Credit quality has stabilised for some challenged clients and the number of problem loans reduced. However, it is expected that a limited number of non-performing loans to offshore clients will remain troubled in 2019 and beyond with an attendant risk of realising credit losses. The total allowance account of approximately DKK 2.5 billion provides adequate coverage for expected credit losses and no major changes to the level of the accumulated loan impairment charges are currently envisaged.

Unexpected market or credit events could lead to a reassessment of the outlook. The business outlook for 2019 remains subject to market factors and can be shaped by elements outside of DSF's direct control. Uncertainties about global politics and global trade may impact the shipping market. An uncertain outlook for financial markets, including primary and secondary bond markets, interest rate and foreign exchange markets, may affect the financial performance.

On balance, management remains optimistic about DSF's prospects coming into 2019 and expects the 2019 financial results to materially exceed the results realised in 2018.

Macro trends

The steady expansion of the global economy, which has progressed since mid-2016, is projected to level off from its 2017-level of 3.1% to 3.0% in 2018 and 2.9% in 2019. International trade and investment have softened due to a tightening of financial conditions in some parts of the world, escalating trade disputes and increased geopolitical tensions. The cyclical upswing among commodity exporters has lost momentum, partly reflecting a substantial slowdown in some large economies, and is projected to plateau over the next couple of years.

For all regions, risks to the macro outlook are increasingly tilted to the downside. China's Belt and Road Initiative looks likely to help support continued steady expansion in global seaborne trade but may not be enough to counterbalance adverse factors that are currently clouding the outlook.

Still, the World Bank maintains an optimistic view on world trade predicting robust growth of 3.6% in 2019 compared with 3.8% in 2018. DSF expects that macro developments will nevertheless continue to underpin a healthy debt service capacity amongst its performing clients.

Escalating global trade tensions and the risk of lower economic growth in China remain risk factors in 2019. Although this has not yet had material negative effects on global shipping, the effects will be carefully monitored. Brexit is also a concern, but any impact will mainly be on the short-sea trade.

Bunker (fuel) prices have been on the rise since early 2016. While a continuation of this trend could reduce the effective supply of vessel capacity if ships reduce speed ("slow steaming") to save fuel, or reduce emissions, this effect has not yet been observed as a material factor.

Sustainability and technology have been among the most discussed topics in the shipping industry during 2018. Both themes represent unique opportunities for the shipping industry to address and enhance its contribution to the global economy. For individual ship owners, the increased focus on climate change, the introduction of new environmental regulation and a general push to digitalise global supply chains have initiated an industry transition that includes technological upgrades of vessels and infrastructure.

DSF believes that digitalisation of the shipping industry and the industry's increased focus on sustainability are likely to be mutually reinforcing through the use of new technologies. DSF will increase its focus on the sustainability agenda in 2019 and continuously engage in discussions on how the industry can become more sustainable, supported by increased digital adaptation.

Danish Ship Finance at a glance

The primary business area of DSF is lending to ship owners. With nearly 700 vessels financed and gross lending of DKK 39.2 billion, DSF is in the top 20 of ship financing entities globally and one of the very largest dedicated players in ship financing.

DSF accesses bond markets on competitive terms, securing efficient funding of client loan commitments. DSF maintains a strong liquidity position and has a class-leading historical credit performance. The resilience of the DSF platform is evidenced by a strong investment grade "A" (negative outlook) bond rating from Standard & Poor's.

This solid foundation allows DSF to remain a reliable source of financing for its clients, with an ability to engage on competitive terms.

The quality of the client experience remains a focus area. An external client survey confirmed positive feedback from clients, by ranking DSF as the number one shipping lender in the Nordics and number four globally in terms of quality of service. Clients especially valued our long-term commitment to, and our strong expertise in shipping.

We continue to invest in our capabilities, including dedicated Research and Innovation teams, in-house technical survey, marine legal, and marine insurance expertise, in support of our ambition to always be a preferred financing partner for clients.

The strong capabilities offered by the company make DSF one of the leading global providers of ship finance to reputable and creditworthy ship owners; the obvious choice in ship finance.

Long relationships
with our clients

Clients are primarily
large top-tier ship owners

Client survey rated us best in the
Nordics and fourth globally

Strong funding access,
based on prudent matched
funding principles

Lean organisation.
Quick decision-making process

Many years of shipping experience. On average, our Senior Relationship Managers have more than 20 years of experience

Employees all located in Copenhagen

82

Specialised financial institution. Supervised by the Danish FSA

FSA

In shipping since

1961

Key figures

Results 2018 **Net profit for the year DKK**	**262**	**million**
Cost efficiency of the organisation **C/I ratio**	**29**	
Solid capitalisation **Common Equity Tier 1 capital ratio**	**19%**	
Strong collateral coverage **Proportion of loans covered within 60% of collateral market value**	**98%**	

Our vision and strategic direction

Our business is to extend secured financing to reputable and creditworthy ship owners. We distinguish ourselves in a competitive market by our long-term commitment to shipping, being a stable and reliable partner for our clients, across shipping business cycles. We are committed to establishing DSF as an even stronger partner for the shipping industry.

In 2018, we reviewed our vision and strategic direction. By leveraging our proven track record and strong in-house shipping and financial markets expertise, we work towards being *the obvious choice in ship finance* for all our stakeholders.

Three key strategic themes will characterise the work of the coming years as we bring DSF closer to achieving the vision:

Strengthening the core
Lending to reputable ship owners secured by first lien mortgages has always been the core business and will continue to be the primary value driver. Also, in future DSF will put its very best efforts into staying competitive in the lending and funding markets, leveraging its in-house shipping and financial expertise, strengthening the product offering and expanding the role DSF plays for its clients.

Operational excellence
Robust and agile business processes ensure that DSF can continue to develop and grow sustainably and efficiently. Internal processes will be further strengthened, preparing the organisation for deepening the engagement with our clients in a changing industry.

Diversifying income and funding sources
With effective and agile processes in place and a competitive core business, DSF will look for opportunities to diversify its funding sources and income streams. This will allow a greater level of cooperation with clients, investors and other stakeholders, and ultimately make DSF even more robust across shipping cycles.

An essential part of the strategy is to maintain a very strong financial position and prudent credit policies, bolstering the strong reputation and industry-leading historical record of low realised credit losses.

DSF has been an active player in the shipping industry since 1961. Over the years, DSF has transformed from providing loans to clients in the Danish shipyard industry to a global player supporting top-tier ship owners across many countries and shipping segments.

Our long-term dedication to shipping finance is enshrined in the vision of DSF and in Danish law.


CLIENTS
EMPLOYEES
OWNERS
pka
PFA
AXCEL
SOCIETY
INVESTORS

Business areas

The business model is simple and transparent. The activities comprise the following areas:

- Lending: financing our ship-owning clients
- Investments: investing the equity capital
- Other items: income and costs not allocated to the above business areas

INCOME BY BUSINESS AREA

DKK million	2018	2017
Lending	538	590
Investments	66	323
Other Items	(59)	(170)
Income	**545**	**743**

LENDING

The engagement with clients through the Customer Relations department is at the core of our business and is the gateway to all new client financing offered by the company. Customer Relations ensures a disciplined long-term sustainable approach to any proposed client lending arrangements. Credit decisions remain subject to a formal approval process which will have substantial independent input from the Credit and Research departments.

Underpinning reliable and effective lending to clients by securing access to funding markets on sustainable and competitive terms, the Treasury department maintains an ongoing presence in bond markets and manages the liquidity and execution of financial hedges.

2018 in brief

At 31 December 2018, lending equalled DKK 36.7 billion, collateralised by a total of 698 vessels. Increased engagement with clients and resurgence of lending activity in the second half of 2018 resulted in lending growth of DKK 2.2 billion compared to the end of 2017.

Net interest income and fees and commissions for the full-year nevertheless remained subdued below the level of 2017, as increased lending activity in the second half of 2018 did not compensate for a lower average loan balance over the year.

DSF made use of favourable market conditions for ship finance bonds to further strengthen the liquidity in anticipation of lending growth. Total bond issuances of DKK 9.1 billion during the year, represented net funding growth of DKK 1.1 billion compared to the end of 2017.

Favourable bond issuance conditions were partially offset by increased hedging costs as long-dated currency hedges entered into at favourable rates prior to the financial crisis, were re-established at current market levels to support new lending activity.

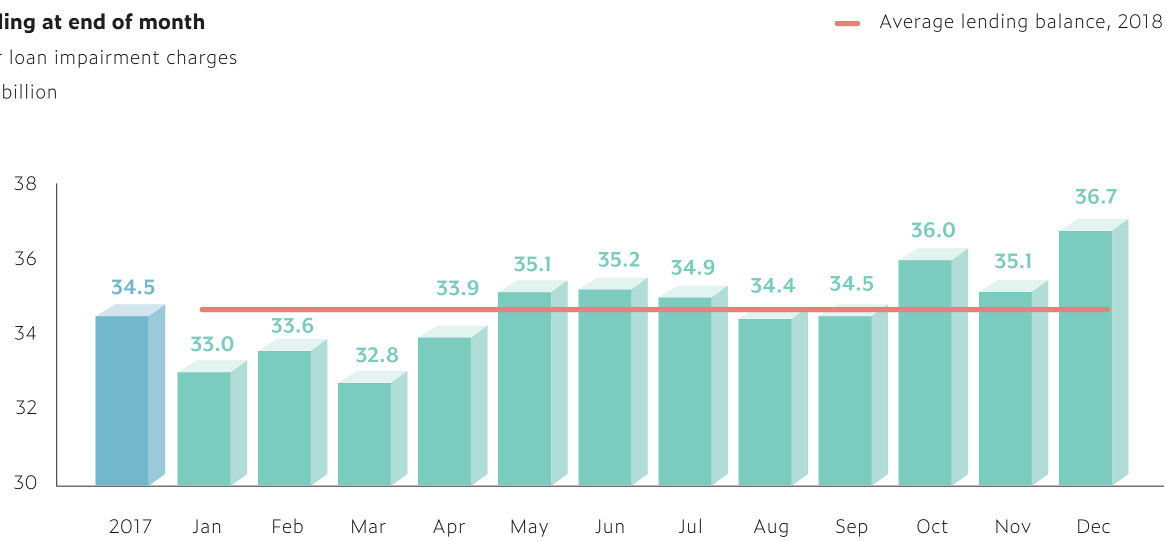
As a result of these effects net income from lending, defined as the difference between the currency funding costs and client financing rates, temporarily decreased by DKK 52 million year-on-year to DKK 538 million.

DKK million	2018	2017
Net interest income	509	549
Net fees and commissions	29	41
Income	**538**	**590**

Lending at end of month

After loan impairment charges

DKK billion



Key ratios

Credit metrics for the performing portfolio remain satisfactory with a reduction in average loan-to-value ratios and 98% of loans outstanding at end-2018 were collateralised within 60% of vessel market values.

In 2018, net write-offs increased to 0.6% of gross lending as a consequence of work-outs on loans to offshore clients, and the level was elevated compared to previous years. The total allowance account of 6.4% of gross lending at year-end 2018 continues, however, to provide adequate protection for future credit losses.

KEY RATIOS	2018	2017
Net write-offs on loans as % of gross lending	0.6	0.3
Total allowance account as % of gross lending	6.4	7.0
Weighted loan-to-value ratio after loan impairment charges (%)	52	57
Proportion of loans covered within 60% of market value (%)	98	95

Competition

The competitive landscape is constantly changing. Leasing companies, especially Chinese owned, continue to increase their global market share of ship financing. These leasing companies have over the last few years experienced considerable growth.

The combination of leasing companies increasing their shipping exposure and some European banks returning to the ship lending market, has led to downwards pressure on loan margins, especially for clients that have not gone through restructuring and/or been in need of loan payment deferrals or waivers of covenants.

The shipping markets

Market conditions in the major shipping segments have registered mixed trends in 2018 but the balance between supply and demand has improved from an overall perspective. The supply side is becoming more manageable with a shrinking surplus in global shipyard capacity. Annual deliveries were down by almost 20% in 2018, demolition activity remained relatively elevated and the orderbook stabilised at a level representing 10% of the fleet. The world fleet expanded by approximately 2.5% in 2018 while distance-adjusted seaborne trade volumes increased by 3.5%.

The ClarkSea Index, a weighted average index of earnings across the major shipping segments, remained at a low level but picked up slightly from an average of USD 10,700 per day in 2017 to an average of USD 12,100 per day in 2018. The index closed above USD 15,800 per day at the end of 2018, which indicated clear signs of improved market fundamentals in some segments, although the index dropped in early 2019. Still, higher fuel prices limited the effect of the gains on 2018 sector earnings.

The Dry Bulk, Container and LNG segments saw gains in earnings and Ferries and Ro-Ro earnings have remained firm. Market conditions in the Crude, Product Tanker and LPG segments were difficult, but positive seasonal trends supported earnings at the end of the year. Chemical Tankers struggled to absorb surplus capacity and the offshore related segments remained challenged despite improved market activity. Car Carriers saw some market improvement although surplus capacity left little room for earnings increases.

Owners continued to consolidate their fleets across many of the major shipping segments. Sale and purchase activity remained strong in 2018, albeit slightly below the high level of activity in 2017. Secondhand prices in several of the major shipping segments, especially for modern units, have increased over the year.

In the last couple of years, the shipping industry has encountered stricter environmental requirements, some of which apply globally, others regionally. Many of these requirements may have severe consequences for the industry, as shipping companies with weaker balance sheets may find it challenging to make the investments necessary to meet the increased requirements. Consequently, the environmental requirements may also partially impact prices of older vessels, because often it will not be financially viable to make the required investments to install new technology in older vessels.

The hottest topic was how to deal with the reduced limits for the sulphur content of fuel oil by 2020. The sulphur cap has spurred a vigorous debate on whether to install scrubbers or not. Many ship owners have invested in scrubbers based on an investment case of a high positive price spread between high and low sulphur fuel. Others have tried to calculate the potential savings in low sulphur fuel in case larger parts of the fleets slow steam, while others have argued that the sulphur cap will accelerate the decision to scrap older vessels and therefore improve the utilisation of the remaining fleet. Time will tell which strategy turns out to be the best performing. The potential earnings impact from lower supply as fleets are being retro-fitted or slow stream will most likely benefit all ship owners.

Most ship owners are capable of adapting to the very changeable conditions of international shipping, including new regulation, and adjust according to the fluctuations in earnings which are inherent to the industry. Thus, the majority focus on having a capital structure which is robust, and which is resilient to downturns and can foster growth when the opportunity arises.

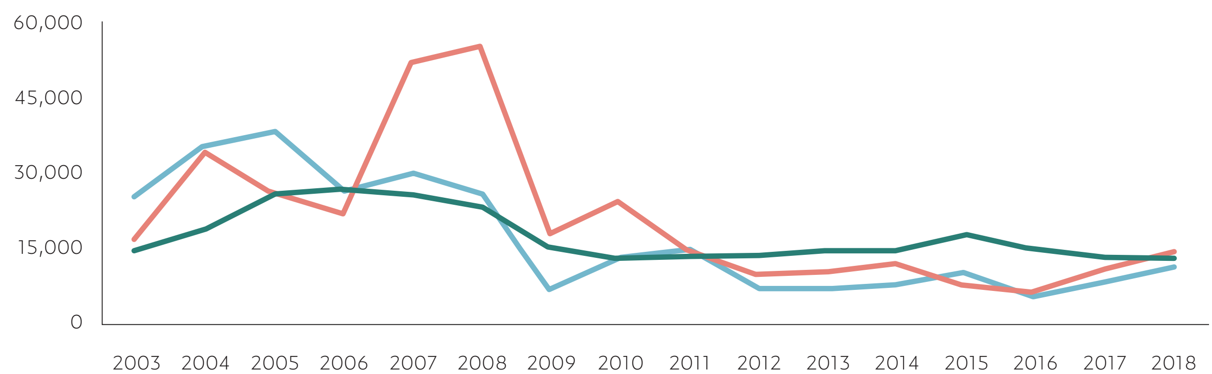
Digitalisation of the shipping industry was another widely discussed topic of the year. The industry has seen an unprecedented interest from both corporates and start-ups from outside the existing shipping ecosystem that work to innovate various parts of the industry, introducing new technologies or new business models. Little indicates that any of the current initiatives are outright disruptive, but many hold the potential to change how future value is created if broadly adopted by the market.

For further research on the digitalisation of the shipping industry, please see the Maritime Trend Report published by DSF and Rainmaking in November 2018, at
www.nextgenmaritime.io/

Timecharter rate

USD per day

Container, 3500 teu 1-year T/C
Dry Bulk, Panamax 1-year T/C
Product Tanker, MR 1-year T/C

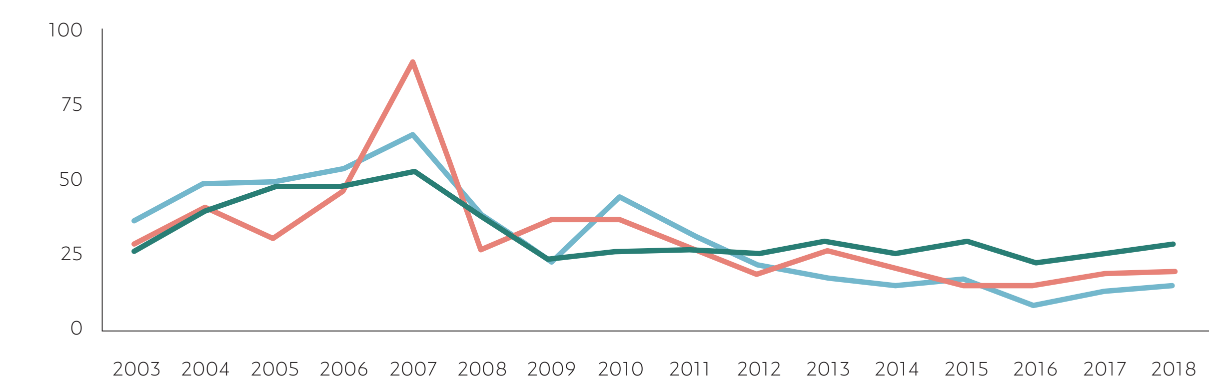


Sources: Clarksons, Danish Ship Finance

Vessel prices by segment

USD million

Container, 3500 teu 5-year old
Dry Bulk, Panamax 5-year old
Product Tanker, MR 5-year old



Sources: Clarksons, Danish Ship Finance

INVESTMENTS

Investments cover investment of equity and the amounts held in the allowance account. The investments are subject to specific policies set out by the Board of Directors.

2018 in brief

Investment income generated a positive return of DKK 66 million in 2018. This was, as expected, significantly lower than the 2017 realised investment return of DKK 323 million due to low interest rates combined with negative market value adjustments as the interest-rate cycle began to turn in 2018.

Realised investment returns were ahead of market benchmarks.

DKK million	**2018**	**2017**
Net interest income, investments	163	135
MV adjustments, investments	(97)	188
- of which bonds	(43)	115
- of which shares	(7)	(3)
- of which FX	8	(30)
- of which derivatives	(55)	106
Net income	**66**	**323**

The financial markets

In contrast to a relatively calm 2017, uncertainty factors grew more visible in the bond and interest rate swap markets in 2018. Geopolitical and trade tensions between the USA and China as well as the timing of the leading central banks' tapering of their quantitative easing programmes became dominant market themes.

Medium and long-term swap rates and government bond yields increased from the beginning of the year, only to fall back again by 30–50 bps in the second half of the year. The relatively large fluctuations were caused in part by the uncertainty as to when markets expected the ECB's government and covered bond purchase programme to end. In September 2018, the ECB reaffirmed its plan to halt QE bond purchases at the end of 2018, thereby ending a four-year programme with total purchases of some EUR 2,500 billion worth of government and covered bonds and other instruments. The ECB purchase programme contributed to keeping the yields on Danish covered bonds and government bonds historically low.

The fairly large yield movements increased credit spreads on Danish covered bonds in particular. Credit spreads on callable and fixed bullet bonds are at their highest levels since 2016-2017. Government bonds benefited from the uncertainty prevailing during 2018, which caused Danish and German government bond yields to decline relative to comparable swap rates.

Danish covered bond performance was negative in 2018, with a credit spread widening of 15-20 bps. By contrast, Danish government bonds performed positively with approximately 10 bps. Own funds were invested in Danish government and covered bonds with swap hedges reducing interest rate risk and reducing the portfolio duration to less than one year. Owing to an overweight of callable bonds in the trading book, the credit spread widening contributed to capital losses, which were offset by current interest income and gains on short-term investments. The return on invested amounts for the year was 0.5%.

Lending growth in 2018 was match-funded by issuance of ship mortgage bonds. Gross issuance totalled DKK 9.1 billion with a duration of approx. 5½ years at an asset swap spread very close to the Danish 6-month CIBOR reference rate. A number of investors regard bonds issued by DSF as an alternative to real estate covered bonds and DSF was able to issue bonds with 9-10 years maturities at the most favourable levels seen for the past 10 years.

Other items

Other items comprise income and expenses not allocated other segments and primarily cover the items buybacks of own bonds and warehousing costs.

As existing bonds were bought back in connection with issuance of new bonds with longer maturities, a capital loss was incurred when market prices of the purchased bonds were higher than the corresponding amortised cost recognised in the financial statements. A large proportion of the capital loss will be offset by reduced interest expenses in coming years.

In 2018, the net effect of buybacks of issued bonds was an expense of DKK 20 million, related to buybacks of issued bonds for a nominal value of just over DKK 4.8 billion. This was significantly less than the net cost in 2017 when a higher volume of bonds was repurchased.

