



**DANISH
SHIP FINANCE**

Stock Exchange Announcement No. 14
23. august 2013

Correction to interim report for the first half of 2013

The interim report for the first half of 2013 has been re-published with the following correction:

In the income statement, interest expenses for the comparison year 2012 have been changed from (2,204) to (1,939).



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Interim report – first half year 2013

Danish Ship Finance – highlights of the first half of 2013

- The profit for the period amounted to DKK 112 million compared with a profit of DKK 203 million in the first half of 2012. The financial performance is considered acceptable in light of the difficult times experienced by parts of the shipping industry and the low level of interest rates.
- Net interest and fee income rose in line with expectations to DKK 278 million from DKK 245 million in the first half of 2012. The increase was attributable to a higher average earnings margin on lending and lower interest expenses as a result of repayment of subordinated capital in December 2012. Measured in terms of earnings currency, earnings from lending operations increased by 14.0%.
- Loan impairment charges in the first half of 2013 represented an expense of DKK 276 million, against an expense of DKK 128 million in the first half of 2012. The increase was due to adverse trends in the financial standing of a small number of borrowers, to whom it proved necessary to grant temporary respite with respect to instalment payments. In spite of this trend, the credit quality in lending is still considered good.
- The company did not incur losses on loans in the first half of 2013. Since the crisis started in 2008, losses actually incurred have generally remained at a very low level, standing at less than 0.1% p.a. of total loans. Accumulated impairment charges on loans (the allowance account) accounted for 6.5% of total lending at 30 June 2013.
- 90% of all recorded loans can be covered within 60% of the market value of the mortgaged vessels at 30 June 2013, against 88% at 30 June 2012. After loan impairment charges at 30 June 2013, the weighted loan-to-value ratio for the mortgaged vessels was 66%, against 67% at 30 June 2012.
- The part of the bond portfolio that is comprised by financing operations generated an overall positive return of 3.0% p.a. for the period. The return is considered satisfactory. In addition, the company's entire portfolio of unit trust certificates (shares) was sold at a gain during the first half of 2013.
- The company retains a highly robust cash position, and there are only very 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 ratio was 15.6% at the end of the first half of 2013, which is a small increase relative to 31 December 2012. The profit for the period has not been recognised in the capital base. Accordingly, the solvency ratio remains well above the minimum requirement, which under the new 8+ model was 8.5% at 30 June 2013.
- In April 2013, an amount of DKK 267 million was distributed as dividend to the shareholders for the financial year 2012. Of this amount, Den Danske Maritime Fond received DKK 47 million.

Key figures for Danish Ship Finance A/S			
DKK million	1st half 2013	1st half 2012	Full year 2012
Net interest income from lending operations	256	223	439
Net interest income from financing operations	181	235	447
Total net interest income	437	458	886
Net interest and fee income	459	486	940
Market value adjustments	33	(30)	105
Staff costs and administrative expenses	(51)	(50)	(94)
Loan impairment charges etc.	(276)	(128)	(523)
Profit/loss before tax	164	277	427
Profit/loss for the period	112	203	314
Loans	44,905	49,390	46,364
Bonds	26,929	27,447	30,091
Subordinated debt	-	900	-
Equity	9,618	9,662	9,773
Total assets	77,386	81,937	83,002

Key ratios	1st half 2013	1st half 2012	Full year 2012
Solvency ratio	15.6	16.3	15.2
Tier 1 capital ratio	15.6	16.3	15.1
Return on equity before tax (%)	1.7	2.9	4.4
Return on equity after tax (%)	1.2	2.1	3.2
Income/cost ratio (DKK) *)	1.5	2.5	1.7
Income/cost ratio (DKK) (ex. impairment charges)	9.5	8.9	11.0
Foreign exchange position (%)	6.8	6.6	9.5
Gearing of loans	4.7	5.1	4.7
Growth in lending for the period (%)	(3.1)	5.2	(1.2)
Impairment ratio for the period	0.6	0.2	1.0
Accumulated impairment ratio	6.5	4.7	5.8

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. The list of key ratios also includes an income/cost ratio in which impairment charges are not included.

Management's review

The Board of Directors of Danish Ship Finance A/S has today considered the interim report for the first half of 2013.

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 112 million compared with a profit of DKK 203 million in the first half of 2012.

Net earnings from lending operations including fees rose in the first half of 2013 to DKK 278 million, up from DKK 245 million in the first half of 2012. The improvement of some 13% 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.

