DANISH SHIP FINANCE

Interim Report
First half - 2023

CVR NO. 27 49 26 49

shipfinance.dk

Company *information*

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

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

Municipality of registered office: Copenhagen

Executive Board
Erik I. Lassen
Lars Jebjerg
Michael Frisch[2]

Board of Directors
Eivind Drachmann Kolding (Chairman)
Peter Nyegaard (Vice Chairman)
Marcus Freuchen Christensen
Anders Damgaard
Povl Christian Lütken Frigast
Thor Jørgen Guttormsen
Ninna Møller Kristensen
Jacob Balslev Meldgaard
Michael Nellemann Pedersen
Christopher Rex
Henrik Sjøgreen
Henrik Rohde Søgaard[1]

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

1) Henrik Rohde Søgaard joined the Board of Directors 1 July 2023 as replacement for Berit Koertz.
2) Michael Frisch tendered his resignation in August 2023.

Mid-year update to our *stakeholders*

Our loan pipeline in the first half of 2023 was very strong, with a record DKK 6.2 billion of new loans disbursed in the second quarter alone. Overall, most shipping segments have experienced a period of exceptionally strong market conditions. Clients' high earnings, large cash reserves and disciplined approach to ordering new tonnage meant that financing requirements remained muted in the first half of 2023. Many shipowners chose to use this financial flexibility to deleverage their balance sheets, and consequently prepayments in the first half of the year were high at DKK 3.6 billion and bidding was competitive for the few financing deals coming to the market in the period.

The loan book stood at DKK 35.1 billion as at 30 June 2023, up by DKK 0.1 billion compared to the year-end 2022 figure. We added five new clients to our portfolio during the period.

Overall, our business developed largely as expected. Net profit for the first half of 2023 amounted to a very satisfactory DKK 338 million, at the high end of our expectations and DKK 220 million ahead of the same period in 2022, corresponding to an increase of 186%.

In our last few financial reports, we highlighted the strong and improving credit quality of our loan book and we are pleased to confirm that this trend has continued. We were able to reverse DKK 181 million loan impairment charges in the first half of 2023.

During the first half of 2023, we reached several credit quality milestones. We successfully completed workouts of legacy non-performing loans to three Offshore clients and, consequently, all loans on our balance sheet were interest-bearing as at 30 June 2023. We experienced no loan defaults in the first half of 2023 and our NPL exposure reduced by 6% to DKK 1,172 million, equal to an NPL ratio of 3.3%, and the average LTV across the loan book after loan impairment charges stood at a very healthy 41% at the midway point of 2023. We maintained a strong solvency ratio of 21.6%, well above the regulatory minimum of 13.4%.

We believe the competitive situation will develop favourably with increasing activity, as new vessel ordering is expected to pick up sooner rather than later in order for the fleet to maintain its ability to service the growing demand for seaborne transportation and increasing bank funding costs gradually driving a repricing of shipping loans.

"Net profit for the first half of 2023 amounted to a very satisfactory DKK 338 million, at the high end of our expectations and DKK 220 million higher than in the same period in 2022"

As has become clear from our dialogue with clients and other stakeholders, the industry's green transition is becoming increasingly important for all parties. The road ahead is still long, and there is still uncertainty around future fuel technologies and supply chains, but the pace has picked up. It is not only publicly listed shipowners that have the topic of green technologies on their agendas; even smaller shipowners with fewer resources are taking the challenge very seriously.

The healthy markets have allowed shipowners to build up financial resources to seriously invest in the sustainability transition. The sector has begun to invest proactively in early green technologies in anticipation of increasingly stringent emissions regulations in the coming years. A growing number of ships are being commissioned with dual-fuel capability and/or emission-reducing technologies. We view this development favourably and strive to assist our clients in navigating the transition.

Our corporate strategy "Financing the transition" continues to be at the core of everything we do, and we have completed a couple of sizeable loans supporting clients' strategic transition to more sustainable business models.

The investment portfolio contributed very positively to the half-year result, generating income of DKK 148 million, an increase of DKK 283 million compared to the same period in 2022. We maintained a conservative investment strategy, which sheltered the portfolio effectively from financial market disruptions triggered by several prominent bank failures in the first half of 2023.

Funding requirements remained muted over the period, and our focus was on selectively extending funding maturities in anticipation of increasing demand for shipping loans, as already experienced in the second quarter of 2023. The uptake of ship covered bonds was healthy, and a total of DKK 6.6 billion of new bonds were issued, while at the same time we repurchased primarily shorter-dated own bonds in the amount of DKK 6.3 billion.

Despite inflationary pressures across all industries, our staff costs and administrative expenses remained in line with expectations, albeit with higher performance-based compensation costs driven by a solid first half-year result. We continue to invest in improving our processes to enable growth while internalising continued pressures from new regulation and reporting requirements, including the ESG agenda, to which we are dedicating significant resources.

We remain on track to meet or exceed the expectations for 2023 set out in our most recent Annual Report and deliver attractive financial results and long-term sustainable value to our owners and stakeholders. We are confident that Danish Ship Finance will remain an attractive business with a significant role to play in financing the transition to a sustainable shipping industry.

We enter the second half of 2023 with the aim of maintaining strong profitability and growing our loan book, supporting our ambition to be “the obvious choice in ship finance”.

