DANISH SHIP FINANCE 2019

› Annual Report

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LETTER TO OUR STAKEHOLDERS

Our core lending business delivered a strong performance in 2019: solid growth was supported by our success in securing new sources of funding and a satisfactory credit performance, setting the scene for continued sustainable growth.

We continued to increase our lending in 2019, growing the loan book by 5% year-on-year with five new clients added in 2019. The result was a satisfactory increase in income from lending underpinned by negligible loan impairment charges.

"The underlying 2019 result reflects good progress in the continued implementation of our strategy"

Our overall 2019 financial result, however, suffered from a fall in investment performance, which reduced the year-on-year result. The 2019 investment result was significantly lower than in 2018. Excluding the investment result, like-for-like profit before tax increased by 35% on 2018.

The underlying 2019 result reflects good progress in the continued implementation of our strategy. A strong and competitive lending business, secured by a solid funding and capital position, is our key value driver, and our strategy's primary objective is the full utilisation of our lending capacity while maintaining our strong credit rating.

Our work centres on our clients and we utilise our strong inhouse sector knowledge and highly specialised team to offer clients the best possible service.

Most notably in 2019, we ramped up efforts related to sustainability with the overarching goal of supporting clients during the transition to a sustainable shipping industry. Read more in our Sustainability Report.

A 2019 client survey, measuring the quality of service in ship finance, confirmed that we are moving in the right direction. Our high underlying scores showed solid improvements, and once again reaffirmed that our long-term commitment and strong expertise in shipping are qualities highly valued by clients.

A prerequisite for our strong offering to clients is our access to the bond markets on competitive terms, enabling efficient funding of loan commitments. We reached an important milestone in 2019 when Standard & Poor's changed our rating outlook to 'Stable' after more than two years with a 'Negative' outlook, certifying Danish Ship Finance's solid performance through some difficult years for the shipping markets.

The complexity of our business is growing, not least due to the volume of regulation being imposed on the financial sector on both a national and EU level. This has been the single largest driver of increases in operating costs in recent years.

In order to maintain and further develop our core business while implementing all new regulatory requirements, we have stepped up our focus on optimising internal processes. This will ensure that growth can be supported in a sustainable and efficient manner without incurring undue cost increases.

As a monoline institution devoted to the shipping industry, we have an inherent concentration risk, which we have proved capable of balancing out via prudent credit policies and a strong financial position over the past six decades.

Nevertheless, we are continuously evaluating new initiatives that can provide us with additional levers to pull during periods of adverse market conditions, both in terms of income streams and funding sources.

After having issued DKK-denominated bonds in the Danish market for more than 50 years, we issued our first EUR-denominated covered bond in 2019. This had been a strategic priority for us for some years in order to diversify our funding sources. We successfully completed two EUR issuances in 2019 totalling EUR 1 billion and will continue to approach the EUR market on a regular basis, although the Danish bond market will remain a primary funding source.

As 2019 passed, it marked the end of a very challenging decade for the shipping industry, with structural overcapacity coupled with geopolitical tensions creating immense challenges and uncertainty.

Fortunately, shipping markets overall saw fundamentals improve in 2019, as orderbooks were reduced and global seaborne demand continued to grow.

This gives the industry a fair wind as it turns to new challenges in 2020 and shortly needs to deliver a reduced carbon footprint and improved operational efficiency, which will require resource and dedication in years to come.

In summary, we enter 2020 with an even stronger platform, which will allow us to continue to offer clients competitive funding and grow the loan book further, generating future income and a solid return for our owners.

We could not have achieved any of this without our hardworking employees, who once again proved their competence and dedication to the company, enabling us to move closer to our vision of becoming *the obvious choice in ship finance.*

Eivind Kolding
Chairman

Erik I. Lassen
Chief Executive Officer

"We successfully completed two EUR issuances in 2019 totalling EUR 1 billion and will continue to approach the EUR market on a regular basis, although the Danish bond market will remain a primary funding source"

DANISH SHIP FINANCE AT A GLANCE

Our business is fully committed to lending to reputable shipowners, many of whom are leading players in their respective segments. Since the company was founded in 1961, we have remained close to our Danish clients while gradually building up an international presence with a select group of clients. Today, we are proud to be a top 20 shipping financier globally and one of the largest dedicated lenders in ship financing, with gross lending of DKK 41.3 billion, of which Danish clients account for more than one-third, collateralised by 774 vessels.

The ability to issue covered bonds on competitive terms remains the second cornerstone of our business. This is supported by our strategic focus on maintaining a class-leading credit performance and robust liquidity. The resilience of our platform is evidenced by a strong investment grade 'A' bond rating (with the outlook lifted to 'Stable' in 2019) from Standard & Poor's.

We remain committed to our clients and investors as a long-term partner, with the ambition of becoming the obvious choice in ship finance.

On average, our Senior Relationship Managers have more than 15 years of shipping experience

We have in-house shipping research, as well as technical survey, marine legal and marine insurance expertise

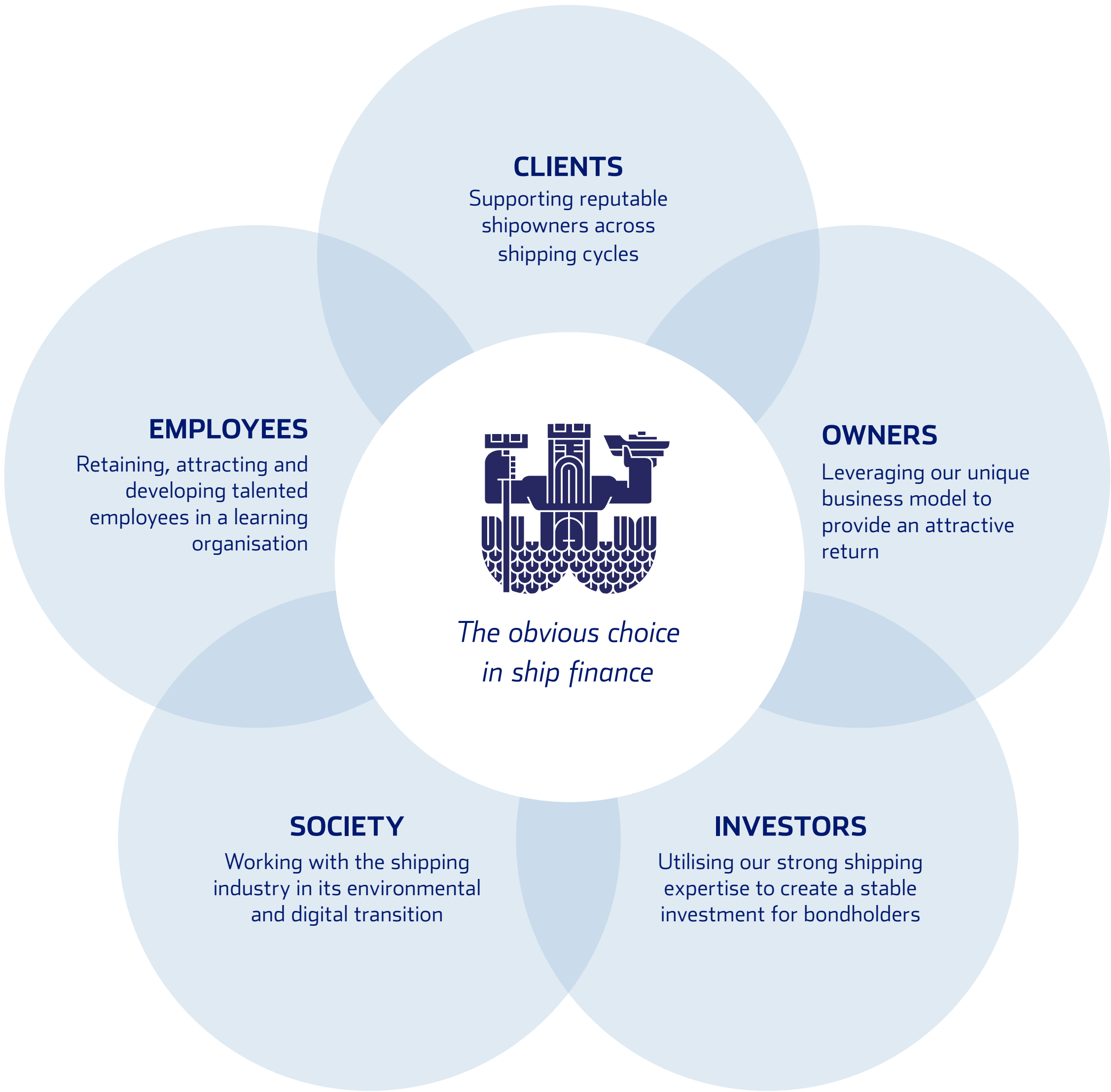
Gross lending of DKK 41.3 billion

Our headquarters is located in Copenhagen, enabling us to tap into strong shipping competences

Our lean organisation enables quick decision-making processes to the benefit of clients

DANISH SHIP FINANCE

VISION



Strategy

We reviewed our strategy in 2018 and determined a set of strategic focus areas that will strengthen our position further, bringing us closer to becoming *the obvious choice in ship finance* for all stakeholders. An essential part of our vision is to adhere to our proven credit policy and optimise returns on our low-risk loan portfolio.

Our strategy execution got off to a good start in 2019 and will continue in 2020, with a focus on strengthening the core business even further and ensuring the operational excellence in processes and systems that will enable us to grow sustainably and efficiently in the years ahead.

Strategic focus areas

Strengthening the core

Strengthening the product offering and expanding the role we play for our clients by staying competitive in the lending and funding markets and leveraging in-house shipping and financial expertise

Operational excellence

Creating robust and scalable business processes to ensure that we can continue to grow sustainably while deepening our engagement with clients in a changing industry

Diversification

Pursuing opportunities to diversify our funding sources and income streams and allow a greater level of cooperation with clients, investors and other stakeholders, making us even more robust across shipping cycles

HIGHLIGHTS

Gross lending growth year-on-year:

5%

We issued our first EUR-denominated covered bond and gained 55 new international bond investors

10%

growth in net interest income from Lending

A client survey ranked us second best in the Nordics and fourth globally

Negative investment return of 0.6%

S&P

Standard & Poor's improved our rating outlook to 'Stable' from 'Negative'

THE YEAR IN SUMMARY

The year was characterised by the positives of continued gross lending growth of 5% year-on-year, the inception of a EUR funding programme with EUR 1 billion of issuance, a solid credit performance with a DKK 2 million reversal of loan impairment charges, very good progress on the execution of our strategic programme, and operating costs within expectations. However, the investment performance lagged substantially in 2019.

On account of a negative return from investments, despite positive momentum in lending and good funding access, the net profit for 2019, at DKK 227 million, was some DKK 35 million, or 13%, lower than the 2018 net profit.

Excluding investments, the result for 2019 would have marked a substantial increase before tax like-for-like of 35% on the previous year. This strong underlying momentum evidences substantial progress in the execution of the strategy that we laid out in 2018 and our ability to grow the core lending, funding and operational activities in a robust, sustainable and controlled manner while preserving our historical focus on good credit quality.

Additionally, we introduced our first version of sustainability ratings, which will assist us in tracking our clients' progress in the global sustainability agenda.

Finally, Standard & Poor's, positively adjusted our rating outlook to 'Stable' in 2019, after nearly three years with a 'Negative' rating outlook, reflecting our credit performance and conservative credit strategy.

"Excluding investments, the result for 2019 would have marked a substantial increase before tax like-for-like of 35% on the previous year"

We were one of the initial signatories of the Poseidon Principles, a global lender-driven sustainability initiative

We will make a DKK 34 million distribution to the Danish Maritime Fund, taking our total support for 'Blue Denmark' to more than DKK 740 million since 2005

FINANCIAL REVIEW BY BUSINESS AREA

DSF's business model is focused and transparent.

The activities consist of the following areas:

Lending

Lending to our shipowning clients

Funding

Funding the loan book and macro hedging

Investing

Investing the company's own funds in liquid instruments partly to meet regulatory requirements

Income by business area

DKK MILLION	2019	2018
Lending	598	549
Funding	(52)	(69)
Investments	(79)	66
Income	**468**	**546**

LENDING

Maintaining a strong and competitive lending business is our key value driver. Spearheaded by our highly specialised and experienced Customer Relations and Credit teams, we work with some of the industry's most reputable shipowners.

Our prudent approach to credit risk is imbued across the organisation, ensuring a disciplined and long-term approach to engaging in new lending arrangements.

By leveraging our strong internal competencies within market research, credit lending, technical surveys, marine legal and, more recently, sustainability, we strive to expand the role we play for our clients and engage with them on more than just their financing issues.

2019 in brief

Our lending business experienced another active year, as continued engagement with clients resulted in gross lending growth of DKK 1.9 billion (5% growth year-on-year) from the previous year-end. As at 31 December 2019, gross lending equalled DKK 41.3 billion, collateralised by a record total of 774 vessels.

Loans of DKK 7.3 billion were disbursed over the year and new loan offers accepted equalled DKK 7.0 billion (at year-end exchange rates), with five new clients added in the process. Loan offers were made at acceptable net margins, on a par with the average margins achieved in 2018.

Net income from lending grew by DKK 50 million year-on-year, as loan balances increased while net margins remained resilient.

Income lending

DKK MILLION	2019	2018
Net interest income	572	520
Net fees and commission	26	29
Income	**598**	**549**

DANISH SHIP FINANCE

Key credit ratios

Loan impairment charges for 2019 amounted to a net reversal of DKK 2 million, against an expense of DKK 35 million in 2018. The positive development in loan impairment charges was driven by a gradual improvement in credit quality across the loan book, apart from loans to the still challenged Offshore segment.

During the past three years, default levels have normalised, coming down from the elevated level in 2016, when the Offshore and Dry Bulk segments in particular experienced severe downturns.

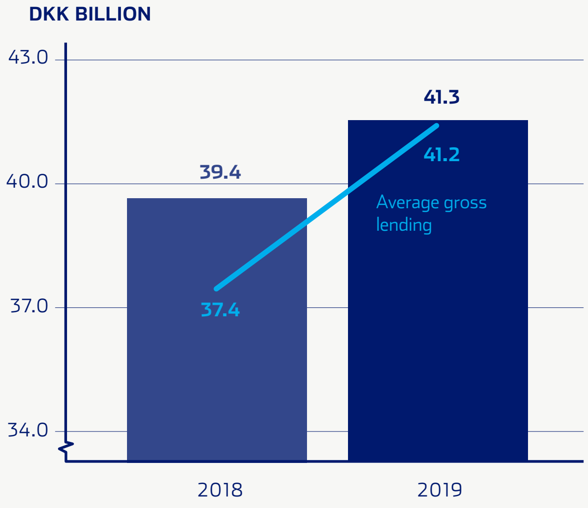
In 2019, net write-offs increased to 1.2% of gross lending, up from 0.6% the year before, as a result of workouts on existing non-performing loans (NPL) within the Offshore segment. While the number was elevated compared to previous years, it was well within the amount previously provided for on the allowance account.

At year-end 2019, the weighted average loan-to-value ratio after loan impairment charges stood at 51%, and 99% of all loans after loan impairment charges were secured within 60% of ship market values.

In 2019, NPL decreased by DKK 1.1 billion to DKK 4.2 billion at year-end, improving the net NPL ratio to 6.3% at year-end 2019, down from 8.4% the year before.

The total allowance account of 4.9% of gross lending at year-end 2019 continues to provide adequate protection for future credit losses.