Warehousing comprises investment of excess liquidity from pre-funding activities. The excess liquidity is invested primarily in Danish government bonds. In 2018, the warehousing cost was DKK 38 million.

DKK million	**2018**	**2017**
Other interest income	(1)	0
Buybacks, issued bonds	(20)	(151)
- of which MV adjustment, issued bonds	(20)	(151)
- of amortisation, issued bonds	0	0
Warehousing	(38)	(19)
Income	**(59)**	**(170)**

Summary of financials

Income
Net profit for the year amounted to DKK 262 million, a reduction of DKK 72 million (22%) compared to 2017. The decrease was attributable to a decline in earnings from both lending and investment activities.

Net interest income from lending, including fee income of DKK 32 million, was DKK 509 million in 2018, a reduction of DKK 40 million (9%) on 2017. The decline can be ascribed to a lower lending balance through most of the year. Although new lending activity was overall strong, with loan offers made and accepted in excess of DKK 10 billion, the majority of new loans were disbursed late in the year; hence the earnings impact did not fully materialise in 2018.

Investment income from the securities and foreign exchange portfolio was DKK 66 million, corresponding to a return of 0.5% on a closing balance of DKK 12 billion. As expected, the result was significantly below the realised investment income of DKK 323 million in 2017. The 2018 investment results were nevertheless ahead of benchmark and on that basis satisfactory given the risks assumed and market trends during the year.

Net interest income from investment activities of DKK 163 million in 2018 reflected the very low interest rate level prevailing for the high-grade bonds the company invests in. The year's net interest income compared favourably to net interest income of DKK 135 million in 2017.

Market value adjustments of securities and foreign exchange generated a loss of DKK 135 million in 2018, compared with a gain of DKK 37 million in 2017. The market value loss in 2018 was largely due to interestrate movements.

Expenses
Staff costs and administrative expenses totalled DKK 158 million. A number of initiatives resulted in extraordinary expenses of approximately DKK 15 million in the first half of 2018. Excluding one-offs, the level of underlying costs was comparable to the level recorded in 2017.

The average number of employees (full-time equivalents) rose by six from 70 to 76 year-on-year.

Loan impairment charges
Loan impairment charges for the year amounted to an expense of DKK 35 million, which was 78% lower than the level of DKK 163 million in 2017.

The total allowance account amounted to DKK 2,514 million at the end of 2018 (including the initial pre-tax effect of DKK 132 million from the implementation of the IFRS 9 impairment rules on 1 January 2018), down from DKK 2,591 million at the end of 2017.

The year's loan impairment charges were, as for 2017 and 2016, adversely affected by the continued headwind for Offshore clients, significantly attributable to subdued investment levels of offshore oil companies, leading to reduced demand for Offshore vessels.

Net write-offs amounted to DKK 252 million, corresponding to 0.6% of gross lending. In absolute terms this is a manageable size, but elevated relative to the strong performance observed in previous years and compares to DKK 98 million in 2017 (0.3% of gross lending).

Tax
Tax for the year represented an expense of DKK 81 million against an expense of DKK 93 million in 2017. For 2018, the expense in the income statement translated into an effective tax rate of 23.6% versus 22.3% in 2017.

Condensed income statement

+ OUR INCOME	DKK million
Net interest income (interest income – interest expenses) Lending and investment of the equity capital generate interest income. Interest expenses are incurred for issued bonds and capital market funding.	**640**
Net commission income Fees charged related to lending.	**32**
Net gains and losses on financial items at fair value Result of the market valuation of lending, funding, currencies and securities held by the financial institution. Arises through trading in financial instruments by the financial institution itself and as a result of valuation effects in the accounts, primarily from interest and exchange rate movements.	**(135)**
Other income	**0**
Total income	**537**

- OUR EXPENSES	DKK million
- Staff costs To develop the best services and give professional advice, DSF has to be a relatively personnel intensive business dependent on attracting and developing people with the right skills as client needs evolve.	**131**
- Other expenses and depreciation An effective customer offering in ship finance generates development and production expenses. IT expenses are incurred for development, systems and licences. Production expenses are to develop existing products and maintain product platforms.	**29**
Total expenses	**160**

= PROFIT BEFORE IMPAIRMENTS AND TAX	**378**
- Loan impairment charges Loan impairment charges are natural for a ship finance institution and arise, for example, when a client faces financial difficulties. All lending carries a risk. Assessing, monitoring and working proactively with credit risks are critical to minimise credit losses.	**35**
- Tax	**81**
= OUR RESULTS BEFORE ATTRIBUTABLE TO SHAREHOLDERS	**262**

Earnings distribution
15% of profit or maxium 1% of the tied-up reserve is distributed as a dividend to the B-shareholder (the Danish Maritime Fund, which owns 10% of the shares). The remaining profit can be distributed as dividend to A-shareholders (Danish Ship Finance Holding A/S owns 86.6% and minority shareholders 3.4%).

Condensed balance sheet

OUR ASSETS	DKK million
Loans to credit institutions and central banks expenses As part of the financial system funding is used for investments, liquidity and collateral management to other banks and credit institutions.	**1,360**
Loans to clients Loans are provided to clients world wide.	**36,735**
Bond portfolio Our equity capital is invested in bonds. Bonds are also used to maintain a liquidity buffer for both business and regulatory purposes to meet our commitments even if access to funding is limited for an extended period.	**22,470**
Derivatives To protect against unwanted movements in interest or exchange rates, for example, various types of derivatives, mainly swaps, are used, which are reported on both the asset and liability sides of the balance sheet.	**1,288**
Other assets	**496**
Total assets	**62,349**

OUR LIABILITIES AND EQUITY	DKK million
Loans from credit institutions and central banks expenses As part of the financial system deposits are used for liquidity and collateral management to other banks and credit institutions.	**8,522**
Issued bonds Issued bonds consists of covered bonds with longer maturity on average than the lending portfolio.	**43,549**
Derivatives See comment under assets above.	**682**
Other liabilities	**367**
Equity The tied-up capital amounts to DKK 8,343 million of equity.	**9,229**
Total liabilities	**62,349**

Equity

Equity stood at DKK 9,229 million at the end of 2018 against DKK 9,307 million at the end of 2017.

The Executive Board has proposed a dividend of DKK 205 million, corresponding to 78% of net profit for the year. This amount is recognised in equity until approval of the distribution at the next general meeting.

The amount of Common Equity Tier 1 (CET1) capital, which is the most important capital concept in relation to capital adequacy rules, is determined exclusive of the proposed dividend, cf. Note 29.

CET1 capital less deductions ("own funds") totalled DKK 8,972 million at the end of 2018 compared to DKK 8,930 million at the end of 2017. The Tier 1 capital ratio was 19.0% at the end of 2018, against 19.7% at the end of 2017. There were no Tier 2 capital instruments at the balance sheet date and the total capital ratio equalled the Tier 1 capital ratio.

Financial Highlights

KEY FIGURES, DKK MILLION	2018	2017	2016	2015	2014
Net interest income from lending	477	541	589	623	565
Net interest and fee income from lending	509	561	621	664	679
Net interest income from financial activities	163	135	228	242	255
Total net interest income	640	676	817	865	820
Net interest and fee income	672	696	849	906	934
Market value adjustments	(135)	37	124	(177)	123
Staff costs and administrative expenses	(158)	(141)	(120)	(113)	(98)
Loan impairment charges	(35)	(163)	(610)	(46)	1,103
Profit before tax	343	427	241	569	2,061
Net profit for the year	262	334	188	413	1,568
Loans	36,735	34,492	39,811	43,171	43,347
Issued bonds	43,549	42,467	42,352	45,067	45,077
Equity	9,229	9,307	9,164	10,378	11,146
Total assets	62,349	58,161	62,621	64,873	69,374

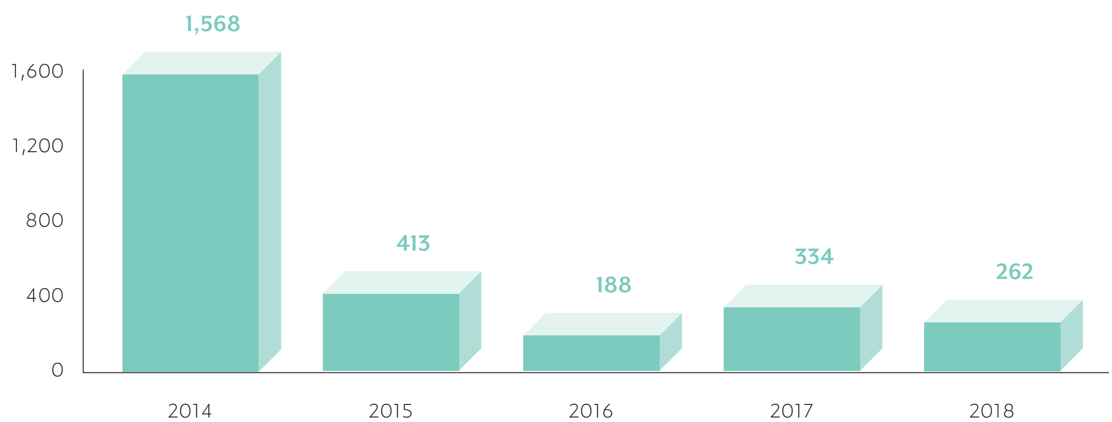
KEY RATIOS	2018	2017	2016	2015	2014
Return on equity after tax (%)	2.8	3.6	1.9	3.8	14.8
Return on financial activities (%) *)	0.5	3.1	3.0	0.3	2.8
Total capital ratio (%)	19.0	19.7	17.2	17.3	16.4
Combined capital buffer requirement (%)	11.2	10.8	10.7	8.9	8.5
Cost/income ratio (%) **)	29.1	19.0	11.9	15.0	9.0
Equity as % of lending	25.1	27.0	23.0	24.0	25.7
Net write-offs on loans as % of gross lending	0.6	0.3	0.2	0.2	0.1
Total allowance account as % of gross lending	6.4	7.0	5.9	4.3	4.3
Weighted loan-to-value ratio after loan impairment charges (%)	52	57	66	64	59
Proportion of loans covered within 60% of market value (%)	98	95	88	91	95

**) Return on financial activities is calculated exclusive of return from shares and currencies.*
***) The calculation of the cost/income ratio does not include loan impairment charges.*

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

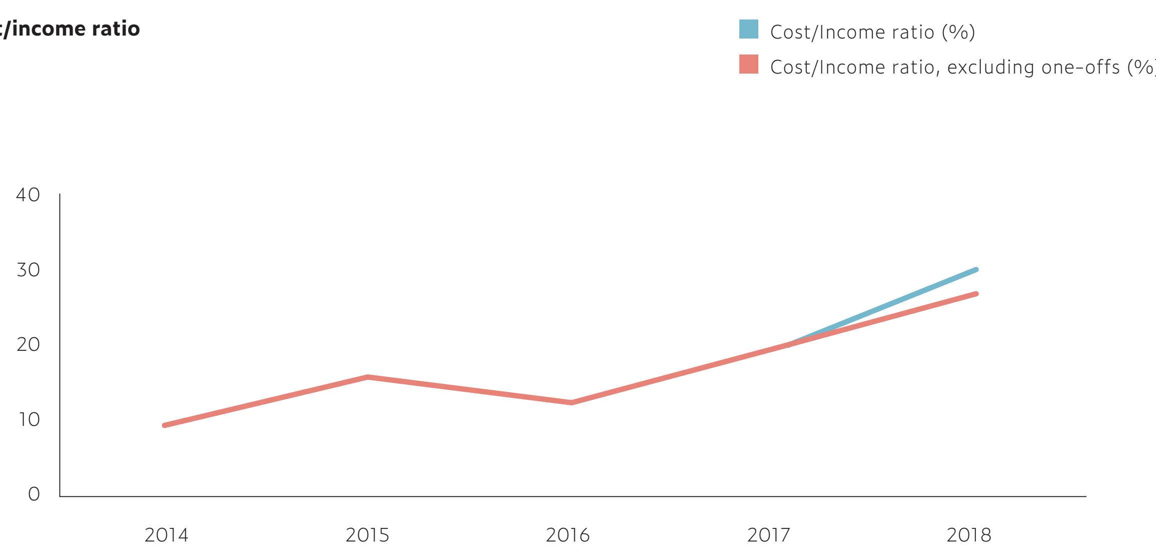
Net profit for the year

DKK million



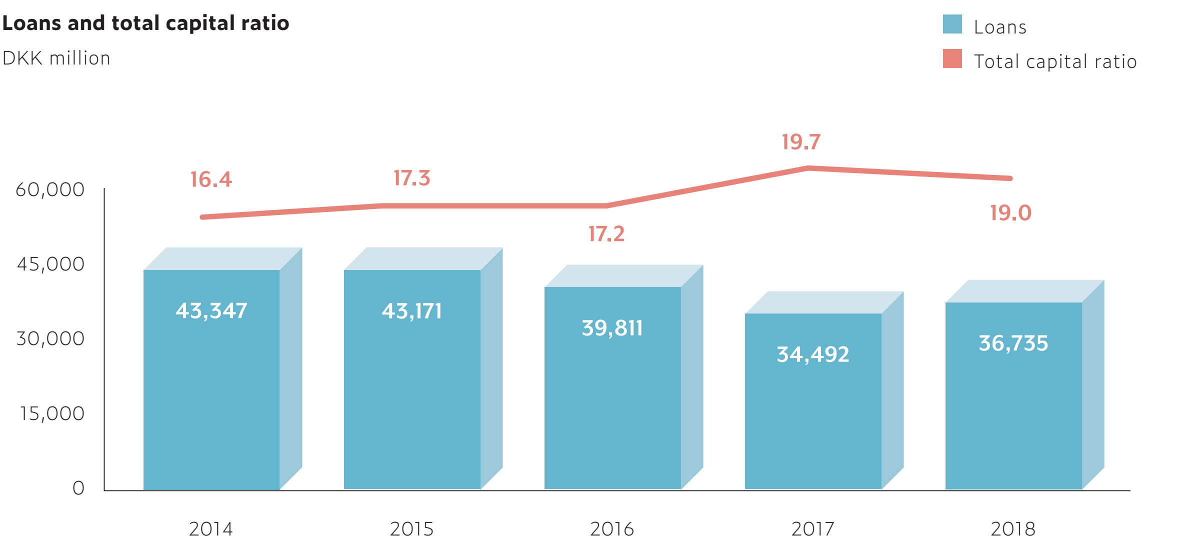
Cost/income ratio

%



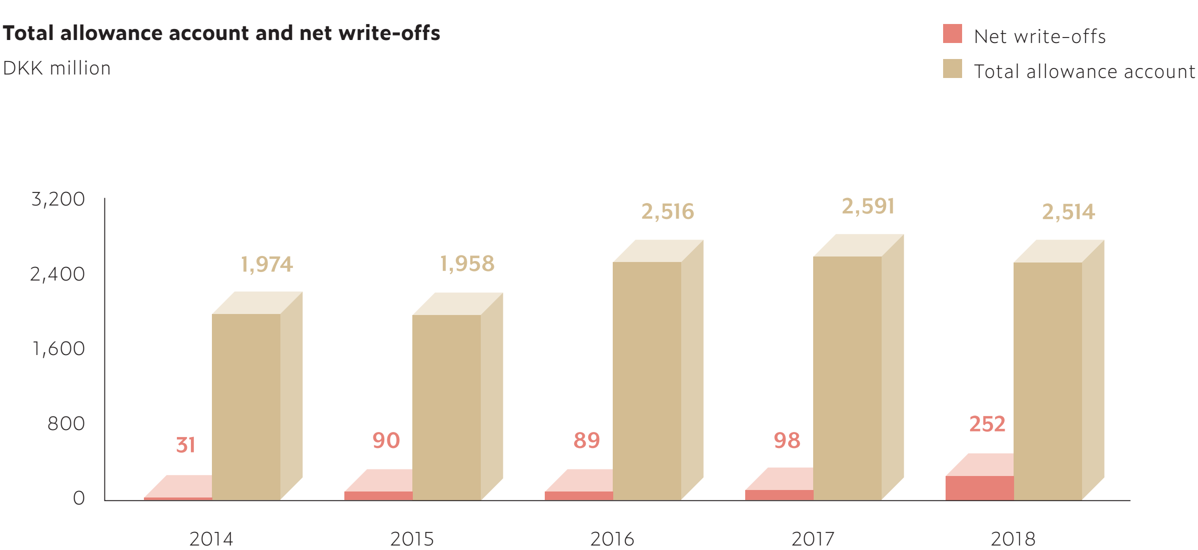
Loans and total capital ratio

DKK million



Total allowance account and net write-offs

DKK million



Special accounting circumstances

At 1 January 2018, new regulations for classification and impairment of financial assets established by the International Financial Reporting Standard 9 ("IFRS 9") became effective, resulting in amendments to the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

The implementation of the new forward-looking impairment rules resulted in an increase in the total allowance account of DKK 132 million at 1 January 2018. The after-tax impact of DKK 103 million has been recognised as a reduction in equity at 1 January 2018 without affecting the income statement.

The implementation of the new impairment rules has affected the accounting item reclassification of interest reported under loan impairment charges and interest income resulting in a change of the corresponding comparative figures for 2017.

Regulatory impact

Basel IV was adopted in December 2017 and will in the long term impact the terms for ship finance as well as other lending. Although the phase-in period does not commence until 2022, the rules are likely to have an impact some time before then.

Most of the competitors in ship financing apply the advanced IRB-method to determine capital requirements for regulatory solvency. The introduction of capital floors under Basel IV is expected to lead to increased regulatory capital requirements for many competitors and likely over time to affect industry loan pricing. DSF applies the standardised approach to calculate regulatory risk-weighted assets and is not expected to be similarly affected. These developments are expected to improve the competitive position over time.

Other

DSF executed a management transition in the first half of 2018, welcoming two new members of the Executive Management: Chief Commercial Officer, Michael Frisch, in April and Chief Financial Officer, Lars Jebjerg replacing the previous CFO, Per Schnack, in May. Other additions were made at senior level to strengthen the leadership team.

Additionally, DSF established an Innovation team focusing on industry digital and sustainability trends, a dedicated Human Resources function and an Executive Secretariat with responsibility for, inter alia, strategy execution and projects.

Uncertainty as to recognition and measurement

The most significant uncertainty involved in recognition and measurement concerns expected credit losses and valuation of financial instruments. DSF estimates that the uncertainty is at a level which is prudent in terms of providing a true and fair view of the financial statements. See the description in Note 1.

Material risks

The most material risks are described in detail in Note 40, to which reference is made.

Events since the balance sheet date

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

Capital, funding and liquidity

Own funds, total capital ratio and capital requirements
The own funds were DKK 8,972 million at the end of 2018, up DKK 42 million on the end of 2017. Own funds consist mainly of CET1 capital in the form of tied-up reserve capital, share capital and retained earnings from previous years less deductions.

At the Annual General Meeting held on 26 March 2018, the Board of Directors' proposal to pay dividend of DKK 237 million based on the Annual Report 2017 was adopted.

The Board of Directors propose that the Annual General Meeting resolve to distribute dividend for 2018 in the amount of DKK 205 million. Dividend will be deducted from equity carried for accounting purposes at the time of approval by the Annual General Meeting, whereas the proposed dividend is deducted from owns funds for capital adequacy purposes already at end-2018.

The A-shareholders are proposed to receive dividend of DKK 166 million, while the B-shareholder, the Danish Maritime Fund, is proposed to receive a dividend of DKK 39 million.

If shareholders approve the dividend proposal for 2018, DSF will, since its conversion into a public limited company in 2005, have paid total dividend of DKK 705 million to the B-shareholder, the Danish Maritime Fund. The funds are used to develop and promote the Danish maritime industry – The Blue Denmark.

The own funds requirement (also referred to as the Pillar 1 requirement) is a total capital ratio of 8%, equivalent to the statutory minimum requirement.

The own funds requirement is calculated as the sum of CET1 capital, Additional Tier 1 (AT1) capital and Tier 2 capital less deductions, and the ratio of own funds to the total risk exposure amount is referred to as the total capital ratio.

CALCULATION OF TOTAL CAPITAL RATIO

DKK million / %	2018	2017
Own funds	8,972	8,930
Total risk exposure amount	47,233	45,312
Total capital ratio	**19.0**	**19.7**

DSF follows the Danish FSA Guidelines on adequate own funds and capital adequacy requirements for credit institutions (the Pillar 2 requirement). The guidelines provide an interpretation of Annex 1 to the Danish Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need. The Danish FSA has defined benchmarks and calculation methods within seven risk areas which are typically relevant for a credit institution to assess in determining its adequate own funds and has listed additional factors to be included in the assessment.

ADEQUATE OWN FUNDS AND INTERNAL CAPITAL ADEQUACY REQUIREMENT

DKK million	2018	2017
Total risk exposure amount	**47,233**	**45,312**
Pillar 1 requirement (8% of total risk exposure amount)	3,779	3,625
Pillar 2		
Earnings	–	–
Growth in lending	–	–
Credit risk		
– Credit risk exposure to large clients in financial difficulty	65	137
– Other credit risk	–	–
– Concentration risk	36	35
Market and liquidity risk	378	–
Operational and control risk	–	411
Leverage risk	–	–
Other risks	–	–
Total adequate own funds	4,258	4,208
Internal capital adequacy requirement (%)	**9.0**	**9.3**
Capital conservation buffer (%)	1.9	1.3
Countercyclical capital buffer requirement (%)	0.3	0.2
Internal capital adequacy requirement incl. combined capital buffer requirement (%)	**11.2**	**10.8**

At 31 December 2018, adequate own funds and the total risk exposure amount were DKK 4,258 million and DKK 47,233 million, respectively. The internal capital adequacy requirement including the combined capital buffer requirement totalled 11.2%. Own funds totalled DKK 8,972 million at 31 December 2018, resulting in a total capital ratio of 19.0%. This corresponds to excess coverage in the amount of DKK 3.680 million, or 7.8%.

