DANISH
SHIP FINANCE

ANNUAL REPORT 2014

CVR NO. 27 49 26 49

OBJECTIVE AND VISION

The objective of Danish Ship Finance is to provide ship financing in Denmark. In addition, the company provides ship financing in the international market, provided that such activities do not unnecessarily limit the company's Danish operations.

Danish Ship Finance provides short-term and long-term funding for shipowners in all stages of the shipping cycle and it endeavours to be a competent and trustworthy business partner to its customers and financial counterparties as well as other stakeholders.

Danish Ship Finance aims to obtain satisfactory financial results for its owners and is therefore dedicated to creating value, which is secured through controlled growth in lending while focusing on high credit quality and appropriate diversification in the loan portfolio.

Danish Ship Finance is managed on the basis of the following vision:

"Danish Ship Finance is to be the most recognised and stable provider of financing for reputable shipowners".

TABLE OF CONTENTS

MANAGEMENT'S REVIEW

04 Danish Ship Finance at a glance
05 Key figures and ratios
08 2014
12 Income statement and balance sheet
14 Outlook
16 Capital management
18 Liquidity management
20 Internal control and risk management systems
22 Credit risk
28 Market risk
30 Liquidity risk
32 Operational risk
34 Bond issuance
36 Share capital
42 Human resources
44 Management and directorships

STATEMENT AND REPORTS

46 Statement by the Management Board and the Board of Directors
47 Independent auditor's report

FINANCIAL STATEMENTS

48 Income statement
49 Balance sheet
50 Statement of changes in equity
51 List of notes
52 Notes

DANISH SHIP FINANCE AT A GLANCE

DANISH SHIP FINANCE AT A GLANCE

Danish Ship Finance is a ship finance institute based on a simple and effective business model for financing vessels against a first mortgage. The company is supervised by the Danish FSA.

Danish Ship Finance provides financing for selected Danish shipowners and for selected non-Danish shipowners.

Danish Ship Finance must comply with the specific balance principle. Any future liquidity deficit under the balance principle may not exceed the total capital, which ensures liquidity for lending throughout the maturity. The company is thus not dependent on ongoing refinancing of outstanding loans.

Danish Ship Finance has a vision of being the most recognised and stable provider of financing for reputable shipowners.

FINANCIAL PERFORMANCE AND EVENTS DURING THE YEAR

At 31 December 2014, Danish Ship Finance had loans of DKK 43,347 million, total assets of DKK 69,374 million and equity of DKK 11,146 million, including proposed dividends for the financial year. The company had first mortgages in 538 vessels.

The profit after tax for the year was DKK 1,568 million, which was more than triple last year's profit of DKK 477 million. The profit, which was strongly affected by reversal of prior-year loan impairment charges, is considered highly satisfactory.

The capital ratio was 16.4% at 31 December 2014 after proposed dividends. The tier 1 capital ratio was also 16.4%. The company's solvency need ratio was 8.5% at the end of 2014. This gives the company a solvency need buffer of 7.9 percentage points.

The company's loans to Danish shipowners accounted for 32% of total loans before impairment charges. Loans to foreign shipowners were divided between 58 shipowners and 20 countries.

Danish Ship Finance still maintains highly satisfactory liquidity resources. Through bond issues and the existence of a liquid portfolio of bonds, the company has secured ample liquidity coverage for all existing loans and loan offers until expiry. There was strong investor interest in the company's bonds, and funding was raised on competitive terms.

The company expects to pay dividends of DKK 1,181 million to its shareholders, of which Den Danske Maritime Fond will receive DKK 83 million.

KEY FIGURES AND RATIOS

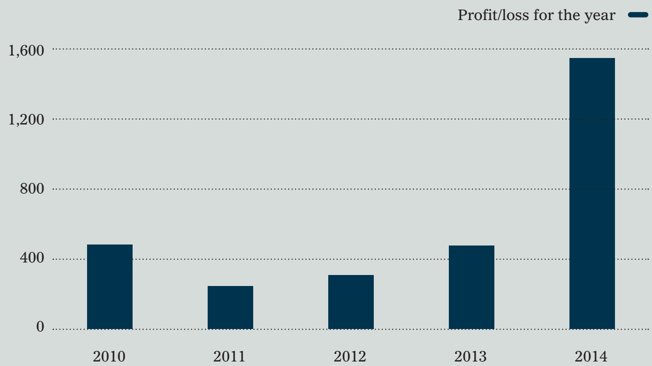
KEY FIGURES, DKK MILLION	2014	2013	2012	2011	2010
Net interest income from lending operations	565	541	439	348	360
Net interest income from financing operations	255	350	447	476	521
Total net interest income	820	891	886	824	881
Net interest and fee income	934	937	940	886	945
Market value adjustments	123	(25)	105	(135)	(2)
Staff costs and administrative expenses	(98)	(97)	(94)	(90)	(84)
Loan impairment charges etc.	1,103	(166)	(523)	(333)	(245)
Profit/loss before tax	2,061	647	427	326	613
Profit/loss for the year	1,568	477	314	244	493
Loans	43,347	42,383	46,364	46,948	49,472
Bonds	18,680	21,066	30,091	26,944	29,216
Subordinated debt	-	-	-	899	898
Equity	11,146	9,983	9,773	9,666	9,496
Total assets	69,374	67,222	83,002	78,998	84,346

RATIOS	2014	2013	2012	2011	2010
Net interest and fee income, lending operations, (DKKm)	679	586	488	404	419
Return on equity after tax (%)	14.8	4.8	3.2	2.5	5.3
Return on financing operations (%)	2.8	2.9	4.7	3.5	4.6
Tier 1 capital less deductions, (DKKm)	9,682	9,312	8,963	9,760	9,818
Tier 1 capital ratio	16.4	17.0	15.1	16.3	15.3
Cost/income ratio*)	9.0	10.1	8.7	11.7	8.7
Equity as a % of lending	25.7	23.6	21.1	20.6	19.2
Realised losses on loans, as a % of lending	0.1	0.1	0.0	0.2	0.2
Accumulated impairment ratio	4.3	6.7	5.8	4.6	3.9
Weighted Loan-to-value ratio after impairment	59	62	67	64	65
Proportion of loans covered within 60% of market value (%)	95	92	89	90	89

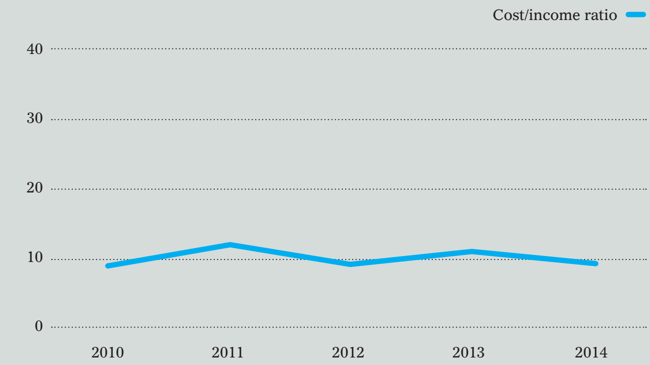
**) The calculation of the "cost/income ratio" does not include impairment charges.*


42
40
38
36
34
32
30
28
26
24
22
20

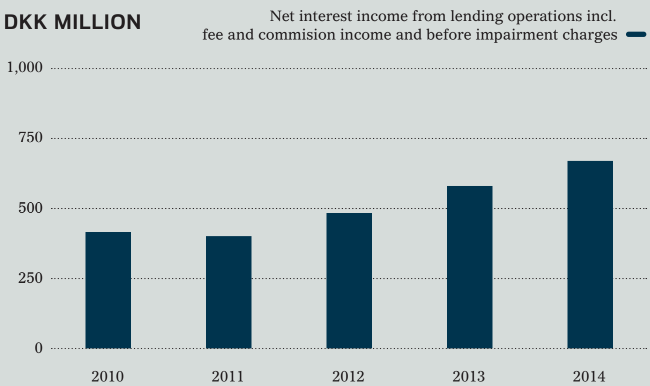
PROFIT/LOSS FOR THE YEAR
DKK MILLION



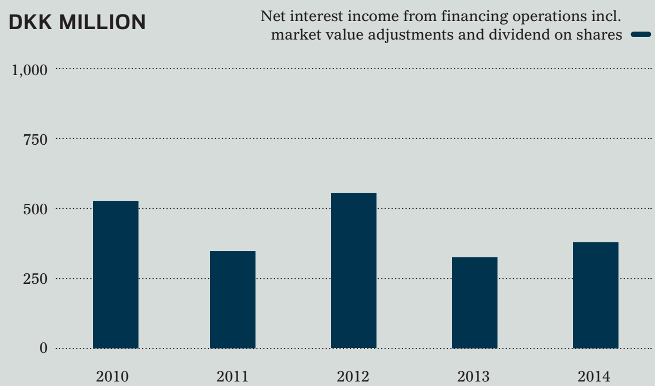
COST/INCOME RATIO
%



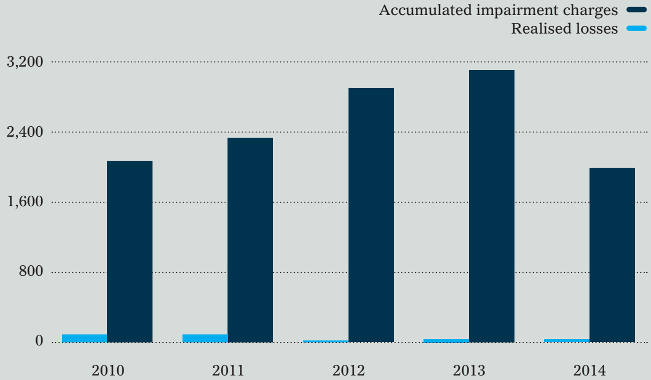
NET INCOME FROM LENDING OPERATIONS
DKK MILLION



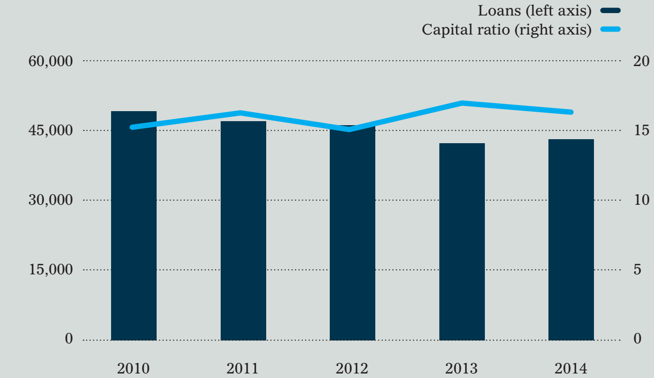
NET INCOME FROM FINANCING OPERATIONS
DKK MILLION



ACCUMULATED IMPAIRMENT CHARGES AND REALISED LOSSES
DKK MILLION



LOANS/CAPITAL RATIO
DKK MILLION / %



2014

The year 2014 was characterised by global volatility and uncertainty. The International Monetary Fund (IMF) marked down its global growth projection on several occasions in 2014, ending up with a projection of 3.3%. This was on a level with 2013.

The US economy was a positive surprise in 2014, and the IMF estimates that the US economy expanded by 2.4%. Economic growth in Asia also contributed to the global economy, whereas the largest economies lost momentum in 2014. In China, GDP is expected to have risen by 7.4%, while the Japanese economy expanded by 0.1%. The Eurozone economies as a whole grew by 0.8% in 2014, ending the recession experienced in 2013.

According to the WTO, overall seaborne trade rose by 3.1% in 2014, and the global economy thus outperformed global seaborne trade. It is still too early to draw any meaningful conclusions from these trends, but the ageing populations of Europe, Japan and China create a structural and, by extension, more long-term challenge for global seaborne trade. The reason is that an ageing population tends to demand services rather than products to the detriment of seaborne trade.

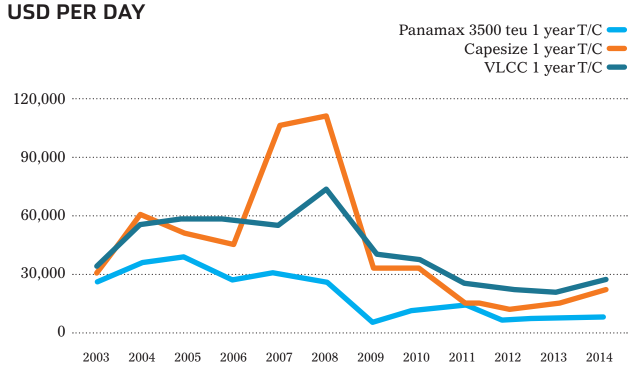
THE SHIPPING MARKET

The shipping market continues to suffer from the fact that, during the past five years, the expansion of the fleet has strongly outgrown demand for maritime transport. The excess supply of vessels was not absorbed in 2014, but in some segments the supply/demand balance was improved.

Clarksons ClarkSea Index, the leading freight rate index, remains at a low level. In 2014, the index averaged USD 11,700 per day, an increase of just under 14%, or USD 1,400 per day, relative to 2013. However, the index ended the year at a more decent USD 14,700 per day.

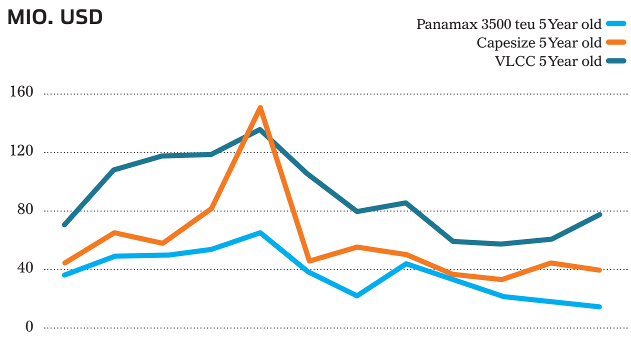
The falling oil prices have pushed down the price of bunker oil. Relative to 2013, bunker rates fell by 10% on average. At

TIMECHARTER RATE
USD PER DAY



Source: Clarksons, Danish Ship Finance

SHIP PRICES BY SEGMENT
MIO. USD



Source: Clarksons, Danish Ship Finance

the end of 2014, rates were 40% down on the year-end 2013 level. The lower oil prices affect the various segments differently, but overall they have a positive effect on the shipping industry.

The container markets remain characterised by excess capacity. The markets are dominated by the fact that very large vessels are added to the fleet, while smaller vessels are scrapped, exacerbating excess supply in the principal trade lanes. Most vessels continue the practice of slow steaming to absorb some of the excess capacity and reduce bunker costs, but the falling oil prices may result in higher speed and thereby increased capacity.

The crude oil and product tanker segments experienced growing demand when the price of crude oil nosedived towards the end of the year, among other things on expectations of increasing use of crude oil tankers for oil storage purposes. Combined with a seasonal increase in oil demand, this resulted in notably higher freight rates towards the end of the year.

The chemical carrier market remains squeezed by excess supply of tonnage, and in the longer term the segment may be further challenged by substantial ordering of newbuildings in 2014. In the second half of 2014, however, freight rates rose on the back of growing demand for chemicals in Europe and Asia.

Suffering from excess capacity and volatile demand outlook, the dry bulk market had another difficult year in 2014. The leading dry bulk index, Baltic Dry Index, fell throughout the second half of 2014, ending the year below index 1,000, which is 58% below the year-end 2013 level. The Capesize and Panamax segments had a particularly difficult year.

In large parts of 2014, demand exceeded the supply of vessels in the LPG market, resulting in record-high freight rates. A growing imbalance between supply and demand returned to the LNG market in 2014. Freight rates continued their downward trend, ending the year on average 20% lower than in 2013. The outlook for both gas segments is challenged by the potential challenge of excess capacity if the high growth expectations are not met.

Parts of the offshore market was marked by short periods of high rates, but sentiment changed in step with the falling price of crude oil during the final months of the year.

Despite the positive end-of-year rate developments in certain segments, 2014 should in general be considered another challenging year for the shipping industry. The falling oil prices also involve an inherent risk that vessels will begin to steam up. The capacity reserve that slow steaming has built up in recent years would then become visible. In other words, the shipping crisis cannot generally be said to be over.

THE FINANCIAL MARKET

In 2014, the financial markets were generally characterised by the continued decline in interest rates from already historically low levels. The Eurozone economies experienced sluggish growth with some countries even recording negative growth rates. Combined with falling commodity and energy prices, the weak growth pushed the EU close to deflation territory. Inflation in Europe was thus well below the ECB inflation target rate of 2%.

The rate cuts pushed certificate of deposit rates into negative territory, and the ECB relaunched a long-term refinancing operation (LTRO) of up to four years in order to boost liquidity in the banking sector and stimulate lending and growth. The ECB informed the market that it aimed to spark economic growth using the instruments available within its mandate, including the purchase of government bonds and other instruments. The ECB did not directly purchase government bonds in 2014, but the market remained confident that the ECB would also be able to use this option, and 10-year yield spreads between the Eurozone countries generally narrowed in 2014.

