Danish Ship Finance
Risk Report 2017

CVR NO. 27 49 26 49

Introduction

The objective of the Risk Report is to inform shareholders and other stakeholders of the Group's risk management, including policies, methodologies and practices.

Additional Pillar III disclosures required under Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR) and the Danish Executive Order on Calculation of Risk Exposure, Own Funds and Solvency Need can be downloaded from www.shipfinance.dk.

The Risk Report is presented for the Group and the subsidiary (referred to as Solo). The Group was established in November 2016.

The Risk Report gives a description of the various types of balance-sheet and off-balance-sheet risks to which the group is exposed. The Report also includes an account of risk and capital management methodologies and the composition of the capital base and the associated risks.

In addition, the Annual Report contains information about risks and risk management. Reporting pursuant to the disclosure requirements is an annual exercise conducted in conjunction with the presentation of financial statements, while the internal capital adequacy requirement is published quarterly.

The company regularly assesses whether there is a need for publication more frequently than once a year.

As there is no audit requirement, it was decided to present the Risk Report 2017 in unaudited form.

Contents

02 Introduction
04 Danish Ship Finance
05 Risk management
08 Reporting
10 Use of ECAIs
12 Capital management
14 Own funds
17 Own funds requirement
27 Internal capital adequacy requirement and adequate own funds
35 Combined capital buffer requirement
37 Liquidity management
39 Credit risk
57 Market risk
59 Liquidity risk
62 Operational risk
63 Management declaration

Danish Ship Finance

Danish Ship Finance was established in 1961 as a foundation under the name Danmarks Skibskreditfond. The purpose of the foundation was to create a permanent source of funding for Danish shipowners and shipyards, thereby ensuring the continued development of the Danish maritime industries. Until the mid-1990s, the foundation was only engaged in the financing of vessels built at Danish shipyards. Since 1997, this role has gradually extended to include financing of vessels that are neither built in Denmark, nor Danish owned. In 2005, Danmarks Skibskreditfond was converted into a limited liability company, Danish Ship Finance A/S. The conversion was based on the Framework Agreement dated 17 January 2005 between Danmarks Skibskreditfond, the Danish Ministry of Economic and Business Affairs and Danmarks Nationalbank. The main objective of the conversion was to modernise the framework for Danish Ship Finance's future operations, including partial alignment to the rules applicable to other financial businesses, especially mortgage lenders. In 2016, a consortium composed of Axcel, PKA and PFA acquired a controlling interest in Danish Ship Finance A/S.

Today, Danish Ship Finance is a highly specialised financial institution in the ship finance industry, and its vision is to become the most recognised and reliable provider of financing for reputable shipping companies. On a global level, the company is among the 20 largest lenders to the shipping industry.

Danish Ship Finance's portfolio of outstanding loans totals about DKK 34.5 billion, primarily secured by first lien mortgages on 562 vessels. The loans are funded through issuance of ship mortgage bonds backed by ship mortgages. The bonds are listed on Nasdaq Copenhagen and have been assigned a rating of A (with a negative outlook) by S&P Global Ratings.

Risk management

Stringent requirements for the day-to-day management and monitoring of risks are pivotal. The various risks that are assumed and the initiatives taken to manage and monitor risk are reviewed in the following sections.

Allocation of responsibilities

The company has a two-tier management structure, with the Board of Directors having drafted written guidelines for the Executive Board, specifying clearly the areas of responsibility and scope of action for each management tier. The Board of Directors lays down general policies, while the Executive Board is responsible for the day-to-day management of the company. The management structure reflects statutory requirements for listed Danish companies and the provisions laid down in the Danish Financial Business Act.

The Board of Directors is responsible for ensuring that the company has an appropriate organisational structure and that risk policies and limits are established for all important risk categories. In addition, all loans above certain limits must be submitted to the Board of Directors for approval. The Board of Directors also makes decisions regarding general principles for handling and monitoring risks. Regular reporting to the Board of Directors is undertaken with a view to enabling the Board of Directors to check whether the overarching risk policies are compliant with the pre-defined limits.

The Executive Board has set up a Risk Management function- and appointed a Chief Risk Officer with specific responsibility for the function. The Risk Management function's area of responsibility comprises risk-prone activities across various risk areas and organisational units.

The Head of Compliance is responsible for compliance with applicable legislation, market standards and internal rules, and ensuring that the company applies effective techniques and procedures suitable for identifying and mitigating the risk of non-compliance.

Board committees

The Board of Directors has set up two committees: The Audit Committee and the Remuneration Committee. These committees are responsible for preparatory work and assist the Board of Directors in decision-making.

The Audit Committee is responsible for overseeing accounting and audit matters and preparing accounting and audit-related topics for consideration by the Board of Directors. The Audit Committee consists of three members of the Board of Directors.

The Remuneration Committee, which was set up in 2017, undertakes preparatory work and assists the Board of Directors in making decisions regarding remuneration, including the company's remuneration policy. The remuneration policy is adopted at the general meeting. The total remuneration of the Board of Directors, the Executive Board and employees whose activities are deemed to have a material impact on the company's risk profile is specified in Annex 9.

The Executive Board has set up a Credit Committee, which is responsible for reviewing loan applications. The Credit Committee has no fixed meeting schedule.

Internal audit

The company is not required to have and currently does not have an internal audit function. To support the work of the auditors, an internal control function has been established, which reports to the Executive Board.

In accordance with applicable legislation, the Board of Directors, including the Audit Committee, regularly assesses the need for an internal audit function.

Whistleblower scheme

In accordance with the Danish Financial Business Act, the company has implemented an internal whistle-blower scheme, which enables employees to report any instances of non-compliance with financial legislation to an independent third party. In the event of a report being made, an independent third party will undertake a provisional screening of it to assess whether the instance of non-compliance falls within the scope of the whistleblower scheme. In late 2017, the company sought permission to apply the extended whistleblower scheme, which includes among other things economic crime reporting.

Legal framework

Danish Ship Finance is governed by its own dedicated legislation in the form of the Act on a Ship Finance Institute (the Act) and the Executive Order on a Ship Finance Institute (the Executive Order).

The subsidiary is also governed by:

- The Executive Order on the Issue of Bonds, the Balance Principle and Risk Management (the Bond Executive Order)
- The Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need
- The Executive Order on Governance for Credit Institutions (the Executive Order on Governance)
- The Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (the Executive Order on Financial Reports)

Pursuant to the Act and the Executive Order, the parent company and the subsidiary are governed by parts of the Danish Financial Business Act and the Regulation on prudential requirements for credit institutions and investment firms (CRR) via the Executive Order.

The parent company and the subsidiary are supervised by the Danish Financial Supervisory Authority (FSA).

Reporting

The Board of Directors is provided with reports on a regular basis to ensure that its members possess the necessary information concerning risk levels and trends. Based on these reports, the Board of Directors assesses the overall policies, framework and principles for risk and capital management.

OVERVIEW OF SIGNIFICANT RISK REPORTS

Report	Frequency
Compliance reporting	Yearly
Report from Chief Risk Officer	Yearly
Annual asset review	Yearly
Statement to be used for risk assessment	Yearly
Recovery plan	Yearly
Financial reporting	Quarterly
Internal financial reporting	Quarterly
Credit reporting	Quarterly
Memorandum on problem loans	Quarterly
Stress test	Quarterly

Risk targets and policies

The Group is exposed to various types of risk. The Board of Directors defines risk policies and principles of risk and capital management. The purpose of the risk management policies is to define limits for acceptable risks.

The main part of the overall risk exposure is credit risk. The remaining part consists of market risk and operational risk, while the Group's liquidity risk is limited owing to the provisions of the Bond Executive Order.

Credit risk should be regarded as the risk that a borrower is unable to meet required payments in accordance with the loan agreement. The company provides funding secured by first lien mortgages on vessels and in special cases financing of the shipowner's payment of instalments to a shipyard. In order to control credit limits, the credit policy defines overall targets and limits. The company seeks to ensure credit quality and risk diversification in respect of borrowers and vessel types. When granting loans to both new and existing customers, vessel characteristics, the financial standing of the borrower, the terms of the loan and the loan's contribution to compliance with the diversification rules are considered. Credit risk associated with financial counterparties is managed through the policy on managing counterparty risk. In this way, the company defines limits for the exposure to individual financial counterparties and the countries in which such counterparties are resident.

Market risk consists of interest rate, foreign exchange, spread risk and liquidity risks, governed through limits laid down in the Bond Executive Order and the Executive Order. The overall objectives are to avoid financial positions jeopardising the company's capital adequacy or continued existence, to make sure that interest rate and foreign exchange risks are managed either by hedging or through intended open positions, and to achieve the highest possible return with due consideration to the risk targets defined.

Liquidity risk represents a limited part of the overall risk exposure, because the company applies the specific balance principle in accordance with the Bond Executive Order. In addition, the liquidity policy defines risk limits to ensure consistently adequate liquidity. Liquidity management is carried out to prevent the cost of funding from becoming disproportionately high and to avoid a lack of funding inhibiting the company from pursuing its business model. Ultimately, the purpose of the liquidity management framework is to ensure that the company is consistently able to meet its payment obligations.

Operational risk primarily concerns the areas of credit, finance, compliance and IT usage. Operational risk is managed through a policy for operational risk, business procedures and internal controls issued by the Board of Directors. The policy sets out the overall limits for operational risk and instructions on how to meet these limits. On an ongoing basis, the company registers losses and events deemed to be attributable to operational risk. The registration is used as a basis for assessing whether business procedures etc. should be adjusted to avoid or mitigate operational risk.

Use of ECAIs

The company uses S&P Global Ratings (S&P) as its external credit rating institution (ECAI).

The credit rating categories used by S&P are converted into credit quality steps by using the Danish FSA's conversion table. In order to calculate the risk-weighted exposure amounts under the standardised approach for credit risk, each credit quality step is assigned with a risk weight to be used for the exposures at the individual credit quality steps.

The table below shows the Danish FSA's conversion of S&P's credit rating categories to credit quality steps for exposures to corporates, institutions, central governments and central banks.

Credit quality step	S&P's credit rating category	Exposures to corporates	Exposures to institutions with terms to maturity > three months	Exposures to central governments or central banks
1	AAA to AA-	20%	20%	0%
2	A+ to A-	50%	50%	20%
3	BBB+ to BBB-	100%	50%	50%
4	BB+ to BB-	100%	100%	100%
5	B+ to B-	150%	100%	100%
6	CCC+ and below	150%	150%	150%

EXPOSURE CLASSES USING S&P CREDIT ASSESSMENTS

Exposure class, DKKm	**Group** Exposure (unweighted)	**Solo** Exposure (unweighted)
Exposures to central governments or central banks	373	310
Exposures to public sector entities	0	0
Exposures to regional governments or local authorities	521	521
Exposures to institutions	1,928	1,926
Exposures to corporates	35,645	35,137
Exposures in the form of covered bonds and mortgage bonds	4,918	4,918
Exposures in default in accordance with CRR Article 178	3,359	3,359
Exposures associated with particularly high risk	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-
Equity exposures	-	-
Other items	354	354

Capital management

Pursuant to the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need, the main purposes of the Group's capital management policies and procedures are to support the Group's business strategy and to ensure a sufficient level of capital to withstand even severe macro-economic downturns.

Capital must be sufficient to cover the requirement at existing and expected levels of activity, while meeting regulatory requirements and the company's own targets.

The regulatory framework for capital management is defined in the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need. The framework is built on three pillars:

- Pillar I contains a set of rules for calculating the own funds requirement, which is 8% of the total risk exposure amount for the three types of risk: credit risk, market risk and operational risk.
- Pillar II contains a set of rules for how to calculate adequate own funds, taking into consideration the company's individual characteristics. All relevant risk types must be included irrespective of whether they are included under Pillar I or not.
- Pillar III sets out disclosure requirements, in accordance with which the company must disclose information on capital matters, its risk profile etc. at least once a year.

The Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need provides some leeway in terms of choice of methodology for calculating adequate own funds, as the calculation method should match the risk profile.

Capital target

The capital target as defined by the Board of Directors is to have sufficient own funds for the lending operations to continue even in the event of large cyclical fluctuations and difficult business conditions.

The total capital ratio is deemed to be adequate to meet the above-mentioned target.

As of 31 December 2017, the total capital ratio at the Group level was 16.7%. At the Solo level, the total capital ratio was calculated at 19.7%.

CALCULATION OF TOTAL CAPITAL RATIO

Group DKKm / %	**Group** **2017**	**Group** **2016**	**Solo** **2017**	**Solo** **2016**
Own funds less deductions	7,669	8,076	8,930	8,781
Total risk exposure amount	45,978	51,033	45,312	50,995
Total capital ratio	**16.7**	**15.8**	**19.7**	**17.2**

Own funds consist of common equity tier 1 (CET1) capital in the form of share capital, tied-up reserve capital and retained earnings from previous years and a tier 2 subordinated debt instrument.

Own funds

The Group's own funds less deductions amounted to DKK 7,669 million at 31 December 2017, against DKK 8,076 million in 2016. At the Solo level, own funds amounted to DKK 8,930 million at 31 December 2017, against DKK 8,781 million in 2016.

Own funds are subordinated to the claims of ordinary creditors in the event of bankruptcy or another form of financial restructuring. Own funds can be composed of three different types of capital: common equity tier 1 capital, additional tier 1 capital and tier 2 capital, and the ratio of own funds to the total risk exposure amount is referred to as the total capital ratio.

Tier 1 capital

Common equity tier 1 capital

Tier 1 capital consists of shareholders' equity after certain statutory supplements and deductions.

Additional tier 1 capital

Additional tier 1 (AT1) capital consists of capital instruments that form part of tier 1 capital. This means that it can be used to cover a loss of shareholders' equity.

Tier 2 capital

The tier 2 capital consists of subordinated debt subject to certain restrictions. Own funds must consistently exceed the sum of the own funds requirement, adequate own funds and the combined capital buffer requirement.

Own funds requirement

The own funds requirement, or the Pillar I requirement, is a regulatory requirement for financial institutions. Own funds must represent at least 8% of a credit institution's total risk exposure. Non-compliance with the own funds requirement will lead to withdrawal of the institution's license.

Adequate own funds and internal capital adequacy requirement

Adequate own funds is a capital requirement calculated on the basis of a credit institution's risk profile. The capital adequacy requirement consists of an 8% minimum capital requirement for risks covered under Pillar I and an additional capital requirement under Pillar I for risks not covered under Pillar II.

The internal capital adequacy requirement is calculated as adequate own funds as a percentage of the total risk exposure. Institutions must comply with the sum of the Pillar I and Pillar II requirements and the combined capital buffer requirement.

Combined buffer requirement

Pursuant to the Danish Financial Business Act, the combined capital buffer requirement means the total CET1 capital required to meet the requirement of a capital conservation buffer with the addition of a company-specific countercyclical capital buffer and a systemic risk buffer. Institutions must comply with the sum of the Pillar I and Pillar II requirements and the combined capital buffer requirement.

If a credit institution does not meet the combined capital buffer requirement, it will only be permitted to make distributions, disburse variable pay and make payments relating to AT1 capital instruments if special conditions are met.

The development in own funds is determined primarily by net profit for the year and the company's dividend policy.

The Group's own funds consist of CET1 capital in the form of share capital, tied-up reserve capital, retained earnings and tier 2 capital.

The tier 2 capital is issued by the parent company, and is established on terms and conditions that meet the requirements for inclusion in own funds as tier 2 instruments under the CRR. The Group's tier 2 capital amounts to DKK 2,000 million and was provided by the pension fund PFA and pension funds under management by PKA. These pension funds are shareholders of the parent company. Annex 2 provides a more detailed description of the terms and conditions for tier 2 capital.

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

The tied-up reserve capital was established when the company was converted from a foundation into a limited liability company and has remained unchanged at DKK 8,343 million.

In a ruling on 1 November 2016, the Danish FSA found that the tied-up reserve capital must be included in the determination of consolidated capital adequacy at an amount corresponding to the tied-up reserve capital's proportionate share of the capital requirement.

The share that may be included is calculated according to the following formula:

$$\text{Share} = \frac{\text{Tied-up reserve capital}}{\text{Total CET1 capital}} \times (\text{Capital requirement} \times \text{Total exposure})$$

The calculation method is analogous to the method applied in Article 84 of the CRR.

CALCULATION OF OWN FUNDS LESS DEDUCTIONS

DKKm	Group 2017	Group 2016	Solo 2017	Solo 2016
Common equity tier 1 capital				
Share capital	1,220	1,220	333	333
Tied-up reserve capital	4,375	4,967	8,343	8,343
Reserve for net revaluation according to the equity method	-	-	-	-
Retained earnings	239	113	601	466
Revaluation reserve	-	-	29	21
Total common equity tier 1 capital	**5,833**	**6,300**	**9,307**	**9,164**
Deductions from common equity tier 1 capital				
Proposed dividends	-	-	237	199
Deferred tax assets	-	-	-	-
Position of own shares	2	-	-	-
Additional capital charge pursuant to the Executive Order	94	142	94	142
Prudent valuation of the trading book	26	28	26	28
Deductions pursuant to transitional rules	-	-	20	13
Total deductions from common equity tier 1 capital	**122**	**170**	**377**	**383**
Common equity tier 1 capital less statutory deductions	**5,712**	**6,130**	**8,930**	**8,781**
Tier 2 capital	1,957	1,946	-	-
Own funds less deductions	**7,669**	**8,076**	**8,930**	**8,781**

Own funds requirement

A ship finance institution must have own funds at least equal to the sum of the own funds requirement for credit risk, market risk and operational risk.

The company may choose between different methods for calculating the risk exposure amounts for each of the three overall types of risk included in the determination of the own funds requirement.

The company applies the standardised approach to calculate the total risk exposure amount and the own funds requirement for credit and market risks. When using the standardised approach, the risk weights are pre-defined. In addition, the company applies the basic indicator approach to calculate the risk exposure amount for operational risk.

The following table shows the risk exposure amount and own funds requirement for each exposure category.

RISK EXPOSURE AMOUNT

DKKm	Group Risk exposure amount (weighted) 2017	2016	Group Own funds requirement 2017	2016	Solo Risk exposure amount (weighted) 2017	2016	Solo Own funds requirement 2017	2016
Credit risk								
- Central governments or central banks	303	658	24	53	145	633	12	51
- Regional governments or local authorities	0	0	0	0	0	0	0	0
- Public sector	-	-	-	-	-	-	-	-
- Institutions	558	693	45	55	557	680	45	54
- Corporates	33,842	36,317	2,707	2,905	33,334	36,317	2,667	2,905
- Covered bonds and mortgage covered bonds	512	346	41	28	512	346	41	28
- Exposures in default	3,725	5,887	298	471	3,725	5,887	298	471
- High-risk exposures	-	-	-	-	-	-	-	-
- Exposures with short-term rating	-	-	-	-	-	-	-	-
- Equity exposures	-	-	-	-	-	-	-	-
- Other items	354	391	28	31	354	391	28	31
Total credit risk	**39,294**	**44,292**	**3,144**	**3,543**	**38,627**	**44,254**	**3,090**	**3,540**
Of which, counterparty risk	518	738	41	59	515	725	41	59
Market risk								
- Debt instruments	3,632	3,959	290	317	3,632	3,959	290	317
- Shares, etc.	21	27	2	2	21	27	2	2
- Exchange rate risk	965	397	77	32	965	397	77	32
- Commodity risk	-	-	-	-	-	-	-	-
Total market risk	**4,618**	**4,383**	**369**	**351**	**4,618**	**4,383**	**369**	**351**
Credit valuation adjustment (CVA)	**569**	**633**	**46**	**51**	**569**	**633**	**46**	**51**
Total operational risk	**1,497**	**1,725**	**120**	**138**	**1,497**	**1,725**	**120**	**138**
Total amount	**45,978**	**51,033**	**3,678**	**4,083**	**45,312**	**50,995**	**3,625**	**4,080**

Own funds requirement – credit risk

The standardised approach is used to calculate the own funds requirement for credit risk. According to the standardised approach, all loans generally carry a weight of at least 100%. In addition, the collateral covering the loan cannot be deducted, and for capital adequacy purposes the loans are thus treated as unsecured loans.

Pursuant to the Executive Order, the following loans or shares of loans each carry a weight of more than 100%:

- Pursuant to section 24(3) of the Executive Order, construction loans carry a weight of 200% if total construction loans do not exceed 125% of the excess capital coverage. If total construction loans exceed 125%, the excess amount must be deducted from tier 1 capital. Construction loans are secured through the debtor's liability, assignment and subrogation in the shipbuilding contract and assignment of the refundment guarantees provided by a bank on behalf of payments according to shipbuilding contract.
- Under certain conditions, the company may grant loans exceeding 70% of the value against other collateral and/or against additional reservations of its own funds. The maximum deduction is determined at the date of approval in DKK.
- Where the borrower either has an external rating corresponding to credit quality steps 5-6, or is unrated and is domiciled in a country where the country risk calls for a higher weighting, the loan will have a weighting of 150%.
- Pursuant to the definition in Article 178 of CRR, loans in default have a risk weight of 150%.

At 31 December 2017, the company held no construction loans in the portfolio. Deductions from tier 1 capital for certain loans which at the end of 2017 exceeded 70% of the mortgaged vessel(s) value and thus, were subject to the rules on an additional capital charge amounted to DKK 94 million in 2017.

RISK EXPOSURE AMOUNT FOR CREDIT RISK, BROKEN DOWN BY RISK WEIGHTS

DKKm Risk weight	**Group** Exposure (weighted) **2017**	**Group** Own funds requirement **2017**
0	0	0
10	493	39
20	261	21
50	2,248	180
100	34,454	2,756
150	1,536	123
200	-	-
250	302	24
Total credit risk exposure amount	**39,294**	**3,144**

The table shows that the majority of risk exposures have a weight of 100%.

Counterparty risk on derivatives and calculation of capital

The company applies the mark-to-market method to calculate derivative exposures.

Using the mark-to-market method to determine the exposure value for counterparty risk involves the following:

- Contracts are calculated at fair value to obtain the current replacement cost for all contracts with a positive value.
- To obtain a figure for the potential future credit exposure, the notional principal of the contracts or the underlying values are multiplied by percentages determined by the Danish FSA.
- The sum of the current replacement cost and the potential future credit exposure represents the counterparty risk.

In its loan approval process and the ordinary monitoring of credit exposures, the company takes into consideration the calculated exposure value to ensure that this value does not exceed the approved credit limit for the counterparty in question.

COUNTERPARTY RISK

DKKm	Group Exposure (weighted) **2017**
Netting of exposure value	
Gross positive fair value of financial contracts after netting	
Counterparty with risk weight of 0%	-
Counterparty with risk weight of 20%	246
Counterparty with risk weight of 50%	944
Counterparty with risk weight of 100%	75
Total counterparty risk exposure value calculated according to the mark-to-market method for counterparty risk	
Counterparty with risk weight of 0%	-
Counterparty with risk weight of 20%	49
Counterparty with risk weight of 50%	374
Counterparty with risk weight of 100%	75

Credit valuation adjustments (CVA)

Pursuant to the CRR, institutions must calculate a credit valuation adjustment (CVA) charge. The CVA charge is a separate capital requirement for OTC derivatives to cover the risk of loss due to value adjustment caused by a deterioration of the counterparty credit quality.

