



**DANISH
SHIP FINANCE**

Stock Exchange Announcement No. 10, 2014
26 August 2014

Interim report – first half year 2014

DANISH SHIP FINANCE – HIGHLIGHTS OF THE FIRST HALF OF 2014

- The profit for the period after tax amounted to DKK 843 million compared with a profit of DKK 112 million in the first half of 2013. The profit was impacted by a large reversal of loan impairment charges. The financial performance is considered satisfactory.
- Net interest and fee income from lending operations rose to DKK 351 million from DKK 278 million in the first half of 2013. The increase was attributable to a higher average earnings margin on lending as well as higher fee income, including a large non-recurring fee due to prepayment of loans.
- Loan impairment charges in the first half of 2014 represented an income of DKK 523 million, against an expense of DKK 276 million in the first half of 2013. The change was due to the repayment of loans on which impairment charges had previously been recognised.
- The company did not incur losses on loans in the first half of 2014. For the past five years, losses actually incurred have remained at a very low level, standing at less than 0.1% p.a. of total loans. The five-year track record is thus not notably different from the average annual loss historically recorded by the company. Accumulated impairment charges on loans (the allowance account) accounted for 6.1% of total lending at 30 June 2014.
- A reduction of the company's largest loan exposure triggered a decline in total lending in the first half of 2014. Total lending to the company's other customers remained unchanged. The company recorded a satisfactory inflow of new customers in the first half.
- 95% of all recorded loans after impairments is covered within 60% of the market value of the mortgaged vessels at 30 June 2014, against 92% at 31 December 2013. After loan impairment charges at 30 June 2014, the weighted loan-to-value ratio for the mortgaged vessels was 59%, against 62% at 31 December 2013.
- The part of the bond portfolio that is comprised by financing operations generated an overall positive return of 2.3% for the period. The return is considered satisfactory.
- The company retains a robust cash position, and there are only limited refinancing risks between issued bonds and loans disbursed as well as loan offers submitted. These moderate risks are amply covered by the company's own funds.
- The solvency (capital adequacy) ratio was 16.9% at the end of the first half of 2014, which is slightly lower than at 31 December 2013. The solvency ratio has been calculated according to the new capital adequacy rules (CRD IV/CRR). The profit for the period has not been recognised in the company's own funds. Accordingly, the solvency ratio remains well above the individual solvency need, which under the 8+ approach was 8.6% at 30 June 2014.
- In April 2014, an amount of DKK 405 million was distributed as dividend to the shareholders for the financial year 2013. Of this amount, Den Danske Maritime Fond received DKK 72 million.

KEY FIGURES FOR DANISH SHIP FINANCE A/S

AMOUNTS IN DKK MILLION	1st half 2014	1st half 2013	Full year 2013
Net interest income from lending operations	259	256	541
Net interest income from financing operations	124	181	350
Total net interest income	383	437	891
Net interest and fee income	475	459	937
Market value adjustments	164	33	-25
Staff costs and administrative expenses	-52	-51	-97
Loan impairment charges etc.	523	-276	-166
Profit/loss before tax	1,109	164	647
Profit/loss for the period	843	112	477
Loans	38,899	44,905	42,383
Bonds	19,539	26,929	21,066
Subordinated debt	-	-	-
Equity	10,421	9,618	9,983
Total assets	65,491	77,386	67,222

KEY RATIOS

	1st half 2014	1st half 2013	Full year 2013
Solvency ratio	16.9	15.6	17.0
Tier 1 capital ratio	16.9	15.6	17.0
Return on equity before tax (%)	10.9	1.7	6.5
Return on equity after tax (%)	8.3	1.2	4.8
Income/cost ratio (DKK) *)	-1.4	1.5	3.4
Income/cost ratio (DKK) (ex. impairment charges)	12.1	9.5	9.3
Foreign exchange position (%)	10.6	6.8	11.5
Gearing of loans	3.7	4.7	4.2
Growth in lending for the period (%)	-8.2	-3.1	-8.6
Impairment ratio for the period	-1.3	0.6	0.4
Accumulated impairment ratio	6.1	6.5	6.7
Ratio of return **) (%)	1.3	0.1	0.7

Key ratios 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. This leads to negative figures if a period's net figure includes reversed impairment charges that exceed staff costs and administrative expenses. Consequently, the list of key ratios also includes an income/cost ratio in which impairment charges are not included.