DSF made a Pillar 2 capital reservation of DKK 378 million to cover risk exposure to Danish mortgage bond credit spreads, following publication of the supervisory guideline in the third quarter of 2018.

The combined capital buffer requirement

The combined capital buffer requirement consists of three elements:

- A capital conservation buffer
- A systemic risk buffer
- An institution-specific countercyclical capital buffer

In 2017, the regulatory capital conservation buffer was set at 1.25% of the total risk exposure amount. At 1 January 2018, it was up at 1.875%. When fully implemented at 1 January 2019, the capital conservation buffer requirement will be 2.5% of the total risk exposure amount.

All EU member states must implement a systemic risk buffer applying to domestic exposures. The requirement may apply to the entire sector or to individual sub-sectors. The systemic risk buffer is aimed at preventing and mitigating long-term, non-cyclical systemic or macroprudential risks not covered by the Capital Requirements Regulation (CRR). The systemic risk buffer rate was set at 0% in 2018.

The institution-specific countercyclical capital buffer may be applied if lending growth results in higher macroprudential risks. The institution-specific countercyclical capital buffer may be between 0% and 2.5% of the total risk exposure amount. Based on the geographical distribution of credit risk exposures, the capital requirement for the countercyclical capital buffer was calculated at DKK 148 million at 31 December 2018. The capital requirement pertains to exposures in Norway, Sweden, Iceland and the United Kingdom which have set the following countercyclical capital buffer rates:

- Sweden 2.0%
- Norway 2.0%
- Iceland 1.25%
- United Kingdom 1.0%

INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

DKK million	2018	2017
Total risk exposure amount (DKK million)	**47,233**	**45,312**
Institution-specific countercyclical capital buffer requirement (DKK million)	148	105
Institution-specific countercyclical capital buffer requirement (%)	0.3	0.2

In accordance with the Executive Order on Management and Control of Banks, etc., a capital contingency plan has been prepared, which contains a catalogue of possible course of actions to strengthen the capital position in a critical situation.

The capital contingency plan would take effect in the unlikely event predefined triggers are activated.

For further information on capital management, including a detailed description of the determination of adequate own funds, please refer to the Risk Report on the website: **https://www.shipfinance.dk/investor-relations/risk-and-capital-management/**

Credit rating

DSF's covered bonds have been assigned a rating of "A" by S&P Global Ratings, with a negative outlook, based on S&P's methodology for rating covered bonds. S&P has also issued an Issuer Credit Rating to Danish Ship Finance A/S of "BBB+", with a negative outlook.

Bond rating	A
Issuer credit rating	BBB+
Outlook	Negative

S&P regularly monitors and provides instrument and issuer credit ratings.

Balance principle

Mortgage lending is regulated by a balance principle, which applies to ship mortgage lending as well as real estate mortgage lending. The balance principle limits the financial risk the issuer may assume in relation to funding and lending.

Danish mortgage institutions may apply either the specific balance principle or the general balance principle. DSF applies the specific balance principle. The specific balance principle permits a future liquidity deficit between issued bonds and loans provided of up to 100% of the equity capital.

The deficit occurs if the future payments related to bonds issued by DSF, other funding and financial instruments exceed the future incoming payments on loans, financial instruments and positions.

In the internal policies, there are stricter requirements for any liquidity deficits between issued bonds and disbursed loans.

Funding

The Treasury department maintains ongoing access to bond and financial markets and manages liquidity, bond issuance and executes financial hedging.

Bonds are typically issued in DKK, whereas most of the loans are is sourced in USD. USD for funding of USD loans is sourced via so-called basis swaps.

A lack of access to convert DKK funding into USD entails a risk of higher financing costs or a loss of business opportunities. The opportunities for sourcing USD liquidity rely on an efficient capital market. Internal policies govern the maximum USD funding requirements over time.

Mortgage funding through covered bonds

The rules governing bond issuance are described in the Act on a Ship Finance Institute (the Act) and the Executive Order on a Ship Finance Institute (the Executive Order) as well as in the Bond Executive Order. Lending operations are funded through previously issued debenture bonds, issuance of ship mortgage bonds, lending of the equity capital and proceeds from loans raised in money markets and capital markets. Individual clients have no direct obligations to the bondholders.

All bonds issued by DSF are on the European Commission's list of bonds meeting the gilt-edged requirements of Article 52(4) of the UCITS Directive (the "Investment Directive").

Debenture bonds

Refers to certain bonds issued before 1 January 2008. By definition, the bonds are considered covered bonds under the CRD until maturity.

Ship mortgage covered bonds

Ship mortgage bonds are issued to finance lending secured by mortgages on vessels within 70% of the market value of the mortgaged vessel(s).

In respect of loans funded by ship mortgage bonds, compliance with LTV limits is only required at the time of the loan offer.

Since 1 January 2008, bond issuance have been in the form of ship mortgage bonds.

CRR Article 129 compliant covered bonds

In October 2017, a permission from the Danish FSA was obtained to issue CRR Article 129 compliant covered bonds ("CB"). These bonds are issued to finance lending secured by mortgages on real estate, ships or sovereign exposures within predetermined LTV-limits. In respect of loans funded by CBs, supplementary collateral must be provided to the bondholders if the LTV limit is exceeded. Compliance with this requirement must be monitored continuously.

DSF has not yet utilised the option to issue CB, but has obtained the necessary approvals and may decide to issue in 2019.

Additional capital charge

Loans exceeding 70% of the value of the vessel(s) may be provided subject to an additional capital charge in the form of a deduction from own funds in the calculation of the total capital ratio.

DSF has not utilised this option for a number of years.

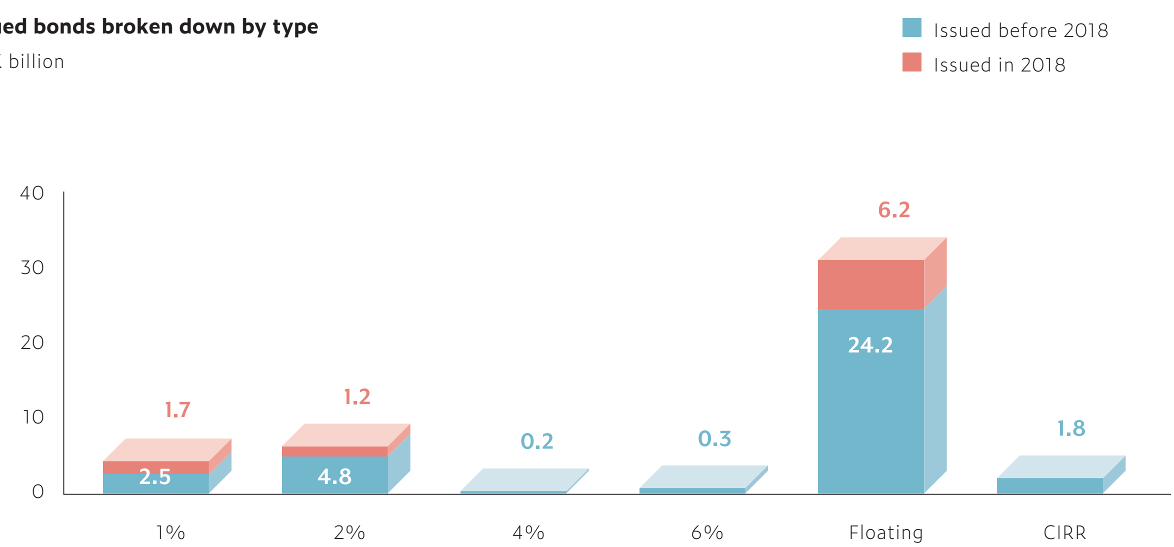
The market for covered bonds

Issued bonds are primarily in the form of bullet loans denominated in DKK. Issued bonds totalled DKK 43.5 billion at amortised cost at 31 December 2018. About 97% of these bonds are denominated in DKK, while the remainder are CIRR bonds, most of which are issued in USD. Except for the CIRR bonds, all bond issues are listed and traded on Nasdaq Copenhagen.

At the end of 2018, DSF held no own bonds.

Issued bonds broken down by type

DKK billion



Interest rate risk

There is a risk that the coupon on floating-rate bonds will be negative in which event DSF will have a claim against the bondholders. In such case, the issuer is entitled, but not required to redeem the bonds for settlement at par value, equivalent to a value of up to the nominal negative interest coupon. The procedure is stated in the final terms for the bond issue.

Subordinated debt

No subordinated debt has been issued this year or is outstanding.

Bail-in able senior debt and senior unsecured debt

No Senior Resolution Notes (SRN) or any other senior bail-in able or senior unsecured debt have been issued this year or is outstanding.

Issuance schedule for 2019

DSF expects to issue in the range of DKK 5-10 billion to maintain adequate funding to support both clients' refinancing needs and the expected growth of the loan book. The company has continued focus on maintaining a sufficiently diversified investor base and on the ability to efficiently manage exposure to currency markets.

Liquidity

The liquidity management and the statutory liquidity requirements are aimed at reducing liquidity risk to very low levels.

Liquidity risk involves the risk of:

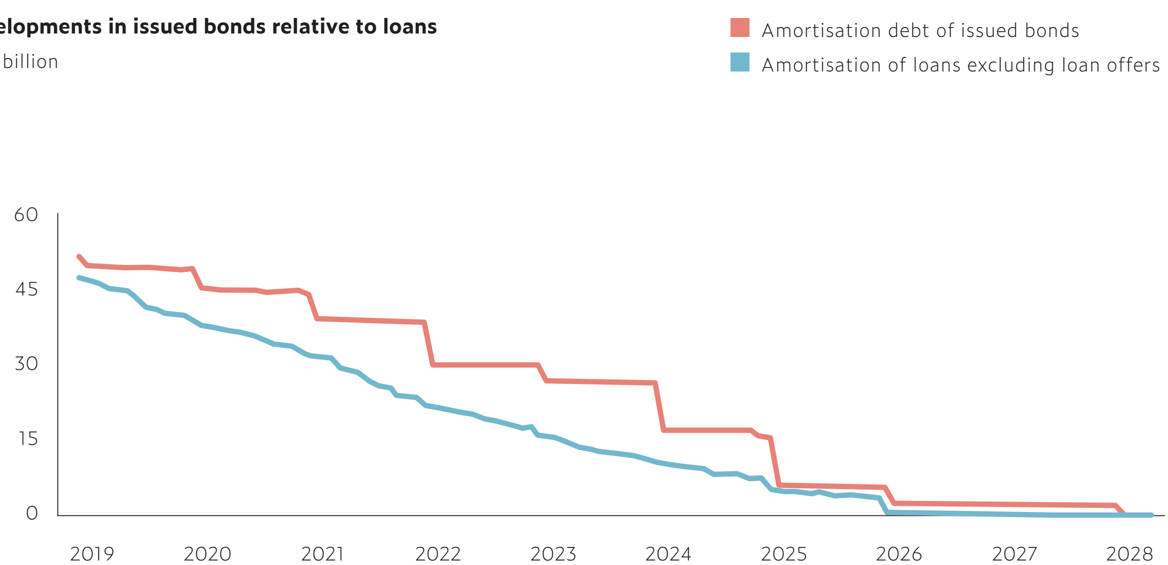
- A disproportionate rise in the cost of funding
- Not being able to meet its payment obligations due to lack of funding

Through bond issues and the existence of a liquid portfolio of bonds, an adequate liquidity coverage has been ensured for all existing loans and loan offers until expiry. DSF is therefore not exposed to any refinancing risk. A potential downgrade of the external rating would not change the robust liquidity position but could lead to higher funding costs for new loans.

The average maturity of issued bonds exceeds the average maturity of loans.

Developments in issued bonds relative to loans

DKK billion



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

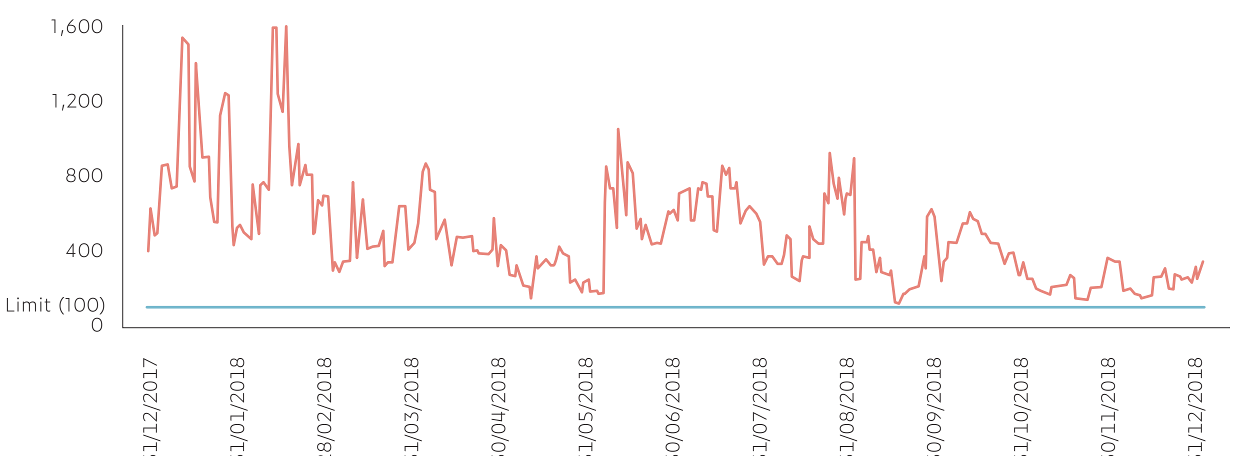
$$\text{Liquidity Coverage Ratio} = \frac{\text{HQLA}}{\text{Net liquidity outflow over 30 day stress period}} \geq 100\%$$

The LCR was 357% at 31 December 2018.

LCR

LCR volatility, one year

%

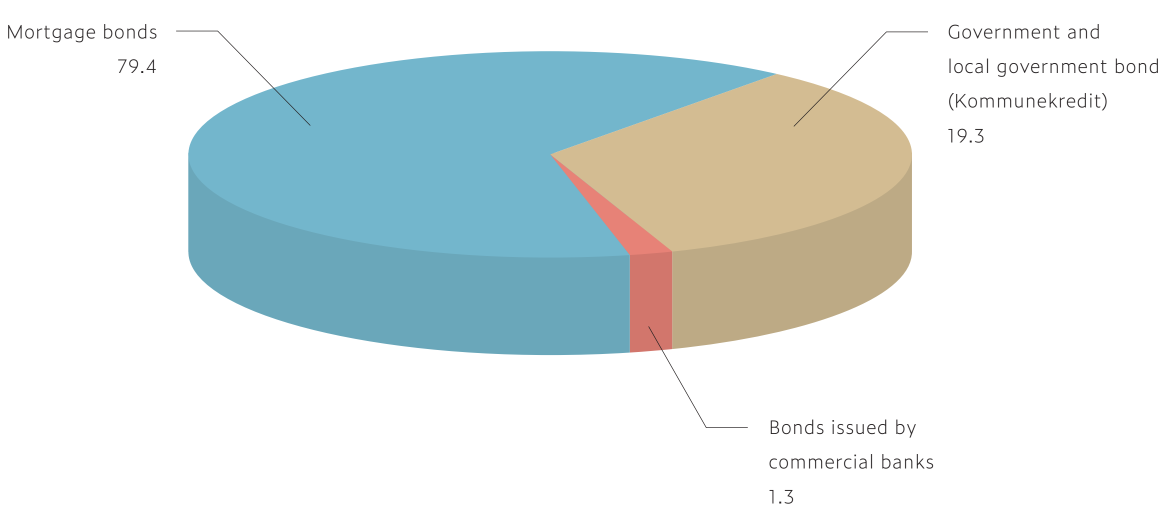


The securities portfolio represents a significant part of the assets. The securities portfolio comprises government and mortgage bonds, money market transactions and interest sensitive financial instruments.

In accordance with the Executive Order on Management and Control of Banks, etc., a liquidity contingency plan has been prepared, which contains a catalogue of possible courses of actions to strengthen the liquidity position in a critical situation. The liquidity contingency plan would take effect if predefined triggers are activated.

Securities portfolio broken down by type

%



Lending credit risk

Ship financing is provided against first lien mortgages on vessels. On a limited scale, DSF may also finance clients' payment of instalments to shipyards. At year-end 2018, however, no loans related to instalments to shipyards were outstanding.

DSF is a leading provider of ship financing, and it focuses primarily on large, reputable ship owners located in Denmark and in other countries. When considering a financing request, DSF considers the client's creditworthiness, the outlook for the relevant shipping segment, the vessel type and age and the terms of the loan, including initial LTV, repayment schedule and financial covenants.

The most significant risk is deemed to be the risk of incurring credit losses in situations where the value of mortgaged vessels cannot cover the outstanding debt in case of a client's loan default.

The credit policy contains specific guidelines for the credit risk management and monitoring of credit exposures. Several predefined procedures are complied with as part of the ongoing credit risk management and governance process, the most important of which are presented below.

Diversification

The composition of the loan book adheres to a set of diversification rules. The purpose of the diversification rules is to ensure adequate diversification by vessel type, client and country.

In respect of management of large exposures, guidelines have been defined for the extent to which and the assumptions on which large credit exposures will be assumed, including credit exposures exceeding 25% of equity.

The five largest credit exposures at 31 December 2018, comprising loans and guarantees but excluding credit exposure with financial institutions, were secured by mortgages on 126 vessels comprising 10 vessel types, of which one credit exposure accounted for about 20% of the loan book.

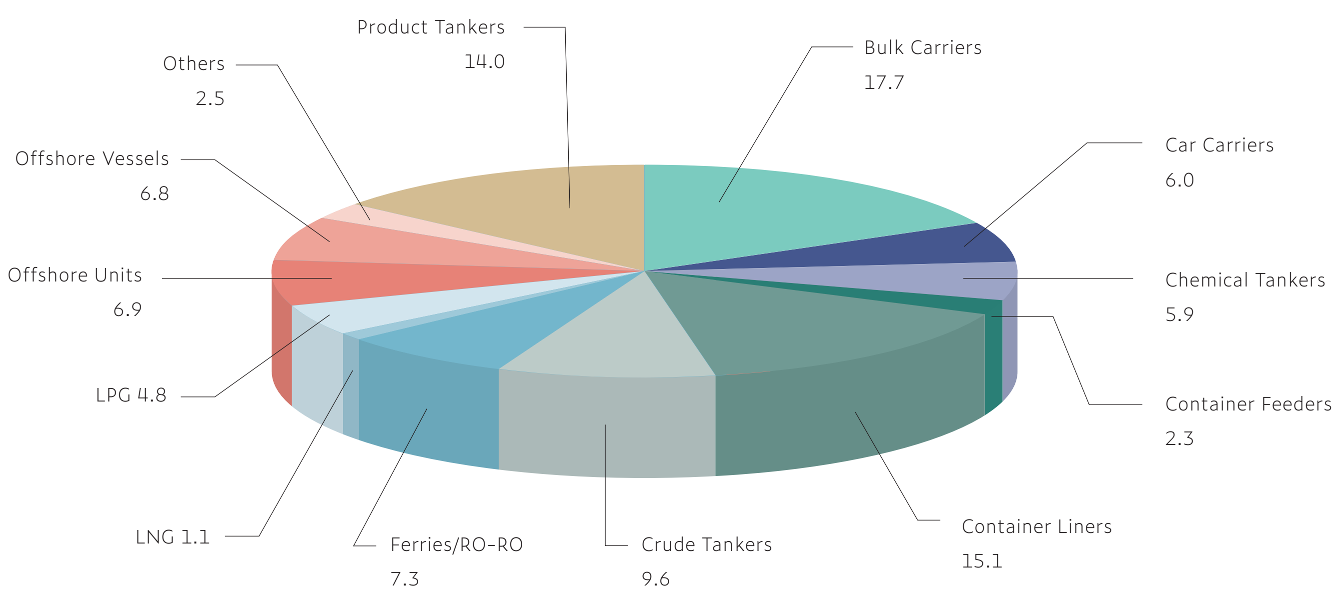
MOVEMENTS IN THE FIVE LARGEST CREDIT EXPOSURES

DKK million	2018	2017
Five largest credit exposures	13,757	12,390
Loans and guarantees	39,591	37,412

The risk diversification by client also focuses on diversification by vessel type within each credit exposure. The largest credit exposure was secured by mortgages on 60 vessels broken down by three different vessel types representing Container Liners, Product Tankers and Offshore Units.

Loan book broken down by mortgaged vessels

%



Ongoing credit risk monitoring

As part of the credit risk management process, all credit exposures are monitored on an ongoing basis, and the internal rating of a client is reviewed upon receipt of new information or in case of risk events, and at least annually.

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

In addition, all credit exposures are monitored for clients' fulfilment of their obligations under the individual loan agreements.