The company has decided to use the standardised approach for CVA, which allows the use of risk mitigation techniques such as netting and collateral.

The counterparty's risk on financial derivatives are reduced through netting agreements as well as through margin calls and collateral provided in accordance with standard documentation from the International Swaps and Derivatives Association (ISDA) and the International Capital Market Association (ICMA). Bilateral collateral agreements (CSAs) have been signed with the largest financial counterparties, which means that collateral is received, or posted as the case may be, automatically if the market values exceed a specified level.

The CVA charge for the Group amounted to DKK 569 million at 31 December 2017.

CVA CHARGE

DKKm	**Group** Exposure (unweighted) **2017**	**Group** Exposure (weighted amount) **2017**	**Group** Own funds requirement **2017**
Standardised approach	1,082	569	46

Collateral and guarantees

The company receives the following types of financial collateral and guarantees, which must fulfill certain credit criteria:

- Deposit funds
- Securities (debt instruments, investment fund units), primarily listed
- Government and credit institution guarantees

FUNDED CREDIT PROTECTION

DKKm	Group Exposure (weighted) 2017	Group Exposure (weighted) 2016	Solo Exposure (weighted) 2017	Solo Exposure (weighted) 2016
Deposits in cash or cash assimilated instruments	10	53	10	53
Debt securities issued by central governments or central banks	-	9	-	9
Debt securities issued by institutions	-	7	-	7
Equities	-	-	-	-
Total financial collateral	**10**	**69**	**10**	**69**

UNFUNDED CREDIT PROTECTION

DKKm	Group Exposure (weighted) 2017	2016	Solo Exposure (weighted) 2017	2016
Guarantees issued by central governments and central banks	-	-	-	-
Guarantees issued by regional governments and local authorities	-	-	-	-
Guarantees issued by institutions and finance institutes	-	-	-	-
Guarantees issued by companies	-	-	-	-
Total guarantees	**-**	**-**	**-**	**-**

The company has business procedures in place for the management and valuation of collateral. These procedures form an integral part of the ordinary risk monitoring process.

The company uses the simple method for valuing financial collateral in its credit risk mitigation. This means that the capital charge on a credit exposure can be reduced by means of collateralisation. The CRR specifies the financial collateral eligible for credit risk mitigation purposes.

In accordance with the rules of the CRR, the company uses financial collateral and guarantees to hedge its credit and counterparty risk. The table above shows the level of protection in each exposure category, i.e. the fully adjusted size of the collateral within each exposure category.

Clearing

Like the rest of the Danish financial sector, Danish Ship Finance is subject to the regulation on OTC derivatives, central counterparties and trade repositories (known as EMIR). The Regulation stipulates an obligation to clear certain types of derivatives via a central counterparty. This obligation applies to financial counterparties and non-financial counterparties that exceed the clearing threshold. The company is characterised as a non-financial counterparty (NFC), as EMIR defines financial counterparties as credit institutions approved pursuant to the credit institutions directive. The company is exempt from this directive.

Non-financial counterparties will only have a central clearing obligation if they exceed certain threshold values for trading volumes. As the company's trading volumes do not exceed these clearing thresholds, it is not under any obligation to perform central clearing.

The company has appropriate procedures in place to measure, monitor and mitigate operational risk and counterparty risk for non-cleared OTC derivatives. In addition, all OTC derivative transactions are reported to a trade repository, providing more specific details about the contracts.

Own funds requirement – Market risk

The standardised approach is used to calculate the own funds requirement for market risk. Positions involving market risk are instruments in the trading book and positions involving foreign exchange risk outside the trading book.

RISK EXPOSURE AMOUNT FOR MARKET RISK

DKKm	**Group** Exposure (weighted) **2017**	**Group** Own funds requirement **2017**
Debt instruments, specific risk		
Total specific risk *)	1,011	81
Debt instruments, general risk		
Total general risk	2,621	209
Shares, etc.		
Total shares, etc.	21	2
Foreign currency positions		
Total long foreign currency positions	965	77
Total risk exposure amount for market risk	**4,618**	**369**

*) Specific risk for debt instruments is calculated for all debt instruments in the trading book, including unweighted and weighted amounts for repo transactions.

Own funds requirement – operational risk

The own funds requirement for operational risk must cover the risk of loss resulting from inadequate or failed internal processes, human risk, systems errors or from external events, including legal risks.

The basic indicator approach is used to calculate the own funds requirement for operational risk. The risk exposure amount for operational risk is thus calculated at 15% of a three-year average of net interest income and non-interest related net income.

RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK

Solo DKKm	**2017**	**2016**	**2015**	**Average**
Accounting items				
Interest income	1,176	1,514	1,886	1,525
Interest expenses	(540)	(698)	(1,021)	(753)
Dividends on equity investments	-	-	0	0
Fee and commission income	20	32	41	31
Fee and commission expenses	-	-	-	-
Market value adjustments	37	124	(177)	(5)
Sum of accounting items	**692**	**973**	**730**	**798**
Risk exposure amount (weighted) under the basic indicator approach				
2017				**1,497**
2016				**1,725**

An assessment of the own funds requirement for operational risk is performed regularly. If the own funds requirement is deemed to be higher than the level mentioned below, the company adjusts its own funds accordingly.

OWN FUNDS REQUIREMENT FOR OPERATIONAL RISK

DKKm	**Own funds requirement**
2017	120
2016	138

Internal capital adequacy requirement and adequate own funds

Capital management is anchored in the internal capital adequacy assessment process (ICAAP), which is a review aimed at identifying risks and determining the internal capital adequacy requirement.

The Board of Directors and the Executive Board must ensure that the company maintains adequate own funds. The considerations made by the Board of Directors and Executive Board in this regard must be used as a basis for determining an internal capital adequacy requirement. Adequate own funds are the minimum amount of capital required to ensure, that the bondholders are only exposed to a very low risk of loss in the event that the company becomes distressed during the following 12 months.

Internal process

The method used to calculate adequate own funds and the internal capital adequacy requirement must be approved by the Executive Board and the Board of Directors at least once a year, whereas the calculations are reported quarterly. The company has established segregation of duties such that adequate own funds and the internal capital adequacy requirements are not calculated by the persons in charge of the risk management process.

ADEQUATE OWN FUNDS AND INTERNAL CAPITAL ADEQUACY REQUIREMENT

DKKm / %	Group 2017	Solo 2017
Total risk exposure amount	**45,978**	**45,312**
Pillar I requirement (8% of total risk exposure amount)	**3,678**	**3,625**
Earnings	**-**	**-**
Growth in lending	**-**	**-**
Credit risk		
- Credit risk exposure to large customers in financial difficulty	137	137
- Other types of credit risk	-	-
- Concentration risks	35	35
Market and liquidity risk	-	-
Operational and control risk	421	411
Leverage risk	**-**	**-**
Other risks	**-**	**-**
Total adequate own funds	**4,271**	**4,208**
Internal capital adequacy requirement, %	**9.3**	**9.3**
Capital conservation buffer, %	1.3	1.3
Countercyclical capital buffer requirement, %	0.2	0.2
Internal capital adequacy requirement, including combined capital buffer requirement, %	10.8	10.8

At the end of 2016, adequate own funds amounted to DKK 5,014 million and the internal capital adequacy requirement was 10.7%. The decline in adequate own funds derived from declining lending. In addition, the combined capital buffer requirement increased as a result of the phasing-in of the capital conservation buffer from 0.625% in 2016 to 1.25% in 2017.

Methodology

Credit institutions are able to choose which methodology to use when calculating adequate own funds provided the resulting internal capital adequacy requirement gives a fair view and is prudent. The company follows the Danish FSA guidelines on adequate own funds and capital adequacy requirement for credit institutions. The guidelines provide an interpretation of Annex 1 to the Danish executive order on calculation of risk exposures, own funds and solvency need. The guidelines prescribe what is known as an 8+ approach i.e. own funds requirement of 8% (Pillar I requirement), which is assessed to cover normal risks. In the guidelines, the Danish FSA defines benchmarks for a number of instruments with expectations of higher-than-normal risks.

The guidelines define benchmarks and calculation methods within seven risk areas that credit institutions should use to assess their adequate own funds. The internal capital adequacy requirement is calculated by dividing adequate own funds by the total risk exposure amount.

Based on predefined risk areas and other risk elements deemed relevant, the calculation of adequate own funds builds on the following seven risk areas:

1. Earnings
2. Growth in lending
3. Credit risk
4. Market and liquidity risk
5. Operational and control risk
6. Leverage risk
7. Other risks

A capital requirement deemed adequate to cover the underlying risks is fixed for each risk area. The company's operating results are stress-tested in order to demonstrate, among other things, whether it will require additional capital within the next 12 months.

The Board of Directors and the Executive Board have defined risks that the company should be able to withstand and factors that should be considered in a calculation of adequate own funds. In specific areas, the FSA guidelines and the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need stipulate that companies must perform stress tests (sensitivity analyses) indicating whether there is a need for additional capital. In a stress test, the financial figures are tested against an adverse event to simulate how the ratios would respond in such a scenario.

The combined stress test shows that the company has a robust capital structure and a liquidity buffer capable of withstanding highly adverse events.

The company believes that the risk factors included in the calculations are sufficient to cover all the risk areas which, pursuant to legislation, the Board of Directors and the Executive Board must take into consideration when determining adequate own funds.

Specification of risk areas

This review describes the risk areas and general considerations that the company takes into account when calculating adequate own funds. The results of the calculations are shown in the table "Internal Capital Adequacy Requirement and Adequate Own Funds" on page 30.

1. Earnings. Mortgage lenders with core earnings representing less than 0.1% of loans and guarantees before loan impairment charges and market value adjustments must consider whether this gives rise to an increase in the internal capital adequacy requirement. Core earnings relative to loans and guarantees amounted to 1.4% for 2017.

In addition to the level of earnings, earnings stability also forms part of the internal capital adequacy assessment. The company's earnings capacity should be assessed in relation to the dividend policy and access to capital. The results of the stress test on operating profit show that the company will, even in a severe stress scenario, not require additional capital within the next 12 months.

The company finds that the Pillar I requirement is sufficient to cover risks relating to earnings.

2. Lending growth. The Danish FSA defines total year-on-year lending growth of 10% or more as potentially exposing an institution to higher-than-normal credit risk. Consequently, institutions with lending growth at this level or above must allocate additional capital.

Since 2013, the company's lending growth has been below 10%. The average annual growth rate for the period 2013-2017 was 5.6%. Against this background, the company believes that the Pillar I requirement is sufficient to cover risk relating to lending growth.

3. Credit risk. In its guidelines, the Danish FSA divides credit risk into three sub-groups; credit risk exposure to large customers in financial difficulties, other credit risks and credit risk concentration.

- Credit risk exposures to large customers in financial difficulty

For large customers in financial difficulty, a conservative loss estimate should be made for each loan. A large customer in financial difficulty is defined as a customer whose total exposure accounts for more than 2% of own funds, and where there is objective evidence of loan impairment of the exposure or material signs of weakness but no objective evidence of loan impairment (credit quality steps 1 and 2c on the Danish FSA scale).

A detailed description of these credit quality steps is provided in Appendix 8 of the Danish FSA's instructions for financial reports for credit institutions and investment firms, etc.

A large customer is defined as a customer where the credit exposure exceeds DKK 179 million (DKK 8,930 million * 2%). Credit quality steps 1 and 2c are applicable to customers with a rating between 9 and 12 on the company's 12-point rating scale (12 being the weakest).

Pursuant to the guideline method for calculating capital charges for large customers in financial difficulty, the company's Pillar II add-on amounted to DKK 137 million at 31 December 2017.