Gross lending at year-end



Key ratios, lending

	2019	2018
Loan impairment charges as % of gross lending	0.0	0.1
Net write-offs on loans as % of gross lending	1.2	0.6
Weighted loan-to-value ratio after loan impairment charges (%)	51	52
Proportion of loans covered within 60% of market value (%)	99	98
Net NPL ratio (%)	6.3	8.4
Total allowance account as a % of gross lending	4.9	6.4

Competition

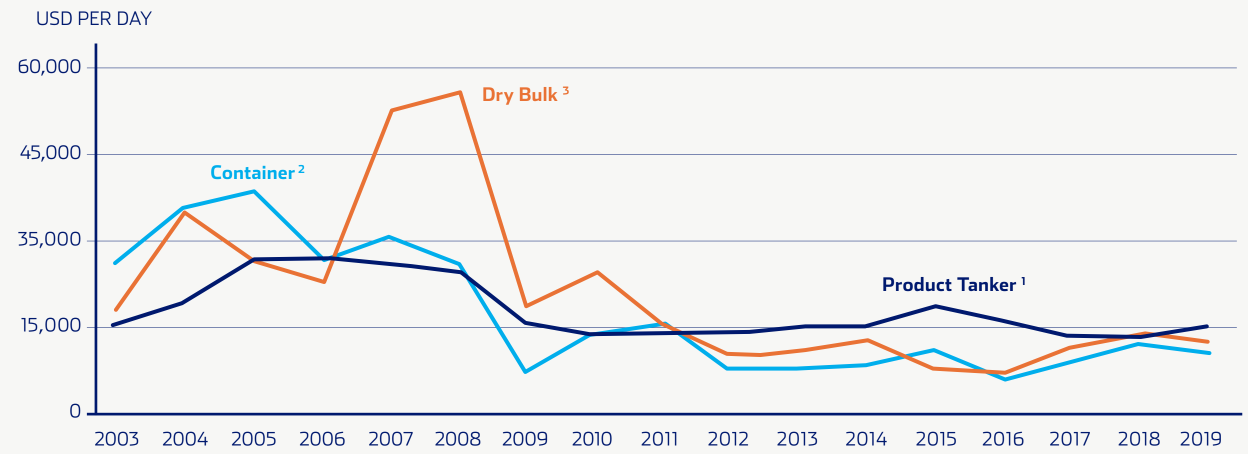
During 2019, the trend towards a greater volume of ship finance moving to Asian lenders, especially Chinese leasing companies, continued. European banks saw their market share decrease further, and we expect this overall shift in the competitive landscape to continue in 2020.

The prospective Basel IV-driven changes in bank capital requirements for financing of shipping, among other sectors, will likely strengthen this trend. European banks are expected to be impacted to a greater extent than their Asian or US peers in terms of additional capital required for lending.

Our ability to maintain positive and healthy growth in the loan book will not be negatively affected by the expected capital requirement changes, as we already use the more conservative 'standardised approach'.

The expected capital requirement changes have so far not impacted the market pricing of loans to our shipping clients. Competition remains fierce in lending to shipowners with strong balance sheets and ample liquidity enabling them to manage volatility in freight rates. We remain committed to this top tier segment of the market.

Timecharter rates



Note: [1] MR 1 year T/C [2] 3,500 teu 1 year T/C [3] Panamax 1 year T/C **Sources:** Clarksons, Danish Ship Finance

Segment outlook

Market conditions in the major shipping segments continue to be mixed, but the supply side is becoming more manageable with a shrinking orderbook and consolidation in the yard industry. Still, many segments have seen extensive fleet renewal in recent years, which has left few older vessels in the fleets. Seaborne trade volumes continue to grow, although the outlook is shrouded in uncertainty. The escalating trade tensions, geopolitical risks, weakening macro conditions and technologies transforming the underlying industries are all elements that could impact seaborne trade volumes significantly in the years to come.

CONTAINER

The inflow of large Container vessels continues to dictate market dynamics, since surplus capacity is being distributed by operating larger vessels on smaller vessels' routes. Some vessels are caught in the middle, being too big to be cascaded further. Vessels with high bunker consumption are increasingly likely to be scrapped during the next few years.

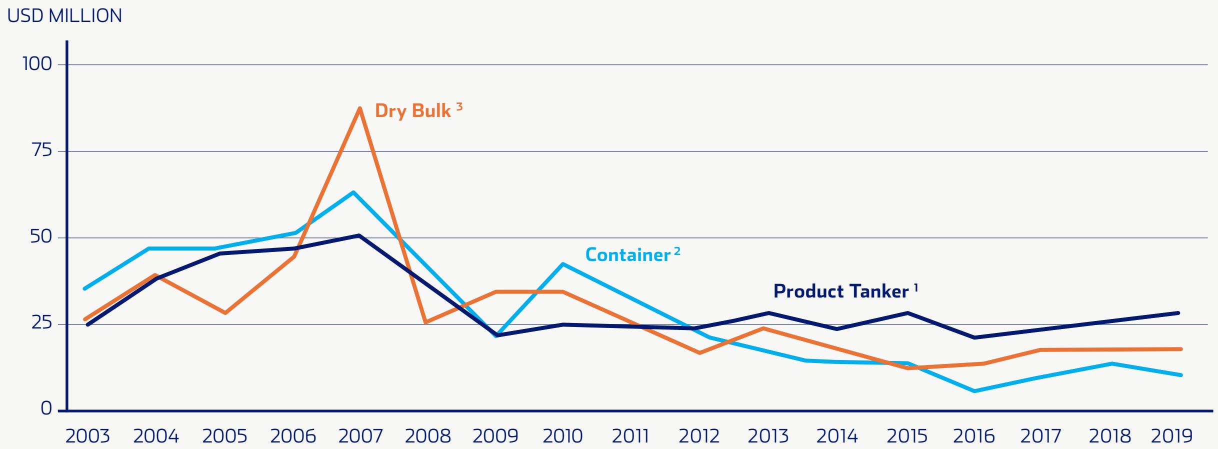
The shipping markets

The climate agenda and the upcoming enforcement of new regulations took up much of the shipping industry's attention in 2019, and for good reason – decarbonising has become business critical. Spurred by the International Maritime Organization's targets, investors, banks, cargo owners and consumers are demanding clear and transparent business strategies to lower emissions. Access to cargo, capital and even ports could, at some point, become significantly constrained for companies and vessels that do not actively engage in decarbonising their operations.

The road to decarbonisation may reshape the competitive landscape. It may lead to rising costs, while revenues remain largely subject to volatile freight markets. Some shipowners have invested in scrubbers, allowing them to take advantage of increases in the price spread between high and low-sulphur fuel. Evidence in the first few weeks of 2020 supports this strategy, but it remains to be seen how the price spread will develop.

Fleet availability has been temporarily reduced when vessels have exited service to be retrofitted with scrubbers. This has supported freight rates beyond fundamentals in many segments. The world fleet expanded by 4% in 2019, while distance-adjusted seaborne demand only increased by 1.5%. Still, the ClarkSea Index, a weighted average index of earnings across the major shipping segments, gained 25% during 2019, closing the year at USD 21,600 per day.

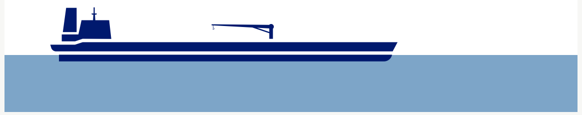
Ship prices by segment



Note: [1] MR 5 year old [2] 3,500 teu 5 year old [3] Panamax 5 year old **Sources:** Clarksons, Danish Ship Finance

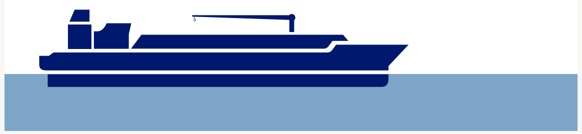
OIL TANKERS

Global oil demand remains relatively stable. Seaborne trade volumes have contracted slightly, but longer travel distances have managed to increase seaborne oil tanker demand. Fleets have expanded ahead of demand, but temporal factors have managed to keep fleet availability low. Freight rates surged during the last few months of the year.



GAS CARRIERS

Global demand for liquified natural gas (LNG) and liquified petroleum gas (LPG) products continues to grow strongly. Abundant cargo availability has pushed commodity prices to low levels and created artificially high seaborne gas demand as end users have increased their use. Freight rates have increased accordingly.



We are closely monitoring the emerging routes towards decarbonisation of the shipping industry and continue to focus on top tier clients that are well positioned to navigate these changes. We are actively engaging with the industry on the sustainability agenda and are integrating ESG elements into our lending processes. In 2019, we joined the Poseidon Principles and the Getting to Zero Coalition to support an industry-wide push for a greener shipping industry.

In the short term we see dowside risks from the emerging COVID-19 virus outbreak and continue to monitor these closely.

FUNDING

Our Treasury department maintains ongoing access to financial markets. Treasury manages our liquidity and bond issuance and executes financial hedging. Handling of the excess liquidity from bond issuances is defined as 'warehousing'.

2019 in brief

Two important funding milestones were reached in 2019. As the European harmonisation of covered bonds regulation finally took form, we proceeded to issue our debut EUR benchmark ship covered bond in March 2019.

The EUR 500 million bond issuance, which had a maturity of 3½ years, was successfully placed, being almost three times oversubscribed, and this marked the first ship covered bond issuance in EUR markets since 2009. The bond subsequently performed well in the secondary market. We followed this up with a second EUR 500 million benchmark issuance, with a maturity of just over five years, towards the end of the new issue season, in November.

These issuances together added more than 50 new international investors and significantly diversified our access to long-term funding. The extensive dialogue with investors across Europe proved that our strong credit story also resonates well outside the Danish market.

Bond issuance in the Danish market continued to support lending growth efficiently. Domestic DKK ship covered bond issuance, together with our new EUR ship covered bonds, accounted for total gross issuance of DKK 13.9 billion. All bond issuances are subject to the Danish specific balancing principle.

We provided liquidity to the domestic market by buying back issued bonds totalling DKK 7.5 billion.

By end-2019, we had DKK 47.7 billion of outstanding bonds with an average maturity of four years, of which 16% were denominated in EUR. This represents net funding growth of DKK 4.2 billion compared to year-end 2018. Funding costs increased marginally compared to 2018, in line with the broader Danish market.

Costs relating to warehousing and hedging proceeds from bond issuances pending loan disbursements normalised to DKK 7 million in 2019.

Income, funding

DKK MILLION	2019	2018
Not covered funding costs	(4)	(10)
Warehousing	(7)	(38)
Non-business activities	(41)	(21)
Net income funding	**(52)**	**(69)**

OFFSHORE

The Offshore sector has endured the deepest downturn in a generation. Following decades of growth, the contraction has affected the supply chain profoundly. Market activity is slowly picking up and vessels are returning to service, but surplus capacity remains. It may be some years before the sector experiences a meaningful recovery.

DRY BULK

The larger Dry Bulk vessels, transporting mainly iron ore and coal, are suffering from weak demand and expanding fleets. The climate agenda, combined with a global push for more circular material flows, creates a difficult employment outlook for a young and expanding fleet. The smaller vessel segments are more flexible and serve a more versatile group of commodities. Their demand outlook is relatively strong, and their fleets are well positioned to absorb an unexpected supply surplus.

DANISH SHIP FINANCE

Non-accrual loans contributed a negative DKK 24 million to net income from non-business activities. FX hedging of credit margins contributed an expense of DKK 6 million and buy-backs of issued bonds a net expense of DKK 6 million too. In total, net income in non-business activities was a negative DKK 41 million in 2019.

In total, the cost of funding decreased by DKK 17 million year-on-year to a cost of DKK 52 million.

INVESTMENTS

Our own funds are invested in a portfolio of mostly Danish fixed income instruments, the bulk of which are 'AAA'-rated Danish government bonds and mortgage covered bonds. The portfolio is managed within prudent risk limits defined by the Board of Directors. While the risk of outright default is viewed as very remote, the portfolio is exposed to daily changes in market conditions, such as current and expected interest rates and pricing of Danish callable mortgage bonds.

Going into 2019, the investment portfolio was hedged with derivative instruments to reduce direct interest rate risk sensitivity to very low levels.

2019 in brief

The investment performance suffered a severe dip in 2019 with an unsatisfactory result of a negative DKK 79 million, DKK 145 million lower than the 2018 result.

The negative investment result for 2019 was primarily caused by market value losses on highly rated Danish callable mortgage bonds, as unusually large numbers of Danish homeowners refinanced their mortgages to lock in lower rates. The resulting wave of early mortgage bond redemptions, followed by issuances of lower-coupon bonds, through the summer and late autumn proved difficult to hedge and caused significant losses on our holdings of callable Danish mortgage bonds hedged by interest rate swaps.

The negative interest rate momentum was compounded by global central banks' responses to concerns over global trade and growth. Negative yields on government bonds and short-dated covered bonds meant that net interest income did not compensate for negative market value developments.

Stabilisation towards the end of the year came too late to meaningfully support the full-year result. The total return on invested amounts for the year was a negative 0.6%.

Income, investments

DKK MILLION	2019	2018
Net interest income, investments	115	163
MV adjustments, investments	(193)	(97)
Net income	**(79)**	**66**

The financial markets

In contrast to the previous year, which was mostly non-directional, 2019 saw a substantial negative shift in interest rates and especially downward momentum in medium to longer-term DKK and EUR interest rates.

During the first eight months of the year, rates fell more than one full percentage point, reaching all-time lows in August and September. The large movements were compounded by global central banks' responses to an escalating trade war between the US and China with lower-for-longer interest rate policies extended.

Lower interest rate levels were fully reflected in long-dated Danish callable mortgage bonds and enabled households and businesses to convert 30-year mortgage loans with interest rates of 2% or higher into 0.5-1% rate bonds, and this they did to a large extent.

Volumes of loan conversions and related mortgage bond prepayments built up in the second quarter, accelerating during the third quarter and into early October, reaching a total of DKK 370 billion, a level only seen once before, in 2005. Record prepayments were followed by record-high issuance of lower-coupon bonds, which struggled to be absorbed by investors.

These shifts in interest rates and debtor behaviour put pressure on existing and newly issued mortgage bonds.

SUMMARY OF FINANCIALS

SUMMARY OF FINANCIALS

FINANCIAL TRENDS

Key figures

DKK MILLION	2019	2018	2017	2016	2015
Net interest income from lending *)	516	477	541	589	623
Net interest and fee income *)	543	509	561	621	664
Net interest income from financial activities	115	163	135	228	242
Total net interest income	631	640	676	817	865
Net interest and fee income	657	672	696	849	906
Market value adjustments	(197)	(135)	37	124	(177)
Staff costs and administrative expenses	(166)	(158)	(141)	(120)	(113)
Loan impairment charges	2	(35)	(163)	(610)	(46)
Profit before tax	296	343	427	241	569
Net profit for the year	227	262	334	188	413
Gross lending	41,308	39,443	37,249	42,482	45,293
Issued bonds	47,738	43,549	42,467	42,352	45,067
Equity	9,260	9,229	9,307	9,164	10,378
Total assets	66,824	62,349	58,161	62,621	64,873
Common equity tier 1 capital after deductions	9,065	8,972	8,930	8,781	9,896

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

Trends

- Net interest income from lending began to recover in 2019
- Net income from financial activities has contributed less in the years since 2017
- Credit performance has improved in recent years from a strong starting point

Key ratios

DKK MILLION	2019	2018	2017	2016	2015
Return on equity after tax (%)	2.5	2.8	3.6	1.9	3.8
Return on financial activities (%)**)	(0.6)	0.5	3.1	3.0	0.3
Common equity tier 1 capital ratio (%)	18.5	19.0	19.7	17.2	17.3
Combined capital buffer requirement (%)	12.5	11.2	10.8	10.7	8.9
Cost/income ratio (%)***)	35.5	29.1	19.0	11.9	15.0
Equity as % of lending	23.7	25.1	27.0	23.0	24.0
Net write-offs on loans as % of gross lending	1.2	0.6	0.3	0.2	0.2
Total allowance account as % of gross lending	4.9	6.4	7.0	5.9	4.3
Weighted loan-to-value ratio after loan impairment charges (%)	51	52	57	66	64
Proportion of loans covered within 60% of market value (%)	99	98	95	88	91

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

DANISH SHIP FINANCE

INCOME

Net profit for the year amounted to DKK 227 million, a reduction of DKK 35 million (13%) compared to 2018. The decrease was attributable to a loss on investment activities.