Eivind Kolding
Chairman

Erik I. Lassen
Chief Executive Officer

Financial *highlights*

Key figures

DKK million[1]	H1 2023	H1 2022	FY 2022
Net interest income from lending[2]	191	270	562
Net interest and fee income from lending[2]	199	277	576
Net interest income from investment activities[2]	100	(7)	65
Net interest income	291	263	626
Net interest and fee income	299	270	640
Market value adjustments	74	(166)	(206)
Staff costs and administrative expenses	(106)	(89)	(187)
Loan impairment charges	181	126	583
Profit before tax	448	140	830
Net profit for the period	338	118	663
Loan book[3]	35,098	38,012	35,005
Issued bonds	40,281	41,467	41,402
Total equity	9,926	9,315	9,755
Total assets	58,916	55,595	58,818
Common Equity Tier 1 capital after deductions	9,280	8,761	9,263

Key ratios

	H1 2023	H1 2022	FY 2022
Return on equity after tax (%)	3.4	1.3	7.0
Return on investment activities (%)[4]	1.5	(1.4)	(0.8)
Common Equity Tier 1 capital ratio (%)	21.6	19.5	21.9
Combined capital buffer requirement (%)	13.4	11.5	13.0
Cost/income ratio (%)[5]	28.4	85.8	43.2
Equity as a % of loan book	28.3	24.5	27.9
Loan impairment ratio for the period (%)	(0.5)	(0.3)	(1.6)
Accumulated loan impairment charges as a % of loan book	1.8	2.4	2.1
Weighted average loan-to-value ratio after loan impairment charges (%)	41	44	43
Proportion of loans covered within 60% of market value (%)	99	99	100
Net write-offs on loans as a % of avg. loan book	(0.3)	(0.2)	(0.9)

1) The key figures are calculated in accordance with Appendix 7 of the Danish FSA's Executive Order on Financial Reports.
2) The link between income in the income statement and the business areas can be seen in note 3.
3) See note 8 for definition of loan book.
4) Return on investment activities is calculated exclusive of the return from shares and currency.
5) The calculation of the cost/income ratio does not include loan impairment charges.

Management's *report*

The Board of Directors of Danish Ship Finance A/S has today considered the Interim Report for the first half of 2023. Danish Ship Finance A/S presents its financial statements in accordance with the rules set out in the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (Executive Order on Financial Reports). The Interim Report has been reviewed by our auditors.[1]

Income statement

- Net profit for the period amounted to DKK 338 million, a significant increase of 186% compared to the DKK 118 million reported for the first half of 2022.
- Net interest and fee income from lending was DKK 199 million, including pre-funding and hedging costs, in the first half of 2023, down 28% compared to the first half of 2022, primarily due to loan prepayments and selective repricing of credit margins for some of our strongest credits.
- Interest income from investment activities for the first half of 2023 was a net income of DKK 100 million compared to a net loss of DKK 7 million in the same period in 2022, reflecting the normalisation of interest rates to positive levels.
- In total, net interest and fee income increased by DKK 29 million to DKK 299 million, from DKK 270 million in the first half of 2022.
- Market value adjustment of securities and foreign exchange for the first half of 2023 generated a net income of DKK 74 million against a net expense of DKK 166 million in the first half of 2022, primarily due to a positive result from investment activities.
- Loan impairment charges for the first half of 2023 were an income of DKK 181 million, up from an income of DKK 126 million in the same period in 2022.
- Staff costs and administrative expenses totalled DKK 106 million, compared to DKK 89 million recorded for the same period in 2022. The increase was partly driven by performance-based compensation.
- The cost/income ratio of 28.4% was significantly improved from the 85.8% reported for the same period last year, primarily due to a positive result from investment.

Balance sheet and capital structure

- Total assets amounted to DKK 58.9 billion as at 30 June 2023, against DKK 58.8 billion as at 31 December 2022.
- The loan book increased slightly to DKK 35.1 billion as at 30 June 2023, from DKK 35.0 billion as at 31 December 2022. New loans of DKK 6.6 billion were disbursed in the period. Loan repayments and prepayments amounted to DKK 5.9 billion, while a lower USD/DKK exchange rate contributed negatively by DKK 0.5 billion to the loan book measured in DKK. As at 30 June 2023, all loans were interest-bearing. Interest-bearing loans as at 31 December 2022 amounted to DKK 34.2 million.
- The average loan book was down 15% in the first half of 2023 compared to the same period in 2022.
- The total ECL allowance account reduced to DKK 0.6 billion as at 30 June 2023, from DKK 0.7 billion as at 31 December 2022.
- Issued bonds totalled DKK 40.3 billion as at 30 June 2023, a decrease of DKK 1.2 billion from 31 December 2022. Bond issuance in the first half of 2023 was DKK 6.6 billion. Maturing bonds and buybacks totalled DKK 7.7 billion.
- The total capital ratio was 21.6% as at 30 June 2023, compared to 21.9% at year-end 2022.

The review of the ownership of Danish Ship Finance Holding A/S, announced in our half-year 2022 report, is ongoing and may lead to a reassessment of the Group ownership in 2023. We are confident that the outcome will support DSF in realising its commercial ambitions going forward.

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

Business areas

Performance across the three main business areas together resulted in net income of DKK 374 million in the first half of 2023. Compared to the same period last year, income from lending of DKK 222 million was lower, while net funding income of DKK 4 million and investment income of DKK 148 million, respectively, represented very significant improvements on the first half of 2022.