**) Ratio of return is calculated as the ratio between profit/loss for the period and total assets.

MANAGEMENT'S REVIEW

The Board of Directors of Danish Ship Finance A/S has today considered the interim report for the first half of 2014.

Danish Ship Finance presents its financial statements in accordance with the rules set out in the Danish FSA's executive order on financial reports by credit institutions, etc. (“executive order on financial reporting”).

As in previous years, the interim report is unaudited and not reviewed.

Income statement

The profit for the period after tax amounted to DKK 843 million compared with a profit of DKK 112 million in the first half of 2013.

Net earnings from lending operations including fees rose in the first half of 2014 to DKK 351 million, up from DKK 278 million in the first half of 2013. The improvement was due to higher credit margins on loans relative to the same period of last year, while the average exchange rate of the USD relative to DKK was largely unchanged during the period. Furthermore, there was an increase in total fee income, primarily triggered by a non-recurring fee resulting from a major loan prepayment.

Interest and dividend from financing operations fell from DKK 181 million in the first half of 2013 to DKK 124 million in the first half of 2014. The reduction was primarily due to the conversion of a large proportion of high-yielding bonds into bonds with lower yields. The conversion also resulted in a better result from market value adjustments on account of a lower negative bond maturity effect on the lower-yield bonds.

Net interest and fee income rose to DKK 475 million from DKK 459 million in the first half of 2013.

Market value adjustments of securities and foreign exchange for the period amounted to an income of DKK 164 million compared with an income of DKK 33 million in the first half of 2013. At 30 June 2014, the securities portfolio consists primarily of Danish mortgage bonds, while a small proportion has been invested in Danish government bonds.

The option-adjusted duration – calculated according to the company's calculation model – of the portfolio of bonds and fixed-income instruments decreased from 1.2 at the end of 2013 to 0.5 at 30 June 2014.

Staff costs and administrative expenses amounted to DKK 52 million in the first half of 2014 compared with DKK 51 million in the year-earlier period. The average number of employees was 61 during the first half of 2014, which is unchanged from 2013.

In the first half of 2014, the company received repayment on loans on which impairments had previously been made, and loan impairment charges for the first half of 2014 therefore amounted to a net income of DKK 523 million compared with an expense of DKK 276 million in the same period of 2013.

The company did not write off losses on loans in the first half of 2014.

As a result of the reversal of impairments, accumulated impairment charges (the allowance account) fell from DKK 3,071 million at year-end 2013 to DKK 2,568 million at 30 June 2014.

Total impairment charges made up 6.1% of total loans and guarantees as compared with 6.5% at 30 June 2013 and 6.7% at 31 December 2013. Any impairment is calculated on the basis of an assessment of the financial standing of the ship owner and a conservative assessment of the estimated value of the mortgaged vessels if they are sold within a period of six months.

In the first half of 2014, the individual impairment charges fell by DKK 499 million, while collective charges were reduced by DKK 4 million.

Tax on the profit for the period represents an expense of DKK 266 million against an expense of DKK 52 million in the first half of 2013.

Balance sheet and capital structure

Total assets amounted to DKK 65,491 million at 30 June 2014, compared with DKK 67,222 million at 31 December 2013.

In the first half of 2014, total lending fell by DKK 3,484 million from DKK 42,383 million at 31 December 2013 to DKK 38,899 million at 30 June 2014, or a reduction of 8.2%. During the first half of 2014, there was an inflow of new loans of DKK 3,149 million and ordinary and extraordinary loan instalments of DKK 7,415 million. Note 5 provides a detailed description of loan developments.