This entails the following:

- Semi-annual updating of the market values of all financed vessels and verification that any agreed LTV limits are complied with
- Verifying that any other collateral meets the specified minimum requirements
- Verifying the existence of adequate insurance cover on financed vessels
- Verifying compliance with material financial covenants

If a credit exposure is considered to entail increased credit risk, the monitoring is intensified to safeguard the position to the greatest possible extent.

Market valuations
The valuation on each of the financed vessels are updated semi-annually. Valuations are carried out by external brokers. DSF may in some cases also assess the market value of the financed vessels itself, based on a specific independent market price or external valuations of sister vessels.

The market valuation of vessels is, among other things, used to determine the loan-to-value ("LTV") ratios of the loans and for control purposes in connection with the semi-annual loan impairment review.

Write-offs and loan impairment charges
All credit exposures are reviewed semi-annually, with the purpose of calculating loan impairment charges for expected credit losses ("ECL") under guidelines set out in the Danish FSA's Executive Order on Financial Reports.

The IFRS 9 impairment rules have been implemented into the Executive Order on Financial Reports at 1 January 2018 and form the basis for the staging of credit exposure and the calculation of loan impairment charges for ECL as set out below.

STAGE	**RECOGNITION**	**ECL**
Stage 1	No increase in credit risk since initial recognition	12-months PD
Stage 2	The credit risk has increased significantly since initial recognition and/or is showing significant signs of weakness	Lifetime PD
Stage 3	Credit-impaired	Lifetime PD

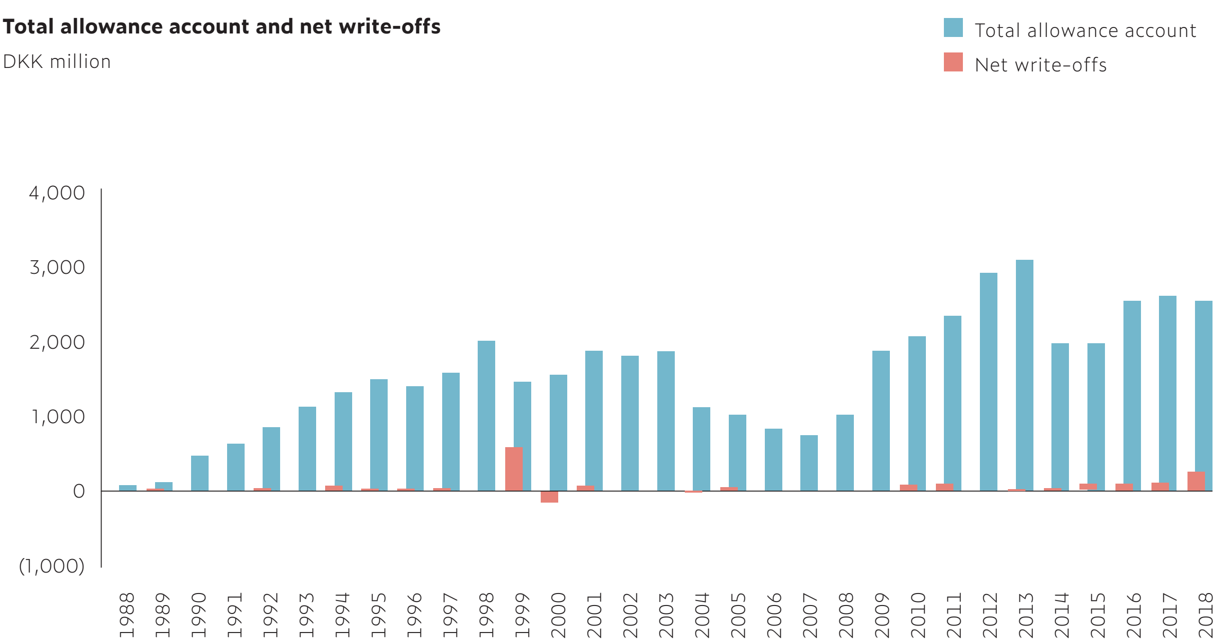
The stage migration for the purpose of calculating loan impairment charges for ECL is closely linked to the development in DSF's rating of the client. Note 16 provides more detailed information.

Net write-offs amounted to DKK 252 million in 2018 compared to DKK 98 million in 2017. Write-offs remained at a manageable level, although the level in 2018 was elevated relative to previous years.

The development in accumulated loan impairment charges (total allowance account) and net write-offs for DSF since 1988 is displayed in the histogram.

Total allowance account and net write-offs

DKK million



Transitional arrangement

As part of the implementation of the new IFRS 9 impairment rules, transitional arrangements have been agreed by the European Union and implemented by the Danish FSA, allowing financial institutions to phase in the rules.

DSF has opted not to apply these transitional arrangements.

Loan-to-value intervals

The chart on page 42 displays a breakdown of the loan book into LTV intervals, which are calculated semi-annually. The LTV intervals display the proportion of loans placed within a given interval.

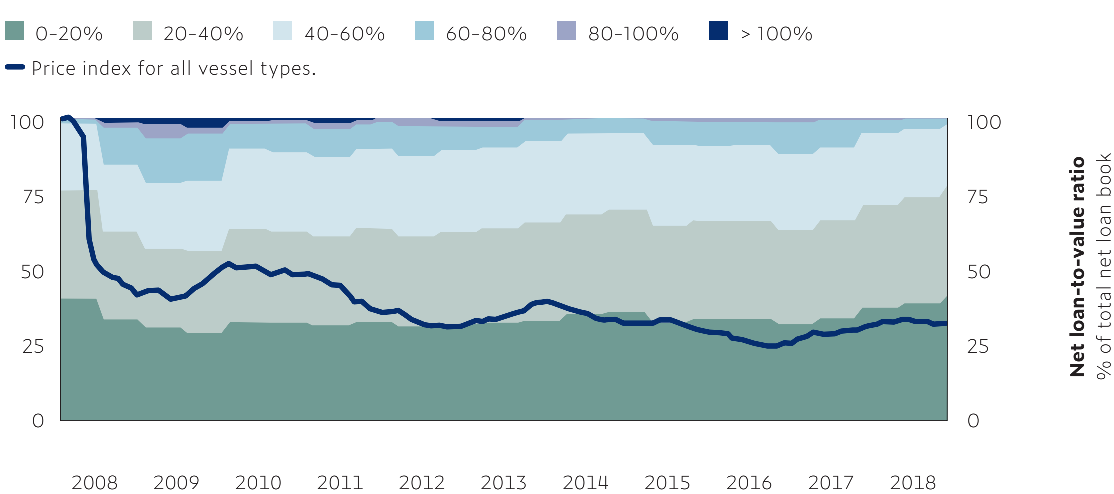
The loan book after loan impairment charges is on average secured by mortgages within 52% of the market valuation of vessels at the end of 2018.

The chart displays that major declines in vessel prices have not materially adversely affected the collateral coverage on the loan book. This is due to the positive effect of regular loan repayments and the benefit of minimum value clauses in a significant number of loan agreements, i.e. the right for a lender to demand partial prepayment and/or additional collateral, if the market value of the mortgaged vessels falls below an agreed threshold.

The LTV intervals are shown together with the developments in vessel prices based on a price index obtained from Clarksons for all vessel types.

Loan-to-value ratio vs price index for all vessel types

%



Source: Clarksons, Danish Ship Finance

Arrears/past due

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 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.

Loans subject to forbearance measures

DSF focuses on having a credit risk management framework that ensures consistency between the credit risk profile, credit risk appetite and current legislation, and on having a robust capital structure. Risk management should ensure financial solutions that are viable in the short, medium and long term.

Normally, forbearance plans are adopted to assist clients in temporary financial difficulty. Given the cyclical nature of shipping, temporary forbearance measures are common in ship finance.

Concessions granted to clients include temporary payment deferrals, interest-only schedules and term extensions. Forbearance plans are granted solely in accordance with the credit policy with the aim of reducing the long-term risk of credit losses. At 31 December 2018, forbearance measures had been granted for a limited number of loans.

The Risk Report 2018 provides more detailed information on the credit risk management.

Non-performing loans

Non-performing loans ("NPL") encompass all impaired loans (rating category 11) and all defaulted loans (rating category 12). This includes clients with loans for which no loan impairment charges have been recognised, for example because adequate collateral has been provided. All NPL's are classified as stage 3 for the purpose of calculating ECL.

At 31 December 2018, NPL represented 13.6% of total loans and guarantees compared to 15.8% the year before.

Note 14 in the Annual Report and the Risk Report 2018 provide more detailed information on NPL.

Investor relations

Share capital

The ambition is to deliver a risk-weighted return that is satisfactory to shareholders. The Board of Directors continually assesses whether the capital structure is consistently aligned with the interests of the shareholders and DSF. The Board of Directors believes that the share and capital structure is currently appropriate given the level of activity.

The share capital amounts to a nominal value of DKK 333 million and is divided into A shares with a nominal value of DKK 300 million and B shares with a nominal value of DKK 33 million. Each A share of nominally DKK 1 carries ten votes, and each B share of nominally DKK 1 carries one vote. Other than that, there are no restrictions on the number of votes or shares relative to each shareholder. The shares are not listed for trading on a regulated market.

Ownership

Danish Ship Finance Holding A/S ("DSH") owns 86.6% of the shares in DSF. Furthermore, the Danish Maritime Fund owns 10% of the shares (B-shares), The remaining 3.4% of the shares is owned by a small number of minority shareholders.

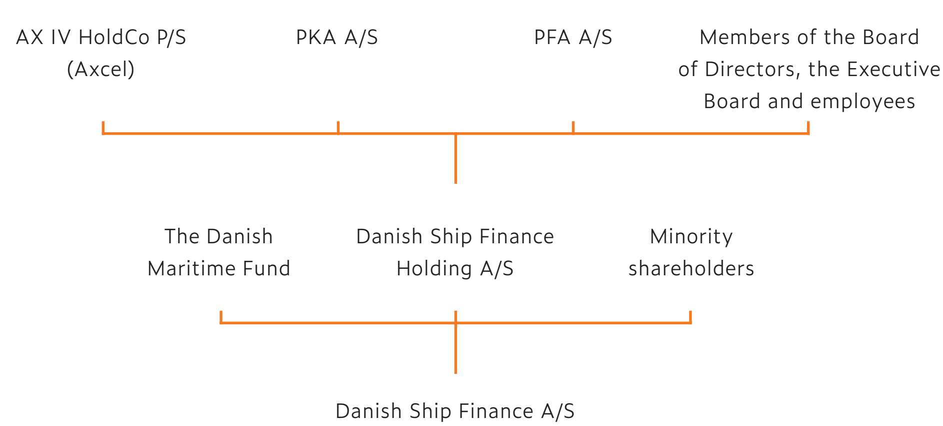
The ownership of DSH is as follows:

- 97.7% of DSH is owned by a consortium of Axcel, PFA and PKA.
- The remaining 2.3% is owned by members of the Board of Directors, the Executive Board and employees of DSF.

The following shareholders, listed in alphabetical order, hold at least 5% of the total voting rights or own at least 5% of the shares in DSF.

- AX IV HoldCo P/S (Axcel)
- The Danish Maritime Fund
- The Social Workers', Social Pedagogues' and Office Staff Pension Fund (PKA)
- The Healthcare Professionals' Pension Fund (PKA)
- The State Registered Nurses' and Medical Secretaries' Pension Fund (PKA)
- PFA A/S

The ownership structure is displayed in the following chart:



Sustainability Report

DSF maintains a policy on sustainability which has been approved by the Board of Directors. The policy complies with the UN Global Compact, the UN Guiding Principles on Business and Human Rights and industry standards in Denmark.

The purpose of the sustainability efforts is to add value to both society at large and to the company itself. The strengthening efforts around sustainability complement DSF's vision to be the obvious choice in ship finance, and to create long-term value for its clients, shareholders and investors. DSF believes that the ongoing integration of sustainability into its culture and daily operations is an important step towards ensuring that it remains an attractive business partner to all stakeholders.

The focus is on initiatives for in-house use and – where relevant – on addressing sustainability in relation to its stakeholders.

The following four focus areas have been defined:

- Human rights
- Human resources
- Environment and climate
- Corruption and unusual gifts

DSF is directly and indirectly exposed to the activities of its clients, and although clients are responsible for their own activities and decisions, the company remains fully responsible for the decision to engage or disengage with any client. DSF is confident that considering responsibility and sustainability in this decision process improves the quality of the portfolio and its long-term prospects. The loan documentation requires DSF's client to comply with any legislation to which they are subject.

DSF will increase its focus on sustainability at its clients via constructive, future-oriented dialogue. This will be done to monitor and maintain an acceptable risk profile for the portfolio to ensure that the company is able to deliver long-term value for clients, shareholders and investors.

DSF endeavours to create an attractive workplace through commitment, development and well-being, and also to ensure a professionally challenging environment and good working conditions by offering relevant staff benefits and a good work-life balance.

Respect for human rights is fundamental to society, as it encapsulates respect for the individual and the recognition of different outlooks on life, attitudes, religions, sexualities, ethnicities and political opinions. It is recognition of equality, including gender equality. This is a core belief strongly held.

DSF strongly disapproves of corruption in any form and has established internal anti-corruption guidelines, including for giving and accepting gifts.

More information on sustainability is provided in the Sustainability Report on the website: **www.shipfinance.dk/investor-relations/**

Organisation and responsibilities

The supreme authority is the general meeting. The Board of Directors is composed of eleven members, eight of whom are elected by the general meeting for a term of one year each. Employees of DSF elect three representatives to the Board of Directors for a term of four years each.

The rules on employee representatives are available on the website.

The Board of Directors defines the overall principles for the operations and appoints the Executive Board. The Executive Board reports to the Board of Directors and oversees the day-to-day management.

General meeting

The Board of Directors and the Executive Board seek to promote active ownership, including participation by the shareholders at the general meeting, and efforts are made to ensure that all members of the Board of Directors and the Executive Board are present at general meetings.

The next Annual General Meeting will be held at the premises on 25 March 2019.

Board of Directors

Eivind Kolding is Chairman of the Board of Directors, and Peter Nyegaard is Vice Chairman.

The Board of Directors defines the overall strategies and guidelines. Each year, the Board of Directors also defines its principal duties in respect of financial and management control, which helps ensure control within all key areas.

Board meetings are held whenever deemed necessary or when requested by a member of the Board of Directors or the Executive Board. Ordinary board meetings are held at a minimum of eight times a year. Where possible, dates and agendas for the meetings are fixed for one year in advance.

The board member attendance rate was 89% in 2018.

The Executive Order on Management and Control of Banks, etc. requires the board members' experience and competencies to be evaluated on an annual basis. The Board of Directors has assessed that the board as a whole possesses the competencies deemed necessary to ensure a professional management.

The competency profile is as follows:

- Banking and mortgage lending
- Financial derivatives
- International maritime industry and shipping
- IT
- Credit approval processes
- Management experience from a relevant financial enterprise
- Legislation
- Macroeconomics
- Bond issuance
- Management of shipping companies
- Risk management in a financial institution
- Finance and accounting

The Board of Directors operates within the framework of a shareholders' agreement when selecting and nominating new candidates for the board. The shareholders' agreement contains rules on the election of board members at the annual general meeting.

When new board members are elected, consideration is given to the composition of the board, including in terms of diversity.

Committees

Audit Committee

DSF has set up a statutory Audit Committee consisting of members of the Board of Directors. In composing the Audit Committee, it has been ensured that the Chairman of the Board of Directors does not act as the Chairman of the Audit Committee. It has also been ensured that the Committee has professional capabilities and experience in financial matters and in finance and accounting.

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

The Audit Committee is a preparatory and monitoring body. The duties of the Audit Committee are defined in the terms of reference of the Audit Committee. The Audit Committee is to inform the Board of Directors of the outcome of the statutory audit and assists the Board of Directors in monitoring the financial reporting process, monitoring the efficiency of the internal control systems and risk management systems, monitoring the audit of the annual report, monitoring and verifying the independence of the auditors, and selecting and recommending new auditors.

The Audit Committee holds ordinary meetings three times a year, two of which take place prior to the presentations of the Annual Report and Interim Report, respectively. The Committee reports to the Board of Directors, and minutes of the Committee's meetings are discussed at the first ordinary board meeting after the Audit Committee's meeting.

Additional information on the Audit Committee is available on the website:
https://www.shipfinance.dk/the-company/board-of-directors/

Remuneration Committee

DSF has set up a Remuneration Committee consisting of members of the Board of Directors.

The Remuneration Committee undertakes preparatory work and assists the Board of Directors in matters related to remuneration, with particular focus on members of the Board of Directors and the Executive Board, material risk-takers and other employees.

The Remuneration Committee monitors pay developments in general. Furthermore, it ensures that the incentive programmes are designed to create sustained and long-term value and that the remuneration policy is complied with.

The Remuneration Committee consist of Eivind Kolding (Chairman), Christian Frigast, Thor Jørgen Guttormsen and Jacob Meldgaard.

Additional information on the Remuneration Committee is available on the website:
https://www.shipfinance.dk/the-company/board-of-directors/

Senior management

Senior management consists of:

- Erik I. Lassen, CEO
- Lars Jebjerg, CFO/CRO and Member of the Executive Board
- Michael Frisch, CCO and Member of the Executive Board
- Flemming Møller, Head of Credit and Executive Vice President
- Jacob Vammen, Head of Finance and Senior Vice President

Targets and policies for the under-represented gender

DSF has defined targets and a policy for the gender composition of the Board of Directors.

The shareholders select candidates for the Board of Directors. Hence, the board has no direct influence on which candidates are nominated. However, the board tries to influence the process where possible.

The Board of Directors consists of eleven members, eight of whom are elected by the general meeting and three by DSF employees. All board members are male. The target is for at least one female board member to be elected by the Annual General Meeting in 2021.

More information on the efforts for the under-represented gender is provided in the Sustainability report on the website: **www.shipfinance.dk/the-company/corporate-governance/**

Corporate governance
As no shares are listed for trading on Nasdaq Copenhagen, it is not subject to corporate governance rules. However, DSF has resolved to follow the corporate governance rules.

DSF also complies with the corporate governance code of the association Finance Denmark. This code is more comprehensive than the recommendations of the Corporate Governance Committee and also builds on a "comply or explain" principle. DSF complies with these guidelines.

Through the ownership of DSH, DSF is partly owned by a private equity fund, managed by Axcel Management A/S which is a member of the Danish Venture Capital and Private Equity Association (DVCA), and is therefore subject to the DVCA guidelines. These guidelines build on a "comply or explain" principle and are available on DVCA's website: www.dvca.dk. DSF also complies with these guidelines.

The corporate governance reports must be published at least once a year. The reports are published on the website in conjunction with the publication of the annual report.

Detailed information about corporate governance is provided in the reports on the website:
www.shipfinance.dk/investor-relations/

Remuneration report
A Remuneration Policy has been prepared covering the Board of Directors, the Executive Board and all other employees.

One individual received a salary in excess of EUR 1 million for the financial year.

A specification of the total remuneration of the Board of Directors, the Executive Board and other employees whose activities are deemed to have a material impact on the risk profile is presented in Note 8.

The enclosed quantitative information in the Risk Report, Annex 9, complies with the requirements of the Danish FSA and the EBA as well as Article 450 of the CRR on disclosure of remuneration related to material risk takers.

Further information on the remuneration policy is available on the website: **www.shipfinance.dk/investor-relations/**

The link between the remuneration of the Executive Board and the strategy
The remuneration of the Executive Board consists of a fixed salary and a variable part (incentive programme). The variable part is structured as a grant of a share like instrument – an instrument where the future value is based on a Total Shareholder Return index (TSR). The remuneration of the Executive Board complies with the Remuneration Policy, laid down by the Board of Directors, which in turn complies with the Danish Financial Business Act.

The fixed salary is reassessed annually. Any grant of variable pay is made after the conclusion of the financial year and is based on meeting certain predetermined targets. The strategy adopted by the Board of Directors forms the basis for the targets. The targets can be financial goals as well as other types of goals, for instance developing the organisational set-up, compliance with regulation, client and employee satisfaction etc. The size of the grant is determined by the Board of Directors in its sole discretion and is not mechanically linked to the degree of fulfilment of goals.

The TSR instrument does not vest until five years after the grant date, thereby ensuring that the Executive Board is rewarded in line with long-term value creation.

The remuneration of the Executive Board is presented in Note 8.

Material risk takers

At the end the 2018, a total of 21 risk takers were identified:

- Members of the Board of Directors: 11
- The Executive Board: 3
- Other material risk takers: 7

The principles for identifying "Other material risk takers" are approved annually by the Board of Directors in accordance with current EU rules.

Details of the remuneration policy and practices are available at **www.shipfinance.dk/investor-relations/**, Note 8 to the Financial Statements and the Risk Report Annex 8.

Incentive programmes for other employees

Individual incentive programs are applied to some members of staff in line with market standards for such positions.

Formal incentive programmes do not apply to other employees, but they may receive individual bonuses based on their performance.

Total incentive and bonus related payments for 2018, including the Executive Board, came to DKK 10.3 million against DKK 11.1 million for 2017. The payments for 2018 corresponded to 14% of total fixed salaries.

Retention programmes for the Executive Board and other risk takers

As part of retention programmes with the Executive Board and other risk takers, TSR and warrants in DSH may be offered. For members of the Executive Board and other risk takers, the total variable pay component must not exceed 50% of the annual fixed base salary including pension.

In return for receiving the warrants and TSR, the recipient must invest in shares of DSH. The invested amount generally corresponds to the initial value of the instruments received.

The total value of retention programmes on the grant date was DKK 4.9 million in 2018 compared with DKK 8.2 million in 2017.