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

Income by business area

DKK million	H1 2023	H1 2022	FY 2022
Lending	222	276	554
Funding	4	(37)	(31)
Investments	148	(135)	(87)
Income[1]	**374**	**105**	**436**

1) Net interest and fee income and market value adjustments.

Lending

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

Income, lending

DKK million	H1 2023	H1 2022	FY 2022
Net interest income	214	269	540
Net fees and commission	7	7	14
Income	**222**	**276**	**554**

Income from lending of DKK 222 million in the first half of 2023 was 20% lower than income from lending in the first half of 2022. Fees of DKK 7 million were unchanged, and hence accounted for a higher proportion of total net income from lending in the first half of 2023 compared to the first half of 2022.

The lower net interest income from lending reflected a smaller average loan book in the period. Competition in the ship financing market, muted demand for new vessels and many clients' strong capital positions, meant that the volume of lending was lower than expected. The average loan book decreased to DKK 32.5 billion in the first half of 2023, from DKK 38.4 billion in the same period in 2022, a decrease of 15%.

In the first half of 2023, the credit quality across the loan book strengthened further from an already very healthy level, and there were no loan defaults.

Funding

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

Income, funding

DKK million	H1 2023	H1 2022	FY 2022
Funding costs not covered	(15)	10	(16)
Warehousing	(8)	(35)	(19)
Non-business activities	27	(12)	4
Income	**4**	**(37)**	**(31)**

In total, income from funding activities increased by DKK 41 million year-on-year to a net income of DKK 4 million in the first half of 2023, from a cost of DKK 37 million in the first half of 2022.

During the first half-year, bonds in the notional amount of DKK 6.6 billion were issued and bonds of DKK 6.3 billion were repurchased, primarily comprising shorter-dated own bonds. This activity effectively extended the funding profile of DSF.

The net cost of warehousing pre-funding proceeds by investing in liquid AAA-rated government and covered bonds was DKK 8 million, representing an improvement of DKK 27 million relative to the first half of 2022. The warehousing portfolio held DKK 6.8 billion of liquidity as at 30 June 2023. The warehousing portfolio volume was higher than normal over most of the first half of 2023 in anticipation of the large volume of loan disbursements in the second quarter.

Funding costs not covered resulted in a net loss of DKK 15 million in the first half of 2023, primarily reflecting timing differences of interest rate fixings which remained volatile in first half of 2023.

Non-business activities generated a profit of DKK 27 million in the first half of 2023. This mostly comprised positive contributions from prior buybacks of own bonds, as these were bought back at wider spreads than those at which they were issued.

Investments

The investment activities consist of investment of the company's own funds, core equity and amounts held in the allowance account.

Income, investments

DKK million	H1 2023	H1 2022	FY 2022
Net interest income	100	(7)	65
MV adjustments	48	(128)	(152)
Income	**148**	**(135)**	**(87)**

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

The investment portfolio performed well in the first half of 2023 and investment income was significantly positive, compared to a negative return in the first half of 2022. The primary driver was the structural normalisation of interest rates that has taken place over the past 12-15 months. Invested capital now accrues interest at positive rates. Although credit markets experienced headwinds during the first half of 2023 – most notably from the crises relating to Silicon Valley Bank and Credit Suisse - the investment portfolio performed well throughout the period, supported by a conservative investment approach.

Net income from investments in the first half-year was a profit of DKK 148 million, equal to an annualised return on capital of approximately 3%.

The shipping market

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

China still faces well-known challenges. The anticipated rebound in economic growth after the lifting of Covid restrictions has not materialised. The debt-burdened Chinese real estate sector continues to weigh on economic growth. Household income growth has weakened, and the population is ageing and shrinking. Consumers lack confidence in future pension and healthcare coverage and continue to spend cautiously. Monetary or fiscal stimuli may postpone the effects of structural issues but are not able to reverse them.

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

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

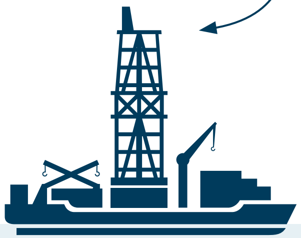
The ClarkSea Index, which measures average earnings across the main shipping segments, experienced a decline of 1.8% in the first half of 2023, to USD 22,000 per day. Falling freight rates in the Dry Bulk and Container segments contributed negatively, while high freight rates in the Tanker and Gas segments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

DRY BULK

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

OFFSHORE

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



OIL TANKERS

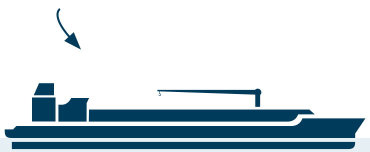
Oil Tanker earnings increased in the first half of 2023. Higher global oil demand, mainly attributable to a recovery in Chinese demand, coupled with limited fleet growth has kept both fleet utilisation and freight rates high. Meanwhile, market dynamics are being supported by longer travel distances following the rerouting of seaborne oil trade flows. Steady volumes, longer travel distances and supportive supply-side fundamentals are expected to keep earnings high in the short to medium term. Still, oil supply cuts in OPEC+ countries may cloud the outlook.

CONTAINER

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

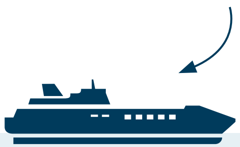
GAS CARRIERS

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



RO-RO/FERRIES

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



"Global trade is being affected by high inflation and interest rates, which have weakened the purchasing power of households. The WTO expects growth in world trade volumes of 1.7% in 2023 versus 2.7% in 2022."