Issued bonds were reduced by DKK 3,413 million in the first half of 2014, from DKK 48,657 million at 31 December 2013 to DKK 45,244 million at 30 June 2014. As part of its efforts to retain strong liquidity resources, Danish Ship Finance regularly issues bonds in advance of the expected cash outflow resulting from new loans. This approach makes the company financially strong to short-term fluctuations in the capital market. During the first half of 2014, Danish Ship Finance bought back bonds for DKK 2.4 billion. The effect is an increase of the average maturity of outstanding bonds.

The bond portfolio amounted to DKK 19,539 million, against DKK 21,066 million at 31 December 2013. The bond portfolio can primarily be attributed to the company's equity and allowance account.

The remaining part of the bond portfolio can be attributed to the repurchase of bonds and the investment of proceeds from issued bonds, which have not yet been disbursed as already granted or expected loans.

After giving effect to the retained profit for the period after tax, the company's equity amounted to DKK 10,421 million as compared with DKK 9,983 million at 31 December 2013. An amount of DKK 405 million was distributed as dividend to the shareholders in accordance with the profit allocation in the annual report for 2013, which was adopted at the annual general meeting in April 2014.

Danish Ship Finance is subject to the capital adequacy rules of the Capital Requirements Directive (CRD IV). At 30 June 2014, the solvency ratio was calculated at 16.9%, which is a decrease of 0.1 of a percentage point relative to 31 December 2013. The profit for the period has not been recognised in the company's own funds. Note 11 provides a specification of the company's solvency.

The adequate own funds calculated in accordance with the credit reservation approach (the 8+ approach) amounted to DKK 4.8 billion at 30 June 2014, corresponding to an internally calculated solvency need of 8.6%. This gives the company a capital need buffer of 8.3 percentage points, corresponding to DKK 4.7 billion, at the end of June 2014.

Impact of US dollar on income statement, balance sheet and capital structure

The exchange rate of the USD against DKK rose from 541.27 at 1 January 2014 to 545.89 at 30 June 2014, equal to an appreciation of 0.9%. The average USD/DKK exchange rate for the six-month period was approximately 544.

In other words, there has been no noticeable impact from movements in the USD/DKK exchange rate.

Events after the balance sheet date

In August, the company received repayment of loans with objective evidence of impairment, avoiding losses on these loans. These loan repayments alone will lead to the reversal of loan impairment charges of about DKK 450 million in the second half of 2014.

No other events have occurred after the balance sheet date that have a material effect on the company's financial statements.

Outlook for the second half of 2014

During the past 18 months, there has been an increase in the number of newbuildings on order. As a result, the global orderbook now amounts to almost 20% of the operating fleet, against approximately 15% when the orderbook was at its lowest. This level is significantly lower than in 2008 when the orderbook amounted to about 50% of the operating fleet. The situation varies from one sub-segment to the next, and in many segments the relative size of the orderbook is fairly big. However, a number of segments are expected to face challenging order books also in the coming years. Therefore, shipping overall is not likely to experience a return to consistently profitable rates even though some sub-segments currently enjoy decent earnings.

Expectations of trends in the various segments obviously represent a factor in the company's lending operations, but the guiding principle remains to show prudence and focus on reputable shipowners.

Competition in the market remained fairly unchanged relative to the past few years. A number of large international banks have withdrawn from the market, while others have entered it. Asian export credit institutions have been particularly active. These institutions only offer financing for newbuildings from their own countries and are therefore not in the market for refinancing and financing of second-hand vessels.

Against this background, the company expects to be able to enter into agreements on new loans on more or less the same conditions as in the first half. The company expects the inflow of new customers to continue in the second half.

The downward trend in the size of the loan portfolio is expected to be replaced by a moderate increase.

As described in *Events after the balance sheet date* above, after 30 June the company has received repayment of loans with objective evidence of impairment, avoiding losses on these loans. Other things being equal, this will lead to the reversal of impairment charges in the second half.

The company forecasts a strong profit for the year, not least owing to the volume of impairment reversals. Danish Ship Finance cannot provide more specific financial guidance because of the potential impacts from market value adjustments and fluctuations in the exchange rate of the USD.