Termination provisions for the Executive Board and severance pay

DSF may terminate the employment relationship with a member of the Executive Board by giving up to 18 months' written notice to expire at the end of a month. Members of the Executive Board are not entitled to severance pay.

As a main rule, other risk takers are not entitled to severance pay unless provided by law.

Human resources

At the end of 2018, DSF had 82 employees, of whom 31 were female and 51 were male.

The employees have high levels of education and are specialists within their respective areas. Many have long track records in the industry and with DSF.

To maintain its position as a leading provider of ship financing, it is essential that DSF continues to be able to attract, develop, and retain the most talented employees.

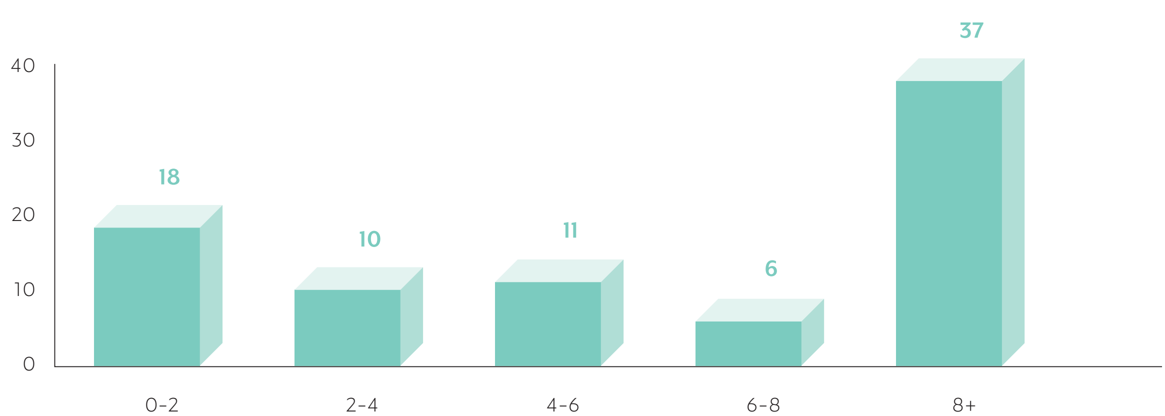
Resources are allocated to developing the competencies of individual employees. Employees have considerable discretion in choosing relevant training programmes.

According to an employee opinion survey conducted towards the end of 2018, overall employee satisfaction was high. The level has, however, declined slightly since the 2017 survey. DSF will strive to maintain or increase the level of reported employee satisfaction.

More information on the employee opinion survey is provided in the Sustainability Report on the website:
website: www.shipfinance.dk/investor-relations/

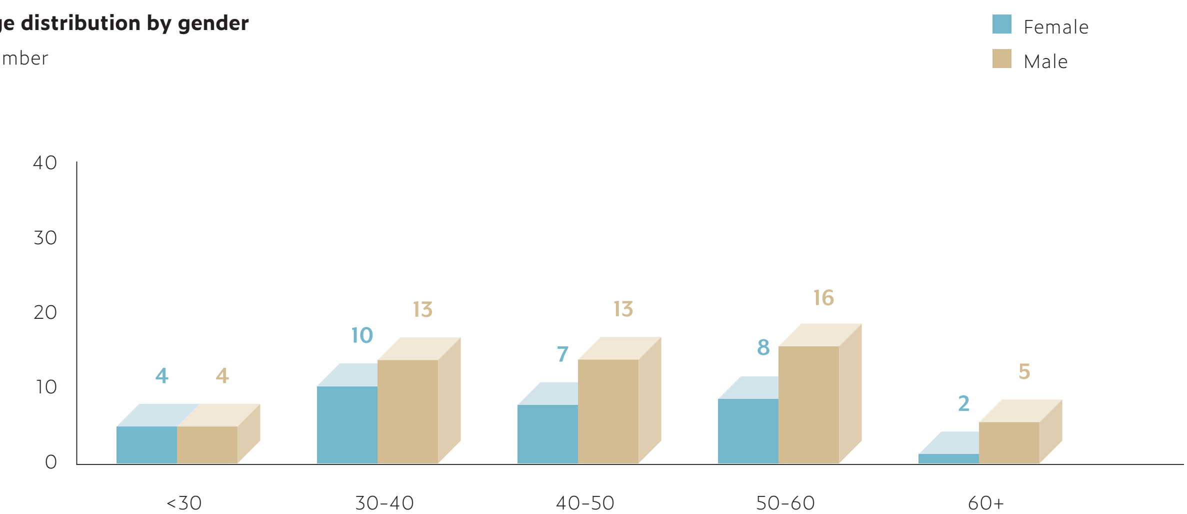
Seniority

%



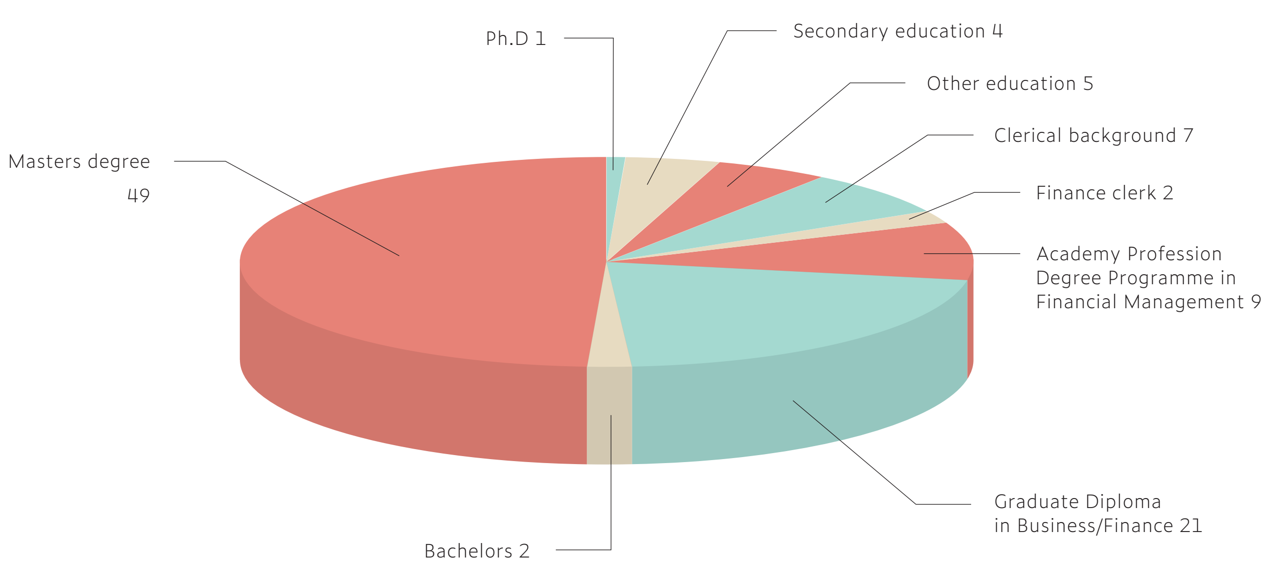
Age distribution by gender

Number



Educational background

%



Internal control and risk management systems

The primary responsibility for risk management and internal controls in relation to the financial reporting process rests with the Board of Directors, including compliance with applicable legislation and other financial reporting regulations.

The risk management and internal controls are designed with a view to effectively minimising the risk of errors and omissions. The processes, risk management and internal control systems provide reasonable, but not absolute, assurance that misappropriation of assets, losses and/or significant errors and omissions, including in financial reporting, are avoided.

The Board of Directors has established an Audit Committee charged with monitoring and controlling accounting and auditing matters and preparing a basis for decision on accounting and audit-related topics for consideration by the Board of Directors.

The Board of Directors, the Audit Committee and the Executive Board regularly assess significant risks and the adequacy of internal controls in relation to the operations and their potential impact on the financial reporting processes.

Overall control environment

The key component of the control environment is an appropriate organisation, including adequate segregation of functions, internal policies, business processes and procedures.

In accordance with applicable legislation, the Board of Directors, including the Audit Committee, regularly assesses the need for an internal audit function. The Board of Directors sees no need for an internal audit function at present. DSF does have an internal control function.

Risk assessment

At least once a year, the Board of Directors, the Audit Committee and the Executive Board undertake a general assessment of risks in relation to the financial reporting process. In addition, management regularly assesses the need for new internal controls to be implemented to reduce and/or eliminate identified risks.

In its risk assessment, the Board of Directors specifically assesses the organisation for measurement and risk management, the accounting and budget organisation, internal controls, segregation of functions, IT usage and IT security. As part of the risk assessment, the Board of Directors also considers the risk of fraud.

The Board of Directors and the Executive Board assess whether the organisation has the necessary competencies to ensure that internal controls and risk management procedures are managed effectively.

Control activities

DSF uses systems and manual processes for monitoring data that form the basis of the financial reporting process.

The purpose of the control activities is to prevent, detect and correct any errors or omissions. In the context of the financial reporting process, control activities are performed to ensure that the financial statements are presented in accordance with current legislation.

Information and communication

The Board of Directors has adopted a number of requirements for the presentation of the financial statements and the external financial reporting in accordance with current legislation and guidelines. The objective is to ensure that applicable disclosure requirements are met and that disclosures are full, complete and accurate.

Monitoring and reporting
Monitoring takes place by means of regular and/or periodic assessments and controls at all levels. Reports on the appropriateness and/or weaknesses of the controls, control failures, cases of non-compliance with adopted policies, limits, etc. or other significant deviations are escalated in the organisation in accordance with the policies and instructions.

Whistleblower scheme
A whistleblower scheme has been implemented in accordance with the Danish Financial Business Act. The scheme enables employees to report any instance of non-compliance with financial legislation to an independent third party.

In the event of a report being made, the independent third party will undertake a provisional screening to assess whether the instance of non-compliance falls within the scope of the whistleblower scheme.

In March 2018, DSF was granted permission to extend the whistleblower scheme to include economic crime.

No reports were made in 2018.

INCOME STATEMENT

NOTE	1 JANUARY - 31 DECEMBER DKK MILLION	2018	2017
3	Interest income	1,967	1,674
4	Interest expenses	(1,327)	(998)
5	**Net interest income**	**640**	**676**
	Dividends on shares, etc.	-	-
6	Fee and commission income	32	20
	Fee and commission expenses	-	-
	Net interest and fee income	**672**	**696**
7	Market value adjustments	(135)	37
	Other operating income	0	0
8,9	Staff costs and administrative expenses	(158)	(141)
21,22	Depreciation and impairment of property, plant and equipment	(2)	(2)
15	Loan impairment charges	(35)	(163)
	Profit before tax	**343**	**427**
10	Tax	(81)	(93)
	Net profit for the year	**262**	**334**
	Other comprehensive income	-	10
	Tax on other comprehensive income	-	(2)
	Other comprehensive income after tax	**-**	**8**
	Comprehensive income for the year	**262**	**342**
	AMOUNT AVAILABLE FOR DISTRIBUTION		
	Distributable reserves	364	267
	Initial impact at 1 January 2018 (IFRS 9), net of tax	(103)	-
	Comprehensive income for the year	262	342
	Total	**523**	**609**
	PROPOSED ALLOCATION OF PROFIT		
	Distribution	205	237
	Other comprehensive income transferred to revaluation reserves	-	8
	Distributable reserves	318	364
	Total	**523**	**609**

BALANCE SHEET

NOTE	1 JANUARY - 31 DECEMBER DKK MILLION	2018	2017
	ASSETS		
11	Due from credit institutions and central banks	1,360	1,463
12,13,14,15,16	Loans and other receivables at amortised cost	36,735	34,492
17,18,19	Bonds at fair value	22,470	20,093
20	Shares, etc,	3	11
21	Land and buildings		
	Owner-occupied property	89	89
22	Other tangible assets	9	8
	Current tax assets	0	51
27	Deferred tax assets	74	7
23	Other assets	1,609	1,947
	Total assets	**62,349**	**58,161**
	LIABILITIES AND EQUITY		
	Liabilities		
24	Due to credit institutions and central banks	8,522	3,405
25	Issued bonds at amortised cost	43,549	42,467
	Current tax liabilities	27	0
19,26	Other liabilities	1,016	2,981
	Total liabilities	**53,114**	**48,854**
	Provisions		
	Other provisions	6	-
	Total provisions	**6**	**-**
28	**Equity**		
	Share capital	333	333
	Tied-up reserve capital	8,343	8,343
	Revaluation reserves	29	29
	Retained earnings	318	364
	Proposed dividend for the financial year	205	237
	Total equity	**9,229**	**9,307**
	Total liabilities and equity	**62,349**	**58,161**
	Off-balance sheet items		
30	Contingent liabilities	148	163
31	Other binding agreements	3,953	3,860
	Total off-balance sheet items	**4,101**	**4,024**

STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Tied-up reserve capital	Revaluation reserves	Distributable reserves	Retained earnings	Total
Equity at 1 January 2017	**333**	**8,343**	**21**	**267**	**199**	**9,164**
Dividends paid for the financial year 2016	–	–	–	–	(199)	(199)
Amount for distribution	–	–	8	97	237	342
Equity at 31 December 2017	**333**	**8,343**	**29**	**364**	**237**	**9,307**
Initial impact at 1 January 2018 (IFRS 9), net of tax	–	–	–	(103)	–	(103)
Dividends paid for the financial year 2017	–	–	–	–	(237)	(237)
Amount for distribution	–	–	–	57	205	262
Equity at 31 December 2018	**333**	**8,343**	**29**	**318**	**205**	**9,229**

LIST OF NOTES

NOTES

NOTE 1 **ACCOUNTING POLICIES**

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

The accounting policies are unchanged from those applied in the Annual Report 2017, except for changes due to the implementation by the Danish FSA of the new impairment rules (IFRS 9) into the Executive Order on Financial Reports with effect from 1 January 2018. The initial impact from the changes is disclosed in Note 12.

Financial statement figures are stated in Danish kroner ("DKK") and whole millions, unless otherwise stated. As a result, rounding discrepancies may occur because totals have been rounded off and the underlying decimals are not presented to financial statement users. Figures stated as zero (0) denotes rounding off of an underlying value, and figures stated as a dash (-) represent no value.

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

Significant accounting estimates
The preparation of the Annual Report is based on the Management’s estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities. The amounts most influenced by the critical estimates and assumptions are:

- Measurement of expected credit losses
- Fair value measurement of financial instruments

The estimates and assumptions are based on premises that Management finds reasonable, but which are inherently uncertain and unpredictable. The assumptions could for example be challenged by unexpected future events or circumstances that arise. Therefore, such estimates and assumptions are difficult to make and will always entail some degree of uncertainty, even under stable macroeconomic conditions, when they involve transactions with clients and other counterparties. Accounting estimates and assumptions made on the balance sheet date express the Management’s best estimate of such events and circumstances.

Measurement of expected credit losses
DSF has implemented the new impairment rules for measurement of expected credit losses ("ECL") set out in the Executive Order on Financial Reports, which are based on the three-stage expected credit loss impairment model ("ECL impairment model") pursuant to IFRS 9.

According to the new ECL impairment model, ECL is calculated for all credit exposures measured at amortised cost. The impairment charge for ECL depends on the current stage of the credit risk.

If the credit risk has not increased significantly since initial recognition, the impairment charge equals ECL for the next 12 months (stage 1). If the credit risk has increased significantly or is showing significant signs of weakness, or the credit exposure is in default or otherwise impaired, the impairment charge equals the lifetime ECL (stages 2 and 3).

For more information, see "Loan impairment charges" below.

NOTE 1

Fair value measurement of financial instruments
Measurements of financial instruments for which prices are quoted in an active market or which are based on generally accepted models with observable market data are not subject to material estimates.

Measurements of financial instruments, which are only to a limited extent based on observable market data, are subject to estimates. This applies to unlisted shares and shares received in connection with financial restructuring of loans as well as certain bonds for which an active market does not exists.

For more information, see "Determination of fair value" below.

Segment reporting
Segment reporting of the business pursuant to the definitions in the Executive Order on Financial Reports is not applicable, as DSF is solely involved in ship finance.

Offsetting
Amounts due to and from DSF are offset when DSF has a legally enforceable right to offset the recognised amounts and intends either to settle by way of netting or to realise the asset and settle the liability simultaneously.

Translation of transactions in foreign currency
The financial statements are presented in Danish kroner, and the functional currency is Danish kroner.

On initial recognition, transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the transaction date. Gains and losses due to exchange rate differences arising between the transaction date and the settlement date are recognised in the income statement.

Assets and liabilities in foreign currency are translated into the functional currency at the exchange rate prevailing at the balance sheet date. Exchange rate adjustments of assets and liabilities arising due to differences in the exchange rates applying at the transaction date and at the balance sheet date are recognised in the income statement.

Exchange rate adjustments are included in the fair value adjustments of assets and liabilities.

Financial instruments
Purchases and sales of financial instruments are measured at their fair value at the settlement date, which is usually the same as the transaction price. See the description under the individual items.

Before the settlement date, changes in the value of financial instruments are recognised. Financial instruments are derecognised on the settlement date when the right to receive (obligation to pay) cash flows from financial assets or liabilities has expired, or if it has been transferred, and DSF has transferred substantially all risks and rewards of ownership.

Classification
Financial instruments are divided into financial assets and financial liabilities.

At the date of recognition, financial assets are divided into the following two categories:
- Trading book assets measured at fair value
- Loans and other financial receivables measured at amortised cost

At the date of recognition, financial liabilities are divided into the following two categories:
- Trading book liabilities measured at fair value
- Other financial liabilities measured at amortised cost

NOTE 1

The trading portfolio, which is measured at fair value, comprises the following financial assets and liabilities:
- Bonds at fair value
- Shares, etc.
- Derivatives (Other assets and Other liabilities)

Hedge accounting
DSF uses derivatives to hedge the interest rate risk on fixed-rate liabilities measured at amortised cost.

Hedged risks that meet specific criteria qualify for fair value hedge accounting and are treated accordingly. The interest rate risk on the hedged liabilities is measured at fair value in the income statement. The accounting treatment of the hedged risk subsequently corresponds to the accounting treatment of the hedging instrument, which is also recognised at fair value in the income statement.

If the criteria for hedge accounting cease to be met, the accumulated value adjustment of the hedged item is amortised over the remaining time to maturity.

Determination of fair value
The fair value of financial assets and liabilities is measured based on quoted market prices of financial instruments traded in active markets. If an active market exists, fair value is based on the most recently observed market price at the balance sheet date.

If the market for one or more financial assets or liabilities is illiquid or if there is no publicly recognised price, the fair value will be determined using generally accepted valuation techniques. Such techniques comprise the use of similar recent transactions between independent parties, reference to other similar instruments, discounted cash flow analysis and other models based on observable market data.

If no active market exists, the fair value of standard and simple financial instruments, such as interest rate and currency swaps and unlisted bonds, is measured according to generally accepted valuation techniques. Market-based parameters are used for measuring fair value, and the fair value of derivatives is subject to credit valuation adjustment ("CVA") taking into account the possibility of a counterparty's default.

The fair value of more complex financial instruments, such as swaptions, interest rate caps and floors and other OTC products and unlisted holdings, is measured based on internal models, many of which are based on generally accepted valuation techniques.

BALANCE SHEET

Amounts due from credit institutions and central banks
Amounts due from credit institutions and central banks include amounts due from other credit institutions. Reverse transactions, that is purchases of securities from credit institutions to be resold later, are recognised as amounts due from credit institutions and central banks. On subsequent recognition, amounts due from credit institutions and central banks are measured at amortised cost, which corresponds to the nominal amount.

Loans
Loans consist of credit exposures which have been disbursed to shipping clients either on a bilateral basis or as part of a syndicated transaction. Loans comprise traditional shipping loans against mortgages on vessels, but may also to a limited extent comprise financing of shipping clients' payment of instalments to shipyards under shipbuilding contracts.

NOTE 1

On initial recognition, loans are measured at fair value plus transaction costs less origination fees and other charges. Subsequently, loans are measured at amortised cost according to the effective interest rate method, less any impairment charges. The difference between the value at initial recognition and the nominal value is amortised over the time to maturity and recognised under interest income.

Loan impairment charges

At 1 January 2018, IFRS 9 became effective, setting out new rules for classification and impairment of financial assets. The new impairment rules introduced a more forward-looking approach to measuring impairment of financial assets based on expected credit losses as opposed to the previous approach based on incurred credit losses. DSF's impairment model has been aligned with the new impairment rules.

The loan impairment charge for ECL depends on whether the credit risk has increased significantly since initial recognition. If the credit risk has not increased significantly, the impairment charge equals ECL within the next 12 months (stage 1). If the credit risk has increased significantly (e.g. a loan is more than 30 days past due) or is showing significant signs of weakness, the loan impairment charge equals the lifetime ECL (stage 2). If the credit exposure is in default (e.g. a loan is more than 90 days past due) or otherwise impaired, the loan impairment charge equals the lifetime ECL (stage 3).

ECL is calculated as a function of probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"), adjusted for forward-looking information by way of a macroeconomic factor ("MEF"). MEF is based on Management's expectations and various scenarios (base case, best case and worst case) for each shipping segment.

$$ECL = PD * EAD * LGD * MEF$$

In a few situations where the ECL impairment model is believed to either overestimate or underestimate ECL, an adjustment will be made based on a Management judgement.

Following the transition to the new impairment rules, only individual loan impairment charges are calculated by DSF, and collective loan impairment charges at 31 December 2017 have therefore been allocated to individual loan impairment charges at 1 January 2018 as disclosed in note 15. Loss allowances for loan commitments are recognised as provisions.