Interest and dividend earnings from financing operations fell from DKK 241 million in the first half of 2012 to DKK 182 million in the first half of 2013. 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 fell to DKK 459 million from DKK 486 million in the first half of 2012.

Market value adjustments of securities and foreign exchange for the period amounted to an income of DKK 33 million compared with an expense of DKK 30 million in the first half of 2012. At 30 June 2013, the securities portfolio consists primarily of Danish mortgage bonds, while a small proportion has been invested in Danish government bonds.

In the first half of 2013, the company sold its portfolio of unit trust certificates (shares), realising a gain of DKK 45 million.

The option-adjusted duration – calculated according to the company's calculation model – of the portfolio of bonds and fixed-income instruments rose from 0.9 at the beginning of 2013 to 1.2 at 30 June 2013.

Staff costs and administrative expenses amounted to DKK 51 million in the first half of 2013, which was unchanged compared to the previous year. The average number of employees was 61 during the first half of 2013, against 59 employees in the year-earlier period.

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 in a forced sale within a period of six months.

Loan impairment charges for the first half of 2013 amounted to a net expense of DKK 276 million compared with an expense of DKK 128 million in the same period of last year. Accumulated impairment charges (the allowance account) rose from DKK 2,884 million at year-end 2012 to DKK 3,182 million at 30 June 2013. Total impairment charges made up 6.5% of total loans and guarantees as compared with 4.7% at 30 June 2012 and 5.8% at 31 December 2012. In the first half of 2013, the individual impairment charges rose by DKK 441 million, while collective charges were reduced by DKK 143 million. The company did not write off losses on loans in the first half of 2013.

Tax on the profit for the period represents an expense of DKK 52 million against an expense of DKK 74 million in the first half of 2012. Because of a reduction of the corporation tax rate, the company has revised its accounting estimates of deferred tax assets. The tax expense for the period therefore includes an additional expense of DKK 11 million to cover the decrease in deferred tax assets.

Balance sheet and capital structure

Total assets amounted to DKK 77,386 million, compared with DKK 83,002 million at 31 December 2012.

In the first half of 2013, total lending fell by DKK 1,459 million from DKK 46,364 million at 31 December 2012 to DKK 44,905 million at 30 June 2013, or a reduction of 3.1%. During the first half of 2013, there was an increase in new loans of DKK 2,330 million and loan instalments of DKK 3,560 million. Note 5 provides a detailed description of loan developments.

Issued bonds were reduced by DKK 3,660 million, from DKK 59,416 million at 31 December 2012 to DKK 55,756 million at 30 June 2013. 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 policy makes the company financially strong to short-term fluctuations in the capital market. During the first half of 2013, Danish Ship Finance issued new bonds for DKK 3.1 billion and bought back bonds for DKK 6.6 billion. The effect is an increase of the average maturity of outstanding bonds.

The bond portfolio amounted to DKK 26,929 million, against DKK 30,091 million at 31 December 2012. Part of the bond portfolio can be attributed to 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 9,618 million as compared with DKK 9,773 million at 31 December 2012. An amount of DKK 267 million was distributed as dividend to the shareholders in accordance with the profit

allocation in the annual report for 2012, which was adopted at the annual general meeting in April 2013.

Danish Ship Finance is subject to the capital adequacy rules of section 143 of the Danish Financial Business Act. At 30 June 2013, the solvency ratio was calculated at 15.6%, which is a small increase of 0.4 of a percentage point relative to 31 December 2012. The profit for the period has not been recognised in the capital base. Note 10 provides a specification of the company's solvency.

The adequate capital base calculated in accordance with the credit reservation approach (the 8+ approach) amounted to DKK 4.9 billion at 30 June 2013, corresponding to an internally calculated solvency need of 8.5%. This gives the company a capital need buffer of 7.1 percentage points at the end of June 2013.

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

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

The exchange rate of the USD against DKK rose from 565.91 at 1 January 2013 to 570.24 at 30 June, equal to an appreciation of 0.8%. The average USD/DKK exchange rate for the six-month period was approximately 569.