Competition

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

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

Impact of USD on the income statement

The USD/DKK exchange rate for the first half of 2023 averaged just over 6.89, compared with 6.81 for the same period in 2022. All else being equal, this had a positive impact of DKK 2 million on net interest and fee income in the period. As parts of net interest and fee income in USD were hedged during the comparison period, the net effect is not this exact figure.

The USD/DKK exchange rate of 6.85 as at 30 June 2023 was 1.7% lower than the USD/DKK exchange rate of 6.97 as at 31 December 2022, which all else being equal, decreased loan impairment charges in the first half of 2023 by DKK 8 million.

Events since the balance sheet date

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

Outlook for the second half of 2023

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

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

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

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

The market outlook for most major shipping segments remains supportive, albeit supply

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

Our credit outlook for the second half of 2023 remains favourable, supported by still-strong overall vessel values and prudent financial management by shipowners. We expect the stock of remaining non-performing loans to continue to be reduced over time.

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

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

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

RISKS TO THE FULL-YEAR OUTLOOK

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

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

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

Sharply increased geopolitical tensions or a large-scale conflict, or recessionary economic and financial conditions could challenge our expectations for the second half-year.

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

Statement *by Management*

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the Interim Report of Danish Ship Finance A/S for the period 1 January - 30 June 2023.

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

In our opinion, the interim financial statements give a true and fair view of the company's assets, liabilities and financial position as at 30 June 2023 and the results of the company's activities for the period 1 January - 30 June 2023.

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

Copenhagen, 29 August 2023

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

Ninna Møller Kristensen

Jacob Balslev Meldgaard

Michael Nellemann Pedersen

Christopher Rex

Henrik Sjøgreen

Henrik Rohde Søgaard

Independent *auditor's report*

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

We have reviewed the interim financial statements of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the period 1 January – 30 June 2023, which comprise income statement, balance sheet, statement of changes in equity, and notes including accounting policies. The interim financial statements are prepared in accordance with the Danish Financial Business Act.

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

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

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

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

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not give a true and fair view of the financial position of the Company at 30 June 2023 and of the results of the Company's operations for the period 1 January – 30 June 2023 in accordance with the Danish Financial Business Act.

Frederiksberg, 29 August 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard
State Authorised
Public Accountant
mne28632

Thomas Hjortkjær Petersen
State Authorised
Public Accountant
mne33748

Income statement

NOTE	DKK million	H1 2023	H1 2022	FY 2022
	Interest income	1,625	578	2,314
	Interest expenses	(1,333)	(315)	(1,687)
	Net interest income [1]	**291**	**263**	**626**
	Fee and commission income	7	7	14
	Net interest and fee income	**299**	**270**	**640**
4	Market value adjustments	74	(166)	(206)
	Other operating income	1	1	1
	Staff costs and administrative expenses	(106)	(89)	(187)
	Depreciation and impairment of property, plant and equipment	(1)	(1)	(2)
7	Loan impairment charges	181	126	583
	Profit before tax	**448**	**140**	**830**
	Tax	(110)	(22)	(166)
	Net profit for the period	**338**	**118**	**663**
	Other comprehensive income	-	-	-
	Tax on other comprehensive income	-	-	-
	Other comprehensive income after tax	**-**	**-**	**-**
	Comprehensive income for the period	**338**	**118**	**663**

1) A DKK 0.0 million component of interest income reflects negative interest rates in the 1st half of 2023 (1st half of 2022: DKK 0.3 million) and a DKK 0.8 million component of interest expenses reflect negative interest rates in the 1st half of 2023 (1st half of 2022: DKK 3.0 million).

Balance sheet

NOTE	DKK million	At 30 Jun 2023	At 30 Jun 2022	At 31 Dec 2022
	ASSETS			
	Due from credit institutions and central banks	2,320	1,092	22
5,6	Loans and other receivables at amortised cost	34,298	36,859	34,029
	Bonds at fair value	13,915	15,008	15,297
	Bonds at amortised cost	4,941	-	4,920
	Shares	100	25	75
	Land and buildings			
	Owner-occupied properties	364	332	340
	Other tangible assets	6	6	6
	Current tax assets	-	-	7
	Deferred tax assets	121	11	48
	Other assets	2,851	2,261	4,074
	Total assets	**58,916**	**55,595**	**58,818**

NOTE	DKK million	At 30 Jun 2023	At 30 Jun 2022	At 31 Dec 2022
	LIABILITIES AND EQUITY			
	Liabilities			
	Due to credit institutions and central banks	4,606	1,360	2,786
9	Issued bonds at amortised cost	40,281	41,467	41,402
	Current tax liabilities	507	4	331
	Other liabilities	3,571	3,417	4,534
	Total liabilities	**48,964**	**46,247**	**49,053**
	Provisions			
	Other provisions	26	33	9
	Total provisions	**26**	**33**	**9**
10	**Equity**			
	Share capital	333	333	333
	Tied-up reserve capital	8,343	8,343	8,343
	Revaluation reserves	70	70	70
	Retained earnings	1,180	464	842
	Proposed dividends for the financial period	-	105	167
	Total equity	**9,926**	**9,315**	**9,755**
	Total liabilities and equity	**58,916**	**55,595**	**58,818**
	Off-balance sheet items			
	Contingent liabilities	-	93	85
	Other contingent liabilities	2,282	4,395	2,667
	Total off-balance sheet items	**2,282**	**4,488**	**2,752**