The implementation of the new ECL impairment model resulted in an increase in DSF's allowance account of DKK 132.3 million. The impact after tax was DKK 103.2 million and has been recognised as a reduction in equity at 1 January 2018 without affecting DSF's income statement.

The implementation of the ECL impairment model has no impact on the classification of financial assets.

With the entry into force of the new impairment rules, transitional arrangements have been agreed, allowing institutions in determining own funds to add back an amount to their CET1 capital, which is reduced over a five-year transition period. DSF has opted not to apply these transitional arrangements.

The Risk Report 2018 provides more information about the ECL impairment model.

Bonds at fair value

Bonds at fair value comprises financial assets in the form of debt instruments acquired or concluded with a view to a subsequent sale or repurchase.

The bonds are measured on initial recognition at fair value excluding transaction costs and subsequently at fair value with value adjustments through the income statement.

NOTE 1

Shares, etc.
Shares, etc. comprises investments in sector shares and shares received in connection with financial restructuring of loans.

The shares are measured on initial recognition at fair value excluding transaction costs and subsequently at fair value with value adjustments through the income statement.

Shares received in connection with financial restructuring of loans are measured on initial recognition at no value and subsequently at fair value with value adjustments through the income statement, provided that the related restructured loans are no longer characterised as non-performing loans.

Land and buildings
Land and buildings consist of DSF's fully owned domicile located at Sankt Annæ Plads 3, DK-1250 Copenhagen K, Denmark.

Owner-occupied property
On initial recognition, the domicile property used for DSF's own operations are measured at cost. The domicile property is subsequently measured at the revalued amount plus property improvement expenditures and less depreciation and impairment charges. Revaluations and any reversals of previous revaluations are made via other comprehensive income, while any impairment charges relative to cost are made via the income statement.

The straight-line depreciation of the domicile property is based on the expected scrap value and an estimated useful life of 100 years.

Other tangible assets
Other tangible assets consist of operating equipment, vehicles and furniture, which are recognised at cost less accumulated depreciation and impairment charges. Depreciation is provided on a straight-line basis over the expected useful life of the assets considering the assets' residual values. The expected useful life is typically three years.

Other assets
Other assets include interest and commission due, prepayments and derivatives with a positive market value. Future payments which DSF is likely to receive are recognised as amounts due at present value.

Due to credit institutions and central banks
Amounts due to credit institutions and central banks include amounts received under repo transactions (sale of securities with an agreement to repurchase the same securities back later). Amounts due to credit institutions and central banks are measured at amortised cost, which corresponds to the nominal amount.

Issued bonds at amortised cost
Issued bonds comprise ship mortgage bonds and debenture bonds issued by DSF, which are recognised at amortised cost with the addition of the fair value of the hedged interest rate risk.

Issued bonds are measured at amortised cost (i.e. including discount at issuance and any commission that is considered an integral part of the effective rate of interest).

Pursuant to the rules on hedge accounting, the fair value of the hedged interest rate risk for fixed-rate issued bonds is recognised.

The portfolio of own bonds is deducted from the line item "Issued bonds at amortised cost" using the amortised cost with the addition of the value of any hedging transaction attached thereto.

Interest income from the portfolio of own bonds is offset against interest expenses for own bonds.

Other liabilities

Other provisions are recognised and measured as the best estimate of the costs required to settle the liabilities at the balance sheet date. Provisions with an expected term of more than a year after the balance sheet date are measured at discounted value. Other liabilities include accrued interest, prepayments, derivatives with a negative market value and other provisions such as provisions relating to guarantees. The liability is recognised at the present value of expected payments.

Deferred tax assets and deferred tax liabilities

Deferred tax is calculated in accordance with the balance sheet liability method on all temporary differences between the tax base of the assets and liabilities and their carrying amounts. Deferred tax is recognised in the balance sheet under Deferred tax assets and Deferred tax liabilities based on the tax rates at which they are expected to crystallise.

Deferred tax assets arising from unused tax losses are recognised to the extent that it is probable that such losses can be offset against taxable income in the following financial year. Therefore, recognition of deferred tax assets requires that Management assesses the probability and size of future taxable income.

Equity

Equity comprises issued share capital, tied-up reserve capital, retained earnings, revaluation reserves and net profit for the period.

Proposed dividends

The Board of Directors' proposal for dividends for the year submitted to the general meeting is recognised in equity as a component of the net profit for the period. Dividends are recognised as a liability when the annual general meeting has adopted the proposal to distribute dividends.

OFF-BALANCE SHEET ITEMS

Contingent liabilities

Contingent liabilities comprise guarantee commitments made as part of the lending activities.

Due to its business volume, DSF may be a party to various lawsuits. Such lawsuits are regularly assessed, and the necessary provisions are made based on an assessment of the risk of incurring a loss.

Other contingent liabilities

Other contingent liabilities comprise irrevocable loan commitments made and unutilised drawing rights on credit facilities provided as part the lending activities.

NOTE 1

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Interest income and expenses
Interest income and expenses in respect of interest-bearing financial instruments measured at amortised cost are recognised in the income statement applying the effective interest rate method based on the cost of the financial instrument.

Interest includes amortisation of fees which are an integral part of the current yield of the financial instrument, including origination fees, and amortisation of any additional difference between cost and redemption price. Interest income and expenses also include interest on financial instruments measured at fair value.

Recognition of interest on credit impaired loans is made based on the value after loan impairment charges.

Fee and commission income and expenses
Fee and commission income and expenses are generated by the lending activities. Commission for services provided over a period of time, such as guarantee commissions and commitment fees, is accrued over the relevant time period.

Market value adjustments
Market value adjustments comprise realised and unrealised market value adjustments of financial instruments at fair value, i.e. shares, bonds and derivatives and exchange rate adjustments.

Staff costs and administrative expenses

Staff costs
Salaries and other consideration expected to be paid for work carried out during the year are expensed under Staff costs and administrative expenses. This item comprises salaries, bonuses, holiday allowances, anniversary related bonuses, pension costs, payroll tax and other considerations.

Bonuses and share-based payments
Bonuses and share-based payments (including revaluations) are expensed when they are granted or revalued.

Pension costs
DSF's contributions to defined contribution plans are recognised in the income statement as they are earned by the staff. DSF has no defined benefit plans.

Depreciation and impairment of tangible assets
The item consists of depreciation and impairment charges of the owner-occupied property and other tangible assets.

Loan impairment charges
The item includes write-offs on and loan impairment charges for ECL on loans, loan commitments, amounts due from credit institutions and guarantees.

Tax
Current and deferred tax calculated on profit for the year adjusted for tax on the taxable income of previous years are recognised in the income statement. Income tax for the year is recognised in the income statement based on the current income tax rate, adjusted for non-taxable income and non-deductible expenses.

NOTE 2

KEY FIGURES, DKK MILLION	2018	2017	2016	2015	2014
Net interest income from lending	477	541	589	623	565
Net interest income from financial activities	163	135	228	242	255
Total net interest income	640	676	817	865	820
Net interest and fee income	672	696	849	906	934
Market value adjustments	(135)	37	124	(177)	123
Staff costs and administrative expenses	(158)	(141)	(120)	(113)	(98)
Loan impairment charges	(35)	(163)	(610)	(46)	1,103
Profit before tax	343	427	241	569	2,061
Net profit for the year	262	334	188	413	1,568
Loans	36,735	34,492	39,811	43,171	43,347
Bonds	22,470	20,093	19,730	19,100	18,680
Equity	9,229	9,307	9,164	10,378	11,146
Total assets	62,349	58,161	62,621	64,873	69,374

KEY RATIOS	2018	2017	2016	2015	2014
Common Equity Tier 1 capital ratio	19.0	19.7	17.2	17.3	16.4
Tier 1 capital ratio	19.0	19.7	17.2	17.3	16.4
Total capital ratio	19.0	19.7	17.2	17.3	16.4
Return on equity before tax (%)	3.7	4.6	2.5	5.3	19.5
Return on equity after tax (%)	2.8	3.6	1.9	3.8	14.8
Income/cost ratio *)	2.8	2.4	1.3	4.5	(1.1)
Income/cost ratio (excluding loan impairment charges)	3.4	5.1	8.0	6.4	10.6
Foreign exchange position (%)	4.8	10.8	4.5	7.1	8.5
Gearing of loans (loans / equity)	4.0	3.7	4.3	4.2	3.9
Annual growth in lending (%)	6.5	(13.4)	(7.8)	(0.4)	2.3
Loan impairment charges for the year as % of gross lending	0.1	0.4	1.4	0.1	(2.4)
Total allowance account as % of gross lending	6.4	7.0	5.9	4.3	4.3
Rate of return on assets (%)	0.4	0.6	0.3	0.6	2.3

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

*) *In accordance with the instructions, the income/cost ratio must be calculated including loan impairment charges. The list of key ratios also includes income/cost ratio excluding loan impairment charges.*

DKK MILLION	2018	2017

NOTE 3 INTEREST INCOME

DKK MILLION	2018	2017
Due from credit institutions and central banks	40	18
Loans and other receivables	1,586	1,320
Bonds	282	295
Other interest income	0	0
Derivatives		
Interest rate contracts	61	36
Foreign exchange contracts	(1)	6
Total interest income	**1,967**	**1,674**
Of this amount, income from genuine purchase and resale transactions recognised in:		
Due from credit institutions and central banks	38	13

NOTE 4 INTEREST EXPENSES

DKK MILLION	2018	2017
Credit institutions and central banks	(7)	(13)
Issued bonds	(310)	(392)
Other interest expenses	(117)	(135)
Derivatives		
Interest rate contracts	(893)	(458)
Total interest expenses	**(1,327)**	**(998)**
Of this amount, interest expenses for genuine sale and repurchase transactions recognised in:		
Due to credit institutions and central banks	(2)	(2)

DKK MILLION	2018	2017
NOTE 5 **NET INTEREST INCOME**		
Net interest income from lending		
Loans and other receivables	1,586	1,320
Bonds	33	33
Due from credit institutions	4	8
Interest to credit institutions	(1)	(11)
Issued bonds	(310)	(392)
Other interest expenses	(1)	-
Derivatives		
Interest rate contracts	(832)	(423)
Foreign exchange contracts	(1)	6
Total net interest income from lending	**477**	**541**
Net interest income from financial activities		
Bonds	249	262
Due from credit institutions	36	10
Other interest income	-	(0)
Interest to credit institutions	(6)	(2)
Other interest expenses	(116)	(135)
Total net interest income from financial activities	**163**	**135**
Total net interest income	**640**	**676**

DKK MILLION	2018	2017
NOTE 6 FEE AND COMMISSION INCOME		
Guarantee commission	1	2
Fee and other commission income	30	18
Total fee and commission income	**32**	**20**
NOTE 7 MARKET VALUE ADJUSTMENTS		
Market value adjustment of bonds	(122)	(61)
Market value adjustment of shares	(7)	(3)
Exchange rate adjustments	8	(30)
Market value adjustment of derivatives	(13)	130
Total market value adjustments	**(135)**	**37**
NOTE 8 STAFF COSTS AND ADMINISTRATIVE EXPENSES		
Remuneration of Board of Directors and Executive Board		
Board of Directors	(3)	(2)
Executive Board	(26)	(12)
Total remuneration of Board of Directors and Executive Board	**(29)**	**(14)**
Staff costs		
Salaries and wages	(74)	(65)
Pensions	(7)	(6)
Social security costs and financial services employer tax	(21)	(19)
Total staff costs	**(102)**	**(90)**
Other administrative expenses	(27)	(37)
Total staff costs and administrative expenses	**(158)**	**(141)**
Number of employees – full-time equivalents	80	71
Average number of employees – full-time equivalents	76	70

DKK '000

NOTE 8 CONTINUED

REMUNERATION OF THE BOARD OF DIRECTORS

2018		Ordinary fee	Committee fee	Total fees
Eivind Kolding (Chairman)	*)	750	–	750
Peter Nyegaard (Vice Chairman)	*)	–	–	–
Anders Damgaard	*)	–	–	–
Christian Frigast	*)	–	–	–
Michael Nellemann Pedersen	*)	200	150	350
Henrik Sjøgreen	*)	200	150	350
Jacob Meldgaard	*)	200	150	350
Thor Jørgen Guttormsen	*)	200	150	350
Henrik Rohde Søgaard	**)	200	–	200
Marcus Freuchen Christensen	**)	200	–	200
Christopher Rex	**)	200	–	200
Total		**2,150**	**600**	**2,750**

2017		Ordinary fee	Committee fee	Total fees
Eivind Kolding (Chairman)	*)	550	–	550
Peter Nyegaard (Vice Chairman)	*)	–	–	–
Anders Damgaard	*)	–	–	–
Christian Frigast	*)	–	–	–
Michael Nellemann Pedersen	*)	188	104	292
Henrik Sjøgreen	*)	188	75	263
Jacob Meldgaard (member as of 16 Juni 2017)	*)	100	75	175
Thor Jørgen Guttormsen (member as of 16 June 2017)	*)	100	75	175
Henrik Rohde Søgaard	**)	188	–	188
Marcus Freuchen Christensen	**)	188	–	188
Christopher Rex	**)	188	–	188
Total		**1,688**	**329**	**2,017**

**) Member of Audit Committee or Remuneration Committee at year-end*
***) Employee representative*

DKK '000

NOTE 8
CONTINUED

REMUNERATION OF THE BOARD OF DIRECTORS

2016		Ordinary fee	Committee fee	Total fees
New members as of 15 November 2016				
Eivind Kolding (Chairman)		-	-	-
Peter Nyegaard (Vice Chairman)	*)	-	-	-
Anders Damgaard	*)	-	-	-
Christian Frigast		-	-	-
Michael Nellemann Pedersen	*)	-	-	-
Henrik Sjøgreen		-	-	-
Continuing members as of 15 November 2016				
Henrik Rohde Søgaard	**)	175	-	175
Marcus Freuchen Christensen	**)	175	-	175
Christopher Rex	**)	175	-	175
Members leaving as of 15 November 2016				
Peter Lybecker (Chairman)		350	-	350
Jesper Teddy Lok (Vice Chairman)		262	-	262
Fatiha Benali		175	58	233
Jenny N. Braat		175	-	175
Glenn Söderholm		175	58	233
Jan B. Kjærvik		175	58	233
Total		**1.837**	**174**	**2.011**

**) Member of Audit Committee or Remuneration Committee at year-end*
***) Employee representative*

DKK '000

NOTE 8
CONTINUED

REMUNERATION OF EXECUTIVE BOARD

2018	Erik I. Lassen	Lars Jebjerg	Michael Frisch	Per Schnack	Total
Salary	4,146	2,299	2,872	1,538	10,854
Pension	511	249	349	190	1,298
Tax value of car	172	101	110	49	432
Anniversary bonus	334	-	-	-	334
Sign-on bonus, cash	-	-	800	-	800
Retention bonus	-	1,741	900	-	2,640
Incentive bonus	2,208	-	-	-	2,208
Total	**7,371**	**4,390**	**5,030**	**1,776**	**18,567**
Adjustment of variable pay for previous years	97	-	-	91	188
Salary, pension and compensation during termination period	-	-	-	7,308	7,308
Total expenses for accounting purposes/earned income	**7,468**	**4,390**	**5,030**	**9,175**	**26,063**

In addition to total expenses for accounting purposes/earned income, the Executive Board receives the following benefits: Multimedia, insurance covering critical illness, group life insurance, dental, accident and health insurance.

Per Schnack resigned from the Executive Board on 22 May 2018 and receives contractual salary, pension and compensation until his contract of service expires on 31 December 2019. The amount payable was expensed in 2018.

As of 9 April 2018, Michael Frisch joined the company as COO, and as of 22 May 2018, Lars Jebjerg joined the company as CFO.

The retention- and incentive bonus recieved by to the Executive Board is in the form of equity-like instruments (Total Shareholder Return) with a deferral period of four years and a retention period of one year.

The Executive Board has also received a retention bonus in the form of warrants in Danish Ship Finance Holding A/S. The related costs are recognised in Danish Ship Finance Holding A/S.

The Executive Board's pension plan is a defined contribution plan with a third party. The company has no further pension obligations towards members of the Executive Board.

The company may terminate Executive Board members' contracts of service by giving up to 18 months' notice.

DKK '000

NOTE 8 CONTINUED

REMUNERATION OF EXECUTIVE BOARD

2017	Erik I. Lassen	Per Schnack	Total
Salary	3,985	3,691	7,676
Pension	492	455	947
Tax value of car	128	149	277
Retention bonus	1,902	1,777	3,679
Total	**6,507**	**6,072**	**12,579**

2016	Erik I. Lassen	Per Schnack	Total
Salary	3,583	3,505	7,088
Pension	383	347	729
Tax value of car	118	147	265
Incentive bonus	1,804	1,655	3,459
Total	**5,888**	**5,654**	**11,541**

The incentive bonus to the Executive Board for 2016 is allocated on the basis of the sale of the company in the preceding financial year.

The bonus is evenly distributed between a cash consideration and remuneration bonds, 40% of which were allocated in 2016 while the remaining part will be acquired over the subsequent four years depending on the company's future financial status.

DKK '000

NOTE 8
CONTINUED

INFORMATION ON REMUNERATION POLICY

Information about remuneration policy and practice for the Board of Directors, the Executive Board and Other Employees whose activities have a material impact on the risk profile.

The remuneration policy was adopted at the annual general meeting on 26 March 2018.

The remuneration policy is available on the company's website:
https://www.skibskredit.dk/media/1793/loenpolitik-for-danmarks-skibskredit-2018.pdf

In accordance with the remuneration policy, variable remuneration may be provided to the Executive Board and Other Employees whose activities have a material impact on the risk profile as well as employees in key functions.

2018	Fixed salary/fee	Variable salary	Total salary/fee	Number of recipients
Board of Directors	2,750	-	2,750	11
Executive Board	11,142	5,648	16,791	3
Other Employees whose activities have a material impact on the risk profile	10,754	1,914	12,668	7
Total	**24,646**	**7,563**	**32,209**	

The variable remuneration of Other Employees is provided as a bonus in the form of equity-like instruments (Total Shareholder Return) with a deferral period of four years and a retention period of one year.

Other Employees receive warrants in Danish Ship Finance Holding A/S.
The related costs are recognised in Danish Ship Finance Holding A/S.

The pension plans of Other Employees are defined contribution plans.

DKK '000

NOTE 8 CONTINUED

2017	**Fixed salary/fee**	**Variable salary**	**Total salary/fee**	**Number of recipients**
Board of Directors	2,017	–	2,017	11
Executive Board	8,900	3,679	12,579	2
Other Employees whose activities have a material impact on the risk profile	8,302	3,025	11,327	5
Total	**19,219**	**6,704**	**25,923**	

2016	**Fixed salary/fee**	**Variable salary**	**Total salary/fee**	**Number of recipients**
Board of Directors	2,011	–	2,011	9
Executive Board	8,083	3,459	11,541	2
Other Employees whose activities have a material impact on the risk profile	10,180	–	10,180	6
Total	**20,274**	**3,459**	**23,732**	

DKK MILLION	2018	2017

NOTE 9 AUDIT FEES

Fees for statutory audit of financial statements	(0.9)	(0.6)
Fees for tax advisory services	(0.2)	(0.1)
Fees for non-audit services	(0.2)	(0.1)
Fees for other assurance engagements	(0.1)	(0.3)
Total fees	**(1.3)**	**(1.1)**

Fees for non-audit services provided by Deloitte Statsautoriserede Revisionspartnerselskab to Danish Ship Finance A/S cover various assurance reports. review of the Interim Report. and VAT and tax advisory services.

NOTE 10 TAX

Tax on profit for the year		
Estimated tax on profit for the year	(78)	(3)
Changes in deferred tax	(1)	(91)
Adjustment of prior-year tax charges	(1)	1
Total tax	**(81)**	**(93)**
Tax on other comprehensive income		
Deferred tax	-	(2)
Total tax	**-**	**(2)**
Effective tax rate	**%**	**%**
Tax rate in Denmark	22.0	22.0
Non-taxable income and non-deductible expenses	2.0	0.5
Adjustment of prior-year tax charges	(0.4)	(0.2)
Effective tax rate	**23.6**	**22.3**

DKK MILLION	2018	2017

NOTE 11 DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

Genuine purchase and resale transactions (reverse repo)	1,314	1,006
Other receivables	46	457
Total due from credit institutions and central banks	**1,360**	**1,463**
Broken down by due date		
Demand deposits	29	17
Up to 3 months	1,331	1,446
Total due from credit institutions and central banks	**1,360**	**1,463**

DSF has no term deposits with central banks.

NOTE 12 LOANS AT AMORTISED COST

At 1 January	34,492	39,811
Additions	8,441	6,914
Ordinary repayments and redemptions	(4,418)	(5,493)
Extraordinary repayments	(2,850)	(2,443)
Net change concerning revolving credit facilities	(281)	(100)
Exchange rate adjustment of loans	1,301	(4,111)
Initial impact at 1 January 2018 (IFRS 9)	(132)	-
Change in amortised cost for the year	(34)	(12)
Depreciation, amortisation and impairment for the year	215	(74)
At 31 December	**36,735**	**34,492**

DKK MILLION	2018	2017

NOTE 13 LOANS AT AMORTISED COST BROKEN DOWN BY DUE DATE

Gross loans at exchange rates at the balance sheet date	39,243	37,083
Loan impairment charges	(2,508)	(2,591)
Total loans	**36,735**	**34,492**
Total loans broken down by due date		
Up to 3 months	1,245	1,245
From 3 months to 1 year	3,406	5,223
From 1 to 5 years	21,679	22,623
Over 5 years	10,405	5,402
Total loans	**36,735**	**34,492**
Total loans		
Loans at fair value	37,389	35,387
Loans at amortised cost	36,735	34,492

Loans at fair value is an approximation based on amortised cost with the addition of the value of fixed-rate loans.