Other things being equal, developments in the exchange rate of the US dollar in the first half of 2013 had a positive impact on net interest and fee income of DKK 1 million because the average exchange rate for the period is marginally higher than the rate at 1 January. The higher USD/DKK exchange rate at 30 June had a negative impact on impairment charges in the amount of DKK 18 million. The change had a DKK 13 million negative impact on profit after tax and equity. The changing US dollar rate increased total assets by DKK 0.3 billion and, viewed separately, reduced the solvency by 0.1 of a percentage point because of an increase in weighted items for lending.

Danish Financial Supervisory Authority

In February, the Danish Financial Supervisory Authority performed a functional examination of the credit area. The inspection did not give rise to any changes to impairment charges or new impairment charges at 31 December 2012. The FSA's report is available on the company's website – www.skibskredit.dk.

Changes in accounting policies

The executive order on financial reporting has been amended for annual reports and interim reports for financial years starting on 1 January as it includes a new provision on general principles for measuring fair value. A description is provided in note 1 "Accounting policies".

Change in accounting estimates

Because of the lowering of the corporation tax rate, the interim report for the first half of 2013 contains changes to accounting estimates concerning deferred tax assets. A description is provided in note 1 “Accounting policies”.

Outlook for the second half of 2013

Freight rates in the tanker and dry bulk segments remain at a low level. However, the number of newbuildings on order has been reduced to a more acceptable level, especially in the tanker segment. At the same time, the outlook is for an increase in global trade and a resulting increase in demand for vessels. While it varies from sub-segment to sub-segment, this would indicate a slightly better market outlook. However, the low freight rates in the tanker and dry bulk segments may persist for an extended period of time. The reason is that the number of newbuilding orders remains relatively high and growth prospects are uncertain, especially for China. The inflow of this new tonnage makes it even more difficult for demand to absorb the excessive contracting that took place ahead of the financial crisis. As long as rates remain at the current low level, we expect a continuing need to write down existing loans.

The container market remains split with line operators occasionally experiencing acceptable box rates while those who hire out vessels still suffer from permanently low time charter rates or laid-up vessels. The company has exposure to the former category. The supply of vessels continues to exceed demand, and recent contracting activity has done nothing to improve the future market prospects, which is expected to have a particular impact on companies hiring out container vessels.

The other segments are showing acceptable to satisfactory trends.

The company's competitive strength remains favourable compared with the period before the financial crisis began. This means that credit margins and terms are still becoming more acceptable, although competition for providing loans to the top shipping companies remains strong. Against this background, earnings on lending operations are expected to remain on the decent level recorded in the first half of 2013. For the full year, earnings on lending operations are therefore expected to be a good deal higher than in 2012. The company expects no major increase in total lending relative to 30 June 2013.

Expectations for total impairment charges are unchanged from those expressed in the annual report for 2012.

Due to usually substantial impacts from loan impairment charges, market value adjustments and the exchange rate of the USD, Danish Ship Finance cannot provide more specific financial guidance.

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 first half of 2013 of 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 2013 and of the results of the company’s operations for the period 1 January – 30 June 2013.

In our opinion, the management's review includes a fair review of the matters under review and describes significant risk and uncertainty factors that may affect the company.

Copenhagen, 22 August 2013

Management Board

Erik I. Lassen

Per Schnack

Board of Directors

Jens Thomsen
Chairman

Thomas F. Borgen
Deputy Chairman

Fatiha Benali

Jenny N. Braat

Marcus F. Christensen

Peter Lybecker

Christopher Rex

Henrik Rohde Søggaard

Trond Ø. Westlie

INCOME STATEMENT*DKK million***1st half
2013****1st half
2012****Year
2012**

Note:

2	Interest income	1,206	1,441	2,825
3	Interest expenses	(769)	(983)	(1,939)
	Net interest income	437	458	886
	Dividends on shares, etc.	0	6	6
	Fee and commission income	22	24	53
	Fees and commissions paid	0	(2)	(5)
	Net interest and fee income	459	486	940
4	Market value adjustments	33	(30)	105
	Staff costs and administrative expenses	(51)	(50)	(94)
	Depreciation and impairment of property, plant and equipment	(1)	(1)	(1)
7	Loan impairment charges etc.	(276)	(128)	(523)
	Profit/loss before tax	164	277	427
	Tax	(52)	(74)	(113)
	Profit/loss for the period	112	203	314
	Other income	-	-	-
	Total income for the period	112	203	314