Net interest income from lending, including fee income of DKK 26 million, was DKK 543 million in 2019, an increase of DKK 34 million (7%) on 2018. The increase can be ascribed to a higher average gross lending balance throughout the year. New lending activity was overall strong, with DKK 7 billion of loan offers made and accepted.

Net interest income from financial activities of DKK 115 million in 2019 reflected the prevailing low interest rates for high-grade bonds and compared unfavourably to net interest income of DKK 163 million in 2018.

Market value adjustments of securities and foreign exchange generated a loss of DKK 197 million, significantly worse than the loss of DKK 135 million in 2018. Market value losses were largely due to Danish callable mortgage bonds.

"Net interest income from lending including fee income was DKK 543 million in 2019, an increase of 7% on 2018"

EXPENSES

Staff costs and administrative expenses totalled DKK 166 million compared to DKK 158 million in 2018. This represents an increase of approximately 5%, which was partly due to the fact that there were three more employees on average (full-time equivalents) compared to the previous year. In addition, 2019 was the first full year during which the Executive Board consisted of three members against two members previously.

Operating costs in 2019 included one-off expenses of approximately DKK 10 million for strategic initiatives (DKK 15 million in 2018). These initiatives will increase the scalability and robustness of our operating platform, allowing for further growth and increasing our ability to weather the complexities of continually increasing regulatory requirements without expanding the headcount significantly.

In 2019, the cost/income ratio was 35.5%. Adjusted for one-offs, the cost/income ratio was 34.0%, compared with 26.8% in 2018.

LOAN IMPAIRMENT CHARGES

Credit quality improved across the loan book with almost all shipping segments, apart from Offshore, seeing a reversal of loan impairment charges in 2019. In total, loan impairment charges for the year amounted to an income of DKK 2 million compared to an expense of DKK 35 million in 2018.

The total allowance account amounted to DKK 2,035 million at year-end 2019, down from DKK 2,514 million at year-end 2018, as a result of write-offs or partial write-offs on non-performing loans (NPL) within the Offshore segment on the back of completed restructurings or ongoing restructurings on loans where clients are unlikely to pay in full.

TAX

Tax for the year represented an expense of DKK 69 million, against an expense of DKK 81 million in 2018. For 2019, this translated into an effective tax rate of 24.2% versus 23.6% in 2018.

EQUITY

Equity stood at DKK 9,260 million at end-2019, against DKK 9,229 million at end-2018.

Our Board of Directors has proposed a total dividend of DKK 133 million, corresponding to 59% of net profit for the year. This amount is recognised in shareholders' 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 totalled DKK 9,065 million at end-2019, compared to DKK 8,972 million at end-2018. The core capital ratio was 18.5% at end-2019, against 19.0% at end-2018. There were no supplementary capital instruments on the balance sheet date and the total capital ratio equalled the core capital ratio.

SPECIAL ACCOUNTING CIRCUMSTANCES

There were no special accounting circumstances in 2019.

UNCERTAINTY AS TO RECOGNITION AND MEASUREMENT

The most significant uncertainty in recognition and measurement concerns expected credit losses and valuation of financial instruments. We estimate 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

We are conducting due diligence regarding the purchase of a new domicile. In the event a purchase is completed in the early part of 2020, we expect to relocate the company at some point in 2021, and at the same time to sell our current headquarters.

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

Financial results relative to outlook

While there was much that was positive in 2019, the net financial result for the year represented a fall of 13% relative to the previous year. This unsatisfactory result was entirely explained by the worse-than-expected performance of the investment portfolio, which yielded a sharply negative result for 2019 due to exceptional conditions in the Danish mortgage bond market.

Other parts of the business developed positively, in line with our expectations. We entered 2019 with a healthy pipeline of accepted loan offers, which translated into disbursed loans. This was further supported by strong client engagement, as we continued to execute on our agenda of gradually expanding lending to creditworthy shipowners, adding five new clients in 2019 and growing the loan book by 5% year-on-year.

Credit quality remained robust, as expected, with no new net loan impairment charges in 2019 and a 19% reduction in the number of problem cases. We delivered substantial parts of our Operational Excellence programme according to plan, preparing the organisation for further sustainable growth and increasingly complex regulatory requirements, while containing operating costs. Excluding the investment result, like-for-like net operating income matched the expectations we had previously set for the year.

No material market impacts were observed in 2019 relating to upcoming regulations, or from the announcements by several competitors of their intent to scale back or withdraw their shipping market lending exposure.

OUTLOOK FOR 2020

We expect many of the positive trends from 2019 to continue in 2020:

Our expectation is for continued controlled growth of the loan book in 2020, as we once again hope to be able to welcome a small number of new clients and at the same time expand our business with existing clients. We are pleased that the higher volume of lending achieved in recent years is accompanied by positive feedback from both our new and long-standing clients.

We are similarly encouraged by the constructive dialogue with existing and new bond investors and will continue to prioritise investor engagement in 2020. We expect to be able to access covered bond markets on good terms in 2020.

We expect operating costs to remain well controlled as we continue to execute on our strategic agenda in 2020. Targeted investments in a strong future platform, such as sustainability and Operational Excellence initiatives, will continue, albeit at a reduced expense level compared to 2019.

Together, we expect these factors to underpin a robust operating performance in 2020.

We have taken steps to strengthen the investment set-up, and in a continued stable market environment we expect to see a meaningful improvement in investment performance compared to 2019.

The shipping market outlook has seen some improvement on the back of better balanced orderbooks in most segments. In 2020, we expect the overall credit quality of the loan book to remain fairly stable with a gradual reduction of NPL.

The effects of the COVID-19 virus outbreak will put a damper on growth expectations in the global economy.

The troubled Offshore sector appears to be gradually stabilising, although this is a slow process. We nevertheless expect that existing non-performing loans to clients in the Offshore sector will remain troubled in 2020 and beyond with an attendant risk of credit losses being realised.

We expect that the allowance account of DKK 2.0 billion will provide adequate coverage for future credit losses. However, an adverse credit performance remains a risk to our outlook for 2020.

On balance, we remain optimistic about the prospects for Danish Ship Finance going into 2020. Our expectation in the current market environment is for a 2020 net financial result in the range of DKK 275 million to DKK 350 million, exceeding the results realised for 2019 and 2018.

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

MACRO TRENDS

The global economy expanded by just 2.9% in 2019. This is its slowest pace since the global financial crisis, reflecting a broad-based weakening of industrial output and business confidence, and rising trade tensions. The prolonged low interest rate environment has led to a continued build-up in financial vulnerabilities across many economies. These include rising risks in financial institutions, mounting corporate debt levels, and a growing reliance on external borrowing by emerging market economies.

Despite these headwinds, some indicators suggest that manufacturing activity and global trade are bottoming out. The outlook for 2020 points towards a modest pickup in global growth. Current estimates suggest that global growth will strengthen to 3.3% in 2020. This outcome depends to very great extent on further escalation of the COVID-19 virus outbreak and geopolitics and trade tensions being avoided, related to both the US-China economic relationship and averting a no-deal Brexit.

Economic growth is primarily being driven by emerging Asia, even though Chinese GDP growth is currently projected to grow by a relatively moderate 5.0%-6.0% in 2020.

The Indian economy is expected to grow by 5.8% in 2020, which is 1 percentage point more than in 2019.

A more severe escalation of the COVID-19 virus outbreak or a resurgence of geopolitical tensions, notably between the US and Iran, could disturb global trade, hurt sentiment and weaken growth and investments. A widespread tightening of financial conditions would expose the financial vulnerabilities that have built up over years of low interest rates and further curtail global spending. Still, the IMF estimates that world trade will grow by 2.9% in 2020, up from approximately 1% in 2019.

DANISH SHIP FINANCE

CREDIT RISK FROM LENDING

CREDIT RISK FROM LENDING

At Danish Ship Finance, we provide financing to large, reputable shipowners located in Denmark and other parts of the world. When considering a loan request, the client's credit quality through the shipping cycle is considered along with the market outlook for the relevant shipping segment, the vessel type and age, and the terms of the loan, including initial loan-to-value, repayment schedule and financial covenants.

We offer our clients ship financing against first lien mortgages on ships.

The most significant risk we face is the risk of incurring credit losses in situations where the value of mortgaged vessels cannot cover the outstanding debt in the event of a client's loan default.

Our credit policy contains specific guidelines for managing this risk and monitoring credit exposures. Several predefined procedures are followed as part of the ongoing credit risk management and governance process, the most important of which are presented in the following.

DIVERSIFICATION

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

In order to manage large exposures, we have established a set of guidelines, outlining to what extent and under which conditions we will allow large credit exposures, including credit exposures exceeding 25% of equity.

The five largest credit exposures as at 31 December 2019, including loans and guarantees but excluding credit exposure with financial institutions, were secured by mortgages on 122 vessels split between ten vessel types. Credit exposure to one client group accounted for about 20% of the loan book.

Diversification of risk on a client level also takes diversification across vessel types into account within each credit exposure. Our largest credit exposure was secured by mortgages on 53 vessels split between three different vessel types: Container Liners, Product Tankers and Offshore Units.

Movements in five largest credit exposures

DKK MILLION	2019	2018
Five largest credit exposures	13,678	13,757
Loans and guarantees in total	41,440	39,591

DANISH SHIP FINANCE

ONGOING CREDIT RISK MONITORING

A central part of managing our credit risk is monitoring all credit exposures on an ongoing basis and reviewing internal ratings of clients at least annually, upon receipt of new information or in case of risk events.

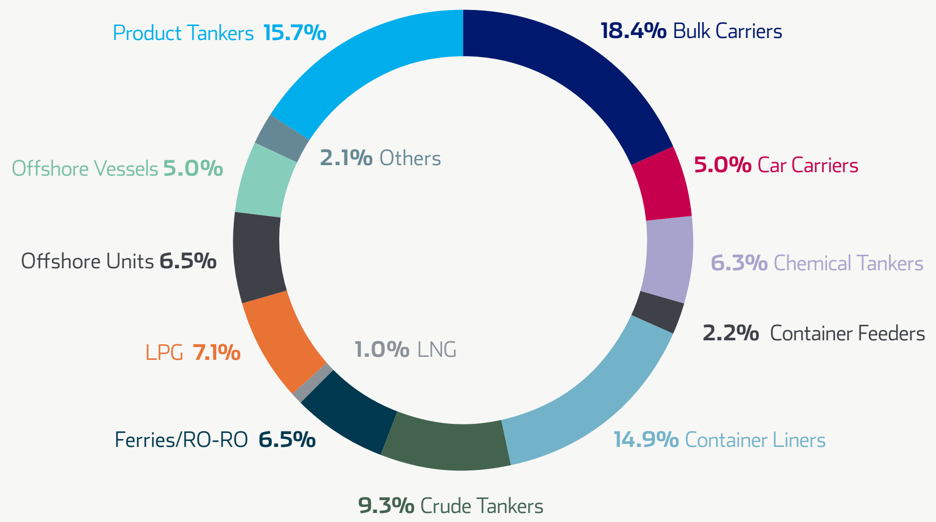
The credit exposures are assessed based on the most recent financial information on the clients, such as financial statements, interim reports and budgets, as well as the current market valuations of the financed vessels, the current point in the shipping cycle and the shipping market outlook.

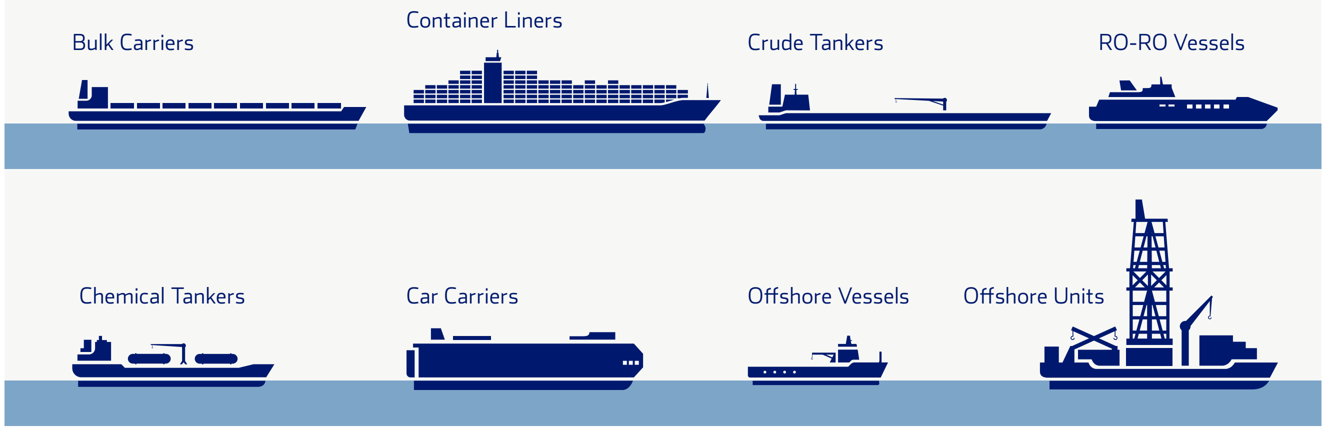
In addition, all credit exposures are monitored to ensure that clients fulfil their obligations under the individual loan agreements. This entails the following:

- Semi-annual updating of the market values of all financed vessels and verifying compliance with any agreed loan-to-value limits
- 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, monitoring is intensified to safeguard the position to the greatest possible extent.

Loan book broken down by mortgaged vessel type as at 31.12.2019





MARKET VALUATIONS

Market valuations on each of the financed vessels are updated semi-annually, by external brokers. In a few cases, we may assess the market values of the financed vessels internally, typically based on a specific independent market price or external valuations of sister vessels.

The market valuations of vessels are, among other things, used to determine the loan-to-value ratios of the loans and for control purposes in connection with the semi-annual loan impairment review.