- Other credit risks

Other credit risk primarily covers *"other credit risks in the loan portfolio"* and *"other credit risk associated with financial counterparties"*.

In its assessment of "other credit risk in the loan portfolio", the company considers areas laid down in the guidelines on adequate own funds and internal capital adequacy requirement for credit institutions and sensitivity analyses based on scenarios and their importance for the need to make loan impairment charges.

Based on these assessments and sensitivity analyses, the company concludes that "other credit risks in the loan portfolio" is covered by the Pillar I requirement.

The assessment of *"other credit risk associated with financial counterparties"* is based on an evaluation of the financial standing of the financial counterparties. The principal risks relate to the investment of the trading book, the majority of which is placed in Danish covered bonds.

The financial standing of financial counterparties and, by extension, the credit risk associated with the investment of the trading book, and interest rate and exchange rate hedging etc., is monitored continuously, including an assessment of the capital required to hedge the exposures. Furthermore, bilateral collateral agreements (CSAs) have been signed with financial counterparties to reduce the counterparty credit risk.

Based on the current financial standing of its financial counterparties, the company concludes that the Pillar I requirement adequately covers the capital requirement concerning "*other credit risks associated with financial counterparties*".

- Credit risk concentration

Concentration risk is calculated with respect to single name concentration and sector concentration. Pursuant to the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need, the capital requirement for an institution with high-risk diversification is generally lower than for an institution with a high-risk concentration.

In its guidelines, the Danish FSA notes that Danish mortgage lenders have a unique profile due to their core business. Against this background, the assessment of sector concentration does not apply to mortgage lenders as per the guidelines.

However, the guidelines stipulate that institutions exempt from these rules must consider the extent to which they have concentration risk that should be addressed and for which capital should be allocated. Based on the sensitivity analyses used in the assessment of "other credit risk in the loan portfolio", the company finds that there is no material risk of loss as a result of sector concentration not covered by the Pillar I requirement.

With respect to single-name concentration, the institution must consider any imbalances in the distribution of exposure sizes in its loan portfolio, irrespective of credit quality. The company applies the calculation method stipulated in the guidelines with adjustments approved by the FSA. The Pillar II add-on for customer concentration has been calculated at DKK 35 million.

4. Market and liquidity risk. Due to the specific balance principle, which caps the risk that the company may assume, market and liquidity risks are considered limited. Limits specified in the company's internal policies further mitigate the risk.

According to the Danish FSA guidelines, mortgage banks and similar institutions are exempt from Pillar II add-ons with respect to market and liquidity risk. The company nonetheless assesses its market and liquidity risks based on the guidelines and concludes that the market and liquidity risk is covered by the Pillar I requirement.

5. Operational and control risk. The capital requirement for operational risk under Pillar I amounts to DKK 421 million.

An additional amount of DKK 411 million has been reserved owing to a lack of hedging of negative interest rates. The reserve will be maintained until a hedge has been established, to be in place before year-end 2018, against the interest rate risk resulting from negative CIBOR rates and their correlation with swap contract terms as well as loan and bond terms.

Due to the new activity that arises from managing the operations of the holding company, which involves establishing procedures for governance, management and regulatory reporting etc., an additional amount of DKK 10 million has been reserved.

6. Leverage. The leverage ratio is calculated as tier 1 capital relative to the institution's total exposure value (unweighted). At 31 December 2017, the leverage ratio was calculated at 8.7% at the group level and 13.8% at the Solo level.

Pursuant to Article 451(1) of the CRR, institutions must disclose whether they use tier 1 capital to measure capital, cf. Article 499(1)(a) of the CRR, and also whether the leverage ratio is calculated at the end of the quarter.

According to the Basel Committee, the leverage ratio should not be lower than 3%. Therefore, there is no need for the company to increase the internal capital adequacy requirement to reduce leverage.

Further information on the leverage ratio is provided in Annex 7.

7. Other risks. Institutions must assess whether there is a need for a Pillar II add-on in respect of reputational risk, strategic risk, group risk and external risk.

- The Group has a good reputation and it is difficult to envisage an event that would substantially change this. Furthermore, a policy has been established to ensure compliance with disclosure obligations, and to define the requirements for external financial reporting, including the presentation of a true and fair view of the Group's financial results and activities. Reputational risk is believed to be covered by Pillar I.

- The Group has a well-established market position and a good reputation among investors and customers. The past few years have brought major changes in both the competitive environment and customers' earnings capacity, but the company has managed to retain its position and maintain stable earnings. Strategic risk is believed to be covered by Pillar I.

- The Group must consider the risk associated with owning one or more subsidiaries. This applies especially to the subsidiaries not included in the consolidated calculation in accordance with the Danish Financial Business Act. The Group consists of a holding company and a subsidiary. The subsidiary is fully consolidated. The risk associated with the subsidiary is deemed to be covered under Pillar I.

No external risks have been identified that may challenge the business model. Therefore, no additional capital has been allocated to cover external risks.

Combined buffer requirement

The combined capital buffer requirement consists of three elements:
- A capital conservation buffer
- A systemic risk buffer
- An institution-specific countercyclical capital buffer.

In 2017, the *capital conservation buffer* was 1.25% of the total risk exposure amount. At 1 January 2018, it increased to 1.875%. When fully phased in at 1 January 2019, the capital conservation buffer requirement will be 2.5% of the total risk exposure amount.

All EU member states must implement a *systemic risk buffer* applying to domestic exposures. The requirement may apply to an entire sector or to individual sub-sectors. The systemic risk buffer is aimed at preventing and mitigating long-term, non-cyclical systemic or macroprudential risk not covered by the CRR. The systemic risk buffer rate was set at 0% in 2017.

The *institution-specific countercyclical capital buffer* may be applied if lending growth results in higher macroprudential risk. This buffer may be between 0% and 2.5% of the total risk exposure amount.

Based on the geographical distribution of credit risk exposures, the capital requirement for the countercyclical capital buffer was calculated at DKK 105 million at 31 December 2017 based on the relevant. The capital requirement pertains to exposures to Norway, Sweden and Iceland, which have set the following countercyclical capital buffer rates:

- Sweden 2.00%
- Norway 1.50%
- Iceland 1.25%

INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

DKKm / %	2017	2016
Total risk exposure amount	45,312	50,995
Institution-specific countercyclical buffer requirement	105	110
Institution-specific countercyclical buffer requirement, %	0.2	0.2

GEOGRAPHICAL DISTRIBUTION

	Share (%)
Denmark	29
Germany	11
Bermuda	10
Norway	10
Marshall Islands	7
Luxembourg	5
United Kingdom	5
Cayman Islands	4
Sweden	4
Liberia	3
Cyprus	2
France	2
Isle of Man	2
Italy	2
The Netherlands	2
Bahamas	1
Belgium	1
Iceland	0
Panama	0
Singapore	0
Switzerland	0
Total	**100**

Annex 4 provides a more detailed description of the countercyclical capital buffer.

Liquidity management

Liquidity management is carried out to ensure that the cost of funding does not become disproportionately high and to avoid a lack of funding preventing the company from supporting lending activities. Ultimately, the purpose of the liquidity management framework is to ensure that the company is consistently able to meet its payment obligations.

Balance principle

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

The deficit occurs if future payments related to bonds issued by Danish Ship Finance, other funding and financial instruments exceed future incoming payments on loans, financial instruments and positions.

In its internal policies, the company has defined strict requirements for any liquidity deficits between issued bonds and loans provided.

Funding

Bonds are typically issued in DKK, whereas most of the loans are disbursed in USD. The company sources USD for funding of USD loans disbursed via basis swaps.

A lack of access to convert DKK funding into USD entails a risk of higher financing costs or a loss of business opportunities. The opportunities for sourcing USD liquidity rely on an efficient capital market.

Internal policies govern the maximum limits for the need for USD over time.

Liquidity policy

The company has formulated a policy for managing liquidity risk (liquidity policy) pursuant to the Executive Order on Governance.

The purpose of the liquidity policy is to ensure that the liquidity risk at any time matches the overall risk profile. The liquidity policy also serves to ensure adequate handling and management of liquidity, allowing the company at any time to meet its payment obligations, conform to applicable legislation and execute plans for future activities and growth.

Management, monitoring and reporting

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

According to the liquidity policy, the Board of Directors determines the overall guidelines for managing liquidity risk.

The Executive Board is responsible for ensuring that the guidelines established by the Board of Directors are laid down in business procedures and that these procedures are updated on a regular basis.

Compliance with the liquidity policy is monitored by the Risk Management function. A financial report on compliance regarding the policy framework is prepared and submitted to the Board of Directors on a quarterly basis.

Liquidity management

In addition to the above, a liquidity stress test is performed based on a scenario with the following components:

- A rising USD exchange rate
- Increasing interest rates
- Widening credit spreads
- Write-offs

The results of the liquidity stress test are used to manage and adjust internal limits. Furthermore, the stress test is used to obtain an overview of the liquidity profile in the current situation and in a stressed scenario.

Contingency plans

In accordance with the Executive Order on Management and Control of Banks, etc., the company has prepared a liquidity contingency plan, containing a catalogue of possible initiatives with which to strengthen the liquidity position in a critical situation.

The liquidity contingency plan takes effect when predefined triggers are activated.

Credit risk

Credit risk is the risk of losses arising from debtors or counterparties failing to meet their payment obligations. These counterparties can be either shipowners or financial institutions.

The limits for credit risk management are set out in the credit policy and the counterparty risk management policy. The policies build on the provisions of the company's own Act and Executive Order, stipulating, among other things, that the Board of Directors must lay down risk diversification rules. In its risk management activities, the company distinguishes between credit risk relating to lending operations and credit risk relating to transactions with financial counterparties. The credit department have day-to-day responsibility for the credit policy, the counterparty risk management policy and for periodical risk calculation and reporting of credit risk.

Lending

Ship financing is provided against first lien mortgages on vessels. On a limited scale, the company also provides financing of shipowners payment of instalments to shipyards. The company is a leading provider of ship financing in Denmark, and it focuses primarily on large, reputable shipowners both in Denmark and in other countries. When considering a potential loan, the company considers the financial standing of the borrower, vessel characteristics and the terms of the loan.

Loan-to-value limits and additional capital charge

The company may grant loans up to 70% of the value of the mortgaged vessel(s).

However, the company may, on certain conditions, grant loans beyond the 70% loan-to-value (LTV) limit against supplementary collateral and/or against an additional capital charge. The additional reservations of own funds of a loan are however maximised to an amount in DKK determined on the date of the granting of the loan or of the disbursement of the loan at the latest.

The additional capital charge is in the form of a deduction from the company's tier 1 capital in the calculation of the internal capital adequacy requirement. The deduction equals the part of the loan that exceeds 70% of the value of the mortgaged vessel(s) at the time of calculation the capital ratio, but not exceeding the maximum defined.