BALANCE SHEET	as at 30 June 2013	as at 30 June 2012	<i>DKK million</i> as at 31 December 2012
Note:			
ASSETS			
Due from credit institutions and central banks	2,056	534	1,627
5, 6 Loans at amortised cost	44,905	49,390	46,364
Bonds at fair value	26,929	27,447	30,091
Shares, etc.	3	583	630
Land and buildings			
Domicile property	64	64	64
Other tangible assets	9	7	8
Current tax assets	126	-	83
Deferred tax assets	277	438	330
Other assets	3,017	3,474	3,805
Total assets	77,386	81,937	83,002
LIABILITIES AND EQUITY			
Liabilities			
Due to credit institutions and central banks	9,232	10,816	10,550
8 Issued bonds at amortised cost	55,756	56,427	59,416
Current tax liabilities	-	194	-
Other liabilities	2,780	3,938	3,263
Total liabilities	67,768	71,375	73,229
Provisions			
Other provisions	-	-	-
Total provisions	-	-	-
Subordinated debt			
Subordinated debt	-	900	-
9 Equity			
Share capital	333	333	333
Tied-up reserve capital	8,343	8,343	8,343
Revaluation reserves	10	10	10
Profit brought forward	820	773	1,087
Retained profit	112	203	-
Total equity	9,618	9,662	9,773
Total liabilities and equity	77,386	81,937	83,002
Off-balance sheet items			
11 Contingent liabilities	729	786	758
12 Other binding agreements	5,287	4,353	4,398
Total off-balance sheet items	6,016	5,139	5,156

STATEMENT OF CHANGES IN EQUITY
Amounts in DKK million

	<u>Share capital</u>	<u>Tied-up reserve capital</u>	<u>Tied-up reserve capital</u>	<u>Proposed dividends for the financial year</u>	<u>Total</u>
Equity at 1 January 2012	333	8,343	783	207	9,666
Dividends distributed	-	-	-	(207)	(207)
Profit for the period	-	-	47	267	314
Equity at 31 December 2012	333	8,343	830	267	9,773
Dividends distributed	-	-	-	(267)	(267)
Profit for the period	-	-	112	-	112
Equity at 30 June 2013	333	8,343	942	-	9,618

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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 of kroner.

The accounting policies have been changed relative to the policies applied in the financial statements for 2012. The executive order on financial reporting has been amended for annual reports and interim reports for periods starting on 1 January 2013. A new provision has been inserted in section 38 on general principles for fair value measurement. This provision supersedes section 47-48, which only deal with calculating fair value in relation to financial instruments. The amendment reflects the IFRS amendment made through the issue of IFRS 13, which sets out a single framework for measuring fair value of all assets and liabilities.

As a result of the amendment, fair values are now calculated at the expected selling price instead of the closing price for listed instruments. For other financial instruments, the amendment involves minor adjustments to the calculation method. The amendment does not affect the company's balance sheet at 30 June 2013, while equity at the beginning of 2013 would have been about DKK 9 million higher if it had been calculated using the new principles. As the company believes that the amendment is immaterial, it has not restated the comparative figures.

The annual report for 2012 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 2013 as in the preparation of the annual report for 2012.

However, because of the lowering of the corporation tax rate, the interim report for the first half of 2013 contains changes to accounting estimates concerning deferred tax assets. The decrease in deferred tax assets resulting from the lowering of the corporation tax rate has been calculated at DKK 11 million, which has been recognised in the profit for the period.

NOTE 2.

	<i>DKK million</i>		
INTEREST INCOME	1st half 2013	1st half 2012	Year 2012
Interest from credit institutions	2	2	6
Interest on loans	708	754	1,508
Interest on bonds	319	414	813
Other interest income	0	-	-
Derivatives			
Interest rate contracts	179	272	496
Foreign exchange contracts	(2)	(1)	2
Total interest income	1,206	1,441	2,825

NOTE 3.