The company only publishes full-year and half-year reports as it is believed that more frequent reports would not affect the pricing of the bonds issued.

STATEMENT BY THE MANAGEMENT BOARD AND THE BOARD OF DIRECTORS

The Board of Directors and the Management Board have today considered and adopted the interim report for the period 1 January – 30 June 2014 for Danish Ship Finance A/S (Danmarks Skibskredit A/S).

The interim report has been prepared in accordance with the Danish Financial Business Act, including the executive order on financial reports presented by credit institutions and investment companies, etc. (“executive order on financial reporting”). In addition, the interim report is presented in accordance with additional Danish disclosure requirements for issuers of listed bonds.

In our opinion, the interim financial statements give a true and fair view of the company’s assets and liabilities and financial position at 30 June 2014 and of the results of the company’s operations for the period 1 January – 30 June 2014.

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

Copenhagen, 26 August 2014

MANAGEMENT BOARD

Erik I. Lassen

Per Schnack

BOARD OF DIRECTORS

Peter Lybecker
Chairman

Hugo F. Jensen
Deputy Chairman

Fatiha Benali

Jenny N. Braat

Marcus F. Christensen

Christopher Rex

Henrik R. Søgaaard

Glenn Söderholm

Trond Ø. Westlie

INCOME STATEMENT

DKK million

	1st half 2014	1st half 2013	Year 2013
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note

2	Interest income	1,003	1,206	2,401
3	Interest expenses	-620	-769	-1,510
	Net interest income	383	437	892
	Dividends on shares, etc.	0	-	1
	Fee and commission income	92	22	45
	Fees and commissions paid	-	-	-
	Net interest and fee income	475	459	938
4	Market value adjustments	164	33	-25
	Staff costs and administrative expenses	-52	-51	-97
	Depreciation and impairment of property, plant and equipment	-1	-1	-2
7	Loan impairment charges etc.	523	-276	-166
	Profit/loss before tax	1,109	164	647
	Tax	-266	-52	-170
	Profit/loss for the period	843	112	477
	Other income	-	-	-
	Total income for the period	843	112	477

BALANCE SHEET

	at 30 June 2014	at 30 June 2013	at 31 December 2013
DKK million			
ASSETS			
Due from credit institutions and central banks	4,395	2,056	914
5, 6 Loans at amortised cost	38,899	44,905	42,383
Bonds at fair value	19,539	26,929	21,066
Shares, etc.	4	3	3
Land and buildings			
Domicile property	64	64	64
Other tangible assets	9	9	8
Current tax assets	-	126	41
Deferred tax assets	41	277	162
8 Other assets	2,540	3,017	2,581
Total assets	65,491	77,386	67,222
LIABILITIES AND EQUITY			
Liabilities			
Due to credit institutions and central banks	7,585	9,232	6,710
9 Issued bonds at amortised cost	45,244	55,756	48,657
Current tax liabilities	60	-	-
Other liabilities	2,181	2,780	1,872
Total liabilities	55,070	67,768	57,239
Provisions			
Other provisions	-	-	-
Total provisions	-	-	-
10 Equity			
Share capital	333	333	333
Tied-up reserve capital	8,343	8,343	8,343
Revaluation reserves	10	10	10
Profit brought forward	892	820	1,297
Retained profit	843	112	-
Total equity	10,421	9,618	9,983
Total liabilities and equity	65,491	77,386	67,222
Off-balance sheet items			
12 Contingent liabilities	398	729	418
13 Other binding agreements	4,888	5,287	2,904
Total off-balance sheet items	5,286	6,016	3,322

STATEMENT OF CHANGES IN EQUITYDKK million

	<u>Share capital</u>	<u>Tied-up reserve capital</u>	<u>Retained earnings</u>	<u>Proposed dividends for the financial year</u>	<u>Total</u>
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	-	-	843	-	843
Equity at 30 June 2014	333	8,343	1,745	-	10,421

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NOTE 1.**ACCOUNTING POLICIES**

The interim financial statements have been prepared in accordance with the Danish Financial Business Act, including the Danish FSA's executive order on financial reports presented by credit institutions and investment companies, etc. ("executive order on financial reporting").