LOAN-TO-VALUE INTERVALS

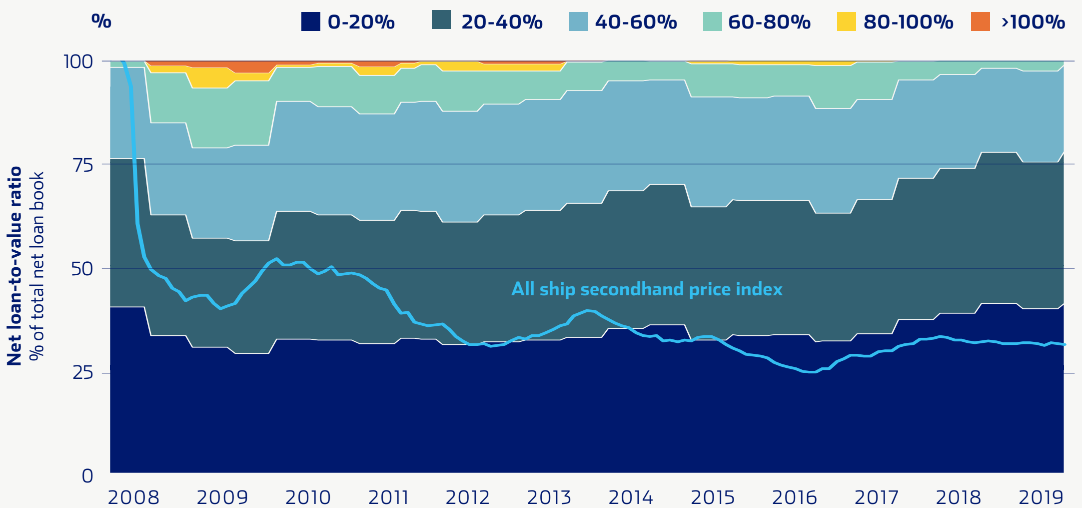
By year-end 2019, the loan book after loan impairment charges was on average secured by mortgages within 51% of the market valuation of vessels. 99% of gross lending was covered within 60% of the collateral market value, as displayed in the chart.

Declines in vessel prices do not in general have a material adverse effect on the collateral coverage of the loan book. This is due to the positive effect of regular loan repayments and the benefit of minimum value clauses (MVC) in a significant number of loan agreements, which gives us the right to demand partial prepayment and/or additional collateral if the market values of the mortgaged vessels fall below an agreed threshold.

In the chart, the loan-to-value intervals are shown together with the developments in vessel prices based on a price index obtained from Clarksons across all the major vessel types.

The chart illustrates how MVC stabilise our portfolio loan-to-values even under significant changes in market values of vessels.

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



Sources: Clarksons, Danish Ship Finance

"By year-end 2019, the loan book after loan impairment charges was on average secured by mortgages within 51% of the market valuation of vessels"

LOAN IMPAIRMENT CHARGES AND WRITE-OFFS

We review all credit exposures on a semi-annual basis, with the purpose of calculating loan impairment charges for expected credit losses (ECL) under the guidelines set out in the Danish FSA's Executive Order on Financial Reports.

The IFRS 9 impairment rules form the basis for staging of credit exposure and calculating loan impairment charges for ECL as set out in the table below.

The stage migration for the purpose of calculating loan impairment charges for ECL is closely linked to the development of clients' internal ratings. Note 16 provides more detailed information.

Credit quality improved across the loan book with almost all shipping segments, apart from Offshore, seeing a reversal of loan impairment charges in 2019.

In total, loan impairment charges for the year amounted to an income of DKK 2 million compared to an expense of DKK 35 million in 2018.

In 2019, net write-offs amounted to DKK 485 million, corresponding to 1.2% of the loan book, as a result of write-offs or partial write-offs on NPL within the Offshore segment. While numbers are elevated compared to previous years, they are manageable and well within the amounts previously provided for on the allowance account.

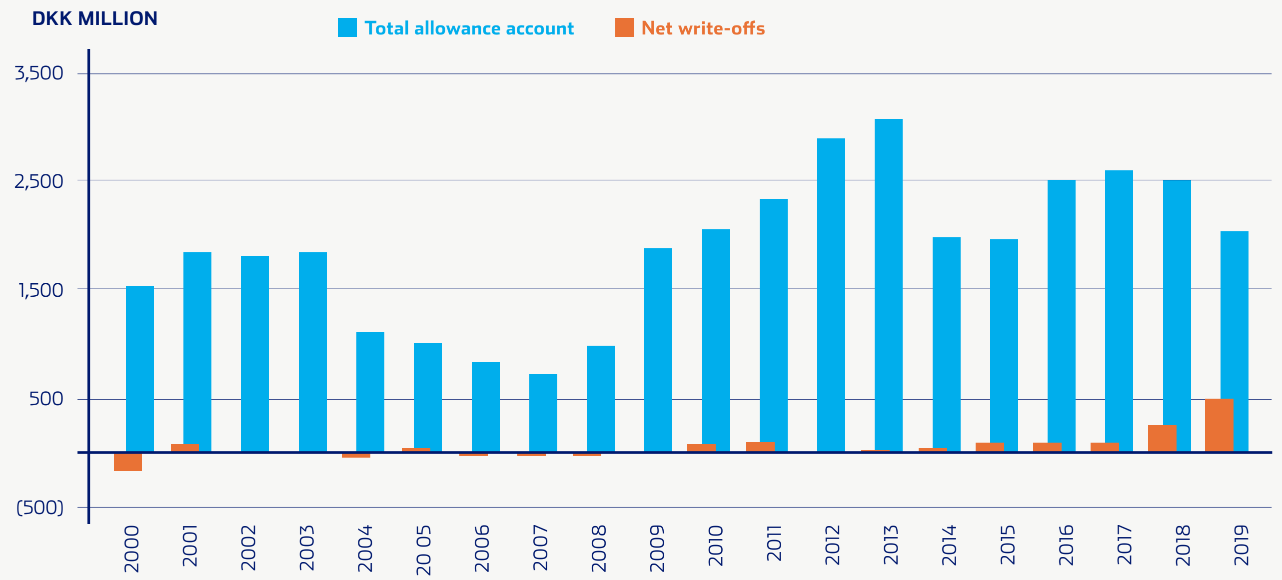
Since Danish Ship Finance was established in 1961, accumulated net write-offs have amounted to approximately DKK 1.9 billion, corresponding to 4.7% of the loan book at year-end 2019. As at 31 December 2019, the total allowance account amounted to DKK 2,035 million, corresponding to 4.9% of the loan book.

The development in the total allowance account and net write-offs since 2000 is displayed in the graph.

Stages of credit exposure

STAGE	RECOGNITION	ECL
Stage 1	No increase in credit risk since initial recognition	12-month 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

Total allowance account and net write-offs



DANISH SHIP FINANCE

ARREARS/PAST-DUE DATE

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

We focus on having a credit risk management framework that ensures consistency between the credit risk profile, credit risk appetite and current legislation, and a robust capital structure. Our risk management efforts 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. As at 31 December 2019, forbearance measures had been granted on a limited number of loans.

The Risk Report 2019 provides more detailed information on DSF's credit risk management.

NON-PERFORMING LOANS

NPL encompass all impaired loans (internal rating 11) and all defaulted loans (internal rating 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 are classified as Stage 3 for the purpose of calculating ECL.

As at 31 December 2019, NPL represented 10.3% of total loans and guarantees compared to 13.6% at year-end 2018, but with a low average loan-to-value ratio on NPL after loan impairment charges of 52% at end-2019. Net NPL constituted 6.3% of the loan book after loan impairment charges as at 31 December 2019, compared to 8.4% the previous year.

Note 14 in the Annual Report and the Risk Report 2019 provide more detailed information on NPL.

CAPITAL, FUNDING AND LIQUIDITY

CAPITAL, FUNDING AND LIQUIDITY

OWN FUNDS, TOTAL CAPITAL RATIO AND CAPITAL REQUIREMENTS

Own funds after deductions were DKK 9,065 million at end-2019, up DKK 93 million on end-2018. Own funds consist mainly of share capital, tied-up reserve capital and retained earnings from previous years less deductions.

At the annual general meeting held on 26 March 2019, the Board of Directors' proposal to pay dividends of DKK 205 million based on the 2018 result was adopted.

The Board of Directors proposes that the annual general meeting resolves to distribute a dividend for 2019 in the amount of DKK 133 million. In the balance sheet, dividend is not deducted from equity as at 31 December 2019 but is carried for accounting purposes until approval by the annual general meeting.

It has been proposed that the A shareholders receive a dividend of DKK 99 million, and that the B shareholder, the Danish Maritime Fund, receives a distribution of DKK 34 million.

If shareholders approve the dividend proposal for 2019, DSF will, since the conversion of the company in 2005, have made total distributions of DKK 740 million to the B shareholder, the Danish Maritime Fund. The funds are used to develop and promote the Danish maritime industry (Blue Denmark).

Calculation of total capital ratio

DKK MILLION	2019	2018
Own funds after deductions	9,065	8,972
Total risk exposure amount	49,020	47,233
Total capital ratio (%)	**18.5**	**19.0**

For the calculation of capital ratios, the proposed dividend is deducted from owns funds as at 31 December 2019.

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.

Own funds are calculated as the sum of Common Equity Tier 1 capital (CET1), Additional Tier 1 capital (AT1) and Tier 2 capital, and the ratio of own funds to the total risk exposure amount is referred to as the total capital ratio.

We follow 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	2019	2018
Total risk exposure amount	**49,020**	**47,233**
Pillar 1 requirement (8% of total risk exposure amount)	3,922	3,779
Pillar 2		
Earnings		-
Growth in lending		-
Credit risk		
- Credit risk exposure to large clients in financial difficulty	50	65
- Other credit risk	75	-
- Concentration risk	32	36
Market and liquidity risk	397	378
Operational and control risk	21	
Leverage risk	-	-
Other risks	-	-
Total adequate own funds	**4,497**	**4,258**
Internal capital adequacy requirement (%)	**9.2**	**9.0**
Capital conservation buffer (%)	2.5	1.9
Countercyclical capital buffer requirement (%)	0.8	0.3
Internal capital adequacy requirement incl. combined capital buffer requirement (%)	**12.5**	**11.2**

DANISH SHIP FINANCE

As at 31 December 2019, our adequate own funds and the total risk exposure amount were DKK 4,497 million and DKK 49,020 million, respectively. The internal capital adequacy requirement including the combined capital buffer requirement totalled 12.5%. Our own funds after deductions totalled DKK 9,065 million, resulting in a total capital ratio of 18.5%. This corresponds to excess coverage in the amount of DKK 2,929 million, or 6.0 percentage points.

We made a Pillar 2 solvency market risk reservation of DKK 397 million to cover risk exposure to Danish mortgage bond credit spreads, in accordance with the supervisory guidelines.

"Year-end total capital ratio was 18.5%, corresponding to excess coverage of 6.0 percentage points"

The combined capital buffer requirement

The combined capital buffer requirement consists of three elements:

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

The regulatory capital conservation buffer was fully implemented at 2.5% of the total risk exposure amount.

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 414 million as at 31 December 2019.

The capital requirement pertains to exposures in Denmark, Norway, Sweden, Hong Kong, Iceland and the United Kingdom, which have set the following countercyclical capital buffer rates:

- Denmark 1.0%
- France 0.25%
- Hong Kong 2.0%
- Iceland 1.75%
- Norway 2.50%
- Sweden 2.50%
- United Kingdom 1.0%

All EU member states may implement a systemic risk buffer applying to domestic exposures. The buffer 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). Since the Danish systemic risk buffer rate is applied to systemically important financial institutions, it is not relevant for DSF.

Institution-specific countercyclical capital buffer

	2019	2018
Total risk exposure amount (DKK million)	**49,020**	**47,233**
Institution-specific countercyclical capital buffer requirement (DKK million)	414	148
Institution-specific countercyclical capital buffer requirement (%)	0.8	0.3

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 courses of action to strengthen the capital position in a critical situation. The capital contingency plan would take effect in the unlikely event of predefined triggers being 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 our website:

→ www.shipfinance.dk/investor-relations/risk-and-capital-management/

DANISH SHIP FINANCE

CREDIT RATING

Covered bonds have been assigned a rating of 'A' by S&P Global Ratings, with a 'Stable' 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 'Stable' outlook.

- Bond rating A
- Issuer credit rating BBB+
- Outlook Stable

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

"S&P changed our rating outlook to 'Stable' in 2019, after more than two years with a 'Negative' outlook"

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. We apply the specific balance principle. The specific balance principle permits a future liquidity deficit between issued bonds and loans provided of up to 100% of own funds.

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

In our internal policies, we have set stricter requirements for any liquidity deficits between issued bonds and disbursed loans.

FUNDING

Our Treasury department maintains ongoing access to bond and financial markets and manages the company's liquidity and bond issuance and executes financial hedging.

Our bonds are typically issued in DKK and now also in EUR, whereas most of our loans are disbursed in USD. We source USD for funding of USD loans via so-called basis swaps.

A lack of opportunities to convert DKK or EUR 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.

Issuing EUR ship covered bonds has been a strategic priority for us, in order to obtain a European investor base

For this purpose, we established a new Capital Centre A in 2019, from which we issued our first EUR benchmark ship covered bond in March 2019 and a second EUR 500 million benchmark in November 2019.

Our DKK covered bonds are issued from the Capital Centre Institute in General. Both capital centres hold a 'A' 'Stable' rating from S&P Global Ratings.

MORTGAGE FUNDING THROUGH COVERED BONDS

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

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

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

CRR article 129 compliant covered bonds

In October 2017, 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 loan-to-value limits. In respect of loans funded by CB, supplementary collateral must be provided to the bondholders if a loan-to-value limit of 60% is exceeded. Compliance with this requirement shall be monitored continuously.

We began utilising the option to issue CB in March 2019 and made a second issuance in November.

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

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.

We have not utilised this option for a number of years.

Debenture bonds

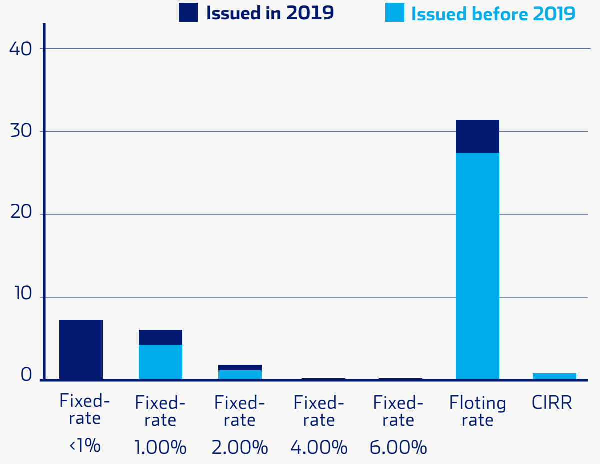
This refers to certain bonds issued before 1 January 2008. By definition, the bonds are considered covered bonds under the CRD until maturity.

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).

Issued bonds by type

DKK BILLION



The market for covered bonds

We primarily issue bonds in the form of bullet loans denominated in DKK. Our issued bonds totalled DKK 47.7 billion at amortised cost as at 31 December 2019. About 83% of these bonds are denominated in DKK, 16% are denominated in EUR, while the remainder are CIRR bonds, which in almost equal parts are issued in USD and DKK. Except for the CIRR bonds, all our bond issues are listed and traded on Nasdaq Copenhagen.

At the end of 2019, we held no own bonds.

Interest rate risk

There is a risk that the coupon on our floating-rate bonds will be negative, in the event of which we will have a claim against the bondholders. In such case, we are 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 each applicable floating-rate bond issue since 2017. However, it can be waived in future final terms if necessary.

Subordinated debt

No subordinated debt was issued in 2019 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 were issued in 2019 or are outstanding.

DANISH SHIP FINANCE

Issuance schedule for 2020

We expect to issue the equivalent of DKK 10-12 billion to maintain adequate funding to support both clients' refinancing needs and expected growth in the loan book. We will continue to focus on maintaining a sufficiently diversified investor base and on the ability to efficiently manage exposure to currency markets.