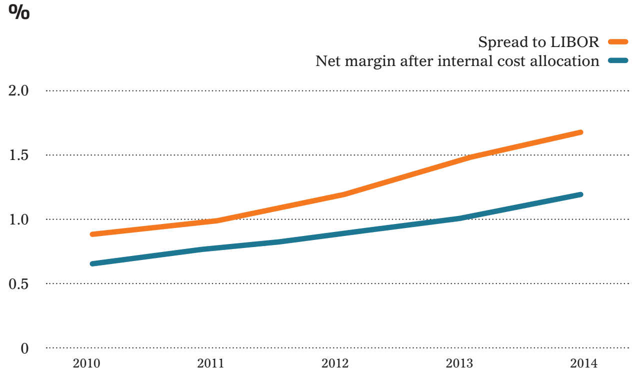
The Danish central bank raised the rate on certificates of deposit in April due to a weakened DKK. Since the rate hike, the Danish krone has gradually strengthened, and interest in Danish mortgage and government bonds has remained strong. Danish government bonds have been trading at close to German Bunds at spreads of between 10-30 basis points.

There was a general decline in DKK and EUR swap rates, and especially the long swap rates fell by up to 120-125 basis points for maturities of 10 and 30 years. The sharp drop in interest rates and falling volatility made 2014 a good year for

Danish bonds, with long-term callable and interest-sensitive mortgage bonds offering higher returns than government bonds with the same duration.

MARGIN EARNINGS ON LOANS

%



LOAN MARKET

Competition in the market remained fairly unchanged from 2013 to 2014. A number of banks are still scaling down their ship financing activities. New lenders have entered the market or ramped up their business activities. Notably, Asian export credit institutions are contributing extensively to financing newbuildings in their respective countries. Most banks currently focus on the segment that Danish Ship Finance has been targeting, both before and after 2008; reputable shipowners. In 2014, this resulted in a slight contraction of the credit margins paid by the best shipowners. Terms and conditions offered to the shipowners have also been eased somewhat compared to at the peak of the crisis.

PERFORMANCE RELATIVE TO EXPECTATIONS

The company's guidance for 2014 was based on an assumption of a small decline in lending. Against that background, Danish Ship Finance expected fairly unchanged earnings from lending activities before impairment charges.

Because of early repayment of loans in 2014, through most parts of the year total lending was notably lower than at the beginning of the year. It was not until the final quarter of the year that total lending rose to the level witnessed at the start of the year. The trend found support in the strengthening US dollar. The extraordinary repayments resulted in non-recurring income, which made earnings from lending activities before impairment charges exceed the company's expectations. When disregarding non-recurring income, earnings from lending activities before impairment charges were also slightly better than expected.

Danish Ship Finance had not expressed any specific guidance for impairment charges, but it did state that the settlement of some of the large problem loans could result in reversals for the year. In the course of the year, the company managed to fully settle a few large problem loans, which meant that the impairment charges associated with the exposures were reversed. In connection with the partial reduction of a few other exposures, impairment charges were also reversed. The company did not record losses on these exposures. Losses for the year concern on-account losses on two small exposures that remain to be settled but for which a credit loss is deemed inevitable.

Interest income on the securities portfolio was expected to be in line with that recorded in 2013. Over the course of the year, high-coupon bonds were replaced by lower-coupon bonds. As a result of this and also the consistently lower level of bond yields, interest income was significantly lower than expected at the beginning of the year. However, positive market value adjustments offset the lower interest income. The overall return on the securities portfolio was slightly higher than in 2013, which was marginally better than expected.

As most of the loans are granted in USD, the company anticipated that movements in the USD exchange rate would affect the profit for the year. Overall, the increase in the DKK/USD exchange rate took the profit for the year slightly lower than if the exchange rate had remained unchanged. The reason is that impairments rise in step with the DKK/USD exchange rate and more than offset the positive impact of the higher exchange rate on earnings from lending. Viewed separately, the higher DKK/USD exchange rate also resulted in an increase in lending, triggering a reduction of the capital ratio.

ACTIVITIES DURING THE YEAR

In 2014, loan offers with a counter value (year-end exchange rates) of DKK 10.1 billion were accepted, up from DKK 4.5 billion in 2013. The loan offers will result in loans being disbursed in 2014 and 2015. The increase reflects the company's dedicated effort to serve the group of reputable – often family-controlled – shipowners that constitute the company's target customers. Loans disbursed in 2014 amounted to DKK 8.4 billion, against DKK 5.4 billion in 2013. The number of customers rose by about 10%.

At the end of 2014, loans with objective evidence of impairment amounted to DKK 2.6 billion, against DKK 4.5 billion at the end of 2013. The decline was due to the full or partial settlement of a number of problem loans in 2014. The weighted loan-to-value ratio after impairment charges for the remaining loans with objective evidence of impairment was 59%.

Losses incurred amounted to DKK 32 million. Losses incurred since the crisis broke out in 2008 thus still account for less than 0.1% p.a. measured in proportion to total lending. This low level is satisfactory.

There were no new problem loans in 2014. The credit quality in the loan book is still considered good.

Danish Ship Finance maintained a low duration on its securities portfolio and pertaining hedging transactions, resulting in a low level of market value adjustments. As a result of an overweight of callable mortgage bonds and non-callable bullet bonds in the securities portfolio, the total return of 2.8% was satisfactory both in relative terms and in absolute terms relative to the risk exposure. The company does not believe that the gain of having long-term bonds has offset the risk of a potential rise in interest rates.

BOND ISSUANCE

External events occurred in the fourth quarter of 2014 that directly or indirectly could affect the pricing of ship mortgage bonds. On 1 October 2014, changes were made to the eligibility of ship mortgage bonds placed as collateral with the Danish central bank. The central bank announced that ship mortgage bonds will be omitted from the collateral basis with effect from 1 April 2015. Further, the EU requirements for compliance with the liquidity buffer (Liquidity Coverage Ratio, LCR) were finalised, and this meant that bonds must attain a rating of at least A3 (Moody's) to be eligible for the LCR. As bonds issued by Danish Ship Finance currently have a rating of Baa2, stable outlook, they do not meet the LCR rating requirements.

Overall, the terms and conditions of new bond issues are still considered favourable, allowing the company to provide competitive financing for the shipping industry.

The company had a limited need for new funding in 2014, and total bond issuance in 2014 amounted to just under DKK 3 billion with a maturity of 6.4 years. The company bought back existing shorter maturity bonds for DKK 5.5 billion.

During the financial crisis, the company has retained a robust cash position, giving it low sensitivity to short-term developments in the capital markets.

INCOME STATEMENT AND BALANCE SHEET

INCOME STATEMENT

The profit for the year amounted to DKK 1,568 million compared with DKK 477 million in 2013, representing an increase of 229%. The profit, which was strongly affected by reversal of prior-year loan impairment charges, is considered highly satisfactory under the still difficult market conditions.

Net earnings from lending operations including fee income amounted to DKK 679 million, against DKK 586 million in 2013. The increase in net earnings was primarily attributable to non-recurring income relating to prepayments of loans.

Interest and dividend earnings from financing operations fell from DKK 350 million to DKK 255 million in 2014 due to refinancing of higher-coupon bonds to lower-coupon bonds.

Net interest and fee income totalled DKK 934 million, down from DKK 937 million in 2013.

Market value adjustments of securities and foreign exchange amounted to an income of DKK 123 million compared with an expense of DKK 25 million in 2013. The increase was partly due to the general fall in interest rates and lower-coupon bonds and therefore lower sensitivity to the bond maturity effect.

At the end of 2014, the securities portfolio consisted primarily of Danish mortgage bonds, while a small proportion was invested in Danish government bonds and bonds issued by Kommunekredit.

Staff costs and administrative expenses rose from DKK 97 million in 2013 to DKK 98 million. The average number of employees (full-time equivalents) rose by one person from 61 to 62.

Loan impairment charges amounted to a net income of DKK 1,103 million compared with a net expense of DKK 166 million in 2013. The allowance account was reduced from DKK 3,071 million at 31 December 2013 to DKK 1,974 million at year-end 2014. The allowance account accounted for 4.3% of total loans and guarantees, which was 2.4 percentage points lower than the year before.

Realised losses were DKK 32 million in 2014, compared to DKK 28 million in 2013. Losses incurred thus remain at a very low level. Movements in impairment charges in 2014 are specified in note 14 to the financial statements.

Tax on the profit for the year represents an expense of DKK 493 million against an expense of DKK 170 million in 2013. For 2014, the expense translates into an effective tax rate of 23.9%, against 26.3% in 2013.

BALANCE SHEET AND CAPITAL STRUCTURE

Total assets rose to DKK 69,374 million at 31 December 2014 from DKK 67,222 million at 31 December 2013.

Lending calculated at amortised cost less impairment charges rose slightly from DKK 42,383 million at 31 December 2013 to DKK 43,347 million at year-end 2014. Over the course of the year, there was an increase in new loans of DKK 8,440 million, against an increase in 2013 of DKK 5,448 million. In 2014, loans were repaid in the gross amount of DKK 12,605 million, which is a sharp increase from DKK 6,685 million in 2013. A sharp appreciation of the USD at the end of 2014 resulted in an increase in lending. For further details on movements in lending, see note 12 to the financial statements.

Issued bonds fell from DKK 48,657 million at 31 December 2013 to DKK 45,077 million at year-end 2014. As part of its efforts to maintain strong liquidity resources, Danish Ship Finance normally issues bonds well in advance of the loan disbursements. This makes the company less sensitive to short-term fluctuations in the capital market. In 2014, ordinary and extraordinary redemption of issued bonds amounted to DKK 6,867 million, against DKK 13,861 million in 2013.

In 2014, new bond issues amounted to DKK 2,994 million, against DKK 3,789 million in 2013. Movements in issued bonds and a specification of bond types are set out in note 23 to the financial statements.

The bond portfolio fell to DKK 18,680 million from DKK 21,066 million at 31 December 2013. The reduction compared with 2013 was due to a reduction in the proportion of loans granted, but still not disbursed, which is invested in short-term bonds until the loans are disbursed, and a decline in repo transactions. The bond portfolio is specified in notes 15 and 16 to the financial statements.

Including the profit for the year, the company's equity amounted to DKK 11,146 million as compared with DKK 9,983 million at 31 December 2013. Dividends to the shareholders of DKK 1,181 million have been proposed for 2014, against DKK 405 million in 2013. The proposed dividend for the 2014 financial year is included in equity but is expected to be disbursed after the approval by the shareholders at the annual general meeting in March 2015, and the amount has therefore been deducted in total capital in the calculation of the company's capital ratio below.

Danish Ship Finance is subject to the capital adequacy rules through chapter six of the company's own executive order. The capital ratio was 16.4% at the end of 2014 against 17.0% at 31 December 2013. The 0.6 of a percentage point decline in the capital ratio from 2013 to 2014 was primarily due to an increase in risk exposure concerning lending operations. The increase in risk exposure concerning lending operations was largely due to the appreciating USD, which increased lending measured in DKK. The current capital ratio is considered more than adequate relative to the company's risk profile. In the calculation of the capital adequacy, the total risk exposure amount has increased by DKK 4,067 million. Note 27 provides a specification of the company's capital ratio.

IMPACT OF US DOLLAR ON INCOME STATEMENT, BALANCE SHEET AND CAPITAL STRUCTURE

The exchange rate of the USD vis-à-vis DKK was 612.14 at the end of 2014, against 541.27 at the end of 2013, corresponding to an increase of 13% for the year as a whole, whereas the average exchange rate was only marginally higher than in 2013.

In 2014, movements in the USD/DKK exchange rate, other things being equal, had a positive impact on net interest and fee income of about DKK 16 million based on average exchange rates, and a negative impact on impairment charges of DKK 185 million because of the higher year-end exchange rate. Profit after tax were reduced by DKK 128 million from the change.

Compared with the exchange rate of USD at the beginning of the year, the changing dollar rate increased the total risk exposure amount. Which, seen in isolation, triggers a reduction of the capital ratio of 1.4 percentage point.

UNCERTAINTY IN RECOGNITION AND MEASUREMENT

The most significant uncertainty involved in recognition and measurement concerns impairment of loans and valuation of financial instruments. The Management Board estimates that the uncertainty is at a level that is prudent relative to providing a true and fair view of the financial statements. See the description in note 1 to the financial statements, Accounting policies.

EVENTS AFTER THE BALANCE SHEET DATE

In the period until publication of the annual report, no material events have occurred that affect the financial reporting process.

OUTLOOK

MARKET EXPECTATIONS

THE SHIPPING MARKET

2015 looks set to become another challenging year for several of the major economies. The IMF estimates that the global economy will expand by 3.5% in 2015. The European, Japanese and US economies are expected to experience stronger growth than in 2014, while expectations for the Chinese economy continue to point to a gradual slowdown in the growth rate. The IMF expects global trade to grow by 3.8% in 2015, which would be an improvement of 0.7 of a percentage point relative to 2014. If these forecasts are met, it will have a positive effect on demand for maritime transport.

However, the outlook for international shipping as a whole still gives rise to caution. Many segments have experienced such a massive fleet renewal in recent years that there are very few older vessels left to scrap if demand proves unable to absorb the many new vessels that are delivered. In that light, the size of the order book continues to give rise to some concern. Orders as a percentage of the operating fleet fell to a lower level in most segments, but this shift should be seen against the backdrop of recent years' strong fleet expansion.

A positive trend in freight rates should therefore be driven by stable and positive global economic growth and a, hopefully, moderate inflow of new vessels. Going into 2015, there are some positive signs in the market, but the recovery remains fragile, and solutions still need to be found to many of the imbalances in the global economy. For the shipping industry to retain a positive momentum, it is therefore essential that no events occur that intensify the global volatility and adversely affect demand for maritime transport.

Even given a stable demand pattern, the individual segments will continue to experience some degree of earnings fluctuations as many other factors may shift the balance between supply and demand.

If oil prices stay low, it will have longer-term negative consequences for the offshore sector, which for some years has otherwise enjoyed better market conditions than the shipping sector in general. Lower oil prices make it less attractive to explore and extract oil in deep waters, but there will still be demand for maintenance and partial expansion of existing sub-sea installations.

Shipping is facing new and stricter environmental requirements, some of which apply globally, while others apply only regionally. The requirements concern in particular emissions of hazardous substances from the consumption of fuel and purification of ballast water. The rules have taken effect in some areas, but most of them will be phased in over the next five to ten years. Substantial investment is required to meet these requirements, and that may be a challenge to financially stressed shipping companies. The environmental requirements may also partially affect prices of older vessels, because often it will not be financially viable to make the required investment to install new technology in older vessels.

This means that Danish Ship Finance will continue to focus on loans to shipowners who have weathered the storm so far and have the necessary management skills and financial resources to withstand more years with rates and ship prices still under pressure.

COMPETITIVE SITUATION

The competitive situation is expected to remain largely unchanged. However, there is a risk that the competition will focus on volume and developments in gross interest income, pushing down the margins that shipowners pay to borrow money. This would benefit the most financially sound shipowners. The upcoming liquidity requirements of the EU's new Capital Requirements Directive (CRR), which will include requirements for a higher degree of match funding with the lenders, should, other things being equal, lead to a higher gross margin requirement. However, there are no indications that the upcoming legislation has begun to have that effect.

Danish Ship Finance still expects to be able to expand its customer portfolio with some of the creditworthy shipowners that the company has engaged with. The company will retain focus on attracting reputable customers with a good financial standing.

FINANCIAL GUIDANCE

The company's guidance for 2015 is based on an expectation of a small increase in lending. Earnings from lending operations are expected to decline as 2014 was marked by a large degree of extraordinary income in connection with loan prepayments.

Interest income on the securities portfolio is expected to be lower than in 2014 due to developments in market interest rates.

Overall, the company expects a profit before impairment charges and market value adjustments slightly below that for 2014.

The duration of the securities portfolio is expected to remain low, and only minor market value adjustments are expected. Market value adjustments will be adversely affected by reductions in terms to maturity in the bond portfolio, which carries a higher nominal coupon than the market rate. Overall, the return on the securities portfolio is expected to be lower than in 2014.

Developments in the allowance account were exceptional in 2014 and are not expected to be repeated in 2015. The shipping industry remains volatile, and the company may increase its impairment charges on certain exposures as mortgaged ships mature or the shipowners are downgraded in the company's classification model. However, possibilities exists for further reversal of impairment charges as the remaining problem loans are settled in full or in part. Should the year end with impairment, the level thereof is not expected to be very different from the years prior to 2014. Potential losses are expected to be fully covered by existing impairment charges.

Developments in the USD/DKK exchange rate will have an impact on the profit for the year and the capital ratio.

CAPITAL MANAGEMENT

Pursuant to the Executive Order on Calculation of Risk Exposure, Total Capital and Solvency Need, Danish Ship Finance must maintain a certain amount of capital relative to its activities, so that the total capital as a minimum matches the company's risk profile and complies with the legislative framework.

There must be capital to cover the requirement at the existing and the expected level of activity in order to comply with the statutory rules and targets determined by the company itself.

CALCULATION METHOD

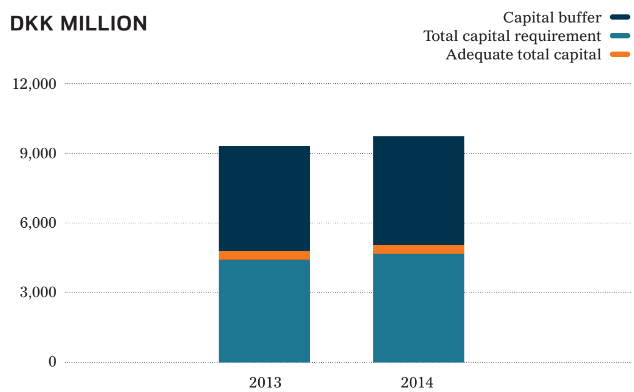
The company may choose between different methods for calculating its total risk exposure for each of the three overall types of risk included in the determination of the total capital requirement. The company has not applied for a permission from the Danish FSA to apply one of the internal methods. The company applies the standardised approach for calculating the total risk exposure amount and the total capital requirement for credit and market risks. When using the standardised approach, the risk weights are defined in the legislation. In addition, the company applies the basic indicator approach to calculate the risk weighted exposures for operational risk.