The interim financial statements are presented in Danish kroner (DKK) and in millions.

The accounting policies are unchanged from the policies applied in the financial statements for 2013. The annual report for 2013 contains a more detailed description of the accounting policies applied, including the definitions of the ratios used, which are calculated in accordance with the definitions in the executive order on financial reporting.

The measurement of certain assets and liabilities requires management estimates. The most significant estimates made by management in connection with recognition and measurement of these assets and liabilities and the most significant judgment uncertainty related thereto is the same in preparation of the half-year report for 2014 as in the preparation of the annual report for 2013.

DKK million

NOTE 2.

INTEREST INCOME	1st half 2014	1st half 2013	Year 2013
Credit institutions	9	2	7
Loans and other receivables	632	708	1,412
Bonds	235	319	628
Other interest income	-	0	1
Derivatives			
Interest rate contracts	127	179	357
Foreign exchange contracts	0	-2	-3
Total interest income	1,003	1,206	2,401

NOTE 3.

INTEREST EXPENSES	1st half 2014	1st half 2013	Year 2013
Credit institutions	-	-	-
Issued bonds	-517	-656	-1,280
Other interest expenses	-103	-113	-230
Total interest expenses	-620	-769	-1,510
Of this amount, interest expenses on genuine sale and repurchase transactions recognised in			
Due to credit institutions and central banks	-	-	-

			DKK million
NOTE 4.			
	1st half	1st half	Year
MARKET VALUE ADJUSTMENTS	2014	2013	2013
Market value adjustment of bonds	335	-333	-482
Market value adjustment of shares	1	45	45
Exchange rate adjustments	6	-1	-21
Market value adjustment of financial instruments	-178	322	433
Total market value adjustments	<u>164</u>	<u>33</u>	<u>-25</u>

			DKK million
NOTE 5.			
	at 30 June	at 30 June	at 31 December
LOANS AT AMORTISED COST	2014	2013	2013
At 1 January	42,383	46,364	46,364
Additions	3,149	2,330	5,448
Ordinary repayments and redemptions	-2,560	-3,037	-5,724
Extraordinary prepayments	-4,668	-348	-961
Net change concerning revolving credit facilities	-187	-175	-345
Exchange adjustment of loans	284	67	-2,202
Change in amortised cost for the period	-5	2	-10
Depreciation, amortisation and impairment for the period	503	-298	-187
At the end of the period	<u>38,899</u>	<u>44,905</u>	<u>42,383</u>

DKK million

NOTE 6.**LOANS AT AMORTISED COST****SPECIFICATION OF LOANS AT PERIOD END**

	at 30 June 2014	at 30 June 2013	at 31 December 2013
Gross loans at exchange rates at the balance sheet date	41,467	48,087	45,454
Loan impairment charges	-2,568	-3,182	-3,071
Total loans	38,899	44,905	42,383
Total loans broken down by due date			
Up to 3 months	1,655	1,856	1,383
From 3 months to 1 year	5,185	4,804	4,755
From 1 to 5 years	26,104	28,100	28,792
Over 5 years	5,955	10,145	7,453
Total loans	38,899	44,905	42,383
Total loans			
Loans at fair value	39,370	45,588	42,925
Loans at amortised cost	38,899	44,905	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	4,496	6,449	6,022
Impairment charges	-1,694	-2,170	-2,166
Total loans for which respite and more lenient repayment terms have been granted	2,802	4,279	3,855
Other loans with objective evidence of impairment	981	829	863
Impairment charges	-183	-274	-209
Total other loans with objective evidence of impairment	798	555	654
Total loans subject to individual impairment charges	3,600	4,834	4,509

DKK million

NOTE 7.