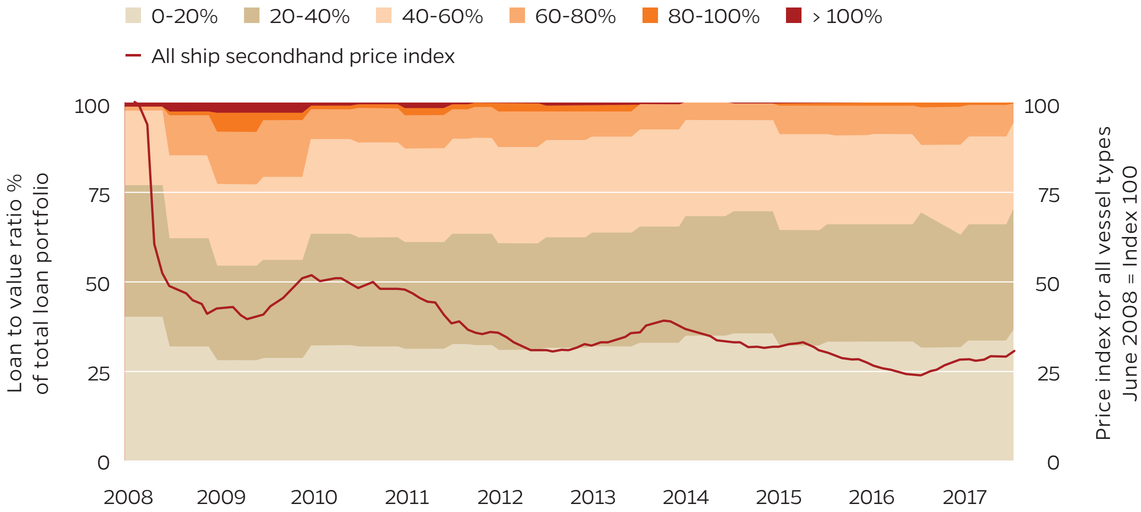
The calculation of the additional capital charge is based on an evaluation made or approved by the company based on independent broker assessments of the market value of the mortgaged vessel(s).

In 2016 and 2017, the company did not grant any new loans with LTV ratios over 70% at the time of approval, with one exception in 2017. The average LTV on new loans after loan impairment charges at 31 December 2017 was 54%.

DISTRIBUTION OF LOANS INCLUDING GUARANTEES AFTER LOAN IMPAIRMENT CHARGES BY LTV RANGE (MEASURED BY NOMINAL DEBT OUTSTANDING)

LTV range	Share of lending	
%	2017	2016
0-20	37	32
20-40	34	31
40-60	24	25
60-80	5	11
80-90	0	1
90-100	0	0
Over 100	0	0

LOAN TO VALUE RANGES VS. PRICE INDEX FOR ALL SHIPS



Source: Clarksons, Danmarks Skibskredit

The chart above shows a breakdown of the loan portfolio into LTV ranges, which are calculated every six months. The LTV ranges show the proportion of loans within a given range. 95% of total lending including guarantees and before loan impairment charges, is secured by mortgages within 60% of the valuations at the end of 2017. The distribution is compared to the development in vessel prices which, are based on a price index by Clarksons for all vessel types. The chart shows that even major declines in vessel prices do not materially change the collateral covering the loan. This is due to the regular loan repayments and because a significant number of loan agreements include a minimum value clause (MVC), i.e. the company has the right to demand partial prepayment and/or supplementary collateral if the value of the ship mortgage drops below the agreed percentage.

Large exposures

Danish Ship Finance is exempt from the EU's credit institutions directive and related legislation. The most important consequence of this is that the company is not subject to a limitation in respect of large customers, cf. the CRR rules on large exposures. This means that, unlike other financial institutions, the company is not bound by any statutory maximum limits on lending to individual borrowers. Instead, the Board of Directors must lay down rules concerning risk diversification, including for its lending operations.

In respect of the management of large exposures, the company has defined guidelines for the extent to which and the assumptions on which the company assumes large exposures, including exposures exceeding 25% of own funds.

The aggregate credit exposure to one consumer exceeds 25% of eligible capital. No financial counterparty exposures exceed 25% of eligible capital.

Diversification

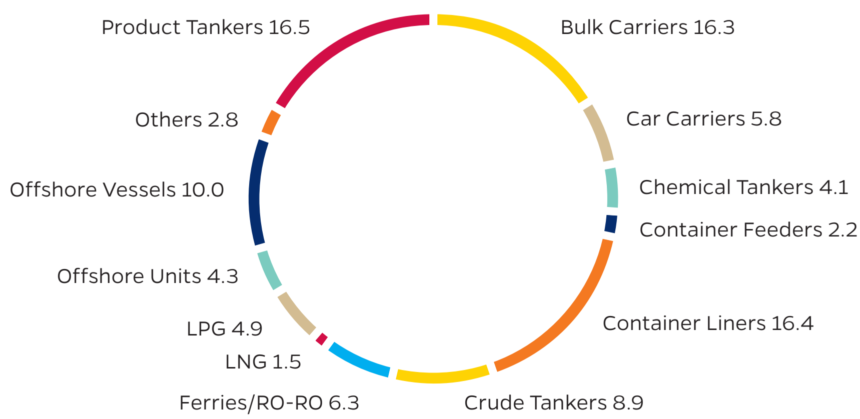
The composition of the loan portfolio adheres to a set of diversification rules. The purpose of the diversification rules is to ensure adequate diversification by vessel type, borrower and country.

Risk diversification by vessel type

Adequate loan portfolio diversification must be in place regarding vessel type. No single segments may be provided as security for more than 50% of the company's gross lending. Within each vessel type, no segment may be provided as security for more than 33% of the company's gross lending.

LOAN PORTFOLIO BY MORTGAGED VESSELS

% OF TOTAL LENDING



Risk diversification by borrower

The composition of borrowers must be adequately diversified in the loan portfolio. The diversification rule is related to the objects clause in the Articles of Association:

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

With respect to large loans, the company seeks to diversify the risk in terms of vessel type within individual company accounts.

In respect of financing as defined in the second sentence of the objects clause, a borrower's overall account may not, at a consolidated level, exceed 25% of the most recently calculated eligible capital.

CHANGES IN THE FIVE LARGEST EXPOSURES BEFORE LOAN IMPAIRMENT CHARGES

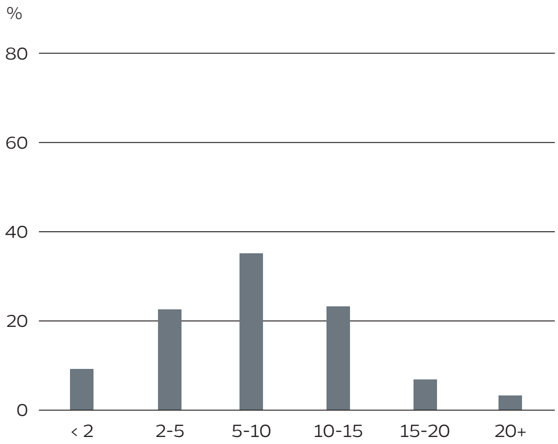
DKKm	2017	2016
Five largest exposures	12,390	13,686
Loans and guarantees	37,412	42,699

The five largest exposures at 31 December 2017 were secured by mortgages on 132 vessels comprising ten vessel types. One exposure is substantially larger than the rest and represented just over 20% of total loans and guarantees.

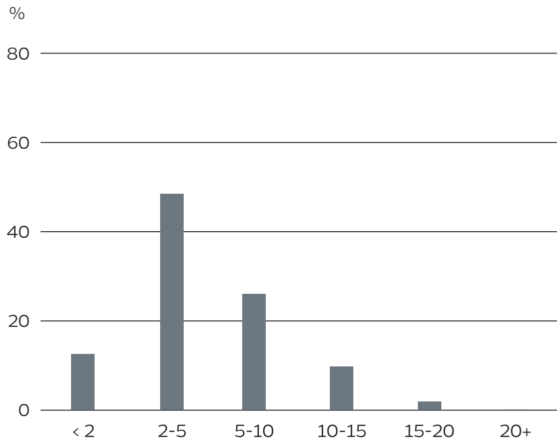
The risk diversification by borrower also focuses on diversification by vessel type within each exposure. The largest exposure was secured through mortgages on 65 vessels distributed between four different vessel types (loans for Container Liners represented the majority, and loans for Product Tankers, Offshore Units and Offshore Vessels the rest).

Age distribution of mortgaged vessels (as a percentage of total lending for each vessel type)

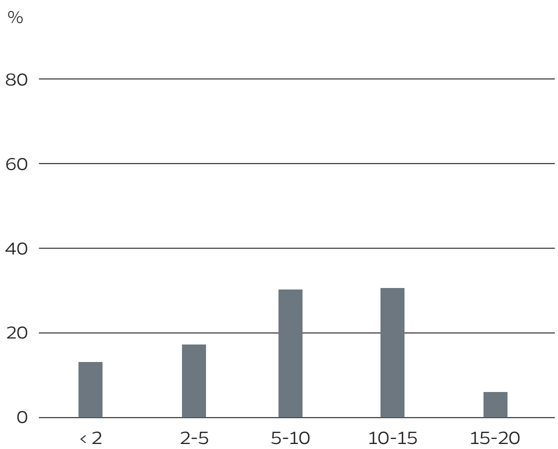
AGE DISTRIBUTION OF TOTAL SHIP PORTFOLIO



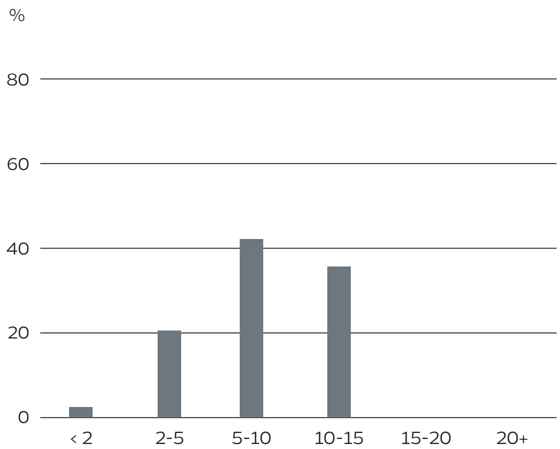
BULK CARRIERS



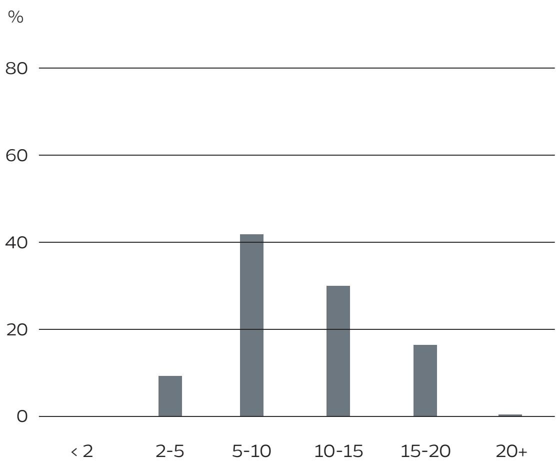
CHEMICAL / CRUDE / PRODUCT



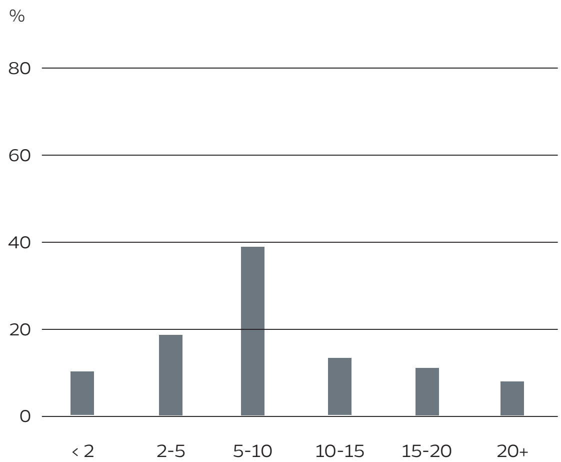
CONTAINER LINERS



OFFSHORE VESSELS



OTHERS

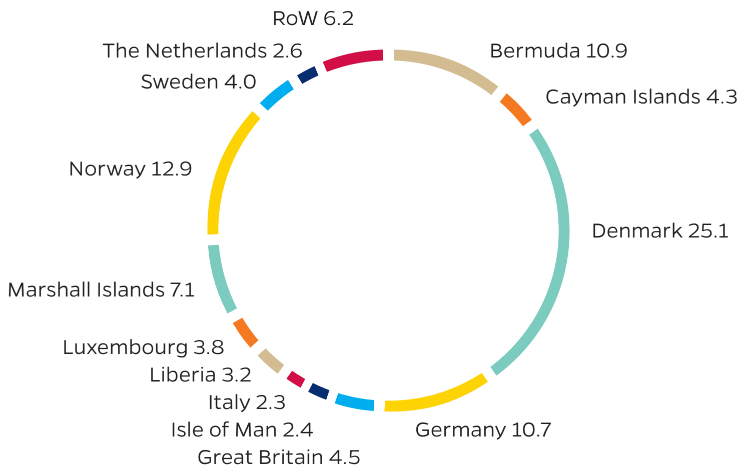


Risk diversification by country

The loan portfolio must be adequately diversified by country. The country risk is calculated with regard to the borrower's home country, or, in the case of parent guarantees, the guarantor's home country. Lending to customers in Norway, Switzerland and the US and in certain EU countries is not subject to any restrictions, but for lending to customer in other countries, the company has set an overall limit per country of up to 25% of its gross lending.