CAPITAL REQUIREMENT, TOTAL CAPITAL AND SOLVENCY

The total capital requirement (also referred to as the Pillar I requirement) is the total capital required to maintain a capital ratio of 8%, which is the current statutory minimum requirement. The total capital is the sum of common equity tier 1 capital, additional tier 1 capital and tier 2 capital, and the relationship between total capital and total risk exposure amount is the capital ratio (previously referred to as the solvency ratio).

The company's total capital consists exclusively of common equity tier 1 capital in the form of share capital, tied-up reserve capital and retained earnings.

STATEMENT OF CAPITAL
DKK MILLION



CALCULATION OF CAPITAL RATIO

DKKm/%	2014	2013
Total capital less deductions	9,682	9,312
Total risk exposure amount	58,883	54,817
Capital ratio	**16.4**	**17.0**

The increase in the total capital in 2014 was due to the consolidation after dividends for the year. The lower capital ratio was due to a higher percentage increase in the total risk exposure amount. The increase in the total risk exposure amount was primarily caused by an increase in the USD/DKK exchange rate and, to a lesser extent, by the fact that from 2014 a credit valuation adjustment charge (CVA charge) must be recognised for financial parties. The CVA charge reflects the market value of the counterparty credit risk for the company.

INDIVIDUAL SOLVENCY NEED AND ADEQUATE TOTAL CAPITAL

The capital management is anchored in the so-called ICAAP (Internal Capital Adequacy Assessment Process), which is a review aimed at identifying risks and determining the individual solvency need.

The Board of Directors and the Management Board ensure that the company maintains adequate total capital. The considerations made by the Board of Directors and Management Board in this regard must lead to the determination of an individual solvency need. Adequate total capital covers the minimum amount of capital which, in the opinion of the Board of Directors, is required to ensure that the bondholders are only exposed to a minimum risk of suffering a loss in case the company becomes insolvent during the next 12 months.

The total capital must consistently be higher than the adequate total capital.

METHODOLOGY

Credit institutions are free to choose the methodology when calculating the adequate total capital provided the resulting solvency need provides a fair view and is prudent. The company follows the Danish FSA's Guidelines on Adequate Total Capital and Solvency Needs for Credit Institutions, which contribute an interpretation of selected items in Annex 1 to the Danish Executive Order on Calculation of Risk Exposure Amount, Total Capital and Solvency Need. The guidelines stipulate a so-called 8+ approach based on a total capital requirement of 8% (pillar I requirement), which is assessed to cover "normal" risks. Supplements are then added for "higher-than-normal" risks. In its guidelines, the Danish FSA has defined benchmarks for a large number of items with respect to expectations of "higher-than-normal" risks.

The guidelines define benchmarks and calculation methods within seven risk areas that an institution would usually find relevant when determining its adequate total capital. In addition, the Danish Executive Order on Calculation of Risk Exposure Amount, Total Capital and Solvency Need sets out a number of additional factors that must be included in the assessment. The institutions must assess whether there are other relevant risk elements they should consider when calculating their adequate total capital.

The individual solvency need is calculated by dividing the adequate total capital with the total risk exposure amount.

The table below shows the company's solvency need.

INDIVIDUAL SOLVENCY NEED AND ADEQUATE TOTAL CAPITAL

DKKm	2014
Total risk exposure amount	**58,883**
Pillar I requirement	
(8 per cent of total risk exposure amount)	**4,711**
Earnings	**-**
Growth in lending	**-**
Credit risk	
- Credit risks for large customers	
in financial difficulty	243
- Other types of credit risk	-
- Concentration risks	69
Market and liquidity risk	**-**
Operational and control risk	**-**
Leverage ratio	**-**
Adequate total capital	**5,023**
Solvency need ratio	**8.5**

At 31 December 2014, the adequate total capital and the total risk exposure amount were DKK 5,023 million and DKK 58,883 million, respectively. The total capital less deductions amounted to DKK 9,682 million at 31 December 2014, resulting in a capital ratio of 16.4%. This gives the company a capital buffer of DKK 4,660 million relative to the adequate total capital.

At the end of 2013, the adequate total capital and the individual solvency need amounted to DKK 4,679 million and 8.5%, respectively.

More information on the company's capital management, including a more detailed description of the company's calculation of the adequate total capital, is provided in the Risk report available on the company's website:
www.shipfinance.dk/en/InvestorRelations/Risiko--og-kapitalstyring/Risikorapport.

LIQUIDITY MANAGEMENT

Liquidity management is generally carried out to ensure that the company's cost of funding does not become disproportionately high and to avoid that lack of funding prevents the company from retaining the adopted business model. Ultimately, the purpose of the company's liquidity management is to ensure that it is consistently able to meet its payment obligations.

BALANCE PRINCIPLE

The specific balance principle permits a cash deficit between issued bonds and loans provided. A cash deficit – resulting from the future payments related to bonds issued by Danish Ship Finance, other funding and financial instruments which exceed the future incoming payments on loans, financial instruments and investments – may not exceed 100% of the total capital. Through in-house policies, the company has defined stricter requirements for any cash deficits between issued bonds and loans provided.

LIQUIDITY BUFFER

Bonds are typically issued in DKK, whereas most of the loans are disbursed in USD. The company has sourced USD for funding of USD loans disbursed via so-called basis swaps. The risk caused by lack of access to convert DKK funding into USD involves higher financing costs or the loss of business opportunities. The opportunities for sourcing USD liquidity rely on an efficient capital market. Through in-house policies, the company has defined in-house limits for the need for USD over time.

LIQUIDITY POLICY

The company has prepared a Policy for managing liquidity risk (liquidity policy) pursuant to the Executive Order on Governance, Risk Management, etc. for Financial Institutions (Executive order on Governance). The purpose of the policy is to ensure that the company maintains a liquidity risk that matches the overall risk profile. The liquidity policy also serves to ensure adequate handling and management of liquidity, allowing the company at all times to meet its payment obligations, applicable legislation and plans for future activities and growth.

Pursuant to the company's liquidity policy, the company must have overall positive liquidity within the first-coming 18-month period. The calculation of the limit includes the securities portfolio at market value, and loan offers are included if they are expected to be disbursed during the period.

MANAGEMENT, MONITORING AND REPORTING

The company's liquidity management is anchored in the so-called ILAAP (Internal Liquidity Adequacy Assessment Process), which is a review aimed at identifying liquidity risks and determining liquidity targets.

The Board of Directors determines the overall guidelines for managing liquidity risk through the liquidity policy. The Management Board is responsible for ensuring that the guidelines established by the Board of Directors are laid down in business procedures that are regularly updated. The Management Board, the Chief Risk Officer and relevant department managers must approve any changes when the guidelines are updated.

Compliance with the liquidity policy is monitored by Middle Office. Each quarter, the company prepares a financial report on compliance with the policy framework that is submitted to the Board of Directors.

Moreover, a liquidity stress test is performed, consisting of the following components:

- An appreciating USD
- An increase in interest rates
- A widening of credit spreads
- Loan losses

The results of the liquidity stress test are used to manage and adjust in-house limits. Furthermore, the test is used to create an overview of the liquidity profile in an actual and in a stressed scenario.

CONTINGENCY PLANS

Pursuant to the Executive Order on Governance, the company has prepared a liquidity contingency plan, which contains a catalogue of possible courses of action to strengthen the liquidity position in a critical situation. The liquidity contingency plan takes effect if pre-defined triggers are activated.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

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

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

The Board of Directors has set up an Audit Committee charged with monitoring and controlling accounting and auditing matters and drafting accounting and audit-related material for use by the Board of Directors.

The Board of Directors, the Audit Committee and the Management Board currently assess significant risks and internal controls in relation to the company's operations and their potential impact on the financial reporting process.

OVERALL CONTROL ENVIRONMENT

The key components of the control environment are an appropriate organisation, including adequate segregation of functions and 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 has decided that the combination of an internal control function, whose efforts are supervised by the external auditors, which regularly monitors compliance with the company's in-house business processes and control procedures in all significant areas and sharp attention by the external auditors helps to provide a satisfactory audit and control level.

RISK ASSESSMENT

At least annually, the Board of Directors, the Audit Committee and the Management Board make a general assessment of risks in relation to the financial reporting process. In addition, management regularly assesses the need for implementing new internal controls to reduce and/or eliminate identified risks.

In connection with the risk assessment, the Board of Directors specifically assesses the company's organisation with respect to risk measurement and risk management, the accounting and budget organisation, internal controls, segregation of functions and the use of IT and IT security. As part of the risk assessment, the Board of Directors also considers the risk of fraud.

The financial reporting organisation has the necessary skills to ensure that internal controls and risk management procedures are managed in an adequate manner.

CONTROL ACTIVITY

The company uses systems and manual resources for monitoring data that forms the basis of the financial reporting process. The purpose of the control activities is to prevent, detect and correct any errors or irregularities. As part of the financial reporting process, control activities are performed to ensure that the financial statements are presented in accordance with current legislation.

INFORMATION AND COMMUNICATION

The Board of Directors has adopted a number of general financial reporting requirements and external financial reporting requirements in accordance with current legislation and applicable regulations. One 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 of the company. The appropriateness and/or weaknesses of the controls, control failures, cases of non-compliance with adopted policies, frameworks, etc. or other significant deviations are reported upwards in the organisation in accordance with the company's policies and instructions.

WHISTLEBLOWER SCHEME

In accordance with the Danish Financial Business Act, the company has implemented an internal whistleblower scheme, which enables its employees to report any instances of non-compliance with the financial legislation to an independent third party. On receipt of such reports, the independent third party will make a tentative screening of the report to assess whether the instance of non-compliance falls within the scope of the whistleblower scheme.

The company will regularly assess whether to expand the scheme so that the employees may also report any instances of economic crime.

CREDIT RISK

Credit risk reflects the risk of a loss due to default on the part of a counterparty. This applies to counterparties in the form of shipowners and financial institutions.

LENDING

Ship financing is provided against a first mortgage in vessels. On a limited scale, the company also provided financing of the shipowner's payment of instalments to a shipyard. The company is a leading provider of ship financing in Denmark, and it focuses primarily on large, reputable shipowners in Denmark and abroad.

The most significant risk facing Danish Ship Finance is believed to be credit risk on the company's loans, which is the risk of losses when the mortgage cannot cover the residual debt if the customers default on their loans.

When considering potential loans, focus will be on vessel characteristics, the financial standing of the borrower, the terms of the loan and the loan's contribution to compliance with the diversification rules.

The credit policy is defined by the Board of Directors and contains specific guidelines for the ongoing management of risks in the loan portfolio. A number of predefined procedures are used in the ongoing credit risk management process, the most important of which are described below.

DIVERSIFICATION

The composition of the loan portfolio is governed by a set of diversification rules. The purpose of the diversification rules is to ensure adequate diversification by vessel type, borrower and country.

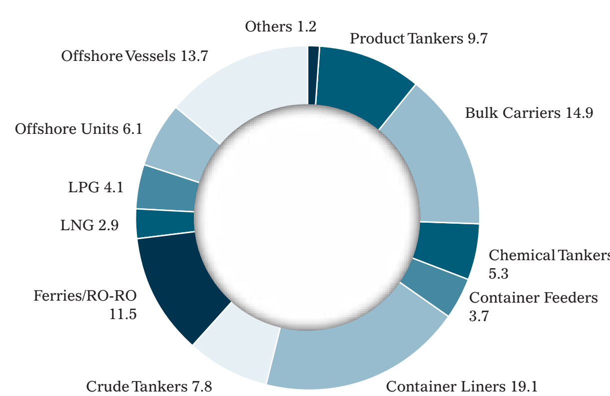
MOVEMENTS IN THE FIVE LARGEST EXPOSURES BEFORE IMPAIRMENT CHARGES

DKKm	2014	2013
Five largest exposures	16,533	20,241
Total loans and guarantees	45,912	46,012

The five largest exposures at 31 December 2014 were secured by mortgages in 83 vessels comprising 8 vessel types. One exposure is substantially larger than the rest and represented less than 25% of total lending at 31 December 2014, against previously 35-40%.

The risk diversification on borrowers focuses on diversification on vessel types in each loan. The largest loan was thus secured through mortgage on vessels distributed on three different vessel types (loans for Container Liners represent the majority, and loans for Offshore Units and Offshore Vessels the rest).

LOAN PORTFOLIO BY MORTGAGED VESSELS PERCENTAGE OF TOTAL LENDING



GRANTING OF LOANS

The Management Board and the Head of Credit have been allocated authorities by the Board of Directors allowing them to grant loans up to pre-determined limits. The granting of loans must be disclosed at the subsequent ordinary board meeting.

If the Management Board authorises loans involving a significant increase of the risk on existing loans, such authorisation must be approved by the Board of Directors.

As in previous years, the Board of Directors was the authorising body in the majority of all loans granted in 2014.

ONGOING MONITORING

As part of the risk management process, all loans are assessed at least twice a year. All loans are assessed, and the current credit risk is assessed on the basis of current market valuations of the financed vessels and the most recent accounting data from the borrower.

In addition, the portfolio is monitored in an ongoing process in relation to the borrowers' fulfilment of the individual loan agreement, comprising

- Half-yearly updating of the market values of all financed vessels and verification that any agreed requirements on maximum loan-to-value ratios are complied with
- Verification that any other collateral meets the specified minimum requirements
- Verification the existence of adequate insurance cover on financed vessels
- Verification compliance with all other material loan covenants

If a loan is deemed to entail increased risk, the monitoring will be intensified to safeguard the company's interests to the best possible extent.

INSURANCE OF SHIP'S MORTGAGES

All vessels mortgaged as collateral for loans must be insured. Insurance is taken out by the borrower. Borrowers' insurances concerning financed vessels are assigned to Danish Ship Finance.

As a general rule, the insurance includes:

- Hull and machinery insurance, which covers damage to the vessel or total loss
- P&I (Protection & Indemnity) insurance, which is a third party liability insurance to cover damage against persons or equipment
- War Risks, which covers damage to the vessel, potential total loss and retention, etc. caused by war or war-like conditions

In addition, most of the loans are covered by Mortgage Interest Insurance and Mortgagee Additional Perils Pollution Insurance. This insurance covers the risk in most situations which the primary insurance policies do not cover, for example due to shortcomings in relation to the ship's seaworthiness.

INSPECTION OF VESSELS

As a supplement to the half-yearly market valuations, physical inspections of the financed vessels are made on a spot-check basis. The inspection may be performed both during the loan period or prior to submitting a financing offer.

MARKET VALUATIONS

The company values each vessel twice annually. The valuation is generally made by an external broker, who estimates a price for the financed vessels on the basis of supply and demand. The company may also determine the value itself, for example on the basis of a specific independent market price or if external assessments have been received for similar vessels.

Market valuations are used to determine the loan-to-value ratio on the company's loans and for control purposes in connection with the half-yearly impairment charges on loans, advances and receivables.

LOSSES AND IMPAIRMENT CHARGES

Twice a year, all exposures are reviewed in order to re-assess the current need for impairment charges. The assessment of any impairment on the individual loans is based on the borrower's present and expected future financial position and on the value of the ship's mortgage and any other collateral.

The overall guidelines for the company's impairment charges are laid down in the Executive Order on Financial Reporting. It appears from the executive order that, in addition to individual impairment charges, the company must also make collective impairment charges.

The Danish Financial Supervisory Authority has accepted that Danish Ship Finance may omit to make collective impairment charges provided that the assessment of the individual loans be planned in such a manner that the assessment in practice covers an assessment consistent with that which would take place in a collective assessment and that impairment charges be made accordingly for each loan. Furthermore, it is a precondition that the assessment of any impairment of the individual loans be made on the basis of a probability weighting of the expected outcome in respect of payments from the borrowers.

A distribution of individual and collective impairment charges is provided in note 14 to the financial statements.

Based on the FSA guidelines, all loans are reviewed in order to identify any objective evidence of impairment or objective evidence of impairment within each vessel type.

In addition, all loans have been reviewed to evaluate whether the existing classification and pertaining impairment ratio still provides the best estimate of the cash flows due from the specific borrower. Where this is estimated not to be the case, the loan is reclassified.

OBJECTIVE EVIDENCE OF IMPAIRMENT

Objective evidence of impairment ("OEI") is a concept used to express that a loan entails a higher probability of default. The concept is used for calculating individual impairment charges pursuant to Annex 10 of the Executive Order on Financial Reporting and the Danish FSA guidelines.

OEI exists if at least one of the following events has occurred:

- Default, cf. below
- The borrower is experiencing significant financial difficulty
- Overdrafts/arrears, unless the problem is short-term and the amounts concerned are small by comparison to the borrower's financial situation or if due to errors or technical problems
- Loans with more lenient repayment terms, including respite, which the company, for reasons relating to the borrower's financial difficulty, would not otherwise have granted

If OEI is established for credit exposures, including loans/receivables without impairment, the borrower will be downgraded on the company's internal classification scale (12-point scale with 12 being the lowest) to risk category 11 (or risk category 12 if the credit exposure is also in default) with a PD (probability of default) of 100%.