LIQUIDITY

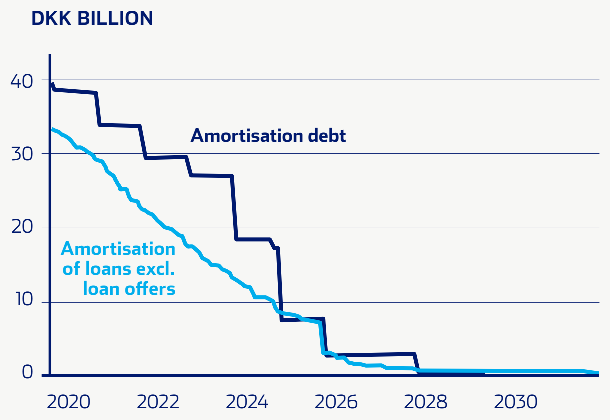
Liquidity management and the statutory liquidity requirements are aimed at reducing liquidity risk to very low levels.

Liquidity risk involves the risk of:

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

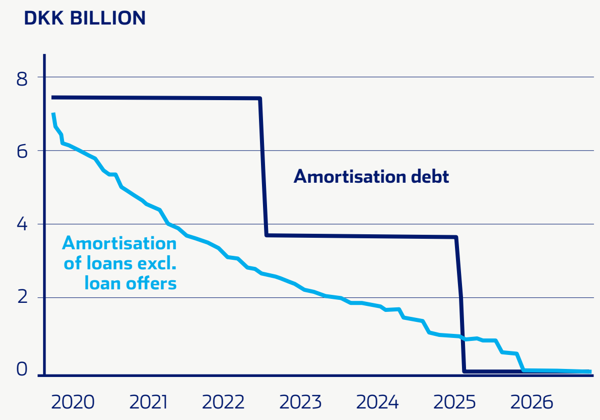
Through bond issues and the existence of a liquid portfolio of bonds, we have ensured adequate liquidity coverage for all existing loans and loan offers until expiry. We are therefore not exposed to any refinancing risk. A potential downgrade of our external credit rating would not change the robust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

Amortisation of bonds and loans (run-offs) in Capital Centre Institute in General



The average maturity of our issued bonds (DKK issuances) exceeds the average maturity of loans in the Capital Centre Institute in General.

Amortisation of bonds and loans (run-offs) in Capital Centre A



The average maturity of issued bonds (EUR issuances) exceeds the average maturity of loans in Capital Centre A.

DANISH SHIP FINANCE

According to the CRR, liquidity is required to ensure that a credit institution has an adequate stock of unencumbered highly liquid assets (HQLA) that consist 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.

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

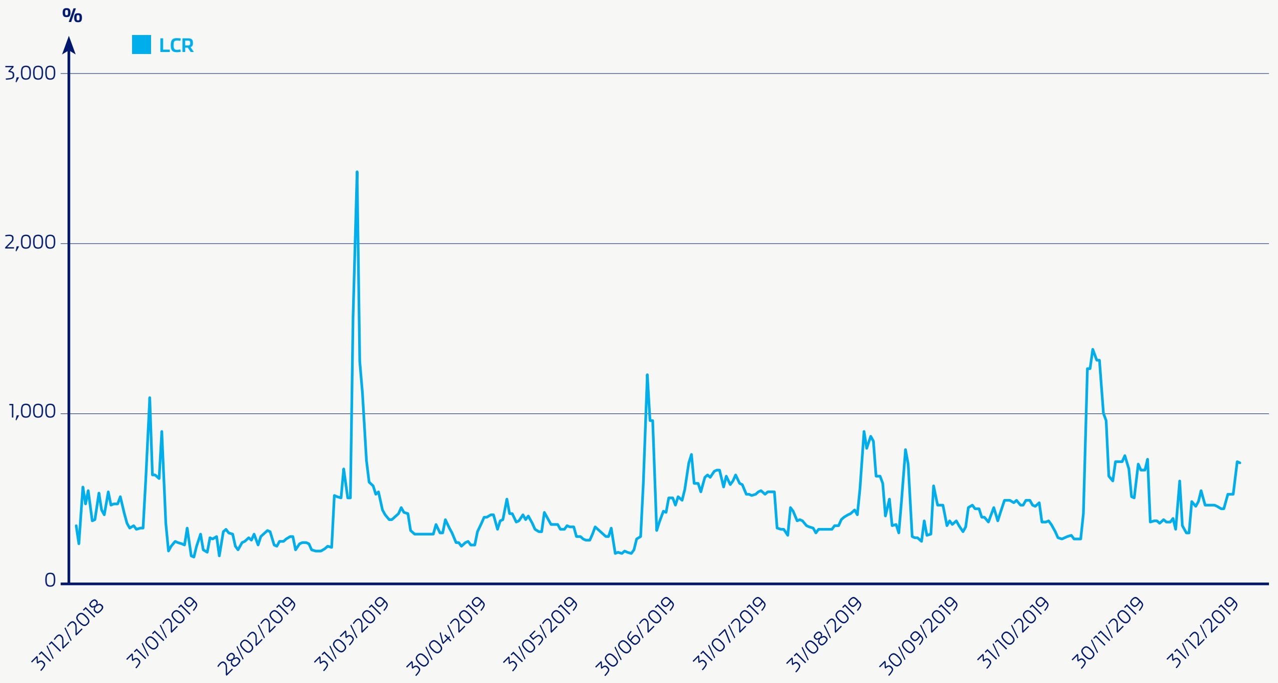
Our LCR in DKK as at 31 December 2019 was 724%.

We treat EUR as a significant currency due to the EUR bonds issued in Capital Centre A and accordingly calculate the EUR LCR. The LCR in EUR as at 31 December 2019 was 347%.

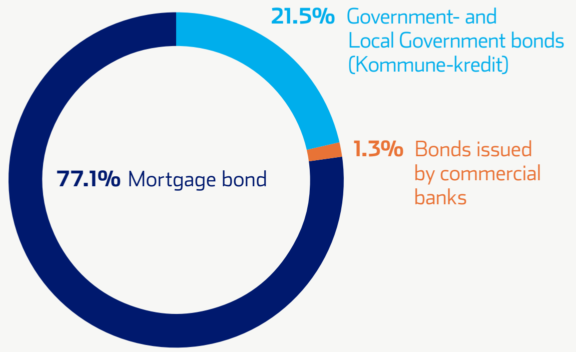
Our securities portfolio represents a significant part of our assets. The securities portfolio consists of government and mortgage bonds, money market transactions and interest-sensitive financial instruments.

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 action to strengthen the liquidity position in a critical situation. The liquidity contingency plan will take effect if predefined triggers are activated.

LCR volatility, one year



Distribution of securities portfolio



DANISH SHIP FINANCE

INVESTOR RELATIONS

INVESTOR RELATIONS

SHARE CAPITAL

Our ambition is to deliver an absolute and risk-weighted return that is satisfactory to our shareholders. The Board of Directors continually assesses whether the company's capital structure is consistently aligned with the interests of the shareholders and DSF. The Board of Directors assesses that the share and capital structure are currently appropriate given the level of activity.

Our 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 for 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 (the B shares). The remaining 3.4% of shares are owned by a small number of minority shareholders.

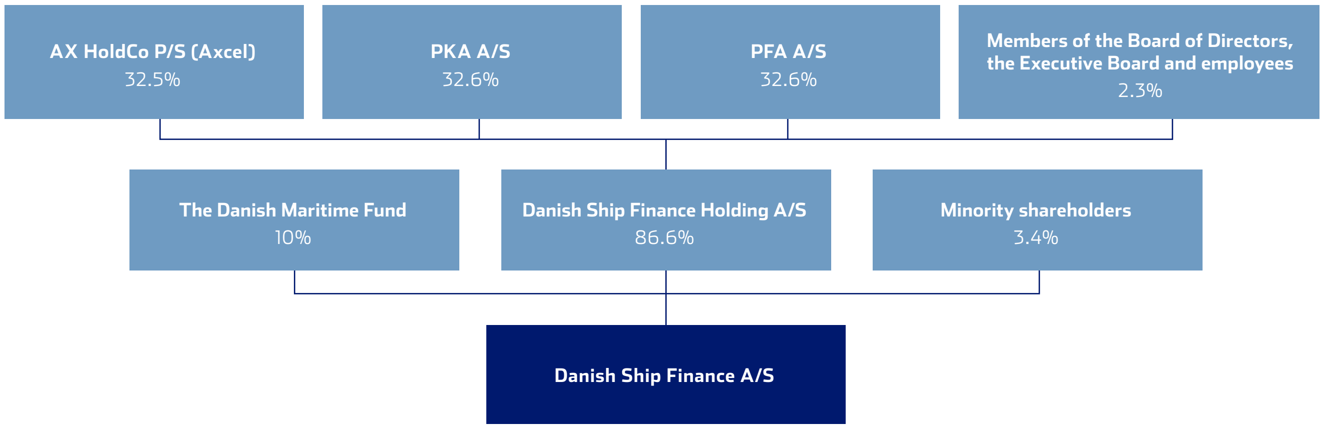
The ownership of DSH is as follows:

- 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 ownership structure is displayed in the following chart:

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



SUSTAINABILITY REPORT

In the financial sector, the push for sustainability and transparency is having a significant impact. The process of developing, updating and refining our policies and internal processes, and implementing the necessary adjustments into day-to-day operations is ongoing and a key focus area.

We recognise that financial institutions as allocators of capital have particular responsibility for their impact through the activities they finance and will play a central role in facilitating the transition to a more sustainable economy. We find this to be equally true for us, a specialised lender to the shipping industry, an industry vital for economic growth and global trade but also with a large climate and environmental impact, although shipping remains the most CO_2-efficient method of large-scale goods transport.

As a significant emitter of CO_2, with capital-intensive and long-lived assets, the shipping industry is faced with the challenge of reducing its climate impact and transitioning to a sustainable economy, which will likely define the regulatory priorities over coming decades.

We are continuously developing our approach to corporate sustainability to account for the growing complexity associated with being inextricably linked to the shipping industry. In the past year, our approach has advanced significantly from previous years, but it remains a work in progress and many initiatives are still in an early phase of implementation.

An important milestone in 2019 was our commitment to the Poseidon Principles. The Poseidon Principles framework for assessing and disclosing the climate alignment of ship finance portfolios.

As a signatory, we commit to implementing the Poseidon Principles in our internal policies, procedures and standards, and to work in partnership with our clients and partners on an ongoing basis to implement the Poseidon Principles.

The Poseidon Principles are a voluntary initiative established by the ship finance community itself and are pioneering both in the spheres of shipping and sustainable finance. They intend to create a global baseline and serve to improve strategic decision making about the future composition of our portfolio and how we work with individual clients.

More information is available in our Sustainability Report 2019:

www.shipfinance.dk/the-company/corporate-governance/

ORGANISATION AND RESPONSIBILITIES

Our 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. Our employees elect three representatives (from 2020 four representatives) to the Board of Directors for a term of four years each.

The rules on employee representatives are available on our 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 of the company.

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 represented at general meetings.

The next annual general meeting will be held on 26 March 2020.

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 strategy, policies 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 a minimum of eight times a year. Where possible, dates and agendas for the meetings are fixed one year in advance.

The board member attendance rate was 91% in 2019.

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.

Committee

Audit Committee

We have set up a statutory Audit Committee consisting of members of the Board of Directors. In composing the Audit Committee, we have ensured that the Chairman of the Board of Directors does not act as the Chairman of the Audit Committee. We have also 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 assist the Board of Directors in monitoring the financial reporting process, monitoring the efficiency of the internal control 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 presentation 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 our website:

→ **www.shipfinance.dk/the-company/board-of-directors/**

Remuneration Committee

The Remuneration Committee consists of members of the Board of Directors and undertakes preparatory work and assists the Board of Directors in matters related to remuneration of the Board of Directors, 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 consists of:
Eivind Kolding (Chairman),
Christian Frigast,
Thor Jørgen Guttormsen and
Jacob Meldgaard.

Additional information on the Remuneration Committee is available on our website:

→ **www.shipfinance.dk/the-company/board-of-directors/**

DANISH SHIP FINANCE

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 UNDERREPRESENTED GENDER

We have 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 currently consists of eleven members, eight of whom are elected by the general meeting and three by DSF's employees. All board members are male. The target is for at least one female board member to be elected by the annual general meeting no later than 2021.

More information on the efforts for the underrepresented gender is provided in the Sustainability Report 2019 on our website:

→ www.shipfinance.dk/the-company/corporate-governance/

CORPORATE GOVERNANCE

As our shares are not listed for trading on Nasdaq Copenhagen, we are not subject to corporate governance rules. However, we have resolved to follow the corporate governance rules.

We also comply 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 DSF has therefore adopted 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 our website in conjunction with publication of the Annual Report.

Detailed information about corporate governance is provided in the reports on our 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.

No 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 8 complies with Danish FSA and EBA Capital Requirements Regulation article 450 on disclosure of remuneration related to material risk takers.

Further information on DSF's remuneration policy is available on our website:

→ www.shipfinance.dk/the-company/corporate-governance

DANISH SHIP FINANCE

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 (TSR) index. 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 the recipient 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, and client and employee satisfaction, etc. The size of the grant is determined by the Board of Directors at 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 end-2019, 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 regulations.

Details on our remuneration policy and practices are available in note 8 to the financial statements, the Risk Report Annex 8 and → **www.shipfinance.dk/investor-relations/**

Incentive programmes for other employees

Individual incentive programmes 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 employees may receive individual bonuses based on their performance.

Total incentive and bonus-related payments for 2019, including for the Executive Board, came to DKK 10.3 million, which is lower than the level awarded in 2018. The payments for 2019 corresponded to 12% of total fixed salaries.

Retention programmes for the Executive Board and other risk takers

As part of the retention programmes for the Executive Board and other risk takers, DSF may offer warrants (in DSH) and TSR (total shareholder return) instruments. 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 instruments, the recipient shall invest in shares of DSH. The invested amount shall be an amount in line with the initial value of the instruments received.

The Executive Board and other risk takers were not awarded retention bonuses in 2019.

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.

DANISH SHIP FINANCE

HUMAN RESOURCES

At the end of 2019, we had 79 employees, of whom 31 were female and 48 were male. The employees have high levels of education and are specialists in their respective areas. Many have long track records in the industry and with DSF.

To maintain our 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.

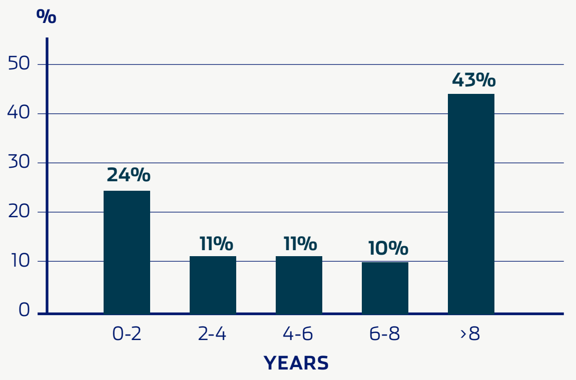
Resources are allocated to developing the competencies of individual employees. In 2019, courses and other training made up 1% of total staff costs. Employees have considerable discretion in choosing relevant training programmes.

According to an employee opinion survey conducted towards the end of 2019, overall employee satisfaction was high, albeit slightly lower than in the 2018 survey. We will strive to maintain or increase the level of reported employee satisfaction.