DEBTOR DISTRIBUTION BY COUNTRY OF ULTIMATE RISK

% OF TOTAL LENDING



Countries with a share of at least 2% are shown separately. Other countries are grouped into 'Rest of world'.

The lending operations involve the use of extensive loan documentation. The purpose of this is, among other things, to enable the company to enforce a ship mortgage in the event of a borrower defaulting. The company, depending on the jurisdiction where the vessel is to be arrested, needs to obtain either an arrest order from the local harbour authority or a court order before initiating the actual enforcement of the ship mortgage through either a private sale or a public auction.

The company seeks to reduce any risk involved in having to obtain a local court order by incorporating choice-of-venue clauses into the loan documentation to ensure that any disputes must be resolved before a court of law.

Credit risk on shipowners

The credit policy contains specific guidelines for the ongoing management of risk relating to the loan portfolio. The company follows predefined procedures for its ongoing credit risk management, the most important of which are described below.

Granting of loans

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

As in previous years, the Board of Directors approved the majority of loans granted in 2017 (85% of cases and 94% of the loan volume).

For existing loans, pre-defined limits have been established when approvals by the Executive Board or the Head of Credit must subsequently be reported to the Board of Directors.

Ongoing monitoring

As part of the risk management process, all loans are assessed at least twice a year. Each loan and the current credit risk exposure are assessed on the basis of the current market valuations of the financed vessels and the most recent financial information on the borrower.

In addition, the portfolio is monitored for borrowers' fulfilment of their obligations under the individual loan agreement. This entails the following:

- 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.
- Verifying that any other collateral meets the specified minimum requirements.
- Verifying the existence of adequate insurance cover on financed vessels.
- Verifying compliance with all other material loan covenants.

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

Insurance of mortgaged vessels
All vessels mortgaged as security for loans must be insured. Insurance is taken out by the borrower. Borrowers' insurance policies for financed vessels are assigned to Danish Ship Finance.

Generally, the insurance includes:
- Hull and machinery insurance, which covers damage to the vessel or total loss.
- P&I (protection & indemnity) insurance, which is third-party liability insurance to cover damage to persons or equipment.
- War risks insurance, 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 mortgagees' interest insurance and mortgagee additional perils pollution insurance. This insurance covers the risk in most situations that the primary insurance policies do not cover, for example if the vessel was not seaworthy at the time of the claim.

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. An inspection may be performed both during the loan period or prior to a loan offer being submitted.

Market valuations
The company values each vessel semi-annually. The valuation is generally carried out by an external broker, which sets a price for the financed vessels based on supply and demand. The company may also assess the value itself, based on, for example, sale on an arms length independent market or external valuations of sister vessels.

Among other things, market valuations of vessels are used to determine the LTV ratios of the company's loans and for control purposes when reassessing the security value of the vessel as part of the company's half-yearly loan impairment review.

Write-offs and loan impairment charges
Twice a year, all exposures are reviewed in order to re-assess the need for loan impairment charges. The assessment of whether any impairment on the individual loans is needed 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 loan impairment charges are laid down in the Executive Order on Financial Reporting. The executive order stipulates that, in addition to individual impairment charges, the company must also make collective impairment charges.

The Danish FSA has agreed that Danish Ship Finance may refrain from making collective impairment charges provided that the assessment of the individual loans is conducted in such a way that it is consistent with the procedure for a collective assessment and that loan impairment charges are made accordingly for each loan. Furthermore, the FSA requires the assessment of any impairment of whether the individual loans be made on the basis of a probability weighting of the expected outcome in respect of payments from the borrower.

Based on the FSA guidelines, the company reviews each loan in order to identify any objective evidence of impairment (OEI). It also establishes whether a vessel segment is deemed to be in OEI and thus whether there is need for collective impairment charges.

All loans are reviewed to evaluate whether the existing internal rating and probability of default still provides the best estimate of the cash flows due from the borrower. Where this is estimated not to be the case, the loan is reassigned.

Objective evidence of impairment

Objective evidence of impairment (OEI) is a concept applied to a loan that entails a high probability of default (PD). The concept is used in the calculation of individual impairment charges pursuant to Annex 10 of the Executive Order on Financial Reports and the Danish FSA guidelines.

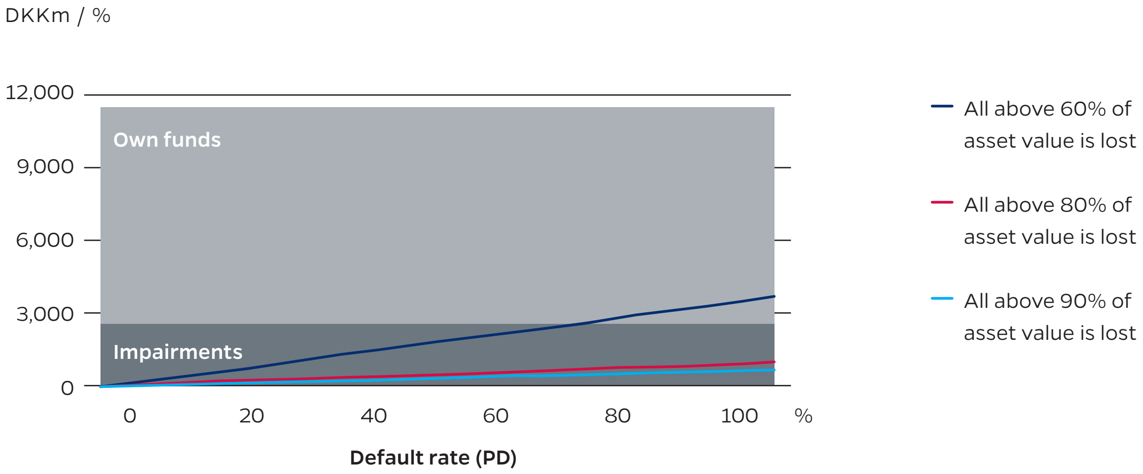
OEI exists if at least one of the following events occurs:

- Default
- The borrower is experiencing significant financial difficulty
- A loan is past due/in arrears, unless the problem is short-term and the amount concerned is small in comparison to the borrower's financial situation, or if this is due to errors or technical problems
- A loan has lenient repayment terms, including forbearance, which the company, for reasons relating to the borrower's financial difficulty, would not otherwise have granted.

The company applies an internal 12-point rating scale, with 12 being the weakest. If OEI is established for credit exposures, including loans without loan impairment charges, the borrower is downgraded on the company's internal rating scale to exposure class 11 (or exposure class 12 if the credit exposure is also in default) with a PD of 100%. Loans with OEI, i.e. loans in exposure class 11 or 12, are referred to as problem loans.

When restructuring, including agreements for the composition or conversion of a loan into share capital/ subordinated loan capital, has been completed, the OEI period for that loan runs for at least 12 months. Subsequently, a new impairment test is performed on the credit exposure.

LOAN LOSSES AT GIVEN DEFAULT RATES



The chart above illustrates the company's ability to absorb losses in the rather unlikely scenario where all or a certain percentage of the borrowers (PD 0-100%) default and the mortgaged vessels are subsequently sold. The graph shows that even in the extreme event of all borrowers defaulting (PD 100%), the loan impairment charges and own funds are more than sufficient to cover short falls if the mortgaged vessels are sold with haircuts of 10-40% to current market values. The chart is based on the subsidiary's own funds.

Default

A loan is deemed to be in default if the borrower is not expected to be able to meet its obligations. This is based on at least one of the following situations occurring:

- A loss is deemed inevitable
- Bankruptcy or other in-court restructuring
- Past due/in arrears for 90 days or more
- Foreclosure
- Non-accrual interest.

If a credit exposure is in default, the borrower is downgraded to exposure class 12 with a PD of 100%.

Calculation of loan impairment charges at the credit exposure level

The company makes individual impairment charges for loans with objective evidence of impairment (OEI) as well as collective impairment charges for loans to borrowers operating in shipping segments deemed to be in OEI.

The technical calculation model is as follows:
Loan impairment charge = loss given default (LGD) x probability of default (PD) – recovery payments (conservative estimate).

The unsecured part of the exposure is calculated as follows:
Unsecured part of the exposure = market value of the loan (B) – the estimated collateral value of the mortgaged vessel(s) in a weak market (Sx) – the value of any other collateral (K).

For a loan, for which individual OEI is established due to financial difficulty on the part of the borrower, the borrower's PD is set at 100%. For the calculation of collective loan impairment charges, the borrower's current PD is used.

The following serves to illustrate the calculation method for impairment with a collective component:
Customer's PD = 7%
Loans (B) = DKK 100 million
Market value of vessel = DKK 125 million
The estimated mortgage value of the mortgaged vessel(Sx) = DKK 75 million
Other collateral (K) = DKK 0 million
Recovery payments (D) = DKK 0 million
LGD = B – Sx – K = DKK 100 million – DKK 75 million – 0 = DKK 25 million
Impairment charge = (LGD x PD) – D = (DKK 25 million x 0.07) – 0 = DKK 1.75 million

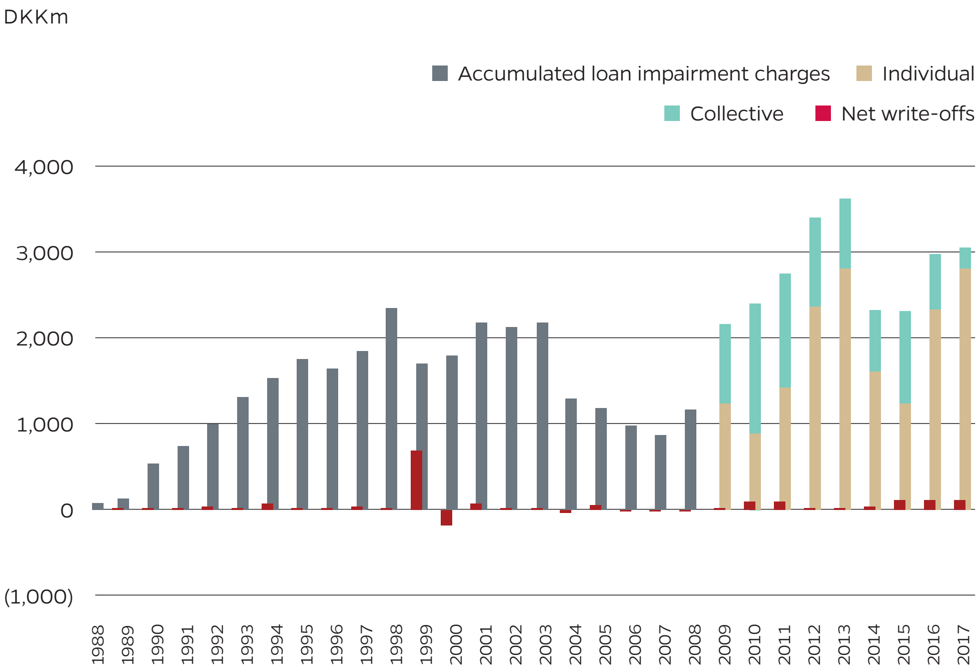
If the customer had individual OEI (a PD of 100%) in the above example, the individual loan impairment charge would instead have been DKK 25 million. In a few situations where the model is believed to either overestimate or underestimate the needed impairment charge, an adjustment is made based on a management judgement.