	<i>DKK million</i>		
INTEREST EXPENSES	1st half 2013	1st half 2012	Year 2012
Interest to credit institutions	0	(35)	(41)
Interest on issued bonds	(656)	(840)	(1,654)
Interest on subordinated debt	-	(42)	(82)
Other interest expenses	(113)	(66)	(163)
Total interest expenses	(769)	(983)	(1,939)
Of this amount, interest expenses on genuine sale and repurchase transactions recognised in			
Due to credit institutions and central banks	-	(35)	(41)

NOTE 4.	<i>DKK million</i>		
MARKET VALUE ADJUSTMENTS	1st half 2013	1st half 2012	Year 2012
Market value adjustment of bonds	(333)	6	145
Market value adjustment of shares	45	27	75
Exchange rate adjustments	(1)	8	26
Market value adjustment of financial instruments	322	(71)	(141)
Total market value adjustments	<u>33</u>	<u>(30)</u>	<u>105</u>

NOTE 5.	<i>DKK million</i>		
LOANS AT AMORTISED COST	as at 30 June 2013	as at 30 June 2012	as at 31 December 2012
At 1 January	46,364	46,948	46,948
Additions	2,330	5,015	7,876
Ordinary repayments and redemptions	(3,037)	(2,715)	(5,280)
Extraordinary prepayments	(348)	(48)	(831)
Net change concerning revolving credit facilities	(175)	(899)	(1,335)
Exchange adjustment of loans	67	1,251	(427)
Change in amortised cost for the year	2	(19)	(30)
Depreciation, amortisation and impairment for the year	(298)	(143)	(557)
At the end of the period	<u>44,905</u>	<u>49,390</u>	<u>46,364</u>

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

DKK million

	as at 30 June 2013	as at 30 June 2012	as at 31 December 2012
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Gross loans at exchange rates at the balance sheet date	48,087	51,861	49,248
Loan impairment charges	(3,182)	(2,471)	(2,884)
Total loans	44,905	49,390	46,364
Total loans broken down by due date:			
Demand deposits	-	-	-
Up to 3 months	1,856	1,814	1,875
From 3 months to 1 year	4,804	5,334	5,117
From 1 to 5 years	28,100	26,970	26,649
Over 5 years	10,145	15,272	12,723
Total loans	44,905	49,390	46,364
Total loans			
Loans at fair value	45,588	50,446	47,314
Loans at amortised cost	44,905	49,390	46,364
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			
	6,449	3,786	5,446
Impairment charges	(2,170)	(1,393)	(1,759)
Total loans for which respite and more lenient repayment terms have been granted	4,279	2,393	3,687
Other loans with objective evidence of impairment			
	829	927	1,310
Impairment charges	(274)	(86)	(245)
Total other loans with objective evidence of impairment	555	841	1,065
Total loans subject to individual impairment charges	4,834	3,234	4,752

NOTE 7.

IMPAIRMENT CHARGESas at 30 June
2013as at 30 June
2012*DKK million*
as at 31 December
2012**The following impairment charges were made on receivables**

Individual impairment charges	2,444	1,479	2,003
Impairment charges with a collective component	738	992	881
Total impairment charges	3,182	2,471	2,884

As a percentage of loans, impairment charges and guarantees

Individual impairment charges	5.0	2.8	4.0
Impairment charges with a collective component	1.5	1.9	1.8
Total impairment charges	6.5	4.7	5.8

Distribution of impairment charges

Amount set off against loans	3,182	2,471	2,884
Provisions made for other liabilities	-	-	-
Total impairment charges	3,182	2,471	2,884

Movements in impairment charges

At 1 January	2,884	2,328	2,328
Addition of new impairment charges	614	535	1,260
Reversals of impairment charges from previous years	(316)	(392)	(703)
Losses covered by impairment charges from previous years	-	-	(1)
Total impairment charges	3,182	2,471	2,884

Losses on and impairment charges on receivables

New impairment charges	614	535	1,260
Reversed impairment charges	(316)	(392)	(703)
Reclassification of interest	(22)	(15)	(34)
Losses not covered by impairment charges from previous years	-	-	-
Received on claims previously written off	-	-	-
Total losses on and impairment charges on receivables	276	128	523

NOTE 8.

DKK million

ISSUED BONDS AT AMORTISED COST	as at 30 June 2013	as at 30 June 2012	as at 31 December 2012
At 1 January	59,416	55,538	55,538
Additions in conjunction with block issues	3,144	1,815	11,439
Amortisation of cost	160	216	430
Adjustment for hedge accounting	(686)	(153)	(506)
Exchange rate adjustment	57	227	(107)
Own bonds	309	-	(406)
Ordinary redemptions	(6,644)	(1,216)	(6,972)
At the end of the period	55,756	56,427	59,416
Specification of issued bonds			
Bonds issued in DKK			
Bullet bonds	47,574	46,458	50,960
Amortising CIRR bonds	1,143	1,259	1,201
Total Danish bonds	48,717	47,717	52,161
Bonds issued in foreign currency			
Amortising CIRR bonds, at end-of-period exchange rates	7,136	8,599	7,661
Bullet bonds, at end-of-period exchange rates	-	111	-
Total bonds issued in foreign currency	7,136	8,710	7,661
Own bonds	(97)	-	(406)
Total issued bonds	55,756	56,427	59,416
Broken down by term to maturity:			
Up to 3 months	-	-	3,106
From 3 months to 1 year	3,943	5,321	4,561
From 1 to 5 years	28,650	19,305	22,536
Over 5 years	23,260	31,801	29,620
Issued bonds, total before setting off against portfolio of own bonds	55,853	56,427	59,822
Own bonds	(97)	-	(406)
Total issued bonds	55,756	56,427	59,416