When reconstruction, including agreements for composition or conversion of a loan/receivable into share capital/subordinated loan capital has been completed, the OEI period will run for at least 12 months. Subsequently, a new impairment test will be performed on the credit exposure.

CREDIT EXPOSURES – DEFAULT

A loan/receivable is deemed to be in default if the borrower is not expected to be able to meet his obligations. That will be the case, if at least one of the following situations has occurred:

- A loss is deemed inevitable
- Bankruptcy or other financial reconstruction
- Overdrafts/arrears for more than 90 days
- Cancelled loans
- Interest resetting to zero

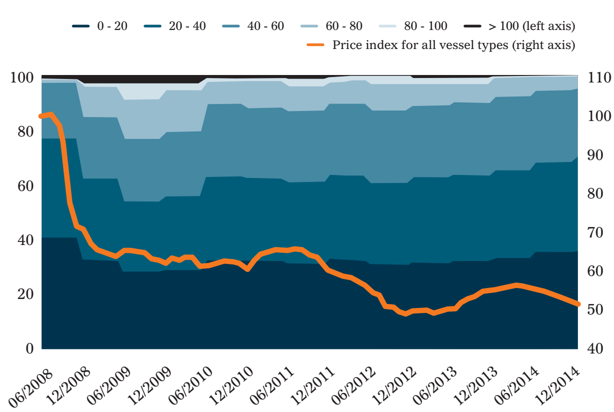
If a credit exposure is in default, the borrower will be downgraded to risk category 12 with a PD of 100%.

The company's accumulated impairment charges amounted to DKK 1,974 million at 31 December 2014 against DKK 3,071 million last year. This represented a decline of DKK 1,097 million.

The accumulated impairment charges accounted for 4.3% of the company's total loans and guarantees, which was 2.4 percentage points lower than the year before. The lower impairment ratio was due to full or partial reduction of credit exposures for which impairment had been recognised. Danish Ship Finance incurred losses of DKK 32 million in 2014, against DKK 28 million in 2013. Losses actually incurred thus remain at a very low level.

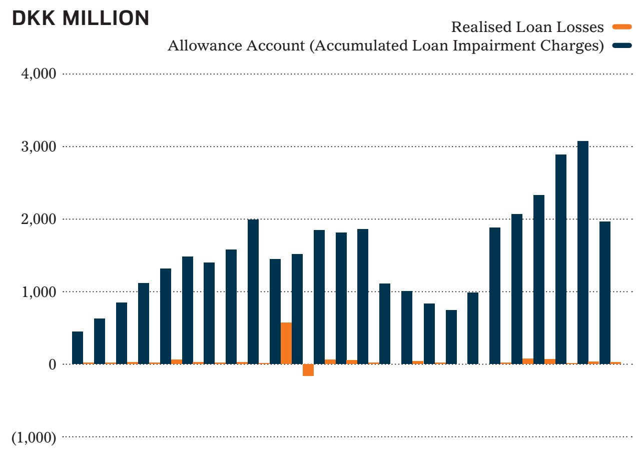
Accumulated losses since the company was established in 1961 were DKK 921 million at 31 December 2014. This corresponded to 2.0% of total gross lending at 31 December 2014.

LOAN TO VALUE INTERVALS VS. PRICE INDEX FOR ALL SHIPS INDEX/%



The chart above shows a breakdown of the loan portfolio into LTV (loan to value) ranges, which are calculated every six months. The LTV ranges show the proportion of the loans placed within a given range. For example, 95% of the loan amounts incl. guarantees and after impairments are secured by mortgages within 60% of the valuations at the end of 2014. The breakdown is compared with developments in ship prices based on a price index from Clarksons, showing price developments for all vessel types. The chart shows that even major declines in ship prices do not materially change the collateral for the loan. The reason is that instalments are regularly received and that a number of loan agreements include a right for the company to demand reduction and/or additional collateral if the value of the ship mortgage drops below a pre-arranged minimum threshold (MVC).

LOAN IMPAIRMENT CHARGES AND CREDIT LOSSES DKK MILLION

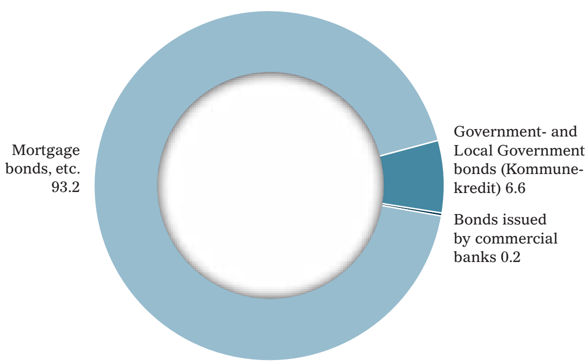


FINANCIAL COUNTERPARTIES

In addition to loans, the company's securities portfolio also represents a significant part of the assets. The securities portfolio comprises government and mortgage bonds, money market transactions and interest-sensitive financial instruments.

Most of the portfolio consists of mortgage bonds, which leads to an excess cover relative to the statutory requirement that at least 60% of the total capital requirement must be invested in high grade assets. At 31 December 2014, the company had invested DKK 13,138 million in high grade securities, corresponding to 439% of the statutory requirement.

DISTRIBUTION OF SECURITIES PORTFOLIO
%



Transactions with financial counterparties are made in connection with investing own funds as well as excess liquidity from issued bonds. These transactions involve cash deposits, securities and financial instruments.

Financial contracts may entail a risk of losses if the contract has a positive market value to the company, and the financial counterparty cannot fulfil his part of the agreement. This type of risk also includes settlement risk.

The policy for managing counterparty risk quantifies and defines limits for the exposure to individual financial counterparties and the countries in which such counterparties are residents. The policy is used in connection with the management of market risk and liquidity risk defines limits for maximum receivables (lines) under loans to and guarantees from credit institutions, export guarantee institutions and insurance companies. The policy also includes the Management Board's guidelines and options for delegating granting authorities.

Emphasis is on financial counterparties having high credit ratings, as a substantial proportion of business transactions with the counterparties involves long-term contracts with a potentially large increase in market value. Bilateral collateral agreements (CSA) have been signed with a number of bank counterparties, which reduce the credit risk.

GRANTING OF LINES
Financial counterparties are granted lines on the basis of defined criteria. Such grants are made on the basis of, among other things, ratings assigned by recognised international rating agencies, when such ratings are available. Once a year and when the creditworthiness of the counterparty changes, the allocated lines are re-assessed.

The Management Board and the Head of Credit have been allocated authorities by the Board of Directors allowing them to grant lines to financial counterparties within certain limits. The granting of such lines must be disclosed at the subsequent board meeting. Credit grants over and above the predefined limits are decided by the Board of Directors.

CONTRACTUAL BASIS
The contractual basis for transactions with financial counterparties is based primarily on market standards such as ISDA and GMRA agreements, which allow netting in the case of default on the part of the financial counterparty. Furthermore, Danish Ship Finance has entered into agreements on market-value adjustments or collateral (CSA agreements) with a number of its counterparties in connection with derivative trading.

ONGOING MONITORING
Exposures to each counterparty are monitored in an ongoing process, partly to ensure that the financial counterparties consistently comply with the requirements, partly to ensure compliance with the granted lines. The responsibility for ongoing monitoring is independent of the executing departments.

MARKET RISK

Market risk is the risk of losses caused by changes in the market value of assets and liabilities as a result of changing market conditions. The overall market risk is calculated as the sum of fixed income and exchange rate positions. The most significant market risks are associated with the securities portfolio, as the company is governed by the limits set out in Executive Order on bond issuance, the balance principle and risk management (Bond Executive Order), which includes restrictions on interest rate, exchange rate and liquidity risk between the bond issues (funding) and the loans.

The company pursues a market risk policy to manage its market risks. The policy lays down clear and measurable limits for interest rate and exchange rate risks and builds on the provisions of the Bond Executive Order, among other things. The guidelines for market risks may be stricter than such external provisions.

INTEREST RATE RISK

Interest rate risk is the risk that the company will incur a loss as a result of a change in interest rates. Rising interest rates have an adverse impact on the market value of the securities portfolio.

Pursuant to the Bond Executive Order, the interest rate risk between funding and lending must not exceed 1% of the total capital. The company seeks to minimise the interest rate risk between funding and lending by applying conservative principles, but a loss or a gain may arise due to changes in interest rates.

The Bond Executive Order also stipulates that the interest rate risk on the company's assets, liabilities and off-balance sheet items must not exceed 8% of the company's total capital. Interest rate risks are adjusted using a minimum and a maximum for the option-adjusted duration. The current maximum option-adjusted duration on the securities portfolio, including financial instruments, has been restricted to four years. Danish Ship Finance has calculated the option-adjusted duration at approximately 0.5 years at 31 December 2014.

Using the Danish FSA's guidelines for calculating interest rate risks, the risk was calculated at DKK 539 million at 31 December 2014, corresponding to 5.6% of the total capital, against DKK 495 million in 2013.

As the company is governed by the rules of the Bond Executive Order, it only has limited exposure to interest rate risk outside the trading portfolio.

EXCHANGE RATE RISK

The Bond Executive Order stipulates that the combined foreign exchange risk on assets, liabilities and off-balance sheet items must not exceed 2% of the total capital.

The market risk policy does not accept currency risks arising due to mismatch of funding and lending except for inevitable, limited foreign exchange risks resulting from the ongoing liquidity management. The company's lending margin is collected in the same currency in which the loan was granted. Accordingly, net interest income from lending operations is affected by exchange rate fluctuations. The primary impact derives from the USD, which is the currency in which the vessels primarily generate earnings and are valued, and therefore also the preferred lending currency.

EQUITY RISK

Apart from small holdings of sector shares and shares received in connection with the reconstruction of credit exposures, the company has no shareholding interests in other companies.

DERIVATIVES

Danish Ship Finance uses derivatives in specific areas. The market risk policy specifies which derivatives the company may use and for which purposes. These are transactions made to hedge risks between funding and lending and in connection with investment activities.

LIQUIDITY RISK

The company's liquidity management efforts and the liquidity requirements defined by law are aimed at reducing the liquidity risk to the greatest extent possible.

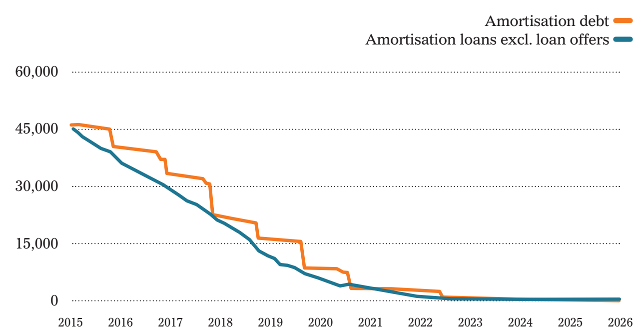
Liquidity risk involves the risk of:

- a disproportionate rise in the cost of funding
- lack of funding which prevents the company from maintaining its current business model
- the company ultimately not being able to meet its payment obligations due to lack of funding

Through bond issues and the existence of a liquid portfolio of bonds, the company has secured ample liquidity coverage for all existing loans and loan offers until expiry. The company is therefore not exposed to any refinancing risk. A potential downgrade of the company's external rating would not change its robust liquidity situation, but it is expected to lead to higher funding costs in connection with new loans.

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

DEVELOPMENTS IN ISSUED BONDS RELATIVE TO LOANS
DKK MILLION



LIQUIDITY COVERAGE RATIO

In accordance with the CRR, in 2015 a requirement will be introduced on adequate liquidity over a period of 30 days in a stressed scenario (LCR requirement). The LCR requirement will be phased in over a number of years.

Shown below is the LCR requirement for 2015:

The company's LCR at 31 December 2014 has been calculated at 85%.

In the calculation of liquid assets, covered bonds may not account for more than 70%, and at least 30 percentage points thereof must be covered bonds with a rating corresponding to credit category 1, which corresponds to Standard & Poor's AAA to AA- rating.

$$\text{Liquidity Coverage Ratio} = \frac{\text{Liquid assets}}{\text{Net cash outflows for a 30 - day period}} \geq 60\%$$

The 70% cap on covered bonds entails that the company has a substantial volume of mortgage bonds which are not eligible for inclusion as liquid assets. If these mortgage bonds are sold and government bonds are purchased instead, it would significantly increase the LCR.

OPERATIONAL RISK

Operational risk is the risk of direct or indirect losses as a result of insufficient or faulty internal processes, human error, system error or losses resulting from external events. Operational risk is often associated with specific and one-off events.

The Executive Order on Governance, which has entered into force, contains rules on the management of operational risks. Against this background, the company has defined a policy in this area. The Board of Directors will update the policy at least once a year. In addition, operational risks are managed through business procedures and internal controls. The control is performed, among others, by the company's internal control function, which is independent of the executing departments.

The key operational risks relate to credit and finance functions, compliance and the use of information technology.

In the credit function, the risk relates to the handling of agreements and security documents and regular follow-up on loan covenants. In addition, the risk relates to the handling of any non-performing credit exposures.

In the finance function, the risk relates to the conclusion and implementation of financial contracts, deposits and general money transfers.

In the compliance area, there is a risk that sanctions will be imposed on the company, a risk of loss of reputation or that the company or its stakeholders suffer material financial losses due to lack of compliance with applicable legislation, market standards or internal rules.

In the area of information technology, the risk relates to the derived consequences of a system breakdown or serious system errors.

BOND ISSUANCE

FUNDING

The rules governing bond issuance are described in the Act and the Executive Order as well as in the Bond Executive Order. The lending operations are funded through previous issuance of debenture bonds, issuance of ship mortgage bonds, through lending of own funds and through proceeds from loans raised in money markets and capital markets. Individual borrowers have no direct obligations towards the bondholders.

Covered bonds as defined by the CRD

Like banks and mortgage credit institutions, Danish Ship Finance may issue covered bonds. The term covered bonds is used to describe particularly secure bonds issued to finance lending secured by real property, ships or government risks within defined loan limits. The company can only issue covered bonds against ship's mortgages.

The company has still not used the possibility to issue covered bonds. This possibility is based on the Danish act on covered bonds from 1 June 2007.

Ship mortgage bonds

Since 1 January 2008, the company has issued new bonds in the form of ship mortgage bonds.

The rules on issuing ship mortgage bonds are similar to the previous rules that apply to debenture bonds, except that there is a possibility of, but not a requirement, issuing ship mortgage bonds in one or more separate capital centres.

Issued bonds

Issued bonds are primarily bullet loans denominated in DKK. The issued bonds amounted to DKK 45,077 million at amortised cost at 31 December 2014, of which about 87% are DKK-denominated issues, while the remainder are CIRR bonds, most of which are issued in USD. The bonds may be unlisted, but with the exception of CIRR bonds all of the bonds are listed and traded on NASDAQ OMX Copenhagen.

The company only had a limited need for new issues in 2014 because previous bond issues had secured ample liquidity coverage for all existing loans and issued loan offers. The company's total issues of new bonds in 2014 amounted to nominally just under DKK 3 billion with an average maturity of 6.4 years.

Part of the proceeds has been used to buy back bonds previously issued. Most of the purchased bonds have subsequently been withdrawn from circulation, but a small proportion has been retained with a view to a potential resale.

At the end of 2014, Danish Ship Finance's portfolio of own bonds amounted to DKK 954 million, nominal value. These are relatively short-term bonds and were acquired in connection with the issuance of longer-term bonds. Depending on market conditions, the bonds are expected to be withdrawn from circulation or resold to the market. The portfolio of own bonds is specified in notes 15-16. For accounting purposes, the portfolio of own bonds is in principle treated as if the bonds were drawn on the date of purchase.

RATING

Moody's performs an ongoing credit assessment of Danish Ship Finance and has assigned the following ratings:

Issuer rating	Baa2
Bond rating	Baa2
Seniority	Senior unsecured
Outlook	Stable

Moody's rating system places the company in the "Investment Grade" category "Baa". Moody's description of the "Baa" category is as follows:

"Obligations rated "Baa" are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics."

The company's bonds are designated "senior unsecured".

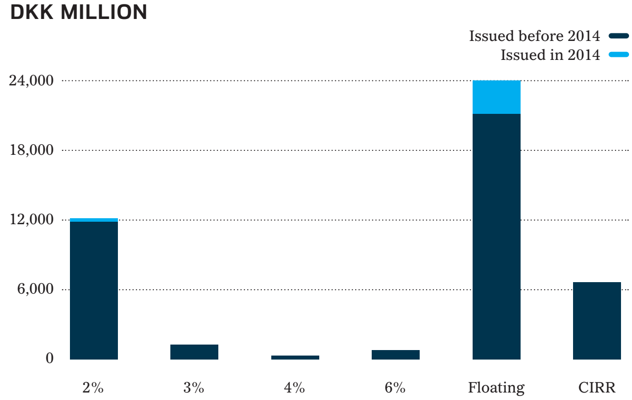
The "senior" designation implicates that these bonds, in case of the liquidation of the company, will be repaid before subordinated creditors ("junior debt").

The "unsecured" designation means that no specific collateral has been provided for the bond issuance. The designation therefore does not fairly describe the company's bonds, which have priority over the underlying loans and ship mortgages.