IMPAIRMENT CHARGES	at 30 June 2014	at 30 June 2013	at 31 December 2013
The following impairment charges were made on loans			
Individual impairment charges	1,877	2,444	2,375
Impairment charges with a collective component	691	738	695
Total impairment charges	2,568	3,182	3,071
As a percentage of loans and impairment charges and guarantee commitments			
Individual impairment charges	4.5	5.0	5.2
Impairment charges with a collective component	1.6	1.5	1.5
Total impairment charges	6.1	6.5	6.7
Distribution of impairment charges			
Amount set off against loans	2,568	3,182	3,071
Provisions made for other liabilities	-	-	-
Total impairment charges	2,568	3,182	3,071
Movements in impairment charges			
At 1 January	3,071	2,884	2,884
Additions	154	614	1,001
Reversal of impairment charges from previous years	-657	-316	-786
Losses covered by impairment charges from previous years	-	-	-28
Total impairment charges	2,568	3,182	3,071
Losses on and impairment charges on loans			
New impairment charges	154	614	1,001
Reversed impairment charges	-657	-316	-786
Reclassification of interest	-20	-22	-44
Losses not covered by impairment charges from previous years	-	-	-
Realisation of acquired assets	-	-	-5
Received on claims previously written off	-0	-	-
Total losses on and impairment charges on loans	-523	276	166

NOTE 8.**CSA COLLATERAL**

Danish Ship Finance had at 30 June 2014 received DKK 33 million (DKK 0 million 31 December 2012) as collateral for trades concluded under CSA agreements.

The received bonds are recognised in the balance sheet offsetting the market value of financial instrument assets with the market value of the received bonds.

	DKK million		
NOTE 9.			
ISSUED BONDS AT AMORTISED COST	at 30 June 2014	at 30 June 2013	at 31 December 2013
At 1 January	48,657	59,416	59,416
Additions in conjunction with new issues	24	3,144	3,789
Amortisation of cost	113	160	316
Adjustment for hedge accounting	144	-686	-1,022
Exchange rate adjustment	51	57	-290
Net change concerning own bonds	-744	309	309
Ordinary and extraordinary redemptions	-3,001	-6,644	-13,861
At the end of the period	<u>45,244</u>	<u>55,756</u>	<u>48,657</u>
Specification of issued bonds			
Bonds issued in DKK			
Bullet bonds	39,347	47,574	41,449
Amortising CIRR bonds	1,028	1,143	1,086
Total Danish bonds	<u>40,375</u>	<u>48,717</u>	<u>42,535</u>
Bonds issued in foreign currency			
Amortising CIRR bonds, at year-end exchange rates	5,712	7,136	6,219
Bullet bonds, at year-end exchange rates	-	-	-
Total bonds issued in foreign currency	<u>5,712</u>	<u>7,136</u>	<u>6,219</u>
Own bonds	-843	-97	-97
Total issued bonds	<u>45,244</u>	<u>55,756</u>	<u>48,657</u>
Broken down by term to maturity			
Up to 3 months	-	-	2
From 3 months to 1 year	2,129	3,943	-
From 1 to 5 years	27,282	28,650	17,507
Over 5 years	16,676	23,260	31,245
Issued bonds, total before setting off against portfolio of own bonds	<u>46,087</u>	<u>55,853</u>	<u>48,754</u>
Own bonds	-843	-97	-97
Total issued bonds	<u>45,244</u>	<u>55,756</u>	<u>48,657</u>

	DKK million		
NOTE 10.			
EQUITY	at 30 June 2014	at 30 June 2013	at 31 December 2013
Share capital			
A shares	300	300	300
B shares	33	33	33
Total share capital	333	333	333
Tied-up reserve capital	8,343	8,343	8,343
Revaluation reserves	10	10	10
Retained earnings	892	820	1,297
Retained profit for the period	843	112	-
Total equity	10,421	9,618	9,983
<i>of which proposed dividend, cf. allocation of profit</i>			<u>405</u>

The share capital is divided into the following denominations:

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

Each A share of DKK 1.00 entitles the holder to 10 votes

Each B share of DKK 1.00 entitles the holder to 1 vote

DKK million

NOTE 11.