Statement of changes in equity

DKK million	Share capital	Tied-up reserve capital	Revaluation reserves	Retained earnings	Proposed dividend	Total
Equity as at 1 January 2022	**333**	**8,343**	**70**	**451**	**128**	**9,325**
Dividends paid for the financial year 2021	-	-	-	-	(128)	(128)
Comprehensive income	-	-	-	13	105	118
Equity as at 30 June 2022	**333**	**8,343**	**70**	**464**	**105**	**9,315**
Extraordinary dividends paid	-	-	-	-	(105)	(105)
Comprehensive income	-	-	-	378	167	545
Equity as at 31 December 2022	**333**	**8,343**	**70**	**842**	**167**	**9,755**
Dividends paid for the financial year 2022	-	-	-	-	(167)	(167)
Comprehensive income	-	-	-	338	-	338
Equity as at 30 June 2023	**333**	**8,343**	**70**	**1,180**	**-**	**9,926**

The Danish Maritime Fund has a right to receive 15% of the Net profit for the financial year in mandatory preferred dividend, which can however amount to no more than 1% of the tied-up reserve capital in Danish Ship Finance A/S. The mandatory dividend is proposed at year end based on the Net profit.

List of notes

NOTE 1 ACCOUNTING POLICIES

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

The interim financial statements are presented in Danish kroner (DKK), which is the functional currency of DSF and rounded to nearest million, unless otherwise stated.

The accounting policies are unchanged from the policies applied in the Annual Report 2022. Note 1 in the Annual Report 2022 provides a detailed description of the accounting policies, including the definitions of the ratios used, which are calculated in accordance with the definitions laid down in the Executive Order on Financial Reports.

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

The preparation of the interim financial statements is based on Management's estimates and judgements of future events that may significantly affect the carrying amounts of assets and liabilities. As was the case in the Annual Report 2022, the amounts most influenced by critical estimates in the Interim Report are the fair value of financial instruments as well as measurement and impairment of loans.

NOTE 2 KEY FIGURES

DKK million	H1 2023	H1 2022	FY 2022
Net interest income	291	263	626
Net interest and fee income	299	270	640
Market value adjustments	74	(166)	(206)
Staff costs and administrative expenses	(106)	(89)	(187)
Loan impairment charges	181	126	583
Profit before tax	448	140	830
Net profit for the period	338	118	663
Loans and other receivables at amortised cost	34,298	36,859	34,029
Bonds	18,856	15,008	20,217
Total equity	9,926	9,315	9,755
Total assets	58,916	55,595	58,818

NOTE 2 CONTINUED KEY RATIOS

DKK million	H1 2023	H1 2022	FY 2022
Common Equity Tier 1 capital ratio (%)	21.6	19.5	21.9
Tier 1 capital ratio (%)	21.6	19.5	21.9
Total capital ratio (%)	21.6	19.5	21.9
Return on equity before tax (%) [1]	4.6	1.5	8.7
Return on equity after tax (%) [1]	3.4	1.3	7.0
Income/cost ratio [2]	(5.0)	(2.9)	(1.1)
Income/cost ratio (excluding loan impairment charges)	3.5	1.2	2.3
Foreign exchange position (%)	4.8	5.5	5.8
Gearing of loans	3.5	4.0	3.5
Growth in lending for the period (%)	0.8	1.6	(6.2)
Loan impairment ratio for the period (%)	(0.5)	(0.3)	(1.7)
Accumulated loan impairment charges as a % of loan book	1.8	2.4	2.1
Rate of return on assets (%)	0.6	0.2	1.1

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

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

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

H1 2023 **DKK million**

NOTE 3 RECONCILIATION OF BUSINESS AREAS

Business areas		Net interest income, lending	Net interest income, investment activities	Fees and commission	Market value adjustments	Other operating income	Staff costs and adm. expenses	Dep. and imp. of property, plant and equipment	Loan impairment charges	Profit before tax
Income										
Lending										
Net interest income	**214**	214							-	
Net fees and commission	**7**			7						
Funding										
Funding costs not covered	**(15)**	(18)			3					
Warehousing	**(8)**	(25)			16					
Non-business activities	**27**	19			7	1				
Investments										
Net interest income	**100**		100							
MV adjustments	**48**				48					
Total income	**374**	191	100	7	74	1	-	-	-	-
Staff costs and adm. expenses	**(107)**						(106)	(1)		
Loan impairment charges before reclassification of interest	**181**								181	
Profit before tax	**448**									448
	Total	**191**	**100**	**7**	**74**	**1**	**(106)**	**(1)**	**181**	**448**

H1 2022 **DKK million**

NOTE 3 CONTINUED RECONCILIATION OF BUSINESS AREAS

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

FY 2022 **DKK million**

NOTE 3 CONTINUED RECONCILIATION OF BUSINESS AREAS

Business areas		Net interest income, lending	Net interest income, investment activities	Fees and commission	Market value adjustments	Other operating income	Staff costs and adm. expenses	Dep. and imp. of property, plant and equipment	Loan impairment charges	Profit before tax
Income										
Lending										
Net interest income	**540**	540							0	
Net fees and commission	**14**			14						
Funding										
Funding costs not covered	**(16)**	(6)			(10)					
Warehousing	**(19)**	2			(21)					
Non-business activities	**4**	26			(23)	1				
Investments										
Net interest income	**65**		65							
MV adjustments	**(152)**				(152)					
Total income	**436**	562	65	14	(206)	1	-	-	0	-
Staff costs and adm. expenses	**(189)**						(187)	(2)		
Loan impairment charges before reclassification of interest	**583**								583	
Profit before tax	**830**									830
	Total	**562**	**65**	**14**	**(206)**	**1**	**(187)**	**(2)**	**583**	**830**