Accumulated loan impairment charges amounted to DKK 2,591 million at 31 December 2017, against DKK 2,516 million at 31 December 2016.

Accumulated loan impairment charges accounted for 7.0% of total loans and guarantees, against 5.9% at the end of 2016. Danish Ship Finance recorded net write-offs of DKK 98 million in 2017, against DKK 89 million in 2016. Write-offs thus remained at a low level.

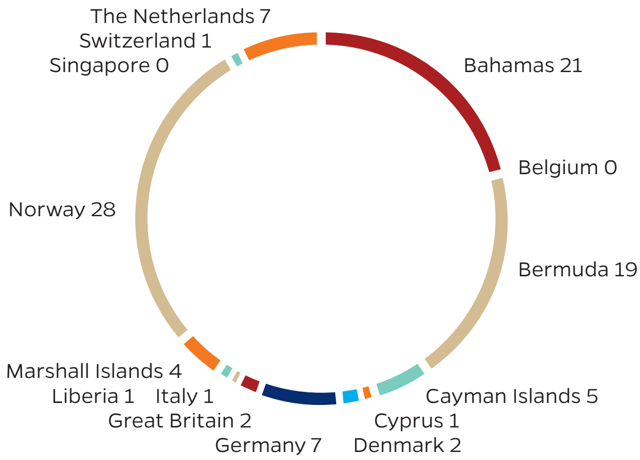
Accumulated write-offs since the company was established in 1961 were approximately DKK 1.2 billion at 31 December 2017. This corresponded to 3.2% of total gross lending at 31 December 2017.

ACCUMULATED LOAN IMPAIRMENT CHARGES AND NET WRITE-OFFS



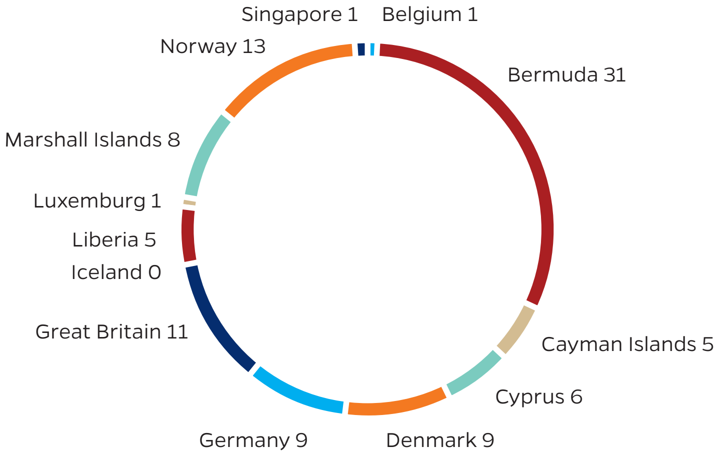
GEOGRAPHICAL DISTRIBUTION OF TOTAL LOAN IMPAIRMENT CHARGES

%



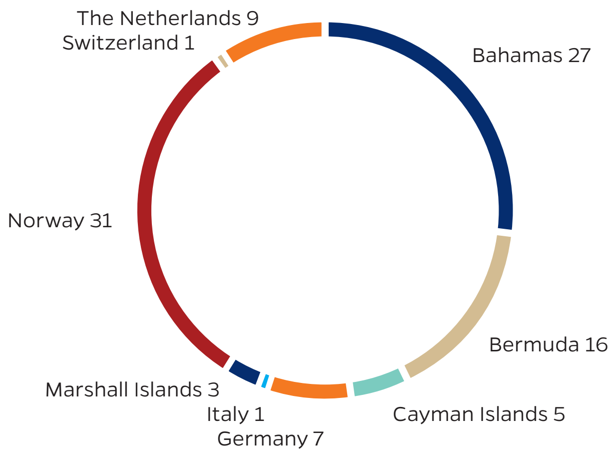
GEOGRAPHICAL DISTRIBUTION OF COLLECTIVE LOAN IMPAIRMENT CHARGES

%



GEOGRAPHICAL DISTRIBUTION OF INDIVIDUAL LOAN IMPAIRMENT CHARGES

%



DEVELOPMENT IN IMPAIRED CLAIMS DUE TO VALUE ADJUSTMENT AND LOAN IMPAIRMENT CHARGES

DKKm	Loans 2017	Loans 2016	Financial counterparties 2017	Financial counterparties 2016
Individual loan impairment charges				
Impairment charges for loans and counterparties, 1 January	1,977	1,047	-	-
Loan impairment charges during the year	699	1,100	-	-
Reversal of loan impairment charges made in previous financial years, where there is no longer OEI or impairment is reduced	172	77	-	-
Other movements	0	0	-	-
Final loss (written off) on previous loan impairment charges	124	95	-	-
Accumulated impairment charges for loans and financial counterparties, 31 December	2,380	1,977	-	-
Sum of loans and financial counterparties where individual loan impairment charges have been made (calculated before loan impairment charges)	5,893	6,997	-	-
Collective loan impairment charges				
Accumulated impairment charges for loans and financial counterparties, 1 January	540	910	-	-
Loan impairment charges during the year	49	59	-	-
Reversal of loan impairment charges, where there is no longer OEI or impairment is reduced	378	430	-	-
Other movements	0	0	-	-
Accumulated impairment charges for loans and financial counterparties, 31 December	211	540	-	-
Final loss (written off)	0	0	-	-
Sum of loans and financial counterparties where collective loan impairment charges have been made (calculated before loan impairment charges)	28,884	21,684	-	-

Events since the balance sheet date

The financial performance for 2018 is expected to be impacted by a lower return on the securities portfolio than in 2017. Entering 2018, interest rates are low, and interest income is consequently expected to decrease, while the strong capital gains recorded in 2017 are not likely to be repeated.

Lending is expected to see a slight uptrend during the year, pushing up earnings from lending. On the back of the somewhat lower average lending in 2017, and based on an unchanged USD, earnings from lending is expected to increase more than indicated by developments in nominal lending from the end of 2017 to the end of 2018.

For 2018, the company plans to buy back shorter-dated bonds concurrently with the issuance of longer-dated bonds. As in 2017, this activity will result in negative value adjustments during the year, which will be offset by largely corresponding reductions in interest expenses in subsequent years.

The Tanker market was under pressure in the last few months of 2017, and conditions in the Offshore market are not set to improve noticeably during the coming year. The allowance account is expected to increase marginally in 2018, including before recognition of the impact of IFRS 9. However, favourable developments in sub-segments or settlement of problem loans may lead to a minor reversal of loan impairment charges. Any write-offs in 2018 are expected to be fully covered by loan impairment charges already made.

The company estimates the initial impact of the implementation of IFRS 9 into the Executive Order on Financial Reports to result in an increase in the allowance account of DKK 125-150 million before tax. Under the accounting framework, the impact, net after tax, will be recognised as a reduction in the equity at 1 January 2018 and will thus not impact the income statement.

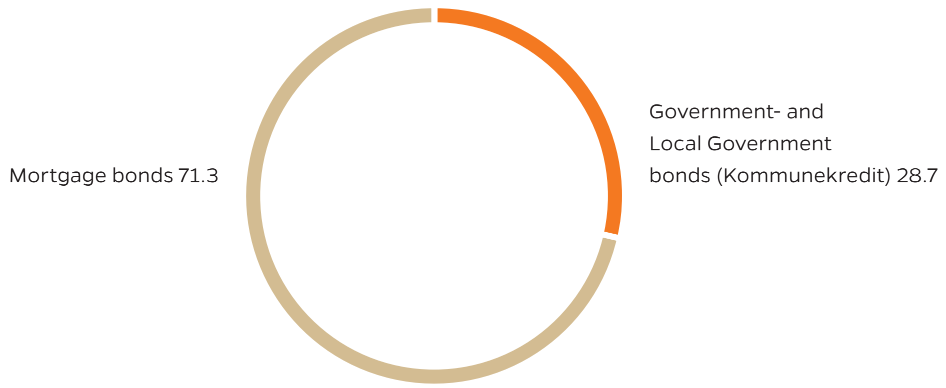
Financial counterparties

The company's securities portfolio represents a significant share of its assets. The securities portfolio comprises government and mortgage bonds, money market transactions and interest-sensitive financial instruments.

The majority of the portfolio consists of liquid mortgage bonds, which makes for a robust excess liquidity coverage of 520%, well above the LCR requirement.

DISTRIBUTION OF SECURITIES PORTFOLIO

%



The company carries out transactions with financial counterparties when investing both its own funds and excess liquidity from issued bonds. These transactions involve cash deposits, securities and financial instruments.

A financial contract may entail risk of loss if it has a positive market value and the financial counterparty cannot perform its part of the contract. This type of risk also includes settlement risk.

The policy for managing counterparty risk (counterparty policy) quantifies and defines limits for the exposure to individual financial counterparties and the countries in which such counterparties are resident. The counterparty policy is used in the management of market risk and liquidity risk and sets out limits on maximum receivables (lines) under loans to and guarantees from credit institutions, export guarantee agencies and insurance companies. The policy also contains the Executive Board's guidelines and options for delegating approval authority.

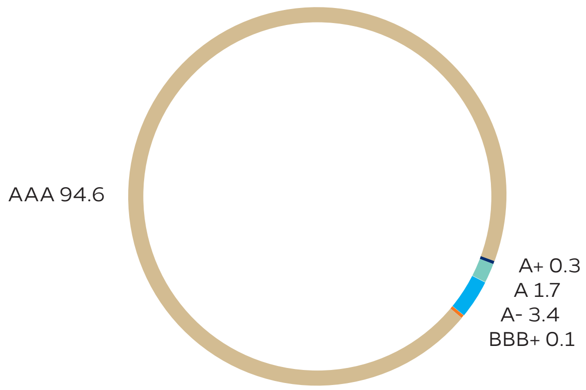
Emphasis is on financial counterparties having high credit ratings, as a substantial proportion of business transactions with counterparties involves long-term contracts with potentially large increases in market value. Bilateral collateral agreements (CSAs) have been signed with various bank counterparties,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

Approval of lines

Financial counterparties are granted lines based on predefined criteria. The basis for approval may include ratings assigned by recognised international credit rating agencies if such ratings are available. The allocated lines are re-assessed annually and in the event that a counterparty's credit rating changes.

EXPOSURE TO FINANCIAL COUNTERPARTIES BY CREDIT RATING

%



The Board of Directors has authorised the Executive Board and the Head of Credit to approve lines to financial counterparties within predefined limits.

Such approved lines within specific limits must be presented at the subsequent board meeting. Approval of lines exceeding the predefined limits is granted by the Board of Directors.

Contractual framework

The contractual framework for transactions with financial counterparties is based primarily on market standards such as ISDA and GMRA agreements, which allow netting in the event of default of the financial counterparty. Furthermore, Danish Ship Finance has agreements on market-value adjustments or collateral (CSAs) with some of its counterparties derivative trading.

Ongoing monitoring

The exposures to each counterparty is continuously monitored, partly to ensure that the counterparty consistently complies with the requirements and partly to ensure compliance with the approved lines. The ongoing monitoring is carried out independently of the executing entities.

