

25 August 2011

**DANISH SHIP FINANCE A/S (DANMARKS SKIBSKREDIT A/S)**

**INTERIM REPORT  
FIRST HALF-YEAR 2011**

The Board of Directors of Danish Ship Finance A/S has today considered the interim report for the first half of 2011.

Danish Ship Finance presents its financial statements in accordance with the rules set out in the Danish FSA's executive order on financial reports by credit institutions, etc. The accounting policies are unchanged from those applied in the interim report for the first half of 2010 and the annual report for 2010.

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

Highlights of the first half year:

- The profit for the period amounted to DKK 181 million compared with a profit of DKK 187 million in the first half of 2010. The financial performance is considered satisfactory.
- Net interest income from lending operations was unchanged at DKK 172 million. The performance was positively affected by a higher average credit margin income and adversely impacted by a decline in the loan portfolio of a little more than 19% relative to the first half of 2010. Loans are granted primarily in US dollars, and the principal part of the reduced loan portfolio was therefore due to the depreciating US dollar during the period.
- Loan impairment charges amounted to an income of DKK 25 million, against an expense of DKK 276 million in the year-earlier period. Total impairment charges amounted to DKK 1,958 million, equal to 4.2% of lending. At the end of 2010, total impairment charges amounted to 3.9% of lending. Measured in terms of lending currency, there has been a small increase in impairment charges.

- The credit quality of loans remains high. There are no loans in arrears, and a postponement of scheduled instalments has only been granted for 0.7% of total lending. During the period, Danish Ship Finance recorded a loss on loans of DKK 85 million. Losses actually incurred thus remain at a low level.
- The return on asset management activities was marked by rising interest rates in the capital markets during the period, which resulted in negative value adjustments in the amount of DKK 184 million, against positive value adjustments of DKK 98 million in the same period of last year. Including interest income, however, a positive return was achieved for the period.
- The company retains a highly robust cash position, and there are only very limited refinancing risks between issued bonds and loans disbursed as well as loan offers submitted. These moderate risks are amply covered by the company's own funds. The company has not issued bonds secured against a government guarantee.
- The solvency ratio was 16.6% at the end of the first half of 2011, against 15.3% at 31 December 2010. The increase was attributable especially to the depreciating US dollar. Accordingly, the solvency ratio remains well above the minimum requirement of 8%.

<b>Key figures for Danish Ship Finance A/S</b>			
DKK million	<b>1st half 2011</b>	<b>1st half 2010</b>	<b>Full year 2010</b>
Net interest income from lending operations	172	172	360
Net interest income from financing operations	247	264	521
Total net interest income	419	436	881
Net interest and fee income	454	475	945
Market value adjustments	-184	98	-2
Staff costs and administrative expenses	-49	-45	-84
Loan impairment charges, etc.	25	-276	-245
Profit/loss before tax	246	252	613
Profit/loss for the period	181	187	493
Loans	44,624	55,487	49,472
Bonds	30,735	30,762	29,216
Subordinated debt	899	898	898
Equity	9,604	9,191	9,496
Total assets	81,935	90,235	84,346

<b>Ratios</b>	<b>1st half 2011</b>	<b>1st half 2010</b>	<b>Full year 2010</b>
Solvency ratio	16.6	13.6	15.3
Tier 1 capital ratio	16.6	13.6	15.3
Return on equity before tax (%)	2.6	2.8	6.6
Return on equity after tax (%)	1.9	2.1	5.3
Income/cost ratio (DKK) *)	11.2	1.8	2.9
Income/cost ratio (ex. impairment charges)	5.5	12.6	11.0
Foreign exchange position (%)	14.3	13.8	12.7
Gearing of loans and advances	4.6	6.0	5.2
Growth in lending for the period (%)	-9.8	14.6	2.1
Impairment ratio for the period	-0.1	0.5	0.5
Accumulated impairment ratio	4.2	3.7	3.9

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

\*) In accordance with the instructions, the income/cost ratio must be calculated including loan impairment charges. In the overview, this would lead to negative figures if a period's net figure includes reversed impairment charges that exceed staff costs and administrative expenses.

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

## **Management's review**

### **Income statement**

The profit for the period after tax amounted to DKK 181.3 million compared with a profit of DKK 186.9 million in the first half of 2010.

Net earnings from lending operations including fees were almost on a level with last year's figure, with total earnings amounting to DKK 201.9 million for the period, down from DKK 205.1 million in the first half of 2010. Credit margins on loans have risen compared with the year-earlier period, but developments in the exchange rate of the USD against DKK during the period resulted in a decline in total lending, measured in Danish kroner.

Interest and dividend earnings from financing operations fell to DKK 252.3 million in the first half of 2011 from DKK 270.3 million the year before.