NOTE 4 MARKET VALUE ADJUSTMENTS

DKK million	H1 2023	H1 2022	FY 2022
Market value adjustment of bonds at fair value	29	(968)	(1,325)
Market value adjustment of shares	-	-	-
Exchange rate adjustments	(2)	(4)	(5)
Market value adjustment of derivatives	47	807	1,124
Total market value adjustments	**74**	**(166)**	**(206)**

NOTE 5 LOANS AT AMORTISED COST

DKK million	At 30 Jun 2023	At 30 Jun 2022	At 31 Dec 2022
As at 1 January	34,029	36,293	36,293
Additions	6,622	2,616	6,577
Ordinary repayments and redemptions	(2,301)	2,910)	(5,765)
Extraordinary repayments	(3,550)	(1,854)	(4,779)
Net change concerning revolving credit facilities	(105)	(274)	(573)
Exchange rate adjustment of loans	(487)	2,898	2,017
Change in amortised cost	(8)	14	(5)
Depreciation, amortisation and impairment	98	76	265
At the end of the period	**34,298**	**36,859**	**34,029**
Gross loans at exchange rates at the balance sheet date	34,926	37,774	34,756
Accumulated loan impairment charges	(629)	(915)	(726)
Total loans	**34,298**	**36,859**	**34,029**
Total loans			
Loans at fair value	34,141	36,392	34,155
Loans at amortised cost	34,298	36,859	34,029

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

NOTE 6 NON-PERFORMING LOANS

DKK million	At 30 Jun 2023	At 30 Jun 2022	At 31 Dec 2022
Impaired loans (DSF Rating 11)			
Loans subject to forbearance or otherwise impaired, gross	1,172	567	544
Accumulated loan impairment charges	(438)	(209)	(218)
Impaired loans, net	**734**	**357**	**326**
Defaulted loans (DSF Rating 12)			
Loans in default, gross	-	1,049	701
Accumulated loan impairment charges	-	(534)	(296)
Defaulted loans, net	**-**	**515**	**405**
Non-performing loans, gross (NPL)	**1,172**	**1,616**	**1,245**
Non-performing loans, net (net NPL)	**734**	**873**	**731**
NPL ratio	**3.3%**	**4.3%**	**3.6%**
Net NPL ratio	**2.1%**	**2.3%**	**2.1%**

NPL ratio definition: NPL divided by loan book.

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

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

NOTE 7 LOAN IMPAIRMENT CHARGES

DKK million	At 30 Jun 2023	At 30 Jun 2022	At 31 Dec 2022
The following loan impairment charges/loss allowances were made on loans/credit commitments			
Accumulated loan impairment charges	629	915	726
Accumulated loss allowances for credit commitments	26	33	9
Total	**655**	**948**	**736**
Accumulated loan impairment charges as a % of the loan book	1.8	2.4	2.1
Reconciliation of total allowance account			
As at 1 January	736	1,007	1,007
New loan impairment charges/loss allowances	324	155	253
Reversal of loan impairment charges/loss allowances	(405)	(213)	(523)
Gross write-offs debited to the allowance account	-	(2)	(2)
Total	**655**	**948**	**736**
Loan impairment charges for the period			
New loan impairment charges/loss allowances	(324)	(155)	(253)
Reversal of loan impairment charges/loss allowances	405	213	523
Reclassification of interest	0	0	0
Recovery on loans previously written off	100	68	313
Loan impairment charges	**181**	**126**	**583**

NOTE 8 CREDIT RISK

DKK million	At 30 Jun 2023	At 30 Jun 2022	At 31 Dec 2022
Reconciliation of loans and guarantees (loan book)			
Balance sheet			
Loans at amortised cost	34,298	36,859	34,029
Other receivables	172	146	164
Accumulated loan impairment charges	629	915	726
Total balance sheet items	**35,098**	**37,920**	**34,920**
Guarantees	-	93	85
Total guarantees	**-**	**93**	**85**
Total loans and guarantees	**35,098**	**38,012**	**35,005**
Reconciliation of other contingent liabilities			
Credit commitments	2,282	4,395	2,667
Total other contingent liabilities	**2,282**	**4,395**	**2,667**
Reconciliation of financial exposure			
Due from credit institutions and central banks	2,320	1,092	22
Bonds	18,856	15,008	20,217
Shares	100	25	75
Derivatives	2,391	2,141	3,620
Total financial exposure	**23,667**	**18,267**	**23,934**
Total credit risk from loans, guarantees, credit commitments and financial exposures	**61,047**	**60,675**	**61,605**

NOTE 8 CONTINUED RATING CATEGORY BREAKDOWN

The DSF Rating scale consists of 12 rating categories.