SOLVENCY (CAPITAL ADEQUACY)	at 30 June 2014	at 30 June 2013	at 31 December 2013
Tier 1 capital			
Share capital	333	333	333
Tied-up reserve capital	8,343	8,343	8,343
Retained earnings	892	820	1,297
Retained profit for the period	843	112	-
Total tier 1 capital	10,411	9,608	9,973
Deductions in Tier 1 capital			
Proposed dividend	-	-	405
Deferred tax assets	-	277	162
Retained profit for the period	843	112	-
Additional straining relative to the Executive Order on a Ship Finance Institute	94	173	104
Total deductions in tier 1 capital	937	562	671
Tier 1 capital less deductions	9,473	9,046	9,302
Supplementary capital			
Revaluation reserves	10	10	10
Supplementary capital less deductions	10	10	10
Own funds less deductions	9,483	9,056	9,312
Risk exposure for items not included in the trading portfolio	41,281	46,773	43,549
Risk exposure for off-balance sheet items	2,838	3,368	1,866
Risk exposure for counterparty risk outside the trading portfolio	1,889	799	586
Risk exposure for market risk, etc.	8,387	5,502	7,125
Risk exposure for operational risk	1,692	1,712	1,692
Total risk exposure	56,087	58,154	54,817
Tier 1 capital less deductions as a percentage of total risk-exposed items	16.9	15.6	17.0
Solvency (Capital Adequacy) ratio pursuant to the Executive Order on a Ship Finance Institute	16.9	15.6	17.0
Risk exposure for market risk, etc. consist of			
Position risk on debt instruments	7,372	4,881	6,051
Position risk on shares	8	7	7
Total currency position	1,007	614	1,067
Total risk exposure for market risk, etc.	8,387	5,502	7,125

	DKK million		
NOTE 12.			
CONTINGENT LIABILITIES	at 30 June 2014	at 30 June 2013	at 31 December 2013
In the ordinary course of its lending operations, Danish Ship Finance has undertaken guarantee commitments of	393	723	412
Payment guarantee provided to the Danish Securities Centre	3	4	4
Guarantees provided to the Danish Securities Centre	2	2	2
Total contingent liabilities	398	729	418

	DKK million		
NOTE 13.			
OTHER BINDING AGREEMENTS	at 30 June 2014	at 30 June 2013	at 31 December 2013
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	447	597	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	-	22	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	4,441	4,668	2,625
Total other binding agreements	4,888	5,287	2,904

NOTE 14.

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.

Other related-party transactions involving deposits and debt and transactions with financial instruments in the form of swaps 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.

NOTE 15.**EXCHANGE RATE RISK AND USE OF DERIVATIVES AT 30 JUNE 2013**DKK million

The total unhedged foreign currency position at 30 June 2014, translated at end-of-period exchange rates into DKK amounts to DKK 1,007 million (DKK 1,067 million at 31 December 2013).

All amounts are translated into DKK at the exchange rates at 30 June.

The net position is specified as follows:

	USD	Other currencies	Total foreign currency	DKK	Total
Loans at end-of-period exchange rates	33,911	6,245	40,156	1,311	41,467
Impairment charges	-	-	-	-2,568	-2,568
Loans as per the balance sheet					38,899
Due from credit institutions and central banks	343	21	364	4,031	4,395
Bond portfolios	-	955	955	18,584	19,539
Interest receivable, etc.	175	36	211	261	472
Other assets	18	2	20	2,165	2,185
Total assets as per the balance sheet	34,447	7,259	41,705	23,785	65,491
Issued bonds at end-of-period exchange rates	-5,712	-	-5,712	-39,532	-45,244
Issued bonds as per the balance sheet					-45,244
Due to banks	-175	-357	-532	-7,053	-7,585
Interest payable	-68	-1	-69	-431	-500
Other payables	-43	-14	-56	-1,686	-1,742
Total equity	-	-	-	-10,421	-10,421
Total liabilities as per the balance sheet	-5,998	-372	-6,369	-59,123	-65,491
Derivatives - receivables	6,384	4,243	10,627		
Derivatives - payables	-34,353	-10,603	-44,957		
Total net position (translated into DKK)	480	527	1,007		

DKK million

NOTE 16.