Under the Investment Directive, bonds issued by Danish Ship Finance or by Danish mortgage-credit institutions are considered "gilt-edged" bonds and also designated as covered bonds. The rules stipulate that proceeds from the bond issuance should be invested in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds.

In case the company is declared bankrupt, the company's own act therefore provides that the assets corresponding to the bonds shall be used on a priority basis to satisfy claims by bondholders and creditors in agreements on financial instruments entered into by the company to hedge interest rate and exchange rate differences between the issued bonds and the loans.

CIRCULATING BONDS BY BOND TYPE
DKK MILLION



ISSUED BONDS

Debenture bonds
Bonds issued before 1 January 2008. By definition, the bonds are covered bonds (as defined by the CRD) until maturity, even though there is no requirement for regular compliance with loan values.

Ship mortgage bonds
Bonds issued after 1 January 2008 which do not qualify for the covered bond designation.

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 (the "Investment Directive").

SHARE CAPITAL

Shareholders of Danish Ship Finance
The company's ambition is to generate a risk-weighted return that is satisfactory to its shareholders. The Board of Directors continually assesses whether the company's share and capital structure are consistently aligned with the interests of the shareholders and the company. The Board of Directors believes that the company has an appropriate share and capital structure given its level of activity.

The share capital of the company amounts to DKK 333 million, nominal value, 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 DKK 1 carries ten votes, and each B share of DKK 1 carries one vote. Other than that, there are no restrictions on the number of votes or shares relative to each shareholder. The shares are not listed for trading in a regulated market.

The following of the company's shareholders hold at least 5% of the total voting rights or own at least 5% of the shares. The shareholders are listed alphabetically.

A.P. Møller – Mærsk A/S
Danmarks Nationalbank
Danske Bank A/S
Den Danske Maritime Fond
Nordea Bank AB (publ.)

None of the company's shareholders have controlling influence on Danish Ship Finance.

Dividends
At the annual general meeting in 2014, the Board of Directors' proposal on dividends of DKK 405 million based on the financial statements for 2013 was adopted.

Based on the financial statements for 2014, the Board of Directors recommends that the company pays DKK 1,098 million in dividends to the company's A shareholders and DKK 83 million in dividends to the company's B shareholder, Den Danske Maritime Fond.

Since its conversion to a public limited company in 2005, the company has paid total dividends of DKK 443 million to the B shareholder, Den Danske Maritime Fond, exclusive of proposed dividends for 2014. The funds are used to develop and promote Danish shipping and the Danish shipbuilding industry.

ORGANISATION, MANAGEMENT AND CORPORATE SOCIAL RESPONSIBILITY

MANAGEMENT STRUCTURE
The supreme authority of the company is the general meeting. The Board of Directors consists of nine members. The general meeting elects six members. These are elected for terms of one year. The employees elect three employee representatives to the Board of Directors. They are elected for terms of four years. The rules on employee representatives are available on the company's website.

The Board of Directors defines the overall principles for the company's operations and appoints the Management Board.

The Management Board is in charge of the company's day-to-day management. The Management Board reports to the Board of Directors.

Annual general meeting
The Board of Directors and the Management 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 Management Board are present at general meetings.

The next annual general meeting will be held at the company's address on 26 March 2015.

Board of Directors
Executive Vice President Peter Lybecker acts as chairman, and Governor Hugo Frey Jensen acts as deputy chairman.

The Board of Directors defines strategies and guidelines for the company. Each year, the Board of Directors also defines its principal tasks in respect of financial and management control of the company, which help ensure control with all important areas.

Board meetings are held whenever deemed necessary or when so requested by a member of the Board of Directors or the Management Board. Ordinary board meetings are held six to nine times a year. Dates and agendas for the meetings are to the extent possible fixed for one year at a time.

In 2014, the Board of Directors held one extraordinary meeting and seven ordinary meetings with an average participation rate of 86%. In addition, the Board of Directors held a number of electronic board meetings in connection with the processing of credit recommendations of a standard nature.

The Board of Directors has assessed that the board members together represent the competencies deemed necessary to ensure a competent management of the company. The necessary competencies are knowledge of:

- Risk management in a financial institution
- Credit granting processes
- Banking
- Finance and accounting
- Macroeconomics
- Legislation.
- Bond issuance
- Financial derivatives
- Shipowning operations
- International maritime industry and shipping
- Management experience from a relevant financial enterprise
- Ship financing
- IT

The Danish FSA has introduced requirements on self-evaluation, specifying the Executive Order on Governance. In order to ensure that the Board of Directors has the necessary competencies, it makes an annual self-evaluation. The competencies of each board member are described in "Directorships" below.

RECRUITMENT POLICY

The Board of Directors operates within the framework of a shareholders agreement when recruiting new board member candidates. 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 relating to diversity.

DIVERSITY

The company seeks to ensure diversity at all management levels, including in relation to international experience, professional experience and gender.

When recruiting new members of management, the company seeks to attract people with skills that may contribute to the competent management of the company.

Targets and policies with respect to the under-represented gender

The company has defined targets and policies for the gender composition of the management team.

The company's shareholders nominate candidates for the Board of Directors. This means that the Board of Directors has no direct influence on which candidates are nominated. To the extent possible, the Board will seek to influence the process.

When defining targets for the under-represented gender, the company takes into consideration the size of the Board of Directors, the industry in which the company operates, and the issue of rounding.

The company's Board of Directors consists of nine members, of whom six are elected by the shareholders in general meeting and three are elected by the employees. Of the shareholder-elected board members, two are women and four are men. The company endeavours to ensure that at least two of the board members elected by the shareholders represent the under-represented gender. The target defined is that at least 33.33% of the board members elected by the shareholders should be of the under-represented gender.

More information on the company's efforts for the under-represented gender is provided in the CSR report on the company's website: http://skibskredit.dk/da/om-selskabet/csr.

Day-to-day management
The day-to-day management consists of Erik I. Lassen, chief executive officer, Per Schnack, executive vice president, Peter Hauskov, senior vice president and Flemming Møller, senior vice president.

CORPORATE GOVERNANCE
As the company has no shares listed for trading on NASDAQ OMX Copenhagen, it is not subject to the corporate governance rules. However, the company has resolved to follow the recommendations issued by the Committee on Corporate Governance.

The recommendations issued by the Committee on Corporate Governance build on a "comply or explain" principle. The principle entails that listed Danish companies have the option of either complying with the recommendations or explaining the reasons for any non-compliance

The company also complies with the corporate governance code of the Danish Bankers Association. The code of the Danish Bankers Association is more comprehensive than the recommendations of the Corporate Governance Committee and also builds on a "comply or explain" principle.

The Board of Directors continually assesses the company's rules, policies and practice in relation to the Corporate Governance recommendations. It is the view of the Board of Directors that the company either complies with the individual recommendations or explains the reasons for any non-compliance.

The corporate governance report and the code of the Danish Bankers Association must be published at least once a year. The corporate governance report and the code of the Danish Bankers Association are published on the company's website in connection with the publication of the company's annual report.

Additional information about corporate governance is provided in the corporate governance report and the code of the Danish Bankers Association on the company's website: www.shipfinance.dk/en/InvestorRelations/Corporate-Governance.

Remuneration
Danish Ship Finance has defined a remuneration policy the purpose of which is to determine its guidelines for remuneration of:

- The Board of Directors
- The Management Board
- Employees whose activities have a material impact on the company's risk profile
- Employees in special functions
- Other staff

The aim of the remuneration policy is to ensure that the company's remuneration of management and employees whose activities have a material impact on the company's risk profile does not lead to excessively risk-tolerant behaviour. In addition, the remuneration policy reflects the fact that the interests of the shareholders and the company have been aligned with the company's circumstances, and it seeks to create a balance between the assignments and the responsibility undertaken.

Owing to the company's size, the Board of Directors has not set up a remuneration committee.

The company does not have any incentive programmes for members of the Board of Directors, the Management Board or employees whose activities have a material impact on the company's risk profile. The remuneration policy also states that the remuneration of members of the Management Board and other risk-takers should not contain any variable components.

The remuneration policy is adopted by the shareholders in general meeting.

The total payments concerning remuneration for the Board of Directors and the Management Board are described in note 8 to the financial statements.

Additional information on the remuneration policy is available on the company's website:
www.shipfinance.dk/en/InvestorRelations/Corporate-Governance.

AUDIT COMMITTEE

The company has set up a statutory audit committee consisting of members of the Board of Directors. In composing the audit committee, the company has ensured that the chairman of the Board of Directors does not act as the chairman of the audit committee. It has also been ensured that the committee has professional capabilities and experience in financial matters and in finance and accounting.

The audit committee consists of Business Financial Officer Fatiha Benali, Group CFO and member of the Executive Board Trond Ø. Westlie and member of the Executive Board Glenn Söderholm. Business Financial Officer Fatiha Benali (chairman) is the independent member with competencies in finance and accounting. She qualifies by being Business Financial Officer of a company that presents financial statements in accordance with the Danish Financial Business Act and IFRS.

The duties of the audit committee are defined in the terms of reference of the audit committee. The audit committee is to assist the Board of Directors in monitoring the financial reporting process, monitoring the efficiency of the company's internal control systems and risk management systems, monitoring the audit of the annual report, and monitoring and verifying the independence of the auditors. The audit committee is thus a preparatory and monitoring body.

The audit committee holds ordinary meeting three times a year, of which two meetings are prior to the presentation of the annual and half-yearly report, respectively. The committee reports to the Board of Directors, and minutes of the committee's meetings are discussed at the first-coming ordinary board meeting after the audit committee's meeting.

Additional information on the company's audit committee is available on the company's website:
www.shipfinance.dk/en/om-selskabet/Revisionsudvalg.

CORPORATE SOCIAL RESPONSIBILITY

The company has implemented a corporate social responsibility (CSR) policy. As part of the company's endeavours to run a professional, trustworthy and sustainable business, it focuses on corporate social responsibility. The company seeks to the extent possible to incorporate CSR considerations in its day-to-day work. The CSR initiatives build on the following principles:

- Aligning our policies to Danish standards.
- Focusing on CSR initiatives for in-house use.
- CSR is to form an integral part of the corporate culture.

The company is involved in the following three CSR categories: "Employees", "The environment and climate" and "corruption and unusual gifts".

The purpose of the company's CSR work is to contribute to a general value increase to society at large and to Danish Ship Finance as a business. This is to be secured through:

- Minimising harmful impacts to the environment and the climate.
- A fruitful in-house working environment.
- Value creation based on motivated employees.
- Guidelines to counter corruption and bribery.

In its CSR report, the company reports on its efforts to reduce consumption and emissions with an adverse impact on the climate and the environment. The report states that the company's customers must comply with the applicable standards for shipping activities issued by national or international bodies and comply with the rules on human rights in accordance with international conventions.

Other than this, the company has not adopted any additional policies on the climate and the environment or policies on human rights.

Additional information on the corporate social responsibility is provided in the CSR report on the company's website: www.skibskredit.dk/en/Publikationer/Download/~/media/publikationer/csr/csr-report-2014-UK.


22
20
18

HUMAN RESOURCES

At the end of 2014, Danish Ship Finance had 69 employees, of whom 29 were women and 40 were men.

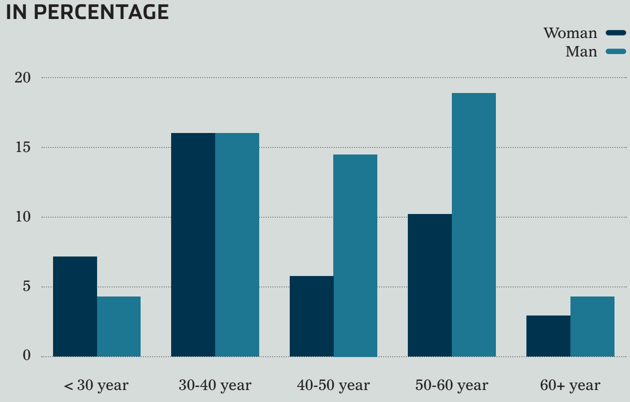
For the company to retain its position as the leading ship financing institute, it is important that it is able to attract and retain competent employees. In order to create an attractive framework for its employees, Danish Ship Finance offers its staff a number of insurance and healthcare schemes. The company remains focused on employee well-being and work-life balance. The company's working environment committee is dedicated to promoting attention to this balance. The company also has a social staff association that arranges various events for the employees.

The employees generally have an extensive educational background and are specialists in their fields. In order to develop employee competencies, the company spends resources on training for each employee. In 2014, expenses for training courses and other training amounted to 1.4% of total staff costs. Training courses are intended to ensure professional and personal development. The employees have a high degree of influence with respect to selecting continuing training and courses. The purpose of training is to further develop employee qualifications and to motivate and challenge the employees.

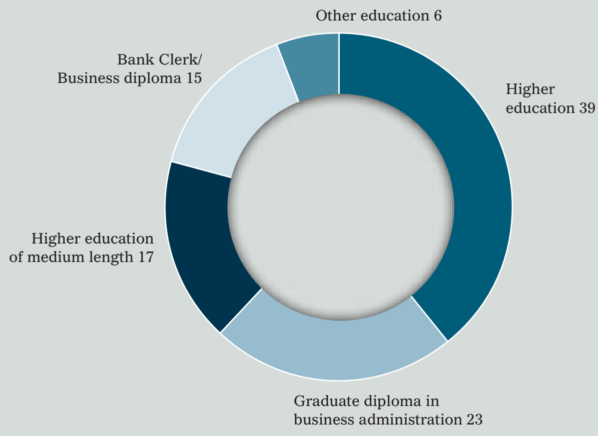
The company generally records a high level of job satisfaction, and the general job satisfaction measured in 2014 was at a satisfactory level. In order to retain this level, in collaboration with external HR partners the company remains focused on employee satisfaction.

Additional information on the employee satisfaction survey is provided in the CSR report on the company's website: www.skibskredit.dk/en/Publikationer/Download/~/media/publikationer/csr/csr-report-2014-UK

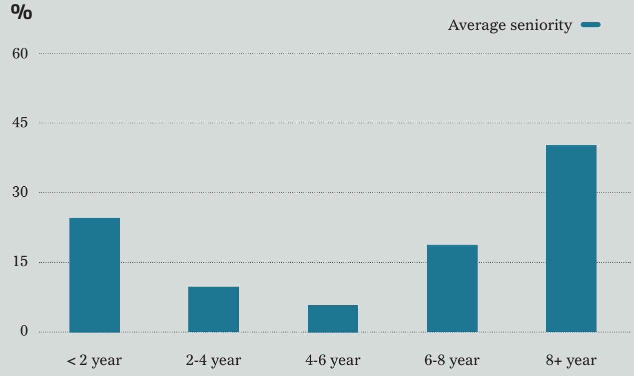
DISTRIBUTION BY AGE AND GENDER IN PERCENTAGE



EDUCATIONAL BACKGROUND %



SENIORITY %



MANAGEMENT AND DIRECTORSHIPS

DIRECTORSHIPS – BOARD OF DIRECTORS

The information set out below describes positions held by board members, other directorships, other senior management positions and fiduciary positions at the date of publication of the annual report for 2014 of Danish Ship Finance. The text also describes how long each member has held a seat on the Board of Directors and the special competencies held by each member.

Executive Vice President Peter Lybecker
Nordea Bank Danmark A/S
Chairman (since 10.04.2014)
Date of birth: 08.10.1953
Nationality: Danish
Considered to be a non-independent board member.
Elected to the Board of Directors on 8.04.2013
Board meeting participation rate: 87.5%
Participation rate for audit committee meetings (until 10.04.2014): 100%
Member of the board of directors of:
Bluegarden Holding A/S (Chairman)
Bankernes Kontantservice A/S (Chairman)
Fionia Asset Company A/S (Chairman)
Nordea Kredit Realkreditaktieselskab A/S (Chairman)
VP Securities A/S (Chairman)
The Danish Bankers Association (Deputy Chairman)
LR Realkredit A/S
Nordea Finans Danmark A/S
Nordea Finance Sweden Plc
Nordea Finance Finland Ltd.
Competencies:
Broad knowledge of macroeconomics, financial matters, legislation, financial risk management and general management of international companies through his position as Executive Vice President with Nordea Bank Danmark A/S and directorships with a number of financial and non-financial businesses.

Governor Hugo F. Jensen
Danmarks Nationalbank
Deputy Chairman (since 10.04.2014)
Date of birth: 11.01.1958
Nationality: Danish
Considered to be an independent board member.
Elected to the Board of Directors on 10.04.2014
Board meeting participation rate: 80%
Member of the board of directors of:
Bankernes Kontantservice A/S (Deputy Chairman)
VP Securities A/S (Deputy Chairman)
Competencies:
Broad knowledge of macroeconomics, financial matters, legislation and financial risk management through his position governor of the Danish central bank (Nationalbanken).

Business Financial Officer Fatiha Benali
Tryg A/S
Date of birth: 17.02.1969
Nationality: Danish
Considered to be an independent board member.
Elected to the Board of Directors on 16.04.2009
Board meeting participation rate: 100%
Participation rate for audit committee meetings: 100%
Competencies:
Broad knowledge of finance and accounting and IT through her position as Business Financial Officer and former CFO of Tryg A/S.