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

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

Loan book before loan impairment charges broken down by rating category

DSF Rating	Loans and guarantees 30 Jun 2023	Loans and guarantees 30 Jun 2022	Loans and guarantees 31 Dec 2022
1 - 2	-	-	-
3 - 4	7,307	5,170	4,495
5 - 6	16,148	19,194	16,646
7 - 8	10,471	11,770	12,588
9 - 10	-	262	31
11 (impaired)	1,172	567	544
12 (default)	-	1,049	701
Total	**35,098**	**38,012**	**35,005**

DKK million

NOTE 8 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

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

DSF Rating	Stage 1	Stage 2	Stage 3	Loans and guarantees 30 Jun 2023
1	-	-	-	-
2	-	-	-	-
3	2,040	-	-	2,040
4	5,268	-	-	5,268
5	6,667	-	-	6,667
6	9,481	-	-	9,481
7	8,847	-	-	8,847
8	1,625	-	-	1,625
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	1,172	1,172
12 (default)	-	-	-	-
Total	**33,927**	**-**	**1,172**	**35,098**

DKK million

NOTE 8 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

Credit commitments broken down by rating category and stage

DSF Rating	Stage 1	Stage 2	Stage 3	Credit commitments 30 Jun 2023
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	911	-	-	911
7	1,181	-	-	1,181
8	190	-	-	190
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	**2,282**	**-**	**-**	**2,282**

DKK million

NOTE 8 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

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

DSF Rating	Stage 1	Stage 2	Stage 3	Loans and guarantees 30 Jun 2022
1	-	-	-	-
2	-	-	-	-
3	2,131	-	-	2,131
4	3,038	-	-	3,038
5	6,743	-	-	6,743
6	12,451	-	-	12,451
7	8,987	172	-	9,159
8	2,612	-	-	2,612
9	-	-	-	-
10	-	262	-	262
11 (impaired)	-	-	567	567
12 (default)	-	-	1,049	1,049
Total	**35,962**	**434**	**1,616**	**38,012**

DKK million

NOTE 8 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

Credit commitments broken down by rating category and stage

DSF Rating	Stage 1	Stage 2	Stage 3	Credit commitments 30 Jun 2022
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	215	-	-	215
6	1,332	-	-	1,332
7	1,718	-	-	1,718
8	1,131	-	-	1,131
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	**4,395**	**-**	**-**	**4,395**

DKK million

NOTE 8 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

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

DSF Rating	Stage 1	Stage 2	Stage 3	Loans and guarantees 31 Dec 2022
1	-	-	-	-
2	-	-	-	-
3	2,075	-	-	2,075
4	2,420	-	-	2,420
5	5,806	-	-	5,806
6	10,840	-	-	10,840
7	10,442	-	-	10,442
8	2,146	-	-	2,146
9	-	31	-	31
10	-	-	-	-
11 (impaired)	-	-	544	544
12 (default)	-	-	701	701
Total	**33,728**	**31**	**1,245**	**35,005**

DKK million

NOTE 8 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

Credit commitments broken down by rating category and stage

DSF Rating	Stage 1	Stage 2	Stage 3	Credit commitments 31 Dec 2022
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	366	-	-	366
6	1,198	-	-	1,198
7	647	-	-	647
8	456	-	-	456
9	-	-	-	-
10	-	-	-	-
11 (impaired)	-	-	-	-
12 (default)	-	-	-	-
Total	**2,667**	**-**	**-**	**2,667**

DKK million

NOTE 8 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

Changes in total ECL allowance account broken down by stage

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	210	12	514	736
Transferred to Stage 1 during the period	12	(12)	-	-
Transferred to Stage 2 during the period	-	-	-	-
Transferred to Stage 3 during the period	-	-	-	-
New loan impairment charges/loss allowances	59	-	266	324
Reversal of loan impairment charges/ loss allowances	(63)	-	(342)	(405)
Gross write-offs for the period	-	-	-	-
Total ECL allowance account as at 30 June 2023	**217**	**-**	**438**	**655**
Of which:				
- Accumulated loan impairment charges	191	-	438	629
- Accumulated loss allowances for credit commitments	26	-	-	26
Of which:				
- Management judgments	-	-	50	50

DKK million

NOTE 8 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

Changes in total ECL allowance account broken down by stage

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

DKK million

NOTE 8 CONTINUED

STAGES FOR CHANGES IN CREDIT RISK

Changes in total ECL allowance account broken down by stage

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	171	37	800	1,007
Transferred to Stage 1 during the period	7	(7)	-	-
Transferred to Stage 2 during the period	-	-	-	-
Transferred to Stage 3 during the period	-	-	-	-
New loan impairment charges/loss allowances	101	12	140	253
Reversal of loan impairment charges/ loss allowances	(69)	(30)	(424)	(523)
Gross write-offs for the period	-	-	(2)	(2)
Total ECL allowance account as at 31 December 2022	**210**	**12**	**514**	**736**
Of which:				
- Accumulated loan impairment charges	201	12	514	726
- Accumulated loss allowances for credit commitments	9	-	-	9
Of which:				
- Management judgments	-	-	85	85

DKK million

NOTE 8 CONTINUED

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

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

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

The Risk Report 2022 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 increased by 3.3% on average in the first half of 2023.

NOTE 8 CONTINUED Loan book after loan impairment charges broken down by loan-to-value interval

Loan-to-value interval	Share of loans 30 Jun 2023	Share of loans 30 Jun 2022	Share of loans 31 Dec 2022
0 - 20 %	53%	51%	50%
20 - 40 %	39%	35%	38%
40 - 60 %	7%	13%	11%
60 - 80 %	1%	1%	0%
80 - 90 %	0%	0%	0%
90 - 100 %	0%	0%	0%
Over 100 %	0%	0%	0%

The table above shows that as at 30 June 2023 99% (31 December 2022: 100%) of all loans were secured within 60% of the market value of the mortgage, and 100% (31 December 2022: 100%) of all loans were within 80% of the market value of the mortgage.