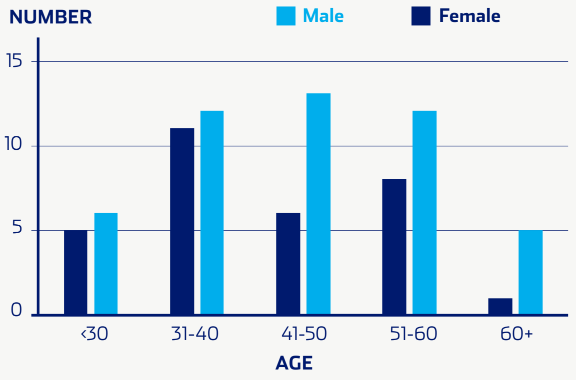
More information on the employee opinion survey is provided in DSF's Sustainability Report on our website:

→ **www.shipfinance.dk/investor-relations/**

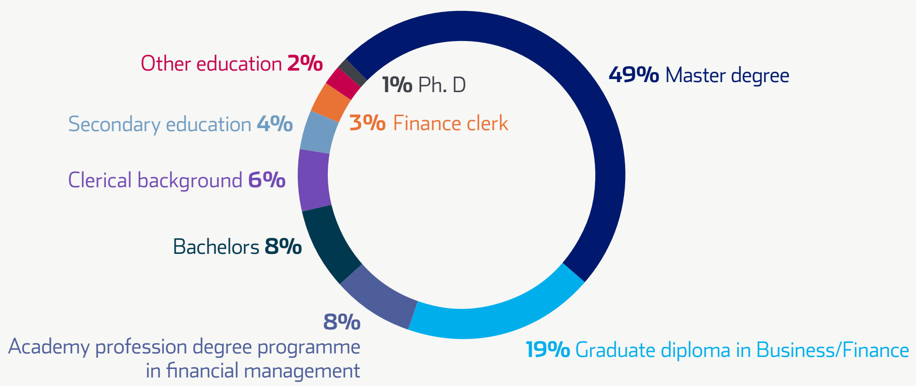
Seniority



Age distribution by gender



Educational background



DANISH SHIP FINANCE

INTERNAL CONTROL AND RISK MANAGEMENT

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.

Our risk management and internal controls are designed with a view to effectively minimising the risk of errors and omissions. Our 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 the decision basis for 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 our 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 of risk 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

We use 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 our financial reporting process, control activities are performed to ensure that our 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

We have implemented a whistleblower scheme in accordance with the Danish Financial Business Act. The scheme enables employees to report any instance of non-compliance with financial legislation or economic crime 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 2019.

FINANCIAL STATEMENTS

INCOME STATEMENT

NOTE	1 JANUARY - 31 DECEMBER DKK MILLION	2019	2018
3	Interest income	2,109	1,967
4	Interest expenses	(1,478)	(1,327)
5	**Net interest income**	**631**	**640**
	Dividends on shares, etc.	-	-
6	Fee and commission income	26	32
	Fee and commission expenses	-	-
	Net interest and fee income	**657**	**672**
7	Market value adjustments	(197)	(135)
	Other operating income	1	0
8,9	Staff costs and administrative expenses	(166)	(158)
21,22	Depreciation and impairment of property, plant and equipment	(2)	(2)
15	Loan impairment charges	2	(35)
	Profit before tax	**296**	**343**
10	Tax	(69)	(81)
	Net profit for the year	**227**	**262**
	Other comprehensive income	11	-
	Tax on other comprehensive income	(2)	-
	Other comprehensive income after tax	**9**	**-**
	Comprehensive income for the year	**236**	**262**

NOTE	1 JANUARY - 31 DECEMBER DKK MILLION	2019	2018
	AMOUNT AVAILABLE FOR DISTRIBUTION		
	Distributable reserves	318	364
	Initial impact at 1 January 2018 (IFRS 9), net of tax	0	(103)
	Comprehensive income for the year	236	262
	Total	**554**	**523**
	PROPOSED ALLOCATION OF PROFIT		
	Distribution	133	205
	Other comprehensive income transferred to revaluation reserves	9	-
	Distributable reserves	412	318
	Total	**554**	**523**

DANISH SHIP FINANCE

BALANCE SHEET

NOTE	AT 31 DECEMBER DKK MILLION	2019	2018
	ASSETS		
11	Due from credit institutions and central banks	984	1,360
12,13,14,15,16	Loans and other receivables at amortised cost	39,082	36,735
17,18,19	Bonds at fair value	25,027	22,470
20	Shares, etc.	3	3
21	Land and buildings		
	Owner-occupied property	100	89
22	Other tangible assets	8	9
	Current tax assets	3	0
27	Deferred tax assets	47	74
23	Other assets	1,570	1,609
	Total assets	**66,824**	**62,349**

NOTE	AT 31 DECEMBER DKK MILLION	2019	2018
	LIABILITIES AND EQUITY		
	Liabilities		
24	Due to credit institutions and central banks	8,704	8,522
25	Issued bonds at amortised cost	47,738	43,549
	Current tax liabilities	3	27
19,26	Other liabilities	1,112	1,016
	Total liabilities	**57,557**	**53,114**
	Provisions		
	Other provisions	8	6
	Total provisions	**8**	**6**
28	**Equity**		
	Share capital	333	333
	Tied-up reserve capital	8,343	8,343
	Revaluation reserves	38	29
	Retained earnings	412	318
	Proposed dividend for the financial year	133	205
	Total equity	**9,260**	**9,229**
	Total liabilities and equity	**66,824**	**62,349**
	Off-balance sheet items		
30	Contingent liabilities	132	148
31	Other contingent liabilities	3,605	3,953
	Total off-balance sheet items	**3,737**	**4,101**

DANISH SHIP FINANCE

STATEMENT OF CHANGES IN EQUITY

DKK MILLION	Share capital	Tied-up reserve capital	Revaluation reserves	Distributable reserves	Retained earnings	Total
Equity at 1 January 2018	**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**
Dividends paid for the financial year 2018	-	-	-	-	(205)	(205)
Amount for distribution	-	-	9	94	133	236
Equity at 31 December 2019	**333**	**8,343**	**38**	**412**	**133**	**9,260**

DANISH SHIP FINANCE

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 2018.

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) denote 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 entities for which consolidated financial statements are prepared.

Significant accounting estimates
The preparation of the Annual Report is based on 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 management's best estimate of such events and circumstances.

Measurement of expected credit losses
The measurement of expected credit losses (ECL) on loans, guarantees and credit commitments (credit exposure) is set out in the Executive Order on Financial Reports, which is based on the three-stage expected credit loss impairment model (ECL impairment model) pursuant to IFRS 9.

According to the ECL impairment model, ECL are calculated for all credit exposures measured at amortised cost. The loan 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 loan impairment charge equals ECL for the next 12 months (Stage 1). If the credit risk has increased significantly since initial recognition or is showing significant signs of weakness, or the credit exposure is in default or otherwise impaired, the loan impairment charge equals the lifetime ECL (Stages 2 and 3).

For more information, see 'Loan impairment charges' later in 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 exist.

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.

NOTES

NOTE 1 Translation of transactions in foreign currency

The financial statements are presented in DKK, and the functional currency is DKK.

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.

Fnancial 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

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, the 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 is 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 the 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.

DANISH SHIP FINANCE

NOTES

NOTE 1 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.

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 loan impairment charges, if any. 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
The current impairment rules, pursuant to IFRS 9, became effective as at 1 January 2018, introducing a forward-looking approach to measuring impairment of financial assets based on expected credit losses.

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 since initial recognition, the loan impairment charge equals ECL within the next 12 months (Stage 1). If the credit risk has increased significantly since initial recognition or is showing significant signs of weakness (e.g. a loan is more than 30 days past due), 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 are calculated for all individual credit exposures 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 is made based on management's judgement.

Loan impairment charges for ECL are booked in an allowance account and offset against loans or recognised as provisions (loss allowances) for guarantees and credit commitments.

With the entry into force of the current impairment rules as at 1 January 2018, transitional arrangements were agreed, allowing institutions in determining own funds to add back an amount to their CET1 capital over a five-year transition period. DSF opted not to apply these transitional arrangements.

The Risk Report 2019 provides more information on the ECL impairment model.

Bonds at fair value
Bonds at fair value comprise 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.

Shares, etc.
Shares, etc., comprise 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.

NOTES

NOTE 1 *Owner-occupied property*

On initial recognition, the domicile property used for DSF's own operations is 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 any 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 net profit for the period. Dividends are recognised as a liability once the annual general meeting has adopted the proposal to distribute dividends.

NOTES

NOTE 1 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. The probability of such lawsuits is 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 credit commitments made and unutilised drawing rights on credit facilities provided as part of lending activities.

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 consideration.

Bonuses and share-based payments
Bonuses and share-based payments (including revaluations) are expensed in the period 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
This item consists of depreciation and impairment charges on the owner-occupied property and other tangible assets.

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

Tax
Current and deferred tax calculated on profit for the year adjusted for tax on the taxable income of previous years is 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.

NOTES

NOTE 2 **KEY FIGURES**

DKK MILLION	2019	2018	2017	2016	2015
Net interest income from lending	516	477	541	589	623
Net interest income from financial activities	115	163	135	228	242
Total net interest income	631	640	676	817	865
Net interest and fee income	657	672	696	849	906
Market value adjustments	(197)	(135)	37	124	(177)
Staff costs and administrative expenses	(166)	(158)	(141)	(120)	(113)
Loan impairment charges	2	(35)	(163)	(610)	(46)
Profit before tax	296	343	427	241	569
Net profit for the year	227	262	334	188	413
Loans	39,082	36,735	34,492	39,811	43,171
Bonds	25,027	22,470	20,093	19,730	19,100
Equity	9,260	9,229	9,307	9,164	10,378
Total assets	66,824	62,349	58,161	62,621	64,873

NOTE 2 **KEY RATIOS**

DKK MILLION	2019	2018	2017	2016	2015
Common Equity Tier 1 capital ratio (%)	18.5	19.0	19.7	17.2	17.3
Tier 1 capital ratio (%)	18.5	19.0	19.7	17.2	17.3
Total capital ratio (%)	18.5	19.0	19.7	17.2	17.3
Return on equity before tax (%)	3.2	3.7	4.6	2.5	5.3
Return on equity after tax (%)	2.5	2.8	3.6	1.9	3.8
Income/cost ratio *)	2.8	2.8	2.4	1.3	4.5
Income/cost ratio (excluding loan impairment charges)	2.7	3.4	5.1	8.0	6.4
Foreign exchange position (%)	2.8	4.8	10.8	4.5	7.1
Gearing of loans	4.2	4.0	3.7	4.3	4.2
Annual growth in lending (%)	6.4	6.5	(13.4)	(7.8)	(0.4)
Loan impairment charges for the year as % of gross lending	(0.0)	0.1	0.4	1.4	0.1
Total allowance account as % of gross lending	4.9	6.4	7.0	5.9	4.3
Rate of return on assets (%)	0.4	0.4	0.6	0.3	0.6

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.*

DANISH SHIP FINANCE

NOTES

NOTE 3 INTEREST INCOME

DKK MILLION	2019	2018
Due from credit institutions and central banks	49	40
Loans and other receivables	1,791	1,586
Bonds	219	282
Other interest income	-	0
Derivatives		
Interest rate contracts	46	61
Foreign exchange contracts	4	(1)
Total interest income*	**2,109**	**1,967**
Of this amount, income from genuine purchase and resale transactions recognised in:		
Due from credit institutions and central banks	46	38

** Total interest income contains negative interest expenses of DKK 0.5 million in 2019 (2018: DKK 0 million)*

NOTE 4 INTEREST EXPENSES

DKK MILLION	2019	2018
Credit institutions and central banks	(13)	(7)
Bonds	(15)	0
Issued bonds	(180)	(310)
Other interest expenses	(116)	(117)
Derivatives		
Interest rate contracts	(1,154)	(893)
Total interest expenses*	**(1,478)**	**(1,327)**
Of this amount, interest expenses for genuine sale and repurchase transactions recognised in:		
Due to credit institutions and central banks	(12)	(2)

** Total interest expenses contain negative interest income of DKK 15.1 million in 2019 (2018: DKK 0 million)*

DANISH SHIP FINANCE

NOTES

NOTE 5 NET INTEREST INCOME

DKK MILLION	2019	2018
Net interest income from lending		
Loans and other receivables	1,791	1,586
Bonds	6	33
Due from credit institutions	5	4
Interest to credit institutions	(1)	(1)
Issued bonds	(180)	(310)
Other interest expenses	(1)	(1)
Derivatives		
Interest rate contracts	(1,108)	(832)
Foreign exchange contracts	4	(1)
Total net interest income from lending	**516**	**477**
Net interest income from financial activities		
Bonds	199	249
Due from credit institutions	45	36
Other interest income	-	-
Interest to credit institutions	(13)	(6)
Other interest expenses	(116)	(116)
Total net interest income from financial activities	**115**	**163**
Total net interest income	**631**	**640**

NOTE 6 FEE AND COMMISSION INCOME

DKK MILLION	2019	2018
Guarantee commission	2	1
Fee and other commission income	24	30
Total fee and commission income	**26**	**32**

NOTE 7 MARKET VALUE ADJUSTMENTS

DKK MILLION	2019	2018
Market value adjustment of bonds	(108)	(122)
Market value adjustment of shares	0	(7)
Exchange rate adjustments	(3)	8
Market value adjustment of derivatives	(87)	(13)
Total market value adjustments	**(197)**	**(135)**

DANISH SHIP FINANCE

NOTES

DKK MILLION	2019	2018
NOTE 8 STAFF COSTS AND ADMINISTRATIVE EXPENSES		
Remuneration of Board of Directors and Executive Board		
Board of Directors	(3)	(3)
Executive Board	(19)	(26)
Total remuneration of Board of Directors and Executive Board	**(22)**	**(29)**
Staff costs		
Salaries and wages	(73)	(74)
Pensions	(8)	(7)
Social security costs and financial services employer tax	(23)	(21)
Total staff costs	**(104)**	**(102)**
Other administrative expenses	(40)	(27)
Total staff costs and administrative expenses	**(166)**	**(158)**
Number of employees - full-time equivalents	79	80
Average number of employees - full-time equivalents	79	76

DKK '000

NOTE 8 REMUNERATION OF THE BOARD OF DIRECTORS

2019		Ordinary fee	Committee fee	Total fee
Eivind Kolding (Chairman)	*)	750	-	750
Peter Nyegaard (Vice Chairman)	*)	-	-	-
Anders Damgård	*)	-	-	-
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**

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

DANISH SHIP FINANCE

NOTES

DKK '000

NOTE 8 CONTINUED

REMUNERATION OF THE BOARD OF DIRECTORS

2018		Ordinary fee	Committee fee	Total fee
Eivind Kolding (Chairman)	*)	750	-	750
Peter Nyegaard (Vice Chairman)	*)	-	-	-
Anders Damgård	*)	-	-	-
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**

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

DKK '000

NOTE 8 CONTINUED

REMUNERATION OF THE BOARD OF DIRECTORS

2017		Ordinary fee	Committee fee	Total fee
Eivind Kolding (Chairman)	*)	550	-	550
Peter Nyegaard (Vice Chairman)	*)	-	-	-
Anders Damgård	*)	-	-	-
Christian Frigast	*)	-	-	-
Michael Nellemann Pedersen	*)	188	104	292
Henrik Sjøgreen	*)	188	75	263
Jacob Meldgaard (member as of 16 June 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*

DANISH SHIP FINANCE

NOTES

DKK '000

NOTE 8 CONTINUED

REMUNERATION OF THE EXECUTIVE BOARD

2019	Erik I. Lassen	Michael Frisch	Lars Jebjerg	Total
Salary	4,239	4,024	4,024	12,287
Pension	523	496	496	1,515
Tax value of car	172	152	147	471
Incentive bonus	1,580	1,635	1,355	4,570
Total	**6,514**	**6,307**	**6,022**	**18,843**
Adjustment of variable pay for previous years	119	25	49	193
Total expenses for accounting purposes/earned income	**6,633**	**6,332**	**6,071**	**19.036**

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

The Executive Board's pension plan is a defined contribution plan with a third party. The company has no 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 THE EXECUTIVE BOARD

2018	Erik I. Lassen	Michael Frisch	Lars Jebjerg	Per Schnack	Total
Salary	4,146	2,872	2,299	1,538	10,854
Pension	511	349	249	190	1,298
Tax value of car	172	110	101	49	432
Anniversary bonus	334	-	-	-	334
Sign-on bonus, cash	-	800	-	-	800
Retention bonus	-	900	1,741	-	2,640
Incentive bonus	2,208	-	-	-	2,208
Total	**7,371**	**5,030**	**4,390**	**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**	**5,030**	**4,390**	**9,175**	**26,063**

Per Schnack resigned from the Executive Board on 22 May 2018 and received contractual salary, pension and compensation until his contract of service expired 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 Executive Board has 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.