NOTE 9.**EQUITY**

DKK million

	as at 30 June 2013	as at 30 June 2012	as at 31 December 2012
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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
Profit brought forward	820	773	1,087
Retained profit	112	203	-
Total equity	9,618	9,662	9,773
<i>of which proposed dividend, cf. allocation of profit</i>			267

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 10.

SOLVENCY

DKK million

as at 30 June
2013as at 30 June
2012as at 31 December
2012**Tier 1 capital**

Share capital	333	333	333
Tied-up reserve capital	8,343	8,343	8,343
Retained earnings	820	773	1,087
Retained profit	112	203	-

Total tier 1 capital	9,608	9,652	9,763
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Deductions in Tier 1 capital

Proposed dividend	-	-	267
Deferred tax assets	277	243	330
Retained profit	112	203	-
Additional straining relative to the Executive Order on a Ship Finance Institute	173	286	213

Total deductions in tier 1 capital	562	732	810
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Tier 1 capital less deductions	9,046	8,920	8,953
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Subordinated debt

Subordinated debt	-	900	-
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Total tier 1 capital	9,046	9,820	8,953
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Supplementary capital

Revaluation reserves	10	10	10
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Supplementary capital less deductions	10	10	10
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Capital base less deductions	9,056	9,830	8,963
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Weighted items not included in the trading portfolio	46,773	50,883	48,902
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Weighted off-balance sheet items	3,368	2,959	2,953
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Weighted items involving counterparty risk outside the trading portfolio	799	697	780
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Weighted items involving market risk, etc.	5,502	3,874	4,781
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Weighted items involving operational risk	1,712	1,858	1,712
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Total weighted items	58,154	60,271	59,128
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Tier 1 capital less deductions as a percentage of total risk-weighted items	15.6	16.3	15.1
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Solvency ratio pursuant to the Executive Order on a Ship Finance Institute	15.6	16.3	15.2
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Weighted items with market risk, etc. consist of

Items with position risk: Debt instruments	4,881	3,224	3,923
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Items with position risk: Shares	7	6	5
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Total currency position	614	643	853
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Total weighted items with market risk, etc.	5,502	3,873	4,781
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NOTE 11.	<i>DKK million</i>		
CONTINGENT LIABILITIES	as at 30 June 2013	as at 30 June 2012	as at 31 December 2012
In the ordinary course of its lending operations, Danish Ship Finance has undertaken guarantee commitments of	723	780	752
Payment guarantee provided to the Danish Securities Centre	4	4	4
Guarantees provided to the Danish Securities Centre	2	2	2
Total contingent liabilities	<u>729</u>	<u>786</u>	<u>758</u>

NOTE 12.	<i>DKK million</i>		
OTHER BINDING AGREEMENTS	as at 30 June 2013	as at 30 June 2012	as at 31 December 2012
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	597	307	602
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	203	22
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	4,668	3,843	3,774
Total other binding agreements	<u>5,287</u>	<u>4,353</u>	<u>4,398</u>

NOTE 13.

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 14.

**EXCHANGE RATE RISK AND USE OF DERIVATIVES
AT 30 JUNE 2013**

The total unhedged foreign currency position at 30 June 2013, translated at end-of-period exchange rates into DKK amounts to DKK 614 million (DKK 471 million at 31 December 2012).