Chief Executive Officer Jenny N. Braat
Danske Maritime
Date of birth: 26.04.1966
Nationality: Danish
Considered to be an independent board member.
Elected to the Board of Directors on 29.03.2012
Board meeting participation rate: 75%
Member of the board of directors of:
Den Danske Maritime Fond
Competencies:
Broad knowledge of the international shipping industry with particular focus on shipbuilding and the national and international legislative framework for shipbuilding through her position as CEO of Danske Maritime.

Senior Relationship Manager Marcus F. Christensen
Danish Ship Finance
Date of birth: 20.11.1979
Nationality: Danish
Elected to the Board of Directors on 29.03.2012
Board meeting participation rate: 75%
Competencies:
Broad knowledge of credit granting, ship financing and problem handling through his position as Senior Relationship Manager with Danish Ship Finance.

The members elected by the shareholders hold office for terms of one year at a time, and members elected by the employees are elected every four years.

Head of Research Christopher Rex
Danish Ship Finance
Date of birth: 28.01.1979
Nationality: Danish
Elected to the Board of Directors on 29.03.2012
Board meeting participation rate: 87.5%
Competencies:
Broad knowledge of macroeconomics, financial risk management and international shipping through his position as Head of Research with Danish Ship Finance.

Member of the Executive Board Glenn Söderholm
Danske Bank A/S
Date of birth: 26.07.1964
Nationality: Swedish
Considered to be a non-independent board member.
Elected to the Board of Directors on 07.11.2013
Board meeting participation rate: 62.5%
Participation rate for audit committee meetings (since 10.04.2014): 100%
Competencies:
Broad knowledge of financial risk management, financial markets and general management through his position as member of the Executive Board of Danske Bank A/S.

Senior Relationship Manager Henrik R. Søgaard
Danish Ship Finance
Date of birth: 09.02.1959
Nationality: Danish
Elected to the Board of Directors on 24.04.2008
Board meeting participation rate: 100%
Competencies:
Broad knowledge of credit granting, ship financing and problem handling through his position as Senior Relationship Manager with Danish Ship Finance.

Group CFO and member of the Executive Board
Trond Ø. Westlie
A.P. Møller-Mærsk A/S and Firmaet A.P. Møller
Date of birth: 08.06.1961
Nationality: Norwegian
Considered to be an independent board member.
Elected to the Board of Directors on 24.03.2011
Board meeting participation rate: 100%
Participation rate for audit committee meetings: 100%
Member of the board of directors of:
A.P. Møller-Mærsk Group (chairman or member of the board of directors in 12 subsidiaries)
Danske Bank A/S
Shama A/S
VimpelCom Ltd. (member of board of directors and audit committee)
Competencies:
Broad knowledge of shipping operations, financial risk management, bond issuance, finance and accounting and general management of international businesses through his position as Group CFO and member of the Executive Board of A.P. Møller-Mærsk A/S and Firmaet A.P. Møller and directorships of a number of financial and non-financial businesses.

DIRECTORSHIPS – MANAGEMENT BOARD

Chief Executive Officer Erik I. Lassen
Member of the Management Board since 09.04.2008

Executive Vice President Per Schnack
Member of the Management Board since 09.04.2008

STATEMENT BY THE MANAGEMENT BOARD AND THE BOARD OF DIRECTORS

The Board of Directors and the Management Board have today considered and adopted the annual report of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the financial year ended 31 December 2014. The annual report has been prepared in accordance with the Danish Financial Business Act. Furthermore, the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

In our opinion, the management's review includes a fair review of developments in the activities and financial position of the company and fairly describes significant risk and uncertainty factors that may affect the company.

Furthermore, in our opinion, the financial statements give a true and fair view of the company's assets and liabilities and financial position at 31 December 2014 and of the results of the company's operations for the financial year ended 31 December 2014.

We recommend the annual report for adoption at the annual general meeting to be held on 26 March 2015.

Copenhagen, 27 February 2015

MANAGEMENT BOARD

Erik I. Lassen
Chief Executive Officer

Per Schnack
Executive Vice President

BOARD OF DIRECTORS

Peter Lybecker
Chairman

Hugo F. Jensen
Deputy Chairman

Fatiha Benali

Jenny N. Braat

Marcus F. Christensen

Christopher Rex

Glenn Söderholm

Henrik R. Søgaard

Trond Ø. Westlie

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DANISH SHIP FINANCE A/S

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the financial year ended 31 December 2014, comprising an income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements, including accounting policies. The financial statements are presented in accordance with the Danish Financial Business Act. Furthermore, the financial statements are presented in accordance with additional Danish disclosure requirements for interim reports of issuers of listed bonds.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for preparing financial statements that give a true and fair view in accordance with the Danish Financial Business Act. Management is also responsible for the internal control that it considers necessary for preparing financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with international standards on auditing and additional requirements under Danish audit regulation. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the preparation of financial statements that give a true and fair view. The purpose of this is to design procedures that are appropriate in the circumstances but not to express an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit did not result in any qualification.

OPINION

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2014 and of the results of the company's operations for the financial year ended 31 December 2014 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for issuers of listed bonds.

STATEMENT ON THE MANAGEMENT'S REPORT

Pursuant to the Danish Financial Business Act, we have read the management's report. We have not performed any other procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the Management's report is consistent with the financial statements.

Copenhagen, 27 February 2015

DELOITTE
Statsautoriseret Revisionspartnerselskab

Henrik Wellejus State-authorised public accountant	Per Rolf Larssen State-authorised public accountant

INCOME STATEMENT

NOTE	1 JANUARY - 31 DECEMBER DKK MILLION	2014	2013
3	Interest income	2,061	2,401
4	Interest expenses	(1,241)	(1,510)
5	**Net interest income**	**820**	**891**
	Dividends on shares, etc.	0	1
6	Fee and commission income	114	45
	Fees and commissions paid	0	0
	Net interest and fee income	**934**	**937**
7	Market value adjustments	123	(25)
8,9	Staff costs and administrative expenses	(98)	(97)
19,20	Depreciation and impairment of property, plant and equipment	(1)	(2)
14	Impairment charges on loans and receivables	1,103	(166)
	Profit/loss before tax	**2,061**	**647**
10	Tax	(493)	(170)
	Profit/loss for the year	**1,568**	**477**
	Other income	-	-
	Total income for the year	**1,568**	**477**
	Proposed allocation of profit		
	Dividend for the financial year	1,181	405
	Retained earnings	387	72
	Total	**1,568**	**477**

BALANCE SHEET

NOTE	AT 31 DECEMBER DKK MILLION	2014	2013
	ASSETS		
11	Due from credit institutions	5,409	914
12,13,14	Loans at amortised cost	43,347	42,383
15,16,17	Bonds at fair value	18,680	21,066
18	Shares, etc.	9	3
19	Land and buildings		
	Domicile property	64	64
20	Other tangible assets	9	8
	Current tax assets	0	41
25	Deferred tax assets	82	162
21	Other assets	1,774	2,581
	Total assets	**69,374**	**67,222**
	LIABILITIES AND EQUITY		
	Liabilities		
22	Due to credit institutions	8,604	6,710
23	Issued bonds at amortised cost	45,077	48,657
	Current tax liabilities	60	-
24	Other liabilities	4,487	1,872
	Total liabilities	**58,228**	**57,239**
26	**Equity**		
	Share capital	333	333
	Tied-up reserve capital	8,343	8,343
	Revaluation reserves	10	10
	Retained earnings	1,279	892
	Dividend proposed for the financial year	1,181	405
	Total equity	**11,146**	**9,983**
	Total liabilities and equity	**69,374**	**67,222**
	Off-balance sheet items		
28	Contingent liabilities	386	418
29	Other binding agreements	4,940	2,904
	Total off-balance sheet items	**5,326**	**3,322**

STATEMENT OF CHANGES IN EQUITY

DKK MILLION	Share capital	Tied-up reserve capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2013	**333**	**8,343**	**830**	**267**	**9,773**
Dividends distributed	-	-	-	(267)	(267)
Profit/loss for the period	-	-	72	405	477
Equity at 31 December 2013	**333**	**8,343**	**902**	**405**	**9,983**
Dividends distributed	-	-	-	(405)	(405)
Profit/loss for the period	-	-	387	1,181	1,568
Equity at 31 December 2014	**333**	**8,343**	**1,289**	**1,181**	**11,146**

LIST OF NOTES

52 1 ACCOUNTING POLICIES
59 2 KEY FIGURES AND RATIOS
60 3 INTEREST INCOME
60 4 INTEREST EXPENSES
61 5 NET INTEREST INCOME
62 6 FEE AND COMMISSION INCOME
62 7 MARKET VALUE ADJUSTMENTS
62 8 STAFF COSTS AND ADMINISTRATIVE EXPENSES
65 9 AUDIT FEES
65 10 TAX
66 11 DUE FROM CREDIT INSTITUTIONS
66 12 LOANS AT AMORTISED COST. DEVELOPMENTS DURING THE YEAR
67 13 LOANS AT AMORTISED COST. SPECIFICATION OF LOANS AT YEAR-END
68 14 IMPAIRMENT CHARGES
69 15 BONDS AT FAIR VALUE
69 16 BOND HOLDINGS BY TIME TO MATURITY
70 17 CSA COLLATERAL
70 18 SHARES, ETC.
70 19 LAND AND BUILDINGS. DOMICILE PROPERTY
71 20 OTHER TANGIBLE ASSETS
71 21 OTHER ASSETS
71 22 DUE TO CREDIT INSTITUTIONS
72 23I SSUED BONDS AT AMORTISED COST
73 24 OTHER LIABILITIES
73 25 DEFERRED TAX
74 26 EQUITY
75 27 CAPITAL ADEQUACY
76 28 CONTINGENT LIABILITY
76 29 OTHER BINDING AGREEMENTS
77 30 RELATED PARTIES
78 31 HEDGE ACCOUNTING
79 32 NOTIONAL PRINCIPALS OF OUTSTANDING DERIVATIVES
80 33 MARKET VALUES OF OUTSTANDING DERIVATIVES
81 34 EXCHANGE RATE RISK AND USE OF DERIVATIVES AT 31 DECEMBER 2014
82 35 MARKET RISK SENSITIVITY
83 36 FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT COST
84 37 CREDIT RISK
87 38 SUPPLEMENTARY NOTES WITHOUT REFERENCE

NOTES

NOTE 1

ACCOUNTING POLICIES

General
The annual report has been prepared in accordance with the Danish Financial Business Act. Furthermore, the financial statements have been prepared in accordance with additional Danish disclosure requirements for annual reports of issuers of listed bonds.

The accounting policies are consistent with those applied last year.

Accounting estimates and judgments
The preparation of the annual report is based on the management's estimates and judgments of future events that will significantly affect the carrying amounts of assets and liabilities. The amounts most influenced by the critical estimates and assessments are:

- Fair value of financial instruments
- Valuation and loan impairment charges

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 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 customers and other counterparties. Accounting estimates and judgments made on the balance sheet date express management's best estimate of such events and circumstances.

Fair value 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.

Measurement of financial instruments that are only to a limited extent based on observable market data, are subject to estimates. This applies to unlisted shares and shares acquired through reconstruction of credit exposures as well as certain bonds for which an active does not exists. See *Determination of fair value* below for a more detailed description.

Valuation (measurement) and loan impairment charges
Impairment charges are subject to material estimates with respect to the time when objective evidence of impairment occurs.

Impairment charges with a collective component especially involve estimates associated with assessing in which segments objective evidence of impairment exists. Individual charges especially involve estimates associated with assessing when debtors experience substantial financial difficulty.

Once objective evidence of impairment exists, estimates are associated with estimating realisable values from ship mortgages etc. and expected dividends from the individual exposures.

Segment information
There is no meaningful segment information about the company's business areas as per the definitions of the executive order on financial reporting. Thus, the company's internal reporting does not include any segmentation.

NOTES

Offsetting
Amounts due to and from the company are offset when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTE 1

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

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

Monetary assets and liabilities in foreign currency are translated at the exchange rates at the balance sheet date. Exchange rate adjustments of monetary assets and liabilities arising as a result of 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 adjustment of the asset or liability.

Rounding
All figures in the financial statements are expressed in millions of kroner with no decimals unless otherwise stated. Totals in the financial statements have been calculated on the basis of actual amounts. A re-calculation of the totals may in some cases result in rounding differences because the underlying decimals are not disclosed in the financial statements.

Financial instruments – general
Purchases and sales of financial instruments are measured at their fair value as 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.

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 portfolio 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 portfolio 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
The company uses derivatives to hedge the interest rate risk on fixed-rate liabilities measured at amortised cost.

NOTE 1

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 recognised at fair value as a value adjustment of the hedged items with value adjustment recognised 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 term to maturity.

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

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

If no active market exists, the fair value of standard and simple financial instruments such as interest rate and currency swaps and unlisted bonds, is measured according to generally accepted valuation techniques. Market-based parameters are used for measuring fair value, and the fair value of derivatives is subject to credit valuation adjustment (CVA) derived from changes to financial counterparty credit risk.

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 on the basis of internal models, many of which are based on valuation techniques generally accepted within the industry.

The fair value of shares, etc. is measured on the basis of listed market prices at the balance sheet date.

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 at a later date, 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 directly to the borrower and credit exposures arising through syndication. Loans comprise traditional loans against mortgages in ships and financing for building ships.

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 method, less any impairment charges. The difference between the value at initial recognition and the nominal value is amortised over the term to maturity and recognised under Interest income.

Impairment charges
Loan impairment charges are made individually and collectively when objective evidence of impairment has been ascertained and the discounted value of the expected future cash flows is lower than the carrying amount of the loan. In other words, the loan is impaired.

The expected future payments are calculated based on the likelihood with which they are expected to reduce the cash flow from the loan. When calculating the value of future cash flows, the security values are included on the basis of an assessment of the ship mortgages against the background of supply and demand, after which adjustments are made for matters such as freight rates, age and turnover rate. The effective interest rate on the loan is used as discount factor.

NOTE 1

Objective evidence of impairment is believed to exist for groups of loans when the outlook for a vessel segment is considered to be of such a nature that, based on experience, it involves a higher risk of loss. Objective evidence is believed to exist for individual loans if the debtor is experiencing significant financial difficulty, including in case of default or breaches of loan covenants that have not been dealt with. Irrespective of the category, impairment charges are made at an individual loan level.

The impairment charge on the individual loan is determined by multiplying the probability of default (PD), fixed on the basis of a specific assessment of debtor creditworthiness, by the loss given default (LGD) on the loan. Loss given default is calculated as the difference between the outstanding residual debt and the estimated discounted sales value of the mortgaged vessel(s) in a weak market.

When calculating the value of the ship mortgages, a deduction is made relative to the obtained or fixed market value to reflect that the sale in such situations is made in a stressed market. The deduction has been adjusted and broken down on relevant sub-segments, for example according to vessel size. Ongoing efforts are made to improve the calculation method for the sales value of the ship mortgages in case the borrower experiences serious financial difficulty.

The value of the vessel is calculated on the basis of what a vessel in a given sub-segment is expected to generate in terms of earnings in, based on experience, a weak market during the vessel's remaining lifetime. The calculation is made with consideration to factors such as the vessel's saleability, age and selling costs. The expected payments from the sale of the vessel are discounted using the current borrowing rate.

Bonds at fair value

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

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

Shares, etc.

Shares, etc. comprises investments in sector shares, share-based unit trust certificates and shares acquired through reconstruction of loan exposures.

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

Shares acquired through reconstruction of credit exposures are measured at cost less impairment charges.

Land and buildings

Land and buildings consist of the company's domicile property located at Sankt Annæ Plads 1-3, DK-1250 Copenhagen, Denmark.

NOTE 1

Domicile property
On initial recognition, domicile properties used for the company's own operations are measured at cost. Domicile property is subsequently measured at the revalued amount plus property improvement expenditures and less depreciation and impairment charges.

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

Impairment charges
Domicile property is tested for impairment if evidence of impairment exists, and the property is written down to its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

Other tangible assets
Other tangible assets consist of operating equipment, vehicles and furniture, which is 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 3 years.

Other assets
Other assets include interest and commission due, prepayments and derivatives with a positive market value. Future payments that the company 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, that is, sales of securities to be repurchased at a later date. 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 the ship mortgage bonds and debenture bonds issued by the company, which are recognised at amortised cost with the addition of the fair value of the hedged interest rate risk.

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

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

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

The difference between the cost of acquiring the debt instrument and the liability, which may be cancelled, is recognised in market value adjustments in the income statement. Interest income from the portfolio of own bonds is set off against interest expenses for own bonds.

Subordinated debt
Subordinated debt consists of liabilities in the form of subordinated loan capital and other capital contributions which, in the event of the company's voluntary or compulsory winding up, will not be repaid until after the claims of ordinary creditors have been met. On initial recognition, it is measured at fair value less direct costs associated with the raising of such debt. Subsequently, subordinated debt is measured at amortised cost.

NOTE 1

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 on the basis of 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 assess the probability and size of future taxable income.

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

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

OFF-BALANCE SHEET ITEMS

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

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

Other binding agreements
Other binding agreements comprise irrevocable credit commitments made and unutilised drawing rights on loans with revolving credit facilities provided as part of the lending activities.

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Interest income and expense
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 method based on the cost of the financial instrument. Interest includes amortisation of fees which are an integral part of the effective yield of the financial instrument, including origination fees, and amortisation of any additional difference between cost and redemption price.

NOTE 1

Interest income and expenses also include interest on financial instruments measured at fair value.

Recognition of interest on loans with impairment is made on the basis of the value after impairment.