Incentive- and retention bonus paid to the Executive Board is provided as equity-like instruments (Total Shareholder Return) with a deferral period of four years and a retention period of one year.

NOTES

DKK '000

NOTE 8 CONTINUED

REMUNERATION OF THE 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**

DKK '000

NOTE 8 CONTINUED

REMUNERATION OF THE EXECUTIVE BOARD

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 company's risk profile.

The remuneration policy was adopted at the company's annual general meeting on 25 March 2019.

The remuneration policy is available on the company's website:
→ www.skibskredit.dk/media/1950/remuneration-policy-2019-danish-ship-finance.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 company's risk profile as well as employees in key functions.

2019	Fixed salary/fee	Variable salary	Total salary/fee	Number of recipients
Board of Directors	2,750	-	2,750	11
Executive Board	14,273	4,763	19,036	3
Other employees whose activities have a material impact on the company´s risk profile	11,362	1.529	12,891	7
Total	**28,385**	**6,292**	**34,677**	

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.

The pension plans of other employees are defined contribution plans.

NOTES

DKK '000

NOTE 8 CONTINUED

REMUNERATION OF THE EXECUTIVE BOARD

2018	Fixed salary/fee	Variable salary	Total salary/fee	Number of recipients
Board of Directors	2,750	-	2,750	11
Executive Board*)	11,142	5,746	16.888	3
Other employees whose activities have a material impact on the company´s risk profile	10,754	1,914	12,668	7
Total	**24,646**	**7,660**	**32,306**	

**) The Executive Board's salary for 2018 has been adjusted with an amount of DKK 97 relating to adjustment of variable pay for previous years.*

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 company´s risk profile	8,302	3,025	11,327	5
Total	**19,219**	**6,704**	**25,923**	

NOTE 9

AUDIT FEES

DKK MILLION	2019	2018
Fees for statutory audit of financial statements	(0.8)	(0.9)
Fees for tax advisory services	(0.3)	(0.2)
Fees for non-audit services	(1.6)	(0.2)
Fees for other assurance engagements	(0.2)	(0.1)
Total fees	**(3.0)**	**(1.3)**

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.

NOTES

NOTE 10 TAX

DKK MILLION	2019	2018
Tax on profit for the year		
Estimated tax on profit for the year	(42)	(78)
Changes in deferred tax	(25)	(1)
Adjustment of prior-year tax charges	(3)	(1)
Total tax	**(69)**	**(81)**
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	1.3	2.0
Adjustment of prior-year tax charges	(0.9)	(0.4)
Effective tax rate	**24.2**	**23.6**

NOTE 11 DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

DKK MILLION	2019	2018
Genuine purchase and resale transactions (reverse repo)	632	1,314
Other receivables	352	46
Total due from credit institutions and central banks	**984**	**1,360**
Broken down by due date		
Demand deposits	52	29
Up to 3 months	931	1,331
Total due from credit institutions and central banks	**984**	**1,360**

The company has no term deposits with central banks.

DANISH SHIP FINANCE

NOTES

NOTE 12 LOANS AT AMORTISED COST

DKK MILLION	2019	2018
At 1 January	36,735	34,492
Additions	7,327	8,441
Ordinary repayments and redemptions	(4,595)	(4,418)
Extraordinary repayments	(1,502)	(2,850)
Net change concerning revolving credit facilities	362	(281)
Exchange rate adjustment of loans	273	1,301
Initial impact at 1 January 2018 (IFRS 9)	-	(132)
Change in amortised cost for the year	2	(34)
Depreciation, amortisation and impairment for the year	481	215
At 31 December	**39,082**	**36,735**

NOTE 13 LOANS AT AMORTISED COST BROKEN DOWN BY DUE DATE

DKK MILLION	2019	2018
Gross loans at exchange rates at the balance sheet date	41,109	39,243
Loan impairment charges	(2,027)	(2,508)
Total loans	**39,082**	**36,735**
Total loans broken down by due date		
Up to 3 months	1,654	1,245
From 3 months to 1 year	3,357	3,406
From 1 to 5 years	24,742	21,679
Over 5 years	9,329	10,405
Total loans	**39,082**	**36,735**
Total loans		
Loans at fair value	39,789	37,389
Loans at amortised cost	39,082	36,735

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

DANISH SHIP FINANCE

NOTES

NOTE 14 NON-PERFORMING LOANS

DKK MILLION	2019	2018
Impaired loans (rating category 11)		
Loans subject to forbearance or otherwise impaired, gross	3,161	3,655
Accumulated loan impairment charges	(1,169)	(1,206)
Impaired loans, net	**1,993**	**2,449**
Defaulted loans (rating category 12)		
Loans in default, gross	1,088	1,716
Accumulated loan impairment charges	(609)	(1,032)
Defaulted loans, net	**478**	**684**
Non-performing loans, gross (NPL)	**4,249**	**5,372**
Non-performing loans, net (net NPL)	**2,471**	**3,133**
NPL ratio	**10.3%**	**13.6%**
Net NPL ratio	**6.3%**	**8.4%**

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

Note 16 provides detailed information on loan-to-value intervals for the total loan book and for non-performing loans.

NOTE 15 LOAN IMPAIRMENT CHARGES

DKK MILLION	2019	2018
The following impairment charges/loss allowances were made on loans/credit commitments		
Accumulated loan impairment charges	2,027	2,508
Accumulated loss allowances for credit commitments	8	6
Total	**2,035**	**2,514**
Accumulated loan impairment charges as % of the loan book	4.9	6.4
Reconciliation of total allowance account		
At 1 January	2,514	2,591
Initial impact at 1 January 2018 (IFRS 9)	-	132
New loan impairment charges/loss allowances	581	699
Reversal of loan impairment charges/loss allowances	(575)	(610)
Gross write-offs debited to the allowance account	(486)	(298)
Total	**2,035**	**2,514**
Loan impairment charges for the period		
New loan impairment charges/loss allowances	(581)	(699)
Reversal of loan impairment charges/loss allowances	575	610
Reclassification of interest	8	8
Recovery on loans previously written off	0	46
Loan impairment charges	**2**	**(35)**

DANISH SHIP FINANCE

NOTES

DKK MILLION	2019	2018
NOTE 16 CREDIT RISK		
Reconciliation of loans and guarantees (loan book)		
Balance sheet		
Loans at amortised cost	39,082	36,735
Other receivables	198	200
Loan impairment charges	2,027	2,508
Total balance sheet items	**41,307**	**39,443**
Off-balance sheet items		
Guarantees	132	148
Total off-balance sheet items	**132**	**148**
Total loans and guarantees	**41,440**	**39,591**
Reconciliation of financial exposure		
Due from credit institutions and central banks	984	1,360
Bonds at fair value	25,027	22,470
Shares, etc.	3	3
Derivatives	1,293	1,288
Total financial exposure	**27,307**	**25,122**

DKK MILLION

NOTE 16 CONTINUED — 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.

Loan book before loan impairment charges broken down by rating category

Rating	Loans and guarantees 2019	Loans and guarantees 2018
1 - 2	0	0
3 - 4	7,757	7,022
5 - 6	14,560	13,772
7 - 8	13,043	11,913
9 - 10	1,831	1,513
11	3,161	3,655
12	1,088	1,716
Total	**41,440**	**39,591**

DANISH SHIP FINANCE

NOTES

DKK MILLION

NOTE 16 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

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

Rating	Stage 1	Stage 2	Stage 3	Loans and guarantees 2019
1	-	-	-	-
2	-	-	-	-
3	3,935	-	-	3,935
4	3,821	-	-	3,821
5	1,959	-	-	1,959
6	12,601	-	-	12,601
7	8,592	374	-	8,966
8	3,898	179	-	4,077
9	-	1,181	-	1,181
10	-	649	-	649
11 (impaired)	-	-	3,161	3,161
12 (default)	-	-	1,088	1,088
Total	**34,807**	**2,384**	**4,249**	**41,440**

DKK MILLION

NOTE 16 CONTINUED

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**

NOTES

DKK MILLION

NOTE 16 CONTINUED

Changes in total allowance account broken down by stages

Rating	Stage 1	Stage 2	Stage 3	Loans and guarantees 2019
At 1 January 2019	197	79	2,238	2,514
Transferred to Stage 1 during the period	0	0	-	0
Transferred to Stage 2 during the period	(20)	94	(74)	0
Transferred to Stage 3 during the period	0	(19)	19	0
New impairment charges/loss allowances	70	3	508	581
Reversal of loan impairment charges/loss allowances	(80)	(67)	(428)	(575)
Gross write-offs for the period	-	-	(486)	(486)
Total allowance account at 31 December 2019	**167**	**90**	**1,778**	**2,035**
Of which:				
- Loan impairment charges	159	90	1,778	2,027
- loss allowances for credit commitments	8	0	0	8

DKK MILLION

NOTE 16 CONTINUED

Rating	Stage 1	Stage 2	Stage 3	Loans and guarantees 2018
At 1 January 2018	143	68	2,380	2,591
Initial impact at 1 January 2018 (IFRS 9)	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 loan 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 credit commitments	6	-	-	6

NOTES

NOTE 16 CONTINUED

Classification, stage migration and impairment charges

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

The stage migration of a loan is closely linked to the development of the client's 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 Stage 2 and 3, loan impairment charges for lifetime ECL are recognised.

The Risk Report 2019 provides more detailed information.

Arrears/past-due loans

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

Credit risk mitigation

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

The USD market value of mortgaged vessels has on average declined by 5% in 2019.

NOTE 16 CONTINUED

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

Loan-to-value interval	Share of loans 2019	Share of loans 2018
0 - 20 %	41%	41%
20 - 40 %	37%	37%
40 - 60 %	21%	20%
60 - 80 %	1%	2%
80 - 90 %	0%	0%
90 - 100 %	0%	0%
Over 100 %	0%	0%

The table above shows that at year-end 99% (2018: 98%) of all loans were secured within 60% of the market value of the mortgage, and 100% (2018: 100%) of all loans were within 80% of the market value of the mortgage.

The weighted loan-to-value ratio on the loan book after loan impairment charges was 51% (2018: 52%).

DANISH SHIP FINANCE

NOTES

NOTE 16 CONTINUED

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

Loan-to-value interval	Share of loans 2019	Share of loans 2018
0 - 20 %	40%	36%
20 - 40 %	38%	35%
40 - 60 %	21%	24%
60 - 80 %	1%	5%
80 - 90 %	0%	0%
90 - 100 %	0%	0%
Over 100 %	0%	0%

The table above shows that at year-end 99% (2018: 95%) of non-performing loans were secured within 60% of the market value of the mortgage, and 100% (2018: 100%) of non-performing loans were within 80% of the market value of the mortgage.

The weighted average loan-to-value ratio for non-performing loans after loan impairment charges was 52% (2018: 58%).

NOTE 17 BONDS AT FAIR VALUE

DKK MILLION	2019	2018
Bond portfolio		
Non-callable bonds	18,036	15,944
Callable bonds	6,991	6,527
Total portfolio of bonds	**25,027**	**22,470**
Bond portfolio		
Government bonds and bonds issued by KommuneKredit	4,004	3,702
Mortgage bonds	21,023	18,768
Total portfolio of bonds	**25,027**	**22,470**

NOTE 18 BONDS BY TIME TO MATURITY

DKK MILLION	2019	2018
Bond portfolio		
Bonds with a maturity up to and including 1 year	1,722	1,067
Bonds with a maturity over 1 year and up to and including 5 years	13,489	13,951
Bonds with a maturity over 5 years and up to and including 10 years	889	964
Bonds with a maturity over 10 years	8,927	6,489
Total bonds specified by time to maturity	**25,027**	**22,470**

NOTES

DKK MILLION	2019	2018
NOTE 19 CSA COLLATERAL		
Collateral under CSA agreements		
Collateral received	203	111
Collateral delivered	(808)	(750)
Net value of collateral under CSA agreements	**(605)**	**(639)**

DKK MILLION	2019	2018
NOTE 20 SHARES, ETC.		
Shares listed on Nasdaq Copenhagen A/S	-	-
Unlisted shares recognised at fair value	3	3
Total shares, etc.	**3**	**3**

DKK MILLION	2019	2018
NOTE 21 LAND AND BUILDINGS		
Owner-occupied property		
Revaluation, 1 January	90	90
Revaluations	11	-
Revaluation including improvements, 31 December	**102**	**90**
Accumulated depreciation, 1 January	2	1
Depreciation for the year	(0)	0
Accumulated depreciation, 31 December	1	2
Total revaluation, 31 December	**100**	**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.

DANISH SHIP FINANCE

NOTES

NOTE 22 OTHER TANGIBLE ASSETS

DKK MILLION	2019	2018
Cost, 1 January	23	30
Additions during the year	0	2
Disposals during the year	0	(9)
Cost, 31 December	**23**	**23**
Accumulated depreciation, 1 January	15	22
Disposals during the year	0	(9)
Depreciation during the year	1	1
Accumulated depreciation, 31 December	**16**	**15**
Total other tangible assets	**8**	**9**

NOTE 23 OTHER ASSETS

DKK MILLION	2019	2018
Interest receivable	247	301
Prepayments to swap counterparties	15	0
Derivatives	1,293	1,288
Miscellaneous receivables	15	20
Total other assets	**1,570**	**1,609**

NOTE 24 DUE TO CREDIT INSTITUTIONS AND CENTRAL BANKS

DKK MILLION	2019	2018
Repo transactions	8,447	8,470
Other amounts due	256	52
Total due to credit institutions and central banks	**8,704**	**8,522**
Broken down by due date		
On demand	256	52
Up to 3 months	8,447	8,470
Total due to credit institutions and central banks	**8,704**	**8,522**

DANISH SHIP FINANCE

NOTES

NOTE 25 ISSUED BONDS AT AMORTISED COST

DKK MILLION	2019	2018
At 1 January	43,549	42,467
Additions in connection with pre-issuance	13,969	9,256
Amortisation of cost	(73)	(68)
Adjustment for hedge accounting	101	93
Exchange rate adjustment	28	70
Ordinary and extraordinary redemptions	(9,836)	(8,271)
At 31 December	**47,737**	**43,549**
SPECIFICATION OF ISSUED BONDS		
Bonds issued in DKK		
Bullet bonds	39,398	41,798
Amortising CIRR bonds	392	508
Total Danish bonds	**39,790**	**42,306**
Bonds issued in foreign currency		
Bullet bonds	7,450	-
Amortising CIRR bonds, at year-end exchange rates	497	1,244
Total bonds issued in foreign currency	**7,947**	**1,244**
Total issued bonds	**47,737**	**43,549**
Broken down by term to maturity		
Up to 3 months	1,301	1,342
From 3 months to 1 year	373	179
From 1 to 5 years	25,212	19,287
Over 5 years	20,850	22,742
Total issued bonds	**47,737**	**43,549**

NOTE 26 OTHER LIABILITIES

DKK MILLION	2019	2018
Interest payable	131	205
Derivatives	824	682
Other liabilities	158	128
Total other liabilities	**1,112**	**1,016**

DANISH SHIP FINANCE

NOTES

NOTE 27 DEFERRED TAX

DKK MILLION	2019	2018
Deferred tax, 1 January	74	7
Initial adjustment regarding IFRS 9	-	29
Adjustment of prior-year	1	40
Estimated deferred tax on profit for the year	(27)	(2)
Total deferred tax	**47**	**74**

	2019 Deferred tax assets	2019 Deferred tax liabilities	2019 Deferred tax net	2018 Deferred tax net
Property, plant and equipment	0	(9)	(10)	9
Loans	73	-	73	(75)
Shares, etc.	2	-	2	(2)
Issued bonds	-	(112)	(112)	92
Employee obligations	2	-	2	(1)
Balance of tax losses	93	(2)	91	(97)
Total deferred tax	**169**	**(123)**	**47**	**(74)**

NOTE 28 EQUITY

DKK MILLION	2019	2018
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	38	29
Retained earnings	412	318
Proposed dividends for the financial year	133	205
Total equity	**9,260**	**9,229**

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.