The weighted loan-to-value ratio on the loan book after loan impairment charges was 41% (31 December 2022: 43%).

NOTE 8 CONTINUED Non-performing loans after loan impairment charges broken down by loan-to-value interval

Loan-to-value interval	Share of loans 30 Jun 2023	Share of loans 30 Jun 2022	Share of loans 31 Dec 2022
0 - 20 %	59%	52%	60%
20 - 40 %	40%	36%	37%
40 - 60 %	1%	12%	3%
60 - 80 %	0%	0%	0%
80 - 90 %	0%	0%	0%
90 - 100 %	0%	0%	0%
Over 100 %	0%	0%	0%

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

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

NOTE 9 ISSUED BONDS AT AMORTISED COST

DKK million	At 30 Jun 2023	At 30 Jun 2022	At 31 Dec 2022
As at 1 January	41,402	43,228	43,228
Additions in connection with pre-issuance	6,558	1,239	8,189
Amortisation of cost	1	(37)	(87)
Adjustment for hedge accounting	(34)	(398)	(1,204)
Exchange rate adjustment	10	3	(0)
Own bonds	20	(662)	1,289
Ordinary and extraordinary redemptions	(7,676)	(1,907)	(10,013)
At the end of the period	**40,281**	**41,467**	**41,402**
Specification of issued bonds			
Bonds issued in DKK			
Bullet bonds	35,379	34,106	35,669
Amortising CIRR bonds	29	117	73
Total Danish bonds	**35,408**	**34,223**	**35,742**
Bonds issued in foreign currency			
Bullet bonds	6,799	11,131	7,585
Total bonds issued in foreign currency	**6,799**	**11,131**	**7,585**
Own bonds	(1,926)	(3,887)	(1,925)
Total issued bonds	**40,281**	**41,467**	**41,402**

NOTE 10 EQUITY

DKK million	At 30 Jun 2023	At 30 Jun 2022	At 31 Dec 2022
Share capital			
A shares	300	300	300
B shares	33	33	33
Total share capital	**333**	**333**	**333**
Tied-up reserve capital	8,343	8,343	8,343
Revaluation reserves	70	70	70
Retained earnings	1,180	464	842
Proposed dividends for the financial year	-	105	167
Total equity	**9,926**	**9,315**	**9,755**

The share capital is divided into the following denominations:

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

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

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

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

NOTE 11 CAPITAL ADEQUACY

DKK million	At 30 Jun 2023	At 30 Jun 2022	At 31 Dec 2022
Common Equity Tier 1 capital			
Share capital - A shares	300	300	300
Share capital - B shares	33	33	33
Tied-up reserve capital	8,343	8,343	8,343
Retained earnings	1,180	464	842
Proposed dividends for the financial period	-	105	167
Revaluation reserves	70	70	70
Total Common Equity Tier 1 capital before deductions	**9,926**	**9,315**	**9,755**
Deductions from Common Equity Tier 1 capital			
Proposed dividends for the financial period	-	105	167
Retained earnings	338	118	-
Additional capital charge pursuant to the Executive Order on a Ship Finance Institute	-	-	-
Prudent valuation pursuant to article 105 of the CRR	28	26	31
Deductions for NPE loss coverage	246	271	260
Deductions pursuant to transitional rules regarding B share capital	33	33	33
Total deductions from Common Equity Tier 1 capital	**646**	**553**	**492**
Common Equity Tier 1 capital after deductions	**9,280**	**8,761**	**9,263**
Own funds after deductions	**9,280**	**8,761**	**9,263**

NOTE 11 CONTINUED

DKK million	At 30 Jun 2023	At 30 Jun 2022	At 31 Dec 2022
Risk exposure amount			
Assets outside the trading book	35,276	37,273	34,414
Off-balance sheet items	1,141	2,198	1,892
Counterparty risk outside the trading book	2,517	2,045	2,645
Market risk	3,238	2,673	2,625
Operational risk	813	829	813
Total risk exposure amount	**42,985**	**45,018**	**42,389**
Common Equity Tier 1 capital ratio	**21.6**	**19.5**	**21.9**
Tier 1 capital ratio	**21.6**	**19.5**	**21.9**
Total capital ratio	**21.6**	**19.5**	**21.9**
The risk exposure amount for market risk consists of:			
Position risk related to debt instruments	2,675	2,144	1,994
Position risk related to shares	118	43	93
Total currency position	444	486	538
Total risk-weighted exposure amount for market risk	**3,238**	**2,673**	**2,625**

NOTE 12 RELATED PARTIES

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

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

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

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

Related-party transactions concerning loans and loan offers totalled as at 30 June 2023 a nominal amount of DKK 1,331 million (as at 31 December 2022: DKK 1,417 million). Transactions with related parties are settled on an arm's-length basis and recognised in the financial statements according to the same accounting policy as for similar transactions with unrelated parties.

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

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

NOTE 13 SUPPLEMENTARY NOTES WITHOUT REFERENCE

Reference is made to the description of financial risk and policies for financial risk management provided in the risk management sections in the Annual Report 2022, as no significant changes are deemed to have occurred as at 30 June 2023.

Danish Ship Finance A/S
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