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

The net position is specified as follows:

Amounts in DKK million

	USD	Other currencies	Total foreign currency	DKK	Total
Loans at end-of-period exchange rates	40,449	5,951	46,400	1,687	48,087
Impairment charges	-	-	-	(3,182)	(3,182)
Loans as per the balance sheet					44,905
Due from credit institutions and central banks	699	30	729	1,327	2,056
Bond portfolios	-	882	882	26,047	26,929
Interest receivable, etc.	225	56	281	191	472
Other assets	24	3	27	2,997	3,024
Total assets as per the balance sheet	41,397	6,922	48,319	29,067	77,386
Issued bonds at end-of-period exchange rate	(7,136)	-	(7,136)	(48,620)	(55,756)
Issued bonds as per the balance sheet					(55,756)
Due to banks	(71)	(366)	(437)	(8,795)	(9,232)
Interest payable	(85)	-	(85)	(333)	(418)
Other payables	(57)	(11)	(68)	(2,294)	(2,362)
Total equity	-	-	-	(9,618)	(9,618)
Total liabilities as per the balance sheet	(7,349)	(377)	(7,726)	(69,660)	(77,386)
Derivatives - receivables	4,750	5,162	9,912		
Derivatives - payables	(38,406)	(11,485)	(49,891)		
Total net position (translated into DKK)	392	222	614		

NOTE 15.**MARKET RISK SENSITIVITY**as at 30 June
2013as at 30 June
2012*DKK million*
as at 31 December
2012

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	(257)	(46)	(168)
Change in equity	(257)	(46)	(168)

An interest rate fall of 1 percentage point

Change in results	257	46	168
Change in equity	257	46	168

Equity risk

An increase in the value of the shares of 10 percentage points

Change in results	0	58	47
Change in equity	0	58	47

A decline in the value of the shares of 10 percentage points

Change in results	0	(58)	(47)
Change in equity	0	(58)	(47)

Exchange rate risk

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

Change in results	(299)	(247)	(329)
Change in equity	(299)	(247)	(329)
Percentage change in solvency	-1.8%	-1.9%	-1.7%

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

Change in results	299	247	329
Change in equity	299	247	329
Percentage change in solvency	1.8%	1.9%	1.7%

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 16.

CREDIT RISK	<i>DKK million</i>		
	as at 30 June 2013	as at 30 June 2012	as at 31 December 2012

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

Due from credit institutions and central banks	2,056	534	1,627
Loans at amortised cost	44,905	49,390	46,364
Bonds at fair value	26,929	27,447	30,091
Shares etc.	3	583	630
Derivatives	2,482	2,820	3,148
Total balance sheet items	76,375	80,774	81,860
Off-balance sheet items			
Contingent liabilities	729	786	758
Other binding agreements	5,287	4,354	4,398
Total off-balance sheet items	6,016	5,140	5,156

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 2013	Share of loans 30 June 2012	Share of loans 31 December 2012
	0 - 20 %	32%	31%	31%
	20 - 40 %	31%	30%	31%
	40 - 60 %	27%	27%	27%
	60 - 80 %	7%	10%	8%
	80 - 90 %	1%	1%	1%
	90 - 100 %	1%	1%	1%
	Over 100 %	1%	0%	1%

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 0.7% of the loan portfolio at 30 June 2013 (0.8% at 31 December 2012).

It appears from the table above that as at 30 June 2013 90% of the loan amounts is secured through mortgages within 60% of the most recently calculated market value of the mortgage, and 97% of the loans are within 80% of the most recently calculated market value of the mortgage.

The market value of ships has generally declined by 5% since December 2012 measured in DKK compared with 6% 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 16.**CREDIT RISK, CONTINUED**

DKK million

as at 30 June 2013	as at 30 June 2012	as at 31 December 2012
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Percentage distribution of loans including guarantees subject to individual impairment charges. See note 6.
The distribution is made by impairment calculated in the LTV ranges, measured in terms of nominal residual debt.

Loan-to-value range	Share of loans 30 June 2013	Share of loans 30 June 2012	Share of loans 31 December 2012
0 - 20 %	30%	29%	28%
20 - 40 %	29%	28%	27%
40 - 60 %	25%	24%	25%
60 - 80 %	12%	12%	16%
80 - 90 %	3%	4%	4%
90 - 100 %	1%	2%	0%
Over 100 %	0%	0%	0%

It appears from the table above, that 84% (31 Dec. 2012: 80%) of the loan amounts is secured through mortgages within 60% of the most recently calculated market value of the mortgage, and 96% (31 Dec. 2012: 96%) 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 69% after impairment charges (31 Dec. 2012: 72%).

NOTE 17.**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 2012, to which reference is made.