NOTES

NOTE 29

CAPITAL ADEQUACY

DKK MILLION	2019	2018
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	412	318
Proposed dividends for the financial year	133	205
Revaluation reserves	38	29
Total Common Equity Tier 1 capital	**9,260**	**9,229**
Deductions from Common Equity Tier 1 capital		
Proposed dividends for the financial year	133	205
Additional capital charge pursuant to the Executive Order on a Ship Finance Institute	(0)	-
Prudent valuation pursuant to Article 105 of the CRR	28	25
Deductions pursuant to transitional rules regarding B share capital *)	33	27
Total deductions from Common Equity Tier 1 capital	**195**	**257**
Common Equity Tier 1 capital after deductions	**9,065**	**8,972**
Own funds after deductions	**9,065**	**8,972**

**) Recognised at 0% pursuant to transitional rules of CRR art. 484 at 31 December 2019 (1 January to 31 December 2018 recognised at 20%).*

NOTE 29 CONTINUED

CAPITAL ADEQUACY

DKK MILLION	2019	2018
Risk exposure amount		
Assets outside the trading book	40,069	37,752
Off-balance sheet items	1,732	2,125
Counterparty risk outside the trading book	1,953	1,454
Market risk	4,211	4,528
Operational risk	1,056	1,374
Total risk exposure amount	**49,020**	**47,233**
Common Equity Tier 1 capital ratio	**18.5**	**19.0**
Tier 1 capital ratio	**18.5**	**19.0**
Total capital ratio	**18.5**	**19.0**
The risk exposure amount for market risk consists of:		
Position risk related to debt instruments	3,952	4,089
Position risk related to shares	7	7
Total currency position	253	432
Total risk exposure amount for market risk	**4,211**	**4,528**

NOTES

NOTE 30 CONTINGENT LIABILITIES

DKK MILLION	2019	2018
In the ordinary course of its lending operations, DSF has undertaken guarantee commitments of	132	148
Payment guarantee provided to the Danish Securities Centre	0	0
Total contingent liabilities	**132**	**148**

NOTE 31 OTHER CONTINGENT LIABILITIES

DKK MILLION	2019	2018
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	874	202
In the ordinary course of its lending operations, DSF has undertaken commitments relating to irrevocable credit loan commitments in the amount of	2,731	3,751
Total other contingent liabilities	**3,605**	**3,953**

NOTE 32 RELATED PARTIES

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

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

Danish Ship Finance Holding A/S is 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 at 31 December 2019 a nominal amount of DKK 1,379 million (at 31 December 2018: DKK 929 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.

NOTES

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.

2019	Nominal value	Carrying amount	Fair value
Commitments			
Issued bonds	16,011	16,248	16,533
Total commitments	**16,011**	**16,248**	**16,533**
Derivatives			
Interest rate swaps	(16,011)	(216)	(216)
Total derivatives	**(16,011)**	**(216)**	**(216)**
Net	**0**	**16,032**	**16,317**

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**

NOTE 35 NOTIONAL PRINCIPALS OF OUTSTANDING DERIVATIVES

DKK MILLION	2019	2018
Swap agreements		
Swap agreements have been made with the following parties to hedge the foreign exchange risk on loans and issued bonds:		
Receivables	392	508
Credit institutions	61,436	49,501
Swap agreements have been made with the following parties to hedge the interest rate risk on loans, bonds and issued bonds:		
Receivables	-	-
Credit institutions	80,297	58,680
Swap agreements, for which financial risks are not fully hedged, have been made with the following parties:		
Credit institutions	53,245	52,482
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	29,446	46,285

DANISH SHIP FINANCE

NOTES

NOTE 36

FAIR VALUES OF OUTSTANDING DERIVATIVES

DKK MILLION	2019 Positive	2019 Negative	2018 Positive	2018 Negative
Swap agreements				
Swap agreements have been made with the following parties to hedge the foreign exchange risk on loans and issued bonds:				
Receivables	9	-	54	-
Credit institutions	330	373	153	452
Swap agreements have been made with the following parties to hedge the interest rate risk on loans, bonds and issued bonds:				
Receivables	-	-	-	-
Credit institutions	1,180	617	1,234	441
Swap agreements, for which financial risks are not fully hedged, have been made with the following parties:				
Credit institutions	1,353	1,947	619	1,267
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	127	0	129	63

NOTE 36 CONTINUED

FAIR VALUES OF OUTSTANDING DERIVATIVES

DKK MILLION	2019 Positive	2018 Positive
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%	261	286
Counterparty with risk weight of 50%	1,525	1,270
Counterparty with risk weight of 100%	94	79
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%	595	514
Counterparty with risk weight of 50%	2,374	1,622
Counterparty with risk weight of 100%	31	54

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NOTES

DKK MILLION

NOTE 37 FOREIGN EXCHANGE RISK AND USE OF DERIVATIVES

Our total unhedged foreign currency position at 31 December 2019, translated at year-end exchange rates into DKK, amounts to DKK 188 million (DKK 113 million at 31 December 2018). All amounts are translated into DKK at the year-end exchange rates.

Rating	USD	Other currencies	Total currency	DKK	Total
Loans at year-end exchange rates	36,450	3,739	40,189	920	41,109
Loan impairment charges	-	-	-	(2,027)	(2,027)
Loans as per the balance sheet					**39,082**
Due from credit institutions and central banks	266	326	592	392	984
Bond portfolio	-	1,562	1,562	23,465	25,027
Interest receivable, other assets, etc.	255	29	284	1,447	1,731
Total assets as per the balance sheet	**36,971**	**5,657**	**42,627**	**24,196**	**66,824**
Issued bonds at year-end exchange rates	(497)	(7,470)	(7,967)	(39,771)	(47,738)
Issued bonds as per the balance sheet					**(47,738)**
Due to credit institutions and central banks	(134)	(605)	(738)	(7,965)	(8,704)
Interest payable, other payables	(152)	(10)	(162)	(953)	(1,115)
Provisions	-	-	-	(8)	(8)
Total equity	-	-	-	(9,260)	(9,260)
Total liabilities as per the balance sheet	**(783)**	**(8,085)**	**(8,868)**	**(57,956)**	**(66,824)**
Derivatives					
- receivables	7,159	17,325	24,484		
Derivatives					
- payables	(43,461)	(14,971)	(58,432)		
Total net position	**(114)**	**(75)**	**(188)**		

DANISH SHIP FINANCE

NOTES

DKK MILLION	2019	2018

NOTE 38 MARKET RISK SENSITIVITY

Interest rate risk
Our equity is invested primarily in Danish government and mortgage 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 our 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 technically lead to:

	2019	2018
	(92)	(51)

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:

	2019	2018
	62	34

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 the 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 the event of changes in the USD/DKK exchange rate.

Furthermore, earnings and loan impairment charges from lending are primarily denominated in USD, GBP and NOK which means that, other things being equal, an increase in these currencies against the DKK exchange rate would result in higher earnings from lending and vice versa if these currencies fall. The opposite applies to loan impairment charges.

NOTE 38 CONTINUED

DKK MILLION	2019	2018
An appreciation of the USD exchange rate against the DKK		
Change in net profit for the year and equity	38	31
Percentage change in total capital ratio	(1.9)	(2.0)
A depreciation of the USD exchange rate against the DKK		
Change in net profit for the year and equity	(41)	(36)
Percentage change in total capital ratio	2.4	2.5
An appreciation of the GBP exchange rate against the DKK		
Change in net profit for the year and equity	(27)	n/a
Percentage change in total capital ratio	0.0	n/a
A depreciation of the GBP exchange rate against the DKK		
Change in net profit for the year and equity	27	n/a
Percentage change in total capital ratio	0.0	n/a
An appreciation of the NOK exchange rate against the DKK		
Change in net profit for the year and equity	(78)	n/a
Percentage change in total capital ratio	(0.6)	n/a
A depreciation of the NOK exchange rate against the DKK		
Change in net profit for the year and equity	76	n/a
Percentage change in total capital ratio	0.6	n/a

NOTES

NOTE 38 CONTINUED MARKET RISK SENSITIVITY

The impact on net profit for the year and equity from a change in the USD, GBP and NOK exchange rates assumes a permanent change of 15 % (equals a DKK 1 change against the USD) 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 loan impairment charges due to the change in the exchange rates in question.

The impact on the total capital ratio of a change in the currencies in question will occur immediately after exchange rates change.

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.

DKK MILLION	2019	2018
Loans		
Measured at amortised cost	39,082	36,735
Measured at fair value	39,789	37,389
Difference between carrying amounts and fair-value based value of loans, total	**707**	**654**

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.

DKK MILLION	2019	2018
Issued bonds		
Measured at amortised cost, incl. hedging	47,737	43,549
Measured at fair value	48,246	44,003
Difference between carrying amounts and fair-value based value of issued bonds, total	**509**	**454**

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.

DANISH SHIP FINANCE

NOTES

NOTE 40 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 our 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.

We have 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 standings 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.

MARKET RISK

Market risk is defined as the risk of changes in the market value of the company's financial assets and liabilities 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 the calculation of various risk targets.

The Board of Directors receives continuous reporting on risk developments and the utilisation of allocated risk limits.

The purpose of the our market risk policy is to ensure that the market risk at all times is appropriate in relation to our total capital. The objective of the market risk policy is also to ensure that we consistently maintain 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. We follow up on all material types of market risk with respect to all units subject to instructions, and failure to comply with instructions are escalated accordingly 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

NOTES

DKK MILLION

NOTE 41 **CAPITAL CENTRES 2019**

	Capital Centre Institute in general	Capital Centre A	Total
Income statement			
Interest, loans and other receivables	1,650	142	1,791
Other interest and fee income, net	(1,044)	(90)	(1,134)
Market value adjustments	(212)	15	(197)
Staff costs and administrative expenses	(154)	(13)	(167)
Loan impairment charges	35	(32)	277
Tax	(64)	(5)	(69)
Net profit for the year	**210**	**17**	**227**
Assets			
Loans and other receivables at amortised cost	32,177	6,905	39,082
Other assets	25,701	2,040	27,742
Total assets	**57,879**	**8,945**	**66,824**
Liabilities			
Issued bonds at amortised cost	40,513	7,225	47,738
Other liabilities	9,823	3	9,826
Equity	7,542	1,717	9,260
Total liabilities	**57,879**	**8,945**	**66,824**
Transferrals between capital centres*	**(1,717)**	**1,717**	**0**

**) Capital Centre A was established in 2019 and in this connection DKK 1.7 billion has been transferred to the centre.*

DANISH SHIP FINANCE

STATEMENTS

DANISH SHIP FINANCE

STATEMENT

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the financial year 1 January to 31 December 2019. 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 Report includes a fair review of developments in the company's activities and financial position 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 financial position as at 31 December 2019 and of the results of its activities for the financial year 1 January to 31 December 2019.

The Annual Report is recommended for adoption by the annual general meeting on 26 March 2020.

Copenhagen, 26 February 2020

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

Anders Damgaard

Povl Christian Lütken Frigast

Thor Jørgen Guttormsen

Jacob Meldgaard

Michael Nellemann Pedersen

Christopher Rex

Henrik Sjøgreen

Henrik Rohde Søgaard

DANISH SHIP FINANCE

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 2019 to 31 December 2019, 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 as at 31 December 2019 and of the results of its operations for the financial year 1 January 2019 to 31 December 2019 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

Our opinion is consistent with our audit book comments issued 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 15 years up to and including the financial year 2019. As we were auditors of Danmarks Skibskreditfond before 2005, our last year as auditors will be 2020.

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 2019 to 31 December 2019. 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 39,082 million as at 31 December 2019 (DKK 36,735 million as at 31 December 2018), and loan impairment charges for the period amounted to an income of DKK 2 million in 2019 (DKK 35 million expense in 2018) in the financial statements.

We consider the measurement of impairment charges a key audit matter as the determination of expected credit 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 Report

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 misstatements 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 company's 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 are 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 scepticism 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, 26 February 2020

Deloitte

Statsautoriseret Revisionspartnerselskab

Business Registration No 33 96 35 56

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

MANAGEMENT AND DIRECTORSHIPS ETC.

Directorships and executive positions – Board of Directors

This section lists positions, other directorships, executive positions and fiduciary positions held by board members at the date of publication of the Annual Report 2019. 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 Nordic Transport A/S

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.

DANISH SHIP FINANCE

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 Bank 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 Sommerhuse 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 and 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, CEO, Høegh Autoliners

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

Directorships and executive positions:

Member of the Board of Directors:

Høegh LNG AS

Høegh LNG Holdings Ltd (alternate)

Telenor Maritime AS

Aequitas Ltd

Competencies:

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

DANISH SHIP FINANCE

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:

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

Competencies:

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

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 the Advisory Board and investment committees of various foundations relating to private equity, infrastructure and micro finance due to PKA's investment in such foundations.

Member of the Board of Directors:

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

IIP Denmark P/S

Komplementarselskabet Vilvordevej 70 ApS

Ejendomsselskabet Vilvordevej 70 P/S

PKA Private Funds III GP ApS

Rugårdsvej Odense A/S

PKA Venture I GP ApS

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:
Simon Fougner Hartmanns Fond
CEO of FIH A/S
CEO FIH Holding A/S
Member of the Board of Directors:
Henrik Frode Obels Fond

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 2019 (excluding electronic board meetings)

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	88		100
Michael N. Pedersen	100	66	
Jacob Meldgaard	88		100
Christopher Rex	88		
Henrik R. Søgaard	100		
Henrik Sjøgreen	88	100	

EXECUTIVE BOARD

ERIK I. LASSEN, CEO

Member of the Executive Board since
9 April 2008

Executive positions in other business enterprises:
CEO of 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 of 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 of Danish Ship Finance Holding A/S

FINANCIAL CALENDAR FOR 2020

26 February:
Publication of
Annual Report 2019

26 March:
Annual general meeting of
Danish Ship Finance A/S
at our premises,
Sankt Annae Plads 3, 1250
Copenhagen K

25 August:
Publication of
the Interim Report 2020

Art Direction & Design : Lisa Lang Graphic Design

DANISH
SHIP FINANCE

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

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