NOTE 14 NON-PERFORMING LOANS

Impaired loans (rating category 11)		
Loans subject to forbearance or otherwise impaired, gross	3,655	4,721
Loan impairment charges	(1,206)	(1,829)
Impaired loans, net	**2,449**	**2,892**
Defaulted loans (rating category 12)		
Loans in default, gross	1,716	1,172
Loan impairment charges	(1,032)	(550)
Defaulted loans, net	**684**	**621**
Non-performing loans, gross (NPL)	**5,372**	**5,893**
Non-performing loans, net (Net NPL)	**3,133**	**3,513**

Note 16 provides detailed information about LTV intervals for the total loan book and for non-performing loans.

NOTE 15

LOAN IMPAIRMENT CHARGES

DKK MILLION	2018	2017
The following impairment charges/loss allowances were made on loans/loan commitments		
Individual impairment charges	2,508	2,380
Collective impairment charges	-	211
Loss allowances for loan commitments	6	-
Total	**2,514**	**2,591**
As a percentage of loans and guarantees		
Individual impairment charges	6.4	6.4
Collective impairment charges	-	0.6
Total *)	**6.4**	**7.0**
Breakdown of total allowance account		
Loan impairment charges	2,508	2,591
Loss allowances for loan commitments	6	-
Total	**2,514**	**2,591**
Reconciliation of total allowance account		
At 1 January	2,591	2,516
Initial impact at 1 January 2018	132	-
New impairment charges/loss allowances	699	748
Reversal of impairment charges/loss allowances	(610)	(550)
Gross write-offs debited to the allowance account	(298)	(124)
Total	**2,514**	**2,591**
Loan impairment charges for the period		
New impairment charges/loss allowances	(699)	(748)
Reversal of impairment charges/loss allowances	610	550
Reclassification of interest	8	10
Recovery on loans previously written off	46	25
Loan impairment charges	**(35)**	**(163)**

**) The calculation only includes loan impairment charges.*

DKK MILLION	2018	2017

NOTE 16

CREDIT RISK

Reconciliation of loans and guarantees (loan book)		
Balance sheet		
Loans at amortised cost	36,735	34,492
Other receivables	200	166
Loan impairment charges	2,508	2,591
Total balance sheet items	**39,443**	**37,249**
Off-balance sheet items		
Guarantees	148	163
Total off-balance sheet items	**148**	**163**
Total loans and guarantees	**39,591**	**37,412**

Reconciliation of financial exposure		
Due from credit institutions and central banks	1,360	1,463
Bonds at fair value	22,470	20,093
Shares, etc.	3	11
Derivatives	1,288	1,661
Total financial exposure	**25,122**	**23,228**

RATING CATEGORY BREAKDOWN

The internal rating scale consists of 12 rating categories.

The main objective of the internal 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 an internal rating, and the internal 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 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 16
CONTINUED

Loan book before loan impairment charges broken down by rating category

Rating	Loans and guarantees 2018	Loans and guarantees 2017
1 - 2	0	0
3 - 4	7,022	9,030
5 - 6	13,772	10,843
7 - 8	11,913	9,099
9 - 10	1,513	2,548
11	3,655	4,721
12	1,716	1,172
Total	**39,591**	**37,412**

STAGES FOR CHANGES IN CREDIT RISK

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

Rating	Stage 1	Stage 2	Stage 3	Loans and guarantees 2018
1	-	-	-	-
2	-	-	-	-
3	3,568	-	-	3,568
4	3,454	-	-	3,454
5	1,565	-	-	1,565
6	12,207	-	-	12,207
7	6,902	178	-	7,080
8	4,534	298	-	4,833
9	295	1,011	-	1,306
10	-	207	-	207
11 (impaired)	-	-	3,655	3,655
12 (default)	-	-	1,716	1,716
Total	**32,525**	**1,694**	**5,372**	**39,591**

DKK MILLION

NOTE 16
CONTINUED

Changes in total allowance account broken down by IFRS 9 stage

Rating	Stage 1	Stage 2	Stage 3	Total
At 1 January	143	68	2,380	2,591
Initial impact at 1 January 2018	36	54	42	132
Transferred to stage 1 during the period	9	(9)	-	0
Transferred to stage 2 during the period	(25)	25	-	0
Transferred to stage 3 during the period	-	(31)	31	0
New impairment charges/loss allowances	86	7	606	699
Reversal of impairment charges/loss allowances	(52)	(35)	(523)	(610)
Gross write-offs for the period	-	-	(298)	(298)
Total allowance account at 31 December 2018	**197**	**79**	**2,238**	**2,514**
Of which:				
- Loan impairment charges	191	79	2,238	2,508
- Loss allowances for loan commitments	6	-	-	6

Classification, stage migration and impairment charges

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

The stage migration of a loan is closely linked to the development of the clients internal 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 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 2018 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.

NOTE 16 CONTINUED

Credit risk mitigation

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

The USD market value of mortgaged vessels declined on average by 5% in 2018.

Loan book after loan impairment charges broken down by LTV interval

LTV interval	Share of loans 2018	Share of loans 2017
0 - 20 %	41%	37%
20 - 40 %	37%	34%
40 - 60 %	20%	24%
60 - 80 %	2%	5%
80 - 90 %	0%	0%
90 - 100 %	0%	0%
Over 100 %	0%	0%

The table above shows that at year-end 98% (2017: 95%) of all loans are secured within 60% of the market value of the mortgage, and 100% (2017: 100%) of all loans are within 80% of the market value of the mortgage.

At end-2018, the weighted loan-to-value ratio on the loan book after loan impairment charges was 52% (2017: 57%).

Non-performning loans after loan impairment charges broken down by LTV interval

LTV interval	Share of loans 2018	Share of loans 2017
0 - 20 %	36%	38%
20 - 40 %	35%	36%
40 - 60 %	24%	24%
60 - 80 %	5%	2%
80 - 90 %	0%	0%
90 - 100 %	0%	0%
Over 100 %	0%	0%

The table above shows that at year-end 95% (2017: 98%) of non-performing loans are secured within 60% of the market value of the mortgage, and 100% (2017: 100%) of non-performing loans are within 80% of the market value of the mortgage.

At end-2018, the weighted average loan-to-value ratio for non-performing loans after loan impairment charges was 58% (2017: 54%).

DKK MILLION	2018	2017

NOTE 17 BONDS AT FAIR VALUE

Bond portfolio		
Non-callable bonds	15,944	12,759
Callable bonds	6,527	7,334
Total portfolio of bonds	**22,470**	**20,093**

Bond portfolio		
Government bonds and bonds issued by KommuneKredit	3,702	5,380
Mortgage bonds	18,768	14,713
Total portfolio of bonds	**22,470**	**20,093**

NOTE 18 BONDS BY TIME TO MATURITY

Bond portfolio		
Bonds with a maturity up to and including 1 year	1,067	323
Bonds with a maturity over 1 year and up to and including 5 years	13,951	6,886
Bonds with a maturity over 5 years and up to and including 10 years	964	4,449
Bonds with a maturity over 10 years	6,489	8,435
Total bonds specified by time to maturity	**22,470**	**20,093**

NOTE 19 CSA COLLATERAL

Collateral under CSA agreements		
Collateral received	111	109
Collateral delivered	(750)	(467)
Net value of collateral under CSA agreements	**(639)**	**(359)**

The bonds received and delivered have been recognised in the balance sheet so that they reduce the market values of derivatives by the market value of the bonds at the balance sheet date. The portfolio of bonds at fair value has been adjusted correspondingly by the net market value hereof.

NOTE 20 SHARES, ETC.

Shares listed on Nasdaq Copenhagen A/S	–	7
Unlisted shares recognised at fair value	3	3
Total shares, etc.	**3**	**11**

DKK MILLION	2018	2017

NOTE 21 LAND AND BUILDINGS

Owner-occupied property		
Revaluation, 1 January	90	80
Revaluations	-	10
Revaluation including improvements, 31 December	**90**	**90**
Accumulated depreciation, 1 January	1	1
Depreciation for the year	0	0
Accumulated depreciation, 31 December	**2**	**1**
Total revaluation, 31 December	**89**	**89**

The owner-occupied property is the office property at Sankt Annæ Plads 3, Copenhagen, which was valued at DKK 79 million at the most recent public property valuation on 1 October 2017.

The owner-occupied property has been valued based on existing budgets for property and the rent level for similar properties in the area. Consequently, revaluations have been made to the recognised value. External experts were not involved in valuing the owner-occupied property.

NOTE 22 OTHER TANGIBLE ASSETS

Cost, 1 January	30	30
Additions during the year	2	1
Disposals during the year	(9)	(1)
Cost, 31 December	**23**	**30**
Accumulated depreciation, 1 January	22	21
Disposals during the year	(9)	(1)
Depreciation during the year	1	2
Accumulated depreciation, 31 December	**15**	**22**
Total other tangible assets	**9**	**8**

DKK MILLION	2018	2017

NOTE 23 OTHER ASSETS

	2018	2017
Interest receivable	301	260
Prepayments to swap counterparties	0	16
Derivatives	1,288	1,661
Miscellaneous receivables	20	10
Total other assets	**1,609**	**1,947**

NOTE 24 DUE TO CREDIT INSTITUTIONS AND CENTRAL BANKS

	2018	2017
Repo transactions	8,470	3,390
Other amounts due	52	15
Total due to credit institutions and central banks	**8,522**	**3,405**
Broken down by due date		
On demand	52	15
Up to 3 months	8,470	3,390
Total due to credit institutions and central banks	**8,522**	**3,405**

DKK MILLION	2018	2017
NOTE 25 ISSUED BONDS AT AMORTISED COST		
At 1 January	42,467	42,352
Additions in connection with pre-issuance	9,256	19,161
Amortisation of cost	(68)	(36)
Adjustment for hedge accounting	93	14
Exchange rate adjustment	70	(376)
Ordinary and extraordinary redemptions	(8,271)	(18,648)
At 31 December	**43,549**	**42,467**
Specification of issued bonds		
Bonds issued in DKK		
Bullet bonds	41,798	39,693
Amortising CIRR bonds	508	623
Total Danish bonds	**42,306**	**40,316**
Bonds issued in foreign currency		
Amortising CIRR bonds, at year-end exchange rates	1,244	2,151
Total bonds issued in foreign currency	**1,244**	**2,151**
Total issued bonds	**43,549**	**42,467**
Broken down by term to maturity		
Up to 3 months	1,342	2,610
From 3 months to 1 year	179	258
From 1 to 5 years	19,287	19,079
Over 5 years	22,742	20,520
Total issued bonds	**43,549**	**42,467**

DKK MILLION	2018	2017

NOTE 26 OTHER LIABILITIES

	2018	2017
Interest payable	205	219
Derivatives	682	2,721
Other liabilities	128	41
Total other liabilities	**1,016**	**2,981**

NOTE 27 DEFERRED TAX

	2018	2017
Deferred tax, 1 January	(7)	(100)
Initial adjustment regarding IFRS 9	(29)	-
Adjustment of prior-year	(40)	-
Estimated deferred tax on profit for the year	2	93
Total deferred tax	**(74)**	**(7)**

	2018 Deferred tax assets	2018 Deferred tax liabilities	2018 Deferred tax net	2017 Deferred tax net
Property, plant and equipment	(0)	9	9	9
Loans	(75)	-	(75)	(36)
Shares, etc.	(2)	-	(2)	(4)
Issued bonds	-	92	92	144
Employee obligations	(1)	-	(1)	(1)
Balance of tax losses	(97)	-	(97)	(120)
Total deferred tax	**(175)**	**101**	**(74)**	**(7)**

DKK MILLION	2018	2017

NOTE 28 EQUITY

	2018	2017
Share capital		
A shares	300	300
B shares	33	33
Total share capital	**333**	**333**
Tied-up reserve capital	8,343	8,343
Revaluation reserves	29	29
Retained earnings	318	364
Proposed dividends for the financial year	205	237
Total equity	**9,229**	**9,307**

The share capital is divided into the following denominations:

A shares 300,000,000 shares of DKK 1.00 each
B shares 33,333,334 shares of DKK 1.00 each

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

DKK MILLION	2018	2017
NOTE 29 CAPITAL ADEQUACY		
Common Equity Tier 1 capital		
Share capital A shares	300	300
Share capital B shares	33	33
Tied-up reserve capital	8,343	8,343
Retained earnings	318	364
Proposed dividends for the financial year	205	237
Revaluation reserves	29	29
Total Common Equity Tier 1 capital	**9,229**	**9,307**
Deductions from Common Equity Tier 1 capital		
Proposed dividends for the financial year	205	237
Additional capital charge pursuant to the Executive Order on a Ship Finance Institute	-	94
Prudent valuation pursuant to Article 105 of the CRR	25	26
Deductions pursuant to transitional rules regarding B share capital *)	27	20
Total deductions from Common Equity Tier 1 capital	**257**	**377**
Common Equity Tier 1 capital after deductions	**8,972**	**8,930**
Own funds after deductions	**8,972**	**8,930**
Risk exposure amount		
Assets outside the trading book	37,752	35,458
Off-balance sheet items	2,125	2,101
Counterparty risk outside the trading book	1,454	1,639
Market risk	4,528	4,618
Operational risk	1,374	1,497
Total risk exposure amount	**47,233**	**45,312**
Common Equity Tier 1 capital ratio	**19,0**	**19,7**
Tier 1 capital ratio	**19,0**	**19,7**
Total capital ratio	**19,0**	**19,7**
The risk exposure amount for market risk consists of:		
Position risk related to debt instruments	4,089	3,632
Position risk related to shares	7	21
Total currency position	432	965
Total risk exposure amount for market risk	**4,528**	**4,618**

*) *Recognised at 20% pursuant to transitional rules of CRR art. 484 at 31 December 2018 (January 1 to December 31 2017 recognised at 40%).*

DKK MILLION	2018	2017

NOTE 30 CONTINGENT LIABILITIES

In the ordinary course of its lending operations, DSF has undertaken guarantee commitments of	148	163
Payment guarantee provided to the Danish Securities Centre	0	0
Guarantees provided to the Danish Securities Centre	-	0
Total contingent liabilities	**148**	**164**

NOTE 31 OTHER CONTINGENT LIABILITIES

In the ordinary course of its lending operations, DSF has undertaken commitments in relation to unutilised drawing rights on loans with revolving credit facilities in the amount of	202	553
In the ordinary course of its lending operations, DSF has undertaken commitments relating to irrevocable loan commitments in the amount of	3,751	3,307
Total other contingent liabilities	**3,953**	**3,860**

NOTE 32 RELATED PARTIES

Related parties comprise members of the Executive Board and Board of Directors.

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

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

Transactions with the Executive Board and the Board of Directors only concerned remuneration. See Note 8.

Related-party transactions concerning loans and loan offers totalled a nominal amount of DKK 929 million at 31 December 2018 (at 31 December 2017: DKK 1,025 million).

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

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

NOTE 33 CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of DSF are consolidated into the consolidated financial statements of Danish Ship Finance Holding A/S.

The consolidated financial statements are available on request from Danish Ship Finance Holding A/S, Sankt Annæ Plads 3, DK-1250 Copenhagen K.

DKK MILLION

NOTE 34

HEDGE ACCOUNTING

The company in part hedges the interest rate risk on fixed-rate assets and liabilities.
The effectiveness of such hedges is measured on a regular basis.

2018	Nominal value	Carrying amount	Fair value
Commitments			
Issued bonds	10,739	11,108	11,242
Total commitments	**10,739**	**11,108**	**11,242**
Derivatives			
Interest rate swaps	(10,739)	(288)	(288)
Total derivatives	**(10,739)**	**(288)**	**(288)**
Net	**0**	**10,820**	**10,953**

2017	Nominal value	Carrying amount	Fair value
Commitments			
Issued bonds	10,047	10,369	10,593
Total commitments	**10,047**	**10,369**	**10,593**
Derivatives			
Interest rate swaps	(10,047)	(275)	(275)
Total derivatives	**(10,047)**	**(275)**	**(275)**
Net	**0**	**10,095**	**10,319**

DKK MILLION	2018	2017
NOTE 35 NOTIONAL PRINCIPALS OF OUTSTANDING DERIVATIVES		
Swap agreements		
Swap agreements have been made with the following parties to hedge the foreign exchange risk on loans and issued bonds:		
Receivables	508	623
Credit institutions	49,501	40,579
Swap agreements have been made with the following parties to hedge the interest rate risk on loans, bonds and issued bonds:		
Receivables	–	–
Credit institutions	58,680	47,537
Swap agreements, for which financial risks are not fully hedged, have been made with the following parties:		
Credit institutions	52,482	48,360
Forward interest rate and currency agreements		
Forward interest rate and currency agreements have been made with the following parties to hedge interest rate and foreign exchange risk:		
Credit institutions	46,285	23,250

DKK MILLION	2018 POSITIVE	2018 NEGATIVE	2017 POSITIVE	2017 NEGATIVE
NOTE 36 FAIR VALUES OF OUTSTANDING DERIVATIVES				
Swap agreements				
Swap agreements have been made with the following parties to hedge the foreign exchange risk on loans and issued bonds:				
Receivables	54	–	31	–
Credit institutions	153	452	476	1.984
Swap agreements have been made with the following parties to hedge the interest rate risk on loans, bonds and issued bonds:				
Receivables	–	–	–	–
Credit institutions	1,234	441	1,194	498
Swap agreements, for which financial risks are not fully hedged, have been made with the following parties:				
Credit institutions	619	1,267	598	1,235
Forward interest rate and currency agreements				
Forward interest rate and currency agreements have been made with the following parties to hedge interest rate and foreign exchange risk:				
Credit institutions	129	63	115	15
Netting of exposure value				
The positive gross fair value of financial contracts after netting:				
Counterparty with risk weight of 0%	–		–	
Counterparty with risk weight of 20%	286		246	
Counterparty with risk weight of 50%	1,270		944	
Counterparty with risk weight of 100%	79		75	
Value of total counterparty risk calculated according to the market valuation method for counterparty risk:				
Counterparty with risk weight of 0%	–		–	
Counterparty with risk weight of 20%	514		682	
Counterparty with risk weight of 50%	1,622		1,701	
Counterparty with risk weight of 100%	4		31	

DKK MILLION

NOTE 37 FOREIGN EXCHANGE RISK AND USE OF DERIVATIVES

The total unhedged foreign currency position at 31 December 2018, translated at year-end exchange rates into DKK amounts to DKK 113 million (DKK 961 million at 31 December 2017).

All amounts are translated into DKK at the year-end exchange rates.

The net position is specified as follows

	USD	Other currencies	Total currency	DKK	Total
Loans at year-end exchange rates	34,386	4,319	38,705	538	39,243
Loan impairment charges	-	-	-	(2,508)	(2,508)
Loans as per the balance sheet					**36,735**
Due from credit institutions and central banks	169	22	192	1,168	1,360
Bond portfolio	-	1,787	1,787	20,683	22,470
Interest receivable, etc,	275	23	298	2	301
Other assets	-	-	-	1,484	1,484
Total assets as per the balance sheet	**34,830**	**6,152**	**40,982**	**21,368**	**62,349**
Issued bonds at year-end exchange rates	(1,244)	-	(1,244)	(42,306)	(43,549)
Issued bonds as per the balance sheet					**(43,549)**
Due to credit institutions and central banks	-	(1,090)	(1,090)	(7,432)	(8,522)
Interest payable	(156)	(11)	(167)	(38)	(205)
Other payables	-	-	-	(837)	(837)
Provisions	-	-	-	(6)	(6)
Total equity	-	-	-	(9,229)	(9,229)
Total liabilities as per the balance sheet	**(1,400)**	**(1,101)**	**(2,501)**	**(59,848)**	**(62,349)**
Derivatives					
- receivables	3,989	6,720	10,710		
Derivatives					
- payables	(37,238)	(11,840)	(49,078)		
Total net position	**182**	**(70)**	**113**		

DKK MILLION	2018	2017

NOTE 38 **MARKET RISK SENSITIVITY**

Interest rate risk

The equity is invested primarily in Danish government and covered bonds. Some of the bond investments are in fixed-rate claims where the interest rate risk is partly hedged using DKK or EUR interest rate swaps. In the internal calculations, EUR rates and DKK rates are assumed to be fully correlated.

Calculated in accordance with internal calculation methods, the interest rate risk associated with a 1 percentage point increase in interest rates would lead to:	(51)	(124)
Calculated in accordance with internal calculation methods, the interest rate risk associated with a 1 percentage point decrease in interest rates would technically lead to:	34	93

Exchange rate risk

Most of the loans are denominated in USD, and most of the ship mortgages provided as collateral for the loans are also valued in USD. When calculating the collateral value of the ship mortgages for determining the level of loan impairment charges, a haircut is made to the market value of the vessel.

For loans on which loan impairment charges have been made, there will typically be a difference in USD between the size of the credit exposure and the mortgage values. Other things being equal, the loan impairment charges will therefore be adversely affected in case of an increase and positively affected by a fall in the USD/DKK exchange rate. Since a small proportion of the loans are denominated in currencies other than USD, while the ship mortgage in question is valued in USD, the total positive net effect from a fall in the USD/DKK exchange rate is reduced, and the sensitivity is thus not symmetric in case of changes in the USD/DKK exchange rate.