Fees and commission income and expenses
Fee and commission income and expenses are generated by activities. Commission for services provided over a period of time, such as guarantee commissions and commitment fees, are accrued over the 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, jubilee bonuses, pension costs, payroll tax and other consideration.

Bonuses and share-based payments
Bonuses are expensed as they are earned. The company has no share-based payments.

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

Depreciation and impairment of tangible assets
The item consists only of depreciation and impairment of the domicile property and other tangible assets.

Loan impairment charges
The item includes losses on and impairment charges of loans, amounts due from credit institutions and guarantees.

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

NOTES

NOTE 2

KEY FIGURES AND RATIOS DKK MILLION	2014	2013	2012	2011	2010
Net interest income from lending operations	565	541	439	348	360
Net interest income from financing operations	255	350	447	476	521
Total net interest income	820	891	886	824	881
Net interest and fee income	934	937	940	886	945
Market value adjustments	123	(25)	105	(135)	(2)
Staff costs and administrative expenses	(98)	(97)	(94)	(90)	(84)
Impairment charges on loans and receivables, etc.	1,103	(166)	(523)	(333)	(245)
Profit/loss before tax	2,061	647	427	326	613
Profit/loss for the year	1,568	477	314	244	493
Loan	43,347	42,383	46,364	46,948	49,472
Bonds	18,680	21,066	30,091	26,944	29,216
Subordinated debt	-	-	-	899	898
Equity	11,146	9,983	9,773	9,666	9,496
Total assets	69,374	67,222	83,002	78,998	84,346

RATIOS	2014	2013	2012	2011	2010
Capital ratio	16.4	17.0	15.2	16.3	15.3
Tier 1 capital ratio	16.4	17.0	15.1	16.3	15.3
Return on equity before tax (%)	19.5	6.5	4.4	3.4	6.6
Return on equity after tax (%)	14.8	4.8	3.2	2.5	5.3
Income/cost ratio (DKK) *)	(1.1)	3.4	1.7	1.8	2.9
Income/cost ratio (ex. impairment charges)	10.6	9.3	11.0	8.3	11.0
Foreign exchange position (%)	8.5	11.5	9.5	6.9	12.7
Gearing of loans	3.9	4.2	4.7	4.9	5.2
Annual growth in lending (%)	2.3	(8.6)	(1.2)	(5.1)	2.1
Impairment ratio for the year	(2.4)	0.4	1.0	0.7	0.5
Accumulated impairment ratio	4.3	6.7	5.8	4.6	3.9
Rate of return on assets (%)	2.3	0.7	0.4	0.3	0.6

The key figures are calculated in accordance with Appendix 6 of the Danish FSA's instructions for financial reporting in credit institutions, etc.

**) In accordance with the instructions, the income/cost ratio must be calculated including loan impairment charges. The list of key figures also includes a income/cost ratio in which the impairment charges are not included.*

	DKK MILLION	2014	2013
NOTE 3	**INTEREST INCOME**		
	Due from credit institutions	18	7
	Loans and other receivables	1,327	1,412
	Bonds	464	628
	Other interest income	0	1
	Derivatives		
	Interest rate contracts	252	357
	Foreign exchange contracts	1	(3)
	Total interest income	**2,061**	**2,401**
	Of this amount, income from genuine purchase and resale transactions recognised in:		
	Due from credit institutions	0	1
NOTE 4	**INTEREST EXPENSES**		
	Credit institutions	0	0
	Issued bonds	(1,045)	(1,280)
	Other interest expenses	(196)	(230)
	Total interest expenses	**(1,241)**	**(1,510)**
	Of this amount, interest expenses from genuine purchase and resale transactions recognised in:		
	Due from credit institutions	0	-

NOTES

DKK MILLION	2014	2013
NOTE 5 NET INTEREST INCOME		
Net interest income from lending operations		
Loans and other receivables	1,327	1,412
Bonds	37	72
Due from credit institutions	13	5
Interest to credit institutions	0	0
Issued bonds	(1,052)	(1,285)
Other interest expenses	(12)	(15)
Derivatives		
Interest rate contracts	252	357
Foreign exchange contracts	1	(3)
Total net interest income from lending operations	**565**	**541**
Net interest income from financing operations		
Bonds	435	562
Due from credit institutions	4	2
Other interest income	0	1
Interest to credit institutions	0	-
Other interest expenses	(185)	(215)
Total net interest income from financing operations	**255**	**350**
Total net interest income	**820**	**891**

NOTES

	DKK MILLION	2014	2013
NOTE 6	**FEE AND COMMISSION INCOME**		
	Guarantee commission	5	6
	Fee and other commission income	109	39
	Total fee and commission income	**114**	**45**
NOTE 7	**MARKET VALUE ADJUSTMENTS**		
	Market value adjustment of bonds	316	(482)
	Market value adjustment of shares	10	45
	Exchange rate adjustments	24	(21)
	Market value adjustment of financial instruments	(226)	433
	Total market value adjustments	**123**	**(25)**
NOTE 8	**STAFF COSTS AND ADMINISTRATIVE EXPENSES**		
	Remuneration of Board of Directors and Management Board		
	Management Board	(6)	(6)
	Board of Directors	(2)	(2)
	Total remuneration of Board of Directors and Management Board	**(8)**	**(8)**
	Staff costs		
	Wages	(52)	(48)
	Pensions	(5)	(5)
	Social security costs and financial services employer tax	(12)	(12)
	Total staff costs	**(69)**	**(65)**
	Other administrative expenses	(21)	(24)
	Total staff costs and administrative expenses	**(98)**	**(97)**
	Number of employees - full-time equivalents	67	59
	Average number of employees - full-time equivalents	62	61

NOTES

DKK '000

NOTE 8, CONTINUED

REMUNERATION OF THE BOARD OF DIRECTORS

2014		Ordinary fee	Committee fee	Total fees
Peter Lybecker, Chairman (Chairman from 10 April 2014)		306	29	335
Jens Thomsen, (retired as of 10 April 2014)		175		175
Hugo Frey Jensen (member and Deputy Chairman as of 10 April 2014)		131		131
Fatiha Benali	*)	175	58	233
Jenny N. Braat		175		175
Glenn Söderholm	*)	175	29	204
Trond Ø. Westlie	*)	175	58	233
Henrik Rohde Søgaard	**)	175		175
Marcus Freuchen Christensen	**)	175		175
Christopher Rex	**)	175		175
Total		**1,837**	**174**	**2,011**

2013		Ordinary fee	Committee fee	Total fees
Jens Thomsen, Chairman		300		300
Thomas F. Borgen (retired as of 7 November 2013)		225		225
Peter Lybecker (member as of 8 April 2013 and Deputy Chairman as of 7 November 2013)	*)	75	25	100
Fatiha Benali	*)	150	50	200
Jenny N. Braat		150		150
Glenn Söderholm (member as of 7 November 2013)		0		0
Michael Rasmussen (retired as of 8 april 2013)		75	25	100
Trond Ø. Westlie	*)	150	50	200
Henrik Rohde Søgaard	**)	150		150
Marcus Freuchen Christensen	**)	150		150
Christopher Rex	**)	150		150
Total		**1,575**	**150**	**1,725**

*) Member of Audit Committee at year end
**) Employee representative

DKK '000	2014	2013
NOTE 8, CONTINUED		
REMUNERATION OF MANAGEMENT BOARD		
Erik I. Lassen		
Contractual remuneration	2,752	2,672
Pension	340	330
Tax value of car	151	154
Total	**3,243**	**3,156**
Per Schnack		
Contractual remuneration	2,477	2,405
Pension	306	297
Tax value of car	104	104
Total	**2,887**	**2,806**

Management Board's pension scheme is a contribution scheme and there are no unusual severance terms for members of the Management Board.

The company has no further pension obligations towards members of the Management Board.

INFORMATION ON REMUNERATION POLICY

Information about remuneration policy and practice for the Board of Directors, the Management Board and other employees whose activities have a material impact on the company´s risk profile.

The Board of Directors of Danish Ship Finance A/S has approved the remuneration policy for 2014, which was adopted by the company´s annual general meeting on 10 April 2014. The remuneration policy is available on the company´s website.

It appears from the remuneration policy that it has been resolved for 2014 that no variable remuneration will be disbursed to members of the Board of Directors, the Management Board and other employees whose activities have a material impact on the company´s risk profil.

With reference to the "Danish Executive Order on remuneration policy and disclosure obligations about remuneration in financial enterprises and financial holding companies", the company discloses the following information:

2014	**Fixed remuneration/fee**	**Variable remuneration**	**Total remuneration/fee**	**Number of recipients**
Board of Directors	2,011	-	2,011	10
Management Board	6,131	-	6,131	2
Other employees whose activities have an impact on the company´s risk profile	3,695	-	3,695	2
Total	**11,837**	**-**	**11,837**	

NOTES

	DKK MILLION	2014	2013
NOTE 9	AUDIT FEES		
	Audit fees, statutory audit	(1)	(1)
	Tax consulting service	0	0
	Non-audit services	0	0
	Total fees	**(1)**	**(1)**
NOTE 10	TAX		
	Tax on profit/loss for the year		
	Estimated tax on profit/loss for the year	(413)	(2)
	Changes in deferred tax	(84)	(159)
	Adjustment for reduction of corporation tax rate	4	(9)
	Adjustment of prior-year tax charges	1	-
	Total tax	**(493)**	**(170)**
	Effective tax rate	**Pct.**	**Pct.**
	Tax rate in Denmark	24.5	25.0
	Non-taxable income and non-deductible expenses	(0.1)	(0.2)
	Adjustment for reduction of corporation tax rate	(0.5)	1.5
	Adjustment of prior-year tax charges	0.0	-
	Effective tax rate	**23.9**	**26.3**

NOTES

NOTE	DKK MILLION	2014	2013
NOTE 11	DUE FROM CREDIT INSTITUTIONS		
	Genuine purchase and resale transactions (repo reverse)	1,948	0
	Other receivables	3,461	914
	Total due from credit institutions	**5,409**	**914**
	Broken down by due date:		
	Demand deposits	61	26
	Up to 3 months	5,348	888
	Total due from credit institutions	**5,409**	**914**
NOTE 12	LOANS AT AMORTISED COST		
	At 1 January	42,383	46,364
	Additions	8,440	5,448
	Ordinary repayments and redemptions	(5,174)	(5,724)
	Extraordinary prepayments	(7,431)	(961)
	Net change concerning revolving credit facilities	(4)	(345)
	Exchange rate adjustment of loans	4,066	(2,202)
	Change in amortised cost for the year	(30)	(10)
	Depreciation, amortisation and impairment for the year	1,097	(187)
	At 31 December	**43,347**	**42,383**

NOTE 13	DKK MILLION	2014	2013
	LOANS AT AMORTISED COST		
	Gross loans at exchange rates at the balance sheet date	45,321	45,454
	Loan impairment charges	(1,974)	(3,071)
	Total loans	**43,347**	**42,383**
	Total loans broken down by due date:		
	Up to 3 months	1,624	1,383
	From 3 months to 1 year	5,772	4,755
	From 1 to 5 years	28,391	28,792
	Over 5 years	7,560	7,453
	Total loans	**43,347**	**42,383**
	Total loans		
	Loans at fair value	43,889	42,925
	Loans at amortised cost	43,347	42,383

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

Loans subject to individual impairment charges		
Value of loans with objective evidence of impairment		
Loans for which respite and more lenient repayment terms have been granted	3,047	6,022
Impairment charges	(1,214)	(2,166)
Total loans for which respite and more lenient repayment terms have been granted	**1,833**	**3,855**
Other loans with objective evidence of impairment	901	863
Impairment charges	(150)	(209)
Total other loans with objective evidence of impairment	**751**	**654**
Total loans and receivables subject to individual impairment charges	**2,584**	**4,509**

Reference is made to note 37 setting out LTV ranges for the entire loan portfolio and for loans subject to individual impairment charges.

DKK MILLION	2014	2013
NOTE 14 IMPAIRMENT CHARGES		
The following impairment charges were made on receivables		
Individual impairment charges	1,364	2,375
Impairment charges with a collective component	610	695
Total impairment charges	**1,974**	**3,071**
As a percentage of loans and impairment charges and guarantee commitments		
Individual impairment charges	3.0	5.2
Impairment charges with a collective component	1.3	1.5
Total impairment charges	**4.3**	**6.7**
Distribution of impairment charges		
Amount set off against loans	1,974	3,071
Provisions made for other liabilities	-	-
Total impairment charges	**1,974**	**3,071**
Movements in impairment charges		
At 1 January	3,071	2,884
Additions	327	1,001
Reversal of impairment charges from previous years	(1,393)	(786)
Losses covered by impairment charges from previous years	(32)	(28)
Total impairment charges	**1,974**	**3,071**
Losses on and impairment charges on receivables		
New impairment charges	(327)	(1,001)
Reversed impairment charges	1,393	786
Reclassification of interest	37	44
Realisation of acquired assets	-	5
Received on claims previously written off	0	0
Total losses on and impairment charges on receivables	**1,103**	**(166)**

NOTES

	DKK MILLION	2014	2013
NOTE 15	BONDS AT FAIR VALUE		
	Bond portfolio		
	Own non-callable bonds	958	103
	Non-callable bonds	9,886	12,305
	Callable bonds	8,794	8,761
	Portfolio of bonds, total before offsetting own bonds	**19,638**	**21,169**
	Own bonds (offset against issued bonds at amortised cost)	(958)	(103)
	Total bond portfolio	**18,680**	**21,066**
	Bond portfolio		
	Own bonds	958	103
	Government bonds and bonds issued by Kommunekredit	772	1,333
	Mortgage bonds	17,908	19,733
	Portfolio of bonds, total before offsetting own bonds	**19,638**	**21,169**
	Own bonds (offset against issued bonds at amortised cost)	(958)	(103)
	Total bond portfolio	**18,680**	**21,066**
NOTE 16	BOND HOLDINGS BY TIME TO MATURITY		
	Bond portfolio		
	Own bonds with a maturity of up to and including 1 year	448	-
	Own bonds with a maturity of over 1 year and up to and including 5 years	461	103
	Own bonds with a maturity of over 5 years and up to and including 10 years	49	-
	Bonds with a maturity of up to and including 1 year	2,987	1,837
	Bonds with a maturity of over 1 year and up to and including 5 years	6,244	10,072
	Bonds with a maturity of over 5 years and up to and including 10 years	494	537
	Bonds with a maturity of over 10 years	8,956	8,620
	Portfolio of bonds, total before offsetting own bonds	**19,638**	**21,169**
	Own bonds (offset against issued bonds at amortised cost)	(958)	(103)
	Total bond holdings specified by time to maturity	**18,680**	**21,066**

NOTE 17

CSA COLLATERAL

At 31 December 2014, Danish Ship Finance had received DKK 355.5 million (DKK 0 million at 31 December 2013) as collateral for transactions entered under CSA agreements.

The bonds received have been recognised in the balance sheet so that they reduce the positive market value under derivative financial instruments by the market value of the bonds on the balance sheet date, and the portfolio of bonds at fair value is increased correspondingly by the market value hereof.

NOTE 18

SHARES, ETC.

DKK MILLION	2014	2013
Unit trust certificates (shares) listed on NASDAQ OMX Copenhagen	5	-
Unlisted shares/unit trust certificates recognised at fair value	4	3
Total shares, etc.	**9**	**3**

NOTE 19

LAND AND BUILDINGS

DKK MILLION	2014	2013
Domicile property		
Revaluation, 1 January	65	65
Property improvements during the year	0	0
Revaluation incl. improvements, 31 December	**65**	**65**
Accumulated depreciation, 1 January	1	1
Depreciation for the year	0	0
Accumulated depreciation, 31 December	**1**	**1**
Total revaluation, 31 December	**64**	**64**

The domicile property comprises the office property at Sankt Annæ Plads 1-3, Copenhagen, the public valuation of which was assessed at DKK 79 million at 1 October 2013.

The domicile property has been valued based on existing budgets for property and the rent level for similar properties in the area. Consequently, no changes have been made to the recognised value. External experts were not involved in valuing the domicile property.