Market risk

Market risk is the risk of loss caused by changes in the market value of assets and liabilities resulting from changing market conditions. The market risk is calculated as the sum of fixed income and foreign exchange positions. The most significant market risk is associated with the securities portfolio, as the company is governed by the limits of the Bond Executive Order, which includes restrictions on interest rate, foreign exchange and liquidity risk between the bond issues (funding) and the loans.

The company pursues a market risk policy to manage its market risk. The policy lays down clear and measurable limits on interest rate and foreign exchange risk and in accordance with the Bond Executive Order and other provisions. The company's market risk limits are stricter than the Bond Executive Order.

The company's treasury department has day-to-day responsibility for the market risk policy, while responsibility for the continuous calculation and reporting of market risk lies with a function outside the treasury department. Market risk is monitored on an ongoing basis and is reported to the Board of Directors quarterly and the Executive Management at least weekly. In the event of the limits defined in the market risk policy are breached, the Executive Board must be informed immediately and the Board of Directors not later than at the next board meeting.

Interest rate risks

Interest rate risk is the risk that the company will incur a loss due to 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 own funds. The company seeks to minimise the interest rate risk between funding and lending, but a loss or a gain may arise due to changes in interest rates.

Due to the balance principle, the company has only moderate exposure to interest rate risk outside the trading book. At 31 December 2017, the interest rate exposure outside the trading book was calculated at DKK 90 million, against DKK 33 million in 2016.

The Bond Executive Order also stipulates that the interest rate risk on assets, liabilities and off-balance sheet items must not exceed 8% of own funds. Using the Danish FSA guidelines for calculating interest rate risk in the trading book, the interest rate exposure was DKK 225 million at 31 December 2017, corresponding to 2.5% of own funds, against DKK 226 million in 2016. Furthermore, the interest rate risk is adjusted using a minimum and a maximum for the option-adjusted duration. The maximum option-adjusted duration of the securities portfolio, including financial instruments, is currently restricted to four years. The option-adjusted duration was calculated at approximately 1 year at 31 December 2017.

Foreign exchange risk

According to the Bond Executive Order, the aggregate foreign exchange rate risk on assets, liabilities and off-balance sheet items must not exceed 2% of own funds.

The company obtains funding in DKK, however, as most of the lending are made in USD the company has an ongoing need for converting the funding from DKK to USD which is done via basis swaps. The market risk policy does not allow foreign exchange risk arising from a mismatch between funding and lending except for inevitable, limited foreign exchange risks resulting from ongoing liquidity. The company has set maximum limits for future mismatch between USD and DKK in the market risk policy. In the event that USD-funding is not obtainable in the market at a future point in time, the company will incur a currency mismatch. The currency mismatch will in this case be within the limits set by the regulation.

Exchange rate indicator 1 at 31 December 2017: DKK 965 million, equal to 4.4 % of own funds. Exchange rate indicator 1 corresponds to the company's total net exposure to foreign currency in total balance sheet items, calculated according to the Danish FSA guidelines.

Equity risk

Apart from small holdings of sector shares and shares received in connection with restructuring of credit exposures, the company has no equity 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 what purposes. Financial instruments may be applied to hedge risks between funding and lending and related to investment activities.

Liquidity risk

The company's liquidity management and the statutory liquidity requirements are aimed at reducing liquidity risk to the greatest extent possible.

Liquidity risk involves the risk of:

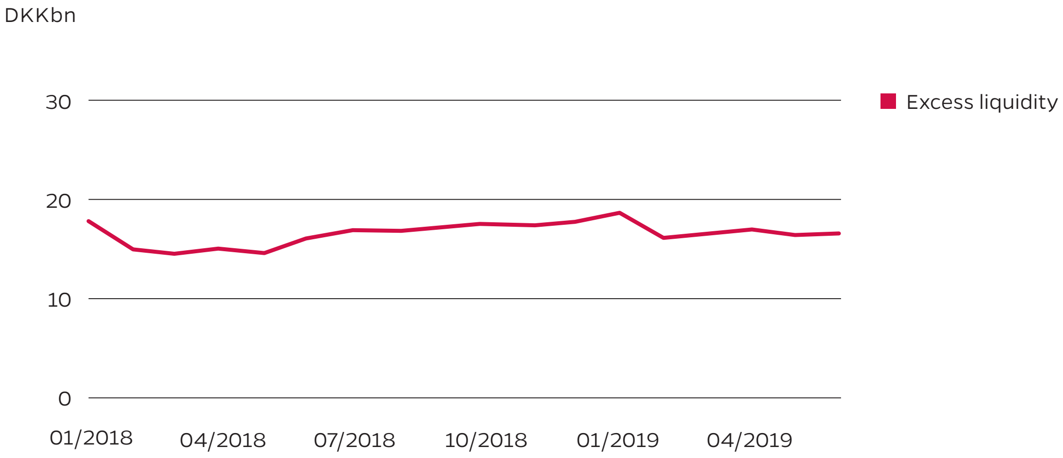
- a disproportionate rise in the cost of funding
- the company not being able to meet its payment obligations due to a lack of funding

Through bond issues and the existence of a liquid portfolio of bonds, the Group has ensured sufficient liquidity coverage for all existing loans and loan offers until expiry. The Group 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 would presumably lead to higher funding costs for new lending.

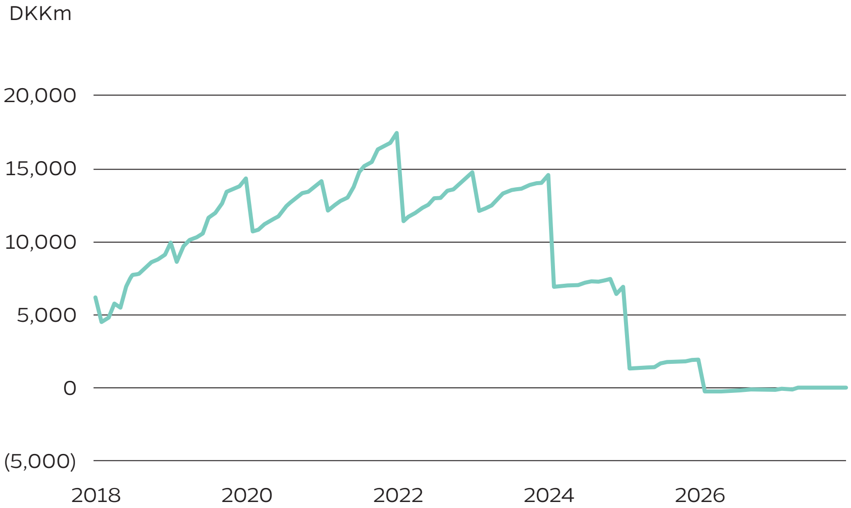
The charts below show:

- Short-term excess liquidity including the market value of the securities portfolio
- Liquidity mismatch between funding and lending.

SHORT-TERM LIQUIDITY



LIQUIDITYMISMATCH BETWEEN FUNDING AND LENDING



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

Liquidity coverage ratio

According to the CRR, liquidity is required to be adequate for a period of 30 days in a stressed scenario (LCR requirement).

Shown below is the LCR requirement for 2017:

$$\text{Liquidity coverage ratio} = \frac{\text{Liquid Assets}}{\text{Net liquidity outflows over a 30-day stress period}} \geq 80\%$$

The company's LCR at 31 December 2017 was 416%.

At least 30% of the liquid assets must be government bonds, bonds issued by Kommunekredit, cash or cash equivalents. Covered bonds may constitute the remaining up to 70%.

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

Encumbered assets

Capital is procured primarily through issuance of ship mortgage bonds on Nasdaq Copenhagen, and the company is thus part of the OTC market. Due to this set-up, some assets are subject to encumbrance, cf. the European Banking Authority's (EBA) guidelines on disclosure of encumbered and unencumbered assets.

The primary sources of asset encumbrance are:
- Issuance of ship mortgage bonds
- CSA collateral

Total encumbered assets account for 80% of total assets plus collateral received that may be subject to encumbrance.

The information disclosed on encumbered assets and collateral received is based on data at 31 December 2017 rather than median values for 2017. Encumbered assets are specified in Annex 8.

According to the Regulatory Technical Standards on disclosure of encumbered and unencumbered assets issued by the EBA in March 2017, credit institutions with less than EUR 30,000 million total assets or an encumbrance level below 15% are exempted from the disclosure requirements for highquality liquid assets (HQLA) and extremely high-quality liquid assets (EHQLA), and thus these are not specified in Annex 8.

Operational risk

The Board of Directors has defined a policy for operational risk, the purpose of which is to create an overview of operational risks and minimise the number of errors with a view to reducing potential losses caused by operational errors.

Operational risk is managed across the organisation through a comprehensive system of business procedures and control measures developed to ensure a satisfactory process and control environment.

Efforts to mitigate operational risk include segregation of functions between execution and control of activities.

Operational errors are divided into three main groups by value:
- Small errors (<DKK 25,000)
- Medium-sized errors (DKK 25,000 – DKK 5 million)
- Large errors (>DKK 5 million)

Small errors are reported to the relevant head of department. Medium-sized and large errors are reported to the Executive Board, and the Board of Directors must be notified of large errors.

Management declaration

The Board of Directors of Danish Ship Finance A/S (Danmarks Skibskredit A/S) and Danish Ship Finance Holding A/S (Danmarks Skibskredit Holding A/S) approved the Risk Report for 2017 on 26 February 2018.

The Board of Directors finds that the Group's risk management procedures are adequate and provide assurance that the risk management systems in place are adequate in relation to the Group's risk profile and strategy.

The Board of Directors also finds that the Group's overall risk profile in relation to its business strategy, business model and key figures provides a relevant and comprehensive picture of the Group's risk governance, including how the risk profile and the risk tolerance defined by the Board of Directors affect each other.

The Board of Directors made its assessment on the basis of its adopted business model/strategy, material and reports presented to the Board of Directors by the Executive Board, risk managers and compliance officers, internal controls and any supplementary information or reports obtained. A review of the business model and policies shows that the overall requirements set out in the model for specific risk areas are fully reflected in the more specific limits of the individual policies.

Focus is on the most creditworthy part of the shipping industry. The Group seeks to obtain profitable earnings by pricing its products to reflect the risk. The Group seeks to ensure it has an appropriate and robust capital base supporting its business model.

The maximum risk tolerance defined by the Board of Directors is managed via limits set out in the individual policies. Shown below are a number of key figures that provide external market participants with an overview of the Group's and the subsidiary's risk management.

	Legislation	Group Compliance at 31 Dec. 2017	Solo Compliance 31 Dec. 2017
Capital requirement			
Total capital ratio	>8%	16.7%	19.7%
Tier 1 capital ratio	>6%	12.4%	19.7%
Common equity tier 1 capital ratio	>4.5%	12.4%	19.7%
Pillar II requirement			
Internal capital adequacy requirement	<Total capital ratio	Excess coverage is 7.4%	Excess coverage is 10.4%
Combined buffer requirement	<Total capital ratio	Excess coverage is 8.9%	Excess coverage is 5.9%
Liquidity			
Liquidity coverage ratio (LCR)	>80 %	416%	416%
Leverage			
Leverage ratio	>3 % (Basel III recommendation)	8.7%	13.8%
Write-offs			
Incurred loan losses	N/A	Write-offs represent 0.25% of lending	Write-offs represent 0.25% of lending

Copenhagen, 26 February 2018

Board of Directors

Eivind Drachmann Kolding (Chairman)	Peter Nyegaard (Vice Chairman)

Marcus Freuchen Christensen	Anders Damgaard	Povl Christian Lütken Frigast
Thor Jørgen Guttormsen	Jacob Meldgaard	Michael Nellemann Pedersen
Christopher Rex	Henrik Sjøgreen	Henrik Rohde Søgaard

DANISH SHIP FINANCE

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