MARKET RISK SENSITIVITY	at 30 June 2014	at 30 June 2013	at 31 December 2013
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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 scenarios. Also indicated is the solvency impact due to a change in the exchange rate of the USD vis-à-vis DKK.

Interest rate risk

An interest rate increase of 1 percentage point

Change in results	-473	-257	-108
Change in equity	-473	-257	-108

An interest rate fall of 1 percentage point

Change in results	473	257	108
Change in equity	473	257	108

Exchange rate risk

An appreciation of the USD exchange rate vis-à-vis DKK

Change in results	-234	-299	-313
Change in equity	-234	-299	-313
Percentage point change in solvency	1.8%	1.8%	2.0%

A depreciation of the USD exchange rate vis-à-vis DKK

Change in results	234	299	313
Change in equity	234	299	313
Percentage point change in solvency	1.8%	1.8%	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.

NOTE 17.

CREDIT RISK	at 30 June 2014	at 30 June 2013	at 31 December 2013
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Total credit exposure distributed on balance sheet and off-balance sheet items

Due from credit institutions and central banks	4,395	2,056	914
Loans at amortised cost	38,899	44,905	42,383
Bonds at fair value	19,539	26,929	21,066
Shares etc.	4	3	3
Derivatives	2,180	2,482	2,151
Total balance sheet items	65,017	76,375	66,517
Off-balance sheet items			
Contingent liabilities	398	729	418
Other binding agreements	4,888	5,287	2,904
Total off-balance sheet items	5,286	6,016	3,322

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

The loans are generally secured through first priority ship's mortgages.

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 30 June 2014	Share of loans 30 June 2013	Share of loans 31 December 2013
0 - 20 %	35%	32%	33%
20 - 40 %	33%	31%	32%
40 - 60 %	27%	27%	27%
60 - 80 %	5%	7%	7%
80 - 90 %	0%	1%	1%
90 - 100 %	0%	1%	0%
Over 100 %	0%	1%	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 30 June 2014 (0.2% at 31 December 2013).

It appears from the table above that as at 30 June 2014 95% (31 December 2013: 92%) of the loan amounts is secured through mortgages within 60% of the most recently calculated market value of the mortgage, and 100% (December 2013: 99%) 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% (31 December 2013: 62%) after impairment charges.

The market value of ships has generally declined by 0.1% since December 2013 measured in DKK compared with 1% in US dollars.

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.

Arrears

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

NOTE 17.

CREDIT RISK, CONTINUED	at 30 June 2014	at 30 June 2013	at 31 December 2013
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Percentage distribution of loans including guarantees subject to individual impairment charges. See note 6. The distribution is made after impairment charges calculated in the LTV ranges, measured in terms of nominal residual debt.

Loan-to-value range	Share of loans 30 June 2014	Share of loans 30 June 2013	Share of loans 31 December 2013
0 - 20 %	35%	30%	35%
20 - 40 %	34%	29%	33%
40 - 60 %	26%	25%	26%
60 - 80 %	5%	12%	6%
80 - 90 %	0%	3%	0%
90 - 100 %	0%	1%	0%
Over 100 %	0%	0%	0%

It appears from the table above, that 95% (31 December 2013: 94%) of the loan amounts is secured through mortgages within 60% of the most recently calculated market value of the mortgage, and 100% (31 December 2013: 100%) of the loan amounts is within 80% of the most recently calculated market value of the mortgage.

The weighted loan-to-value ratio on loans subject to individual impairment charges was 59% after impairment charges (31 Dec. 2013: 59%).

NOTE 18.**REFERENCE NOTE**

The list of figures and ratios is set out in the management's review, to which reference is made.

The description of financial risks and policies for financial risk management is set out in the risk management section of the annual report for 2013, to which reference is made.