NOTE 38 CONTINUED

DKK MILLION	2018	2017
Furthermore, earnings from lending is primarily denominated in USD, which means that, other things being equal, an increase in the USD/DKK exchange rate would result in higher earnings from lending and vice versa if the USD/DKK exchange rate falls.		
An appreciation of the USD exchange rate vis-à-vis DKK		
Change in profit for the year and equity	31	(45)
Percentage change in total capital ratio	(2.0)	(2.1)
A depreciation of the USD exchange rate vis-à-vis DKK		
Change in profit for the year and equity	(36)	28
Percentage change in total capital ratio	2.5	2.7

The impact on net profit for the year and equity from a change in the USD exchange rate assumes a permanent change of DKK 1 for an entire financial year. The impact comprises the change in the value of ongoing net interest and fee income as well as the change in the need for impairment charges due to the change in the USD exchange rate.

The impact on the total capital ratio on a change in the USD exchange rate will occur immediately after the exchange rate change, as most of the loans, guarantees and loan offers are disbursed in that currency.

DKK MILLION	2018	2017

NOTE 39

FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

Financial instruments are measured in the balance sheet at fair value or amortised cost.

The difference between carrying amounts and fair-value based values, which are not recognised in the income statement and which are attributable to the difference between the amortised cost and the calculated fair value is shown below.

	2018	2017
Loans		
Measured at amortised cost	36,735	34,492
Measured at fair value	37,389	35,387
Difference between carrying amounts and fair-value based value of loans, total	**654**	**895**

For loans, the fair value is calculated as an approximation based on amortised cost for unmatched loans with the addition of the fair value of fixed-rate matched loans.

	2018	2017
Issued bonds		
Measured at amortised cost, incl, hedging	43,549	42,467
Measured at fair value	44,003	43,213
Difference between carrying amounts and fair-value based value of issued bonds, total	**454**	**746**

For issued bonds, the fair value is calculated on the basis of quoted market prices.

For unlisted bonds, the fair value is calculated on the basis of observable market data.

NOTE 40 SUPPLEMENTARY NOTES WITHOUT REFERENCE

FINANCIAL RISKS AND POLICIES FOR FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT

DSF is exposed to different types of risk.

The most important types of risk are:

- Credit risk: The risk of loss caused by borrowers or counterparties failing to meet all or part of their payment obligations.
- Market risk: The risk of loss resulting from changes in the fair value of the assets and liabilities as a result of changes in market conditions.

CREDIT RISK

Credit risk is the risk of loss caused by borrowers or counterparties failing to meet all or part of their payment obligations, including risk associated with clients in financial difficulty, large exposures, concentration risk and risk on offered, non-disbursed loans.

The overall credit risk is managed on the basis of the credit policy, which the Board of Directors determines together with the overall risk management framework. The key objective of the credit policy is to ensure that earnings and risks are balanced, and that the assumption of risk is always quantified.

The credit process is controlled centrally by the Credit Department. The Executive Board and the Head of Credit have been authorised by the Board of Directors to grant loans up to pre-determined limits.

The granting of loans must be disclosed at the subsequent ordinary board meeting. Other loans are granted by the Board of Directors. Note 16 includes a more detailed description of credit risk.

DSF has developed IT tools for managing and monitoring credit risks. The credit analysis system is used for monitoring purposes, and the system records key data regarding credit exposures and clients financial standing to detect warning signals for exposures at an early stage as well as to monitor portfolios and client groups.

In addition, a number of risk events have been defined as representing credit impairment and default.

NOTE 40 CONTINUED

MARKET RISK

Market risk is defined as the risk of changes in the market value of the financial assets andliabilities because of changes in market conditions.

Market risk can be divided into interest rate risk, equity price risk, foreign exchange risk and liquidity risk.

The Board of Directors determines the general policies, frameworks and principles for risk management.

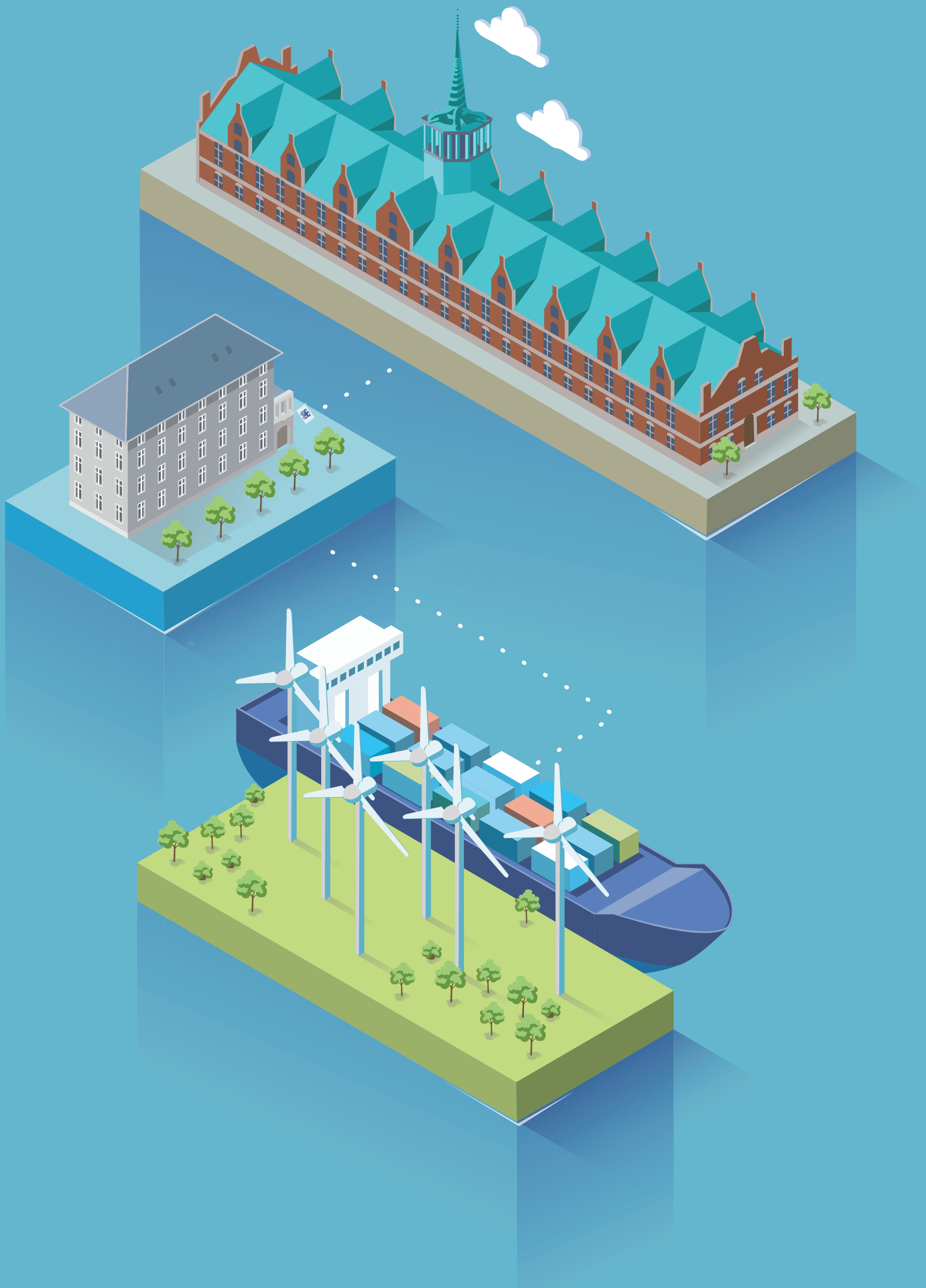
The policies cover the identification and calculation of various types of market risk. The frameworks indicate specific limits on the extent of risk the company is ready to assume. The principles establish the methods to be used in calculating the various risk targets. The Board of Directors receives continuous reporting on risk developments and the utilisation of allocated risk limits.

The purpose of the market risk policy is to ensure that the market risk at all times is appropriate in relation to the total capital. The objective of the market risk policy is also to ensure that the company consistently maintains adequate and appropriate handling and management of market risk.

The Risk Management function is responsible for calculating, monitoring, controlling and reporting market risk to the Board of Directors and Executive Board. The function is independent of the front office department. The market risks are managed and monitored via a risk management system. DSF follows up on all material types of market risk with respect to all units subject to instructions, and failure to comply with instructions are escalated according to policy.

Notes 37–38 include more detailed descriptions of foreign exchange risk and market risk sensitivity.

For further information, please see the unaudited Risk Report at www.shipfinance.dk



Management statement

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Danish Ship Finance A/S for the financial year 1 January – 31 December 2018. The Annual Report is presented in accordance with the Danish Financial Business Act. Furthermore, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

In our opinion, the Management's Report includes a fair review of developments in the activities and financial position of the company and fairly describes the principal risks and uncertainties that may affect the company.

Further, in our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2018 and of the results of the company's activities for the financial year 1 January - 31 December 2018.

The Annual Report is recommended for adoption by the Annual General Meeting on 25 March 2019.

Copenhagen, 25 February 2019

Executive Board

Erik Ingvar Lassen
Chief Executive Officer

Michael Frisch
Chief Commercial Officer

Lars Jebjerg
Chief Financial Officer

Board of Directors

Eivind
Drachmann Kolding
(Chairman)

Peter
Nyegaard
(Vice Chairman)

Marcus
Freuchen Christensen

Povl Christian
Lütken Frigast

Anders
Damgaard

Thor Jørgen
Guttormsen

Jacob
Meldgaard

Michael
Nellemann Pedersen

Christopher
Rex

Henrik
Sjøgreen

Henrik
Rohde Søgaard

Independent auditor's report

To the shareholders of Danish Ship Finance A/S (Danmarks Skibskredit A/S)

Opinion

We have audited the financial statements of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the financial year 1 January 2018 to 31 December 2018, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are presented in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2018 and of the results of its operations for the financial year 1 January 2018 to 31 December 2018 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

Our opinion is consistent with our long-form audit report submitted to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the company in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) no. 537/2014.

We were appointed auditors of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the first time on 25 April 2005 for the financial year 2005. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 14 years up to and including the financial year 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 1 January 2018 to 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

LOAN IMPAIRMENT CHARGES

Loans amounted to DKK 36,735 million at 31 December 2018 (DKK 34,492m at 31 December 2017), and impairment charges for the period amounted to DKK 2,514 million in 2018 (DKK 2,591m in 2017) in the financial statements.

We consider the measurement of impairment charges a key audit matter as the determination of expected losses is based on management judgement and subject to significant uncertainty. Due to the significance of such management judgement and the loan volumes of the company, auditing impairment charges for loans is a key audit matter.

The principles for determining expected credit losses are described in the Summary of significant accounting policies and in note 15, and Management has described the management of credit risks and the review for impairment in more detail in note 16 to the financial statements.

The areas of loans involving the highest level of management judgement, thus requiring greater audit attention, are:
- Identification of credit-impaired exposures
- Parameters and management judgements in the calculation model used to determine Stage 1 and Stage 2 expected losses
- Valuation of collateral and future cash flows, including management judgement involved in determining Stage 3 expected losses.

HOW THE MATTER WAS ADDRESSED IN OUR AUDIT

Based on our risk assessment, our audit comprised a review of relevant central and decentral business procedures, test of controls and analysis of the amount of impairment charges.

Our audit procedures included testing relevant controls regarding:

- Continuous assessment of the credit risk
- Assessment and validation of input and assumptions applied in calculating Stage 1 and Stage 2 impairment charges
- Determining management judgements in the model and Stage 3.

Furthermore, our audit procedures included:
- Performing a risk-based audit of loans to ensure timely identification of credit-impaired loans
- Challenging the procedures and methodologies applied for the areas involving the highest level of management judgement by using our industry knowledge and experience
- Challenging the parameters and significant assumptions applied in the calculation models and reviewing the staging methodology and the data used
- Challenging management judgements in the calculation model used with special focus on management consistency and bias, including documentation of the adequacy of management judgements
- Performing a risk-based audit of credit-impaired loans to test for appropriate determination of assumptions for impairment charges, including valuation of collateral and definition of scenarios.

Statement on the management commentary

Management is responsible for the Management's Report.

Our opinion on the financial statements does not cover the Management's Report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's Report and, in doing so, consider whether the Management's Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's Report provides the information required under the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

Based on the work we have performed, we conclude that the Management's Report is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds. We did not identify any material misstatement in the Management's Report.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the financial statements unless Management either intends to liquidate the company or to cease operations or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 25 February 2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kasper Bruhn Udam	Bjørn Philip Rosendal
State-Authorised	State-Authorised
Public Accountant	Public Accountant
Identification No 29421	Identification No 40039

Management and directorships

This section lists positions, other directorships, executive positions and fiduciary positions held by board members at the date of publication of the Annual Report for 2018. The length of tenure the board members have served, and their special competencies are also shown.

Board members elected by the general meeting are elected for a term of one year and board members elected by the employees are elected for a term of four years.

Eivind Kolding

Chairman
Chairman of the Remuneration Committee
Born on 16 November 1959
Nationality: Danish
Considered to be an independent board member
Joined the Board of Directors on 15 November 2016
Nominated by Danish Ship Finance Holding A/S

Directorships and executive positions:
Chairman of CASA A/S (and one group company)
Member of the Board of Directors:
Leo Fondet (and one group company)
BiQ ApS
NNIT A/S
Altor Fund Manager AB

Competencies:
Broad knowledge of shipping and the maritime industry, macroeconomics, banking, credit, insurance and finance, financial risk management, regulation and general management of international business.

Peter Nyegaard, CFO and Partner, Axcel

Vice Chairman
Member of the Audit Committee
Born on 16 May 1963
Nationality: Danish
Considered to be an independent board member
Joined the Board of Directors on 15 November 2016
Nominated by Axcel

Directorships and executive positions:
Chairman of FIH
Member of the Board of Directors of Øens Murerfirma A/S
Chairman/member of a number of boards in the Axcel Group

Competencies:
Broad knowledge of general management of international companies, financial risk management, financial regulation, capital markets, credit, financing and macroeconomics.

Anders Damgaard, Group CFO, PFA Pension

Chairman of the Audit Committee
Born on 8 August 1970
Nationality: Danish
Considered to be an independent board member
Joined the Board of Directors on 15 November 2016
Nominated by PFA

Directorships and executive positions:
Member of the Board of Directors:
Blue Equity Management A/S
Danish Ship Finance Holding A/S
PFA Asset Management A/S
PFA DK Boliger Høj A/S
PFA DK Boliger Lav A/S
PFA Ejendomme Høj A/S
PFA Ejendomme Lav A/S
PFA Europe Real Estate High A/S
PFA Europe Real Estate Low A/S
PFA Europe Real Estate Medium A/S
PFA Kapitalforening
PFA Kollegier ApS
PFA US Real Estate Medium P/S

Competencies:
Broad knowledge of financial business (including banking), credit, investment, finance, regulation and financial risk management.

Christian Frigast, Partner, Axcel

Member of the Remuneration Committee
Born on 23 November 1951
Nationality: Danish
Considered to be an independent board member
Joined the Board of Directors on 15 November 2016
Nominated by Axcel

Directorships and executive positions:
Chairman of the Board of Directors:
Axcel Management
Danish Ship Finance Holding A/S
EKF (Denmark's Export Credit Agency)
The Board Leadership Society in Denmark
Axcelfuture, Axcel's think tank
Vice Chairman of the Board of Directors:
PANDORA
PostNord
DVCA (Danish Venture Capital end Private Equity Association)
Axcel Advisory Board
Member of the Board of Directors:
Nissens A/S
Associate professor at CBS (Copenhagen Business School)

Competencies:
Broad knowledge of banking, finance, financial risk management, management of international companies, M&A, restructuring, operational efficiency and value proposition strategies.

Thor Jørgen Guttormsen

Member of the Remuneration Committee
Born on 5 January 1949
Nationality: Norwegian
Considered to be an independent board member
Joined the Board of Directors on 16 June 2017
Nominated by Danish Ship Finance Holding A/S

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

Competencies:
Broad knowledge of shipping, the maritime industry and general management.

Jacob Meldgaard, CEO, Torm A/S

Member of the Remuneration Committee
Born on 24 June 1968
Nationality: Danish
Considered to be an independent board member
Joined the Board of Directors on 16 June 2017
Nominated by Danish Ship Finance Holding A/S

Directorships and executive positions:
Member of the Board of Directors:
Danish Shipping (Danske rederier)
Syfoglomad
TORM Plc (Board member in six companies under TORM)

Competencies:
Broad knowledge of shipping and the maritime industry, general management, investment, finance and restructuring.

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

Member of the Audit Committee
Born on 8 July 1961
Nationality: Danish
Considered to be an independent board member
Joined the Board of Directors on 15 November 2016
Nominated by PKA

Directorships and executive positions:
Management Executive of:
Property companies owned by the three pension funds managed by PKA A/S
Ejendomsselskabet Dronningegården
OPP HoldCo ApS
A/S Kjøbenhavns Ejendomsselskab
Forstædernes Ejendomsaktieselskab
Chairman/member of Advisory Board and investment committees of various foundations relating to private equity, infrastructure and micro finance due to PKA's investment in such foundations

Member of the Board of Directors:
Danish Ship Finance Holding A/S
Refshaleøen Holding A/S
Refshaleøens Ejendomsselskab A/S
Margretheholmen P/S
Komplementarselskabet Margretheholm ApS
PKA Skejby Komplementar ApS
PKA Skejby P/S
Hotel Koldingfjord A/S
Fonden Dansk Sygeplejehistorisk Museum
Poppelstykket 12 A/S
P/S PKAE Ejendom
Komplementarselskabet PKA AE ApS
SAS Pilot & Navigators Pension Fund
Investeringsselskabet af 24. februar 2015 A/S
Tuborg Havnevej I/S
PKA Ejendomme I I/S
PKA Ejendomme af 2013 I/S
PKA Projektselskab I/S
Brokvarteret P/S
P/S Tranders Høje
Investeringsselskabet af 4. juli 2018 ApS
Institutional Holding GP ApS
Institutional Holding P/S
PKA Ejendomme af 2012 I/S
DEAS Invest I A/S
DEAS Invest I Holding A/S

Competencies:
Broad knowledge of financial business (including pension fund operations), credit, investment, finance, regulation and financial risk management.

Henrik Sjøgreen, CEO, FIH A/S

Member of the Audit Committee
Born on 30 July 1964
Nationality: Danish
Considered to be an independent board member
Joined the Board of Directors on 15 November 2016
Nominated by Danish Ship Finance Holding A/S

Directorships and executive positions:
Chairman of the Board of Directors:
FIH Partners A/S
Simon Fougner Hartmanns Fund
CEO of FIH A/S
CEO FIH Holding A/S

Competencies:
Broad knowledge of banking, credit, insurance and finance, financial risk management, debt markets and general management.

Marcus F. Christensen, Senior Relationship Manager, Danish Ship Finance A/S

Employee representative
Born on 20 November 1979
Nationality: Danish
Joined the Board of Directors on 29 March 2012

Competencies:
Broad knowledge of credit, ship financing and handling of problem loans through his position as Senior Relationship Manager at Danish Ship Finance A/S.

Christopher Rex, Head of Research and Innovation, Danish Ship Finance A/S

Employee representative
Born on 28 January 1979
Nationality: Danish
Joined the Board of Directors on 29 March 2012

Competencies:
Broad knowledge of macroeconomics, financial risk management, international shipping and digitalisation through his position as Head of Innovation & Research at Danish Ship Finance A/S.

Henrik R. Søgaard, Senior Relationship Manager, Danish Ship Finance A/S

Employee representative
Born on 9 February 1959
Nationality: Danish
Joined the Board of Directors on 24 April 2008

Competencies:
Broad knowledge of credit, ship financing and handling of problem loans through his position as Senior Relationship Manager at Danish Ship Finance A/S.

ATTENDANCE AT MEETINGS 2018

Attendance rate (%)	Board of Directors	Audit Committee	Remuneration Committee
Eivind Kolding	100		100
Peter Nyegaard	100	100	
Marcus F. Christensen	88		
Anders Damgaard	88	100	
Christian Frigast	63		0
Thor Jørgen Guttormsen	75		100
Michael N. Pedersen	88	100	
Jacob Meldgaard	75		100
Christopher Rex	100		
Henrik R. Søgaard	100		
Henrik Sjøgreen (*)	100	100	100

**) The member has only participated in one remuneration committee meeting.*

EXECUTIVE BOARD

Erik I. Lassen, CEO
Member of the Executive Board since 9 April 2008
Executive positions in other business enterprises:
CEO at Danish Ship Finance Holding A/S

Michael Frisch, CCO
Member of the Executive Board since 9 April 2018
Executive positions in other business enterprises:
Member of the Executive Board at Danish Ship Finance Holding A/S

Lars Jebjerg, CFO
Member of the Executive Board since 22 May 2018
Executive positions in other business enterprises:
Member of the Executive Board at Danish Ship Finance Holding A/S

Financial Calendar for 2019

25 February	Publication of Annual Report 2018
25 March	Annual General Meeting of Danish Ship Finance A/S at the company address, Sankt Annae Plads 3, 1250 Copenhagen K.
26 August	Publication of the Interim Report 2019

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DANISH
SHIP FINANCE

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