DKK MILLION		2014	2013
NOTE 20	OTHER TANGIBLE ASSETS		
	Cost, 1 January	26	24
	Additions during the year	2	2
	Disposals during the year	0	0
	Cost, 31 December	**27**	**26**
	Accumulated depreciation, 1 January	18	16
	Disposals during the year	0	0
	Depreciation during the year	1	2
	Accumulated depreciation, 31 December	**19**	**18**
	Total other tangible assets	**9**	**8**
NOTE 21	OTHER ASSETS		
	Interest receivable	274	367
	Prepayments to swap counterparties	15	14
	Receivables concerning CIRR financing	17	29
	Market value of derivatives	1,460	2,151
	Miscellaneous receivables	8	20
	Total other assets	**1,774**	**2,581**
NOTE 22	DUE TO CREDIT INSTITUTIONS		
	Genuine purchase and resale transactions	8,595	6,464
	Other amounts due	9	246
	Total due to credit institutions	**8,604**	**6,710**
	Broken down by due date:		
	On demand	9	246
	Up to 3 months	8,595	6,464
	Total due to credit institutions	**8,604**	**6,710**

NOTE 23

ISSUED BONDS AT AMORTISED COST

DKK MILLION	2014	2013
At 1 January	48,657	59,416
Additions in conjunction with block issues	2,994	3,789
Amortisation of cost	(221)	316
Adjustment for hedge accounting	666	(1,022)
Exchange rate adjustment	710	(290)
Own bonds	(863)	309
Ordinary and extraordinary redemptions	(6,867)	(13,861)
At 31 December	**45,077**	**48,657**
Specification of issued bonds		
Bonds issued in DKK		
Bullet bonds	39,291	41,449
Amortising CIRR bonds	970	1,086
Total Danish bonds	**40,261**	**42,535**
Bonds issued in foreign currency		
Amortising CIRR bonds, at year-end exchange rates	5,778	6,219
Total bonds issued in foreign currency	**5,778**	**6,219**
Own bonds	(962)	(97)
Total issued bonds	**45,077**	**48,657**
Broken down by term to maturity:		
Up to 3 months	1,310	2
From 3 months to 1 year	4,537	0
From 1 to 5 years	20,030	17,507
Over 5 years	20,162	31,245
Issued bonds, total before setting off against portfolio of own bonds	**46,039**	**48,754**
Own bonds	(962)	(97)
Total issued bonds	**45,077**	**48,657**

NOTES

	DKK MILLION	2014	2013
NOTE 24	**OTHER LIABILITIES**		
	Interest payable	421	328
	Market value of derivatives	4,044	1,527
	Other liabilities	23	17
	Total other liabilities	**4,487**	**1,872**
NOTE 25	**DEFERRED TAX**		
	Deferred tax, 1 January	(162)	(330)
	Estimated deferred tax on the profit for the year	84	159
	Adjustment for reduction of corporation tax rate	(4)	9
	Total deferred tax	**(82)**	**(162)**

	2014	2014	2014	2013
	Deferred tax assets	**Deferred tax liabilities**	**Deferred tax net**	**Deferred tax net**
Property, plant and equipment	0	4	4	4
Loans	(42)	4	(38)	(28)
Shares, etc.	(3)	-	(3)	0
Issued bonds	(40)	-	(40)	31
Employee obligations	(1)	-	(1)	(1)
Balance of tax losses	-	-	-	(178)
Adjustment for reduction of corporation tax rate	(4)	-	(4)	9
Total deferred tax	**(90)**	**8**	**(82)**	**(162)**

NOTE 26	DKK MILLION	2014	2013
	EQUITY		
	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	10	10
	Retained earnings	1,279	892
	Dividend proposed for the financial year	1,181	405
	Total equity	**11,146**	**9,983**

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

NOTE 27

DKK MILLION	2014	2013
CAPITAL ADEQUACY		
Tier 1 capital		
Share capital	333	333
Tied-up reserve capital	8,343	8,343
Retained earnings	2,460	1,297
Revaluation reserves	10	10
Total tier 1 capital	**11,146**	**9,983**
Deductions in Tier 1 capital		
Retained earnings	1,181	405
Deferred tax assets	-	162
Additional straining relative to the Executive Order	85	104
Prudent valuation pursuant to Article 105 of CRR	198	-
Total deductions in tier 1 capital	**1,464**	**671**
Tier 1 capital less deductions	**9,682**	**9,312**
Total capital less deductions	**9,682**	**9,312**
Weighted items		
Weighted items not included in the trading portfolio	45,405	43,549
Weighted off-balance sheet items	2,858	1,866
Weighted items involving counterparty risk outside the trading portfolio	1,356	586
Weighted items involving market risk	7,382	7,125
Weighted items involving operational risk	1,884	1,692
Total weighted items	**58,883**	**54,817**
Tier 1 capital less deductions as a percentage of total risk-weighted items	**16.4**	**17.0**
Capital ratio	**16.4**	**17.0**
Weighted items with market risk, etc. consist of		
Items with position risk: Debt instruments	6,541	6,051
Items with position risk: Shares	17	7
Total currency position	824	1,067
Total weighted items with market risk	**7,382**	**7,125**

NOTE	DKK MILLION	2014	2013
NOTE 28	CONTINGENT LIABILITY		
	In the ordinary course of its lending operations, Danish Ship Finance has undertaken guarantee commitments of	381	412
	Payment guarantee provided to the Danish Securities Centre	3	4
	Guarantees provided to the Danish Securities Centre	1	2
	Total contingent liabilities	**386**	**418**
NOTE 29	OTHER BINDING AGREEMENTS		
	In the ordinary course of its lending operations, Danish Ship Finance has undertaken commitments in relation to unutilised drawing rights on loans with revolving credit facilities in the amount of	413	226
	In the ordinary course of its lending operations, Danish Ship Finance has undertaken commitments relating to irrevocable credit commitments on loans with revolving credit facilities in the amount of	0	53
	In the ordinary course of its lending operations, Danish Ship Finance has undertaken commitments relating to irrevocable credit commitments on other loans in the amount of	4,528	2,625
	Total other binding agreements	**4,940**	**2,904**

NOTE 30 RELATED PARTIES

Related parties comprise members of the company's Management Board and Board of Directors. Related parties also comprise shareholders who hold more than 20% of the shares or more than 20% of the voting rights in the company.

Transactions with the Management Board and Board of Directors only concern remuneration. See note 8.

Other related-party transactions involving deposits and debt and transactions with financial instruments in the form of swap agreements, forward currency agreements, forward rate agreements and forward securities transactions, etc. are made on an arm's length basis. In special cases, however, the terms and conditions are made in accordance with shipyard subsidy schemes or international rules on government participation in the financing of newbuildings.

The company has no related parties with a controlling influence.

DKK MILLION

NOTE 31

HEDGE ACCOUNTING

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

2014	NOMINAL VALUE	CARRYING AMOUNT	FAIR VALUE
Commitments			
Issued bonds	14,424	15,235	14,984
Total commitments	**14,424**	**15,235**	**14,984**
Derivatives			
Interest rate swaps	(14,424)	(1,270)	(1,270)
Total derivatives	**(14,424)**	**(1,270)**	**(1,270)**
Net	**0**	**13,965**	**13,713**

2013	NOMINAL VALUE	CARRYING AMOUNT	FAIR VALUE
Commitments			
Issued bonds	16,942	17,490	17,440
Total commitments	**16,942**	**17,490**	**17,440**
Derivatives			
Interest rate swaps	(16,942)	(1,215)	(1,215)
Total derivatives	**(16,942)**	**(1,215)**	**(1,215)**
Net	**0**	**16,275**	**16,225**

NOTES

DKK MILLION	2014	2013
NOTE 32 NOTIONAL PRINCIPALS OF OUTSTANDING DERIVATIVES		
Swap agreements		
Swap agreements have been made with the following parties to hedge the exchange rate exposure on loans and issued bonds		
Receivables	970	-
Credit institutions	48,712	46,268
Swap agreements have been made with the following parties to hedge the interest rate exposure on loans, bonds and issued bonds		
Receivables	604	539
Credit institutions	48,212	42,447
Swap agreements, for which financial risks are not fully hedged, have been made with the following parties		
Credit institutions	23,942	22,460
Forward interest rate and currency agreements		
Forward interest rate and currency agreements have been made with the following parties to hedge interest rate and exchange rate risk		
Credit institutions	16,603	18,612

	DKK MILLION	2014 POSITIVE	2014 NEGATIVE	2013 POSITIVE	2013 NEGATIVE
NOTE 33	**MARKET VALUES OF OUTSTANDING DERIVATIVES**				
	Swap agreements				
	Swap agreements have been made with the following parties to hedge the exchange rate exposure on loans and issued bonds				
	Receivables	51	-	-	-
	Credit institutions	396	3,226	1,094	805
	Swap agreements have been made with the following parties to hedge the interest rate exposure on loans, bonds and issued bonds				
	Receivables	1	57	1	72
	Credit institutions	1,295	305	1,054	362
	Swap agreements, for which financial risks are not fully hedged, have been made with the following parties				
	Credit institutions	559	1,360	137	663
	Forward interest rate and currency agreements				
	Forward interest rate and currency agreements have been made with the following parties to hedge interest rate and exchange rate risk				
	Credit institutions	118	37	17	18
	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%	20		1,004	
	Counterparty with risk weight of 50%	800		-	
	Counterparty with risk weight of 100%	52		-	
	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%	40		2,303	
	Counterparty with risk weight of 50%	2,329		-	
	Counterparty with risk weight of 100%	51		-	

NOTES

DKK MILLION

NOTE 34

EXCHANGE RATE RISK AND USE OF DERIVATIVES AT 31 DECEMBER 2014

The total unhedged foreign currency position at 31 December 2014, translated at year-end exchange rates into DKK amounts to DKK 824 million (DKK 1,066 million at 31 December 2013).

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

The net position is specified as follows

	USD	OTHER CURRENCIES	TOTAL CURRENCY	DKK	TOTAL
Loans at year-end exchange rates	37,866	5,852	43,718	1,603	45,321
Loan impairment charges				(1,974)	(1,974)
Loans as per the balance sheet					**43,347**
Due from credit institutions	264	22	285	5,124	5,409
Bond portfolio	0	483	483	18,197	18,680
Interest receivable, etc.	225	20	245	32	276
Other assets			0	1,661	1,661
Total assets as per the balance sheet	**38,354**	**6,376**	**44,731**	**24,644**	**69,374**
Issued bonds at year-end exchange rates	(5,778)	0	(5,778)	(39,299)	(45,077)
Issued bonds as per the balance sheet					**(45,077)**
Due to credit institutions	0	(264)	(264)	(8,339)	(8,604)
Interest payable	(117)	(11)	(128)	(293)	(421)
Other payables				(4,126)	(4,126)
Total equity				(11,146)	(11,146)
Total liabilities as per the balance sheet	**(5,895)**	**(276)**	**(6,170)**	**(63,204)**	**(69,374)**
Derivatives					
- receivables	6,215	4,018	(10,234)		
Derivatives					
- payables	(38,387)	(9,583)	(47,969)		
Total net position	**288**	**536**	**824**		
(translated into DKK)					

NOTE 35	DKK MILLION	2014	2013

NOTE 35 MARKET RISK SENSITIVITY

The company is exposed to several types of market risk. To illustrate the impact or sensitivity relative to each type of risk, the table below describes the amounts by which the company's results and equity are expected to change in various, fairly likely scenarios. Also indicated is the solvency impact due to a change in the exchange rate of the USD vis-à-vis DKK.

DKK MILLION	2014	2013
Interest rate risk		
An interest rate increase of 1 percentage point		
Change in results	(42)	(108)
Change in equity	(42)	(108)
An interest rate fall of 1 percentage point		
Change in results	42	108
Change in equity	42	108
Exchange rate risk		
An appreciation of the USD exchange rate vis-à-vis DKK		
Change in results	(133)	(313)
Change in equity	(133)	(313)
Percentage change in solvency	(1.6%)	(2.0%)
A depreciation of the USD exchange rate vis-à-vis DKK		
Change in results	133	313
Change in equity	133	313
Percentage change in solvency	1.6%	2.0%

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

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

	DKK MILLION	2014	2013

NOTE 36

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	2014	2013
Loans		
Measured at amortised cost	43,347	42,383
Measured at fair value	43,889	42,925
Difference between carrying amounts and fair-value based value of loans, total	**542**	**542**

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	2014	2013
Issued bonds		
Measured at amortised cost, incl. hedging	45,077	48,657
Measured at fair value	45,344	49,326
Difference between carrying amounts and fair-value based value of issued bonds total	**267**	**669**

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.

DKK MILLION	2014	2013

NOTE 37

CREDIT RISK

Total credit exposure distributed on balance sheet and off-balance sheet items

Due from credit institutions	5,409	914
Loans at amortised cost	43,347	42,383
Bonds at fair value	18,680	21,066
Shares, etc.	9	3
Derivatives	1,460	2,151
Total balance sheet items	**68,905**	**66,517**
Off-balance sheet items		
Contingent liabilities	386	418
Other binding agreements	4,940	2,904
Total off-balance sheet items	**5,326**	**3,322**

NOTE 37, CONTINUED

CREDIT RISK IN THE LOAN PORTFOLIO

Maximum credit risk without regard to collateral
All loans have been reviewed to identify any evidence of impairment. The company believes that the carrying amount of loans subsequently stated best represents the maximum credit risk without regard to collateral in the form of ship's mortgages.

Description of collateral
All loans are granted against collateral and, except for building loans, are granted against a first mortgage in ships, assignment in respect of the ship's primary insurances and, where relevant, supplementary collateral.

Percentage distribution of loans including guarantees after impairment calculated in the LTV ranges, measured in terms of nominal residual debt.

LOAN-TO-VALUE RANGE	SHARE OF LOANS 2014	SHARE OF LOANS 2013
0 - 20 %	36%	33%
20 - 40 %	34%	32%
40 - 60 %	25%	27%
60 - 80 %	5%	7%
80 - 90 %	0%	1%
90 - 100 %	0%	0%
Over 100 %	0%	0%

Loans for shipbuilding financing is included in the "over 100%" category in the table above. No mortgage is registered on vessels during the building period, but the company receives a guarantee from the borrower, and is secured through assignment and subrogation in the building contract and subrogation in the refundment guarantee provided by the shipyard's bank. Loans for shipbuilding accounted for 0.1% of the loan portfolio at 31 December 2014 (0.2% in 2013).

It appears from the table above that 95% (92% in 2013) of the loan amounts is secured through mortgages within 60% of the most recently calculated market value of the mortgage, and 100% (99% in 2013) of the loans are within 80% of the most recently calculated market value of the mortgage.

The weighted loan-to-value ratio on the loan portfolio was 59% (62% in 2013) after impairment charges.

The market value of the ships in the loan portfolio has aggregately increased by 6% since the end of December 2013 measured in DKK and declined by 7% in US dollars. The appreciation of the US dollar against the Euro and other major curriencies has had a significant impact on de development of the portfolio's market value, which is why we have witnessed a decrease in USD but an increase in DKK.

Credit quality on loans neither subject to default or impairment
All loans have been reviewed to identify any evidence of impairment, and the company has made the impairment charges it considered necessary.

NOTE 37, CONTINUED

The credit quality of loans that are subsequently not subject to impairment or arrears, is considered strong.

Arrears
There are no loans in arrears on which the company has not made impairment charges.

Percentage distribution of loans subject to individual charges, cf. Note 13
The distribution is made after impairment charges calculated in the LTV ranges
(by nominal outstanding debt)

LOAN-TO-VALUE RANGE	SHARE OF LOANS 2014	SHARE OF LOANS 2013
0 - 20 %	35%	35%
20 - 40 %	36%	33%
40 - 60 %	27%	26%
60 - 80 %	2%	6%
80 - 90 %	0%	0%
90 - 100 %	0%	0%
Over 100 %	0%	0%

It appears from the table above that 98% (94% in 2013) of the loan amounts is secured through mortgages within 60% of the most recently market value of the mortgage, and 100% (100% in 2013) of the loans are within 80% of the most recently calculated market value of the mortgage.

The weighted loan-to-value ratio on loans subject to individual charges was 58% after impairment charges (59% in 2013).

NOTES

NOTE 38

SUPPLEMENTARY NOTES WITHOUT REFERENCE

FINANCIAL RISKS AND POLICIES FOR FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT

Danish Ship Finance is exposed to different types of risk.

The most important types of risk are:

- Credit risk: The risk of loss because counterparties fail to meet all or part of their payment obligations.
- Market risk: The risk of loss resulting from changes in the fair value of the Group's assets and liabilities as a result of changes in market conditions.

CREDIT RISK

Credit risk is the risk of loss because counterparties fail to meet all or part of their payment obligations, including risk associated with customers in financial difficulty, large exposures, concentration risk and risk on granted, unexercised loans.

The overall credit risk is managed on the basis of the company's 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. The Management Board and the Head of Credit have been allocated authorities by the Board of Directors allowing them to grant loans up to pre-determined limits. Other loans are granted by the Board of Directors. The granting of loans must be disclosed at the subsequent ordinary board meeting. Note 37 includes a more detailed description of credit risk.

Danish Ship Finance has developed IT tools for managing and monitoring credit risks. The credit analysis system is used for monitoring purposes and it records key data regarding credit exposures and customers' financial standing.

This is done to detect danger signals for exposures at an early stage as well as to monitor portfolios and organisational units.

In addition, a number of risk events have been defined as representing objective evidence of impairment.

NOTE 38, CONTINUED

MARKET RISK

Market risk is defined as the risk of changes in the market value of the company's assets and liabilities because of changes in market conditions.

Market risk can be divided into interest rate risk, currency risk and liquidity risk.

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

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

The Middle Office function of the Finance Department is responsible for calculating, monitoring, controlling and reporting market risk to the Board of Directors and Management Board. The market risks are managed and monitored via a risk management system. The company follows up on all types of market risk with respect to all units subject to instructions, and failure to comply with instructions are reported upstream in the hierarchy.

Note 34-35 includes a more detailed description of market risk.

For further information, please see the unaudited Risk Report at www.shipfinance.dk/en/InvestorRelations/Risiko--og-kapitalstyring/Risikorapport.

Layout & production: Sylvester Hvid & Co

DANISH SHIP FINANCE A/S (DANMARKS SKIBSKREDIT A/S)
SANKT ANNÆ PLADS 3 / DK-1250 COPENHAGEN K
TEL. +45 33 33 93 33 / FAX +45 33 33 96 66 / CVR NO. 27 49 26 49
DANISH@SHIPFINANCE.DK / WWW.SHIPFINANCE.DK