Net interest and fee income fell to DKK 454.3 million from DKK 475.4 million in the first half of 2010.

Market value adjustments of securities and foreign exchange for the period amounted to an expense of DKK 183.9 million compared with an income of DKK 98.3 million in the first half of 2010. The securities portfolio consists primarily of Danish mortgage bonds, while a small proportion has been invested in shares (unit trust certificates).

The market value adjustment for the period was due primarily to rising interest rates, which resulted in losses on the portfolio of bonds and other fixed-income instruments. The option-adjusted duration of the portfolio of bonds and fixed-income instruments fell marginally from 2.1 at the beginning of 2011 to 2.0 at 30 June 2011.

Staff costs and administrative expenses were up from DKK 44.6 million in the first half of 2010 to DKK 48.5 million in the same period of this year. The average number of employees was 58 for both years.

Loan impairment charges for the first half of 2011 amounted to a net income of DKK 25.1 million compared with an expense of DKK 276.0 million in the same period of last year. Accumulated impairment charges fell from DKK 2,058.7 million at year-end 2010 to DKK 1,957.9 million at 30 June 2011. Total impairment charges made up 4.2% of total lending and guarantees as compared with 3.7% at 30 June 2010 and 3.9% at 31 December 2010. During the first half of 2011, Danish Ship Finance recorded loan losses of DKK 84.9 million, for which impairment charges had already been made.

The mortgaged vessels are valued at least every six months by an approved, independent broker with knowledge about the vessel type in question. Danish Ship Finance occasionally makes these valuations based on recent ship transactions or sister ships. Subsequently, any impairment is calculated on the basis of the financial standing of the shipowner and the estimated value of the mortgaged vessels in a forced sale.

About 90% of all recorded loans can be covered within 60% of the market value of the mortgaged vessels at 30 June 2011. See note 16 to the financial statements.

In ship finance, it is customary to include terms in the loan agreements stipulating requirements for the ship's market value relative to the residual debt or other financial requirements for the borrower. These obligations are generally met by the company's borrowers, and therefore objective evidence of impairment has been identified only for very few loans.

The shipping markets remain characterised by the large number of new vessels that have entered the market or are expected to enter the market in the upcoming period, and this contributes to a continuing extensive need for impairment charges with a collective component. Overall, impairment charges with a collective component make up 92% of total impairment charges.

Tax on the profit for the period represents an expense of DKK 64.9 million against an expense of DKK 65.4 million in the first half of 2010.

### **Balance sheet and capital structure**

Total assets fell to DKK 81,935.3 million from DKK 90,235.0 million at 30 June 2010.

Total lending fell by DKK 10,863.0 million, from DKK 55,486.7 million at 30 June 2010 to DKK 44,623.7 million at 30 June 2011. Relative to 31 December 2010, lending fell by DKK 4,847.8 million, a reduction of 10%. As most of the loans are denominated in US dollars, the reduction is primarily due to the fact that the exchange rate of the USD against DKK has fallen by 8% since 1 January. The exchange rate adjustment amounts to DKK 3,649.7 million of the total fall in lending.

During the first half of 2011, there was an increase in new loans of DKK 2,094.5 million, whilst loans in the amount of DKK 3,279.4 million were repaid. Note 5 provides a detailed description of loan developments.

Issued bonds declined from DKK 65,339.5 million at 30 June 2010 to DKK 58,293.9 million at 30 June 2011. As part of its efforts to retain strong liquidity resources, Danish Ship Finance regularly issues bonds in advance of the expected cash outflow resulting from the disbursement of new loans. This policy makes the company financially strong to short-term fluctuations in the capital market.

The bond portfolio amounted to DKK 30,735.3 million, against DKK 30,762.0 million at 30 June 2010. Part of the bond portfolio can be attributed to proceeds from issued bonds, which have not yet been disbursed as already granted or expected loans.

After giving effect to the retained profit for the period after tax, the company's equity amounted to DKK 9,603.6 million as compared with DKK 9,190.5 million at 30 June 2010. In April 2011, an amount of DKK 73.9 million was distributed as dividend to Den Danske Maritime Fond in accordance with the profit allocation adopted at the annual general meeting in 2010.

Danish Ship Finance is subject to the capital adequacy rules of section 143 of the Danish Financial Business Act. The solvency ratio has been calculated at 16.6% as at 30 June 2011 as compared with 13.6% as at 30 June 2010. The higher solvency ratio is due especially to

the loan portfolio decline and consolidation of the profit for 2010. Note 10 provides a specification of the company's solvency.

The adequate capital base amounted to DKK 3.8 billion at 30 June 2011, corresponding to a calculated individual solvency need of 6.5%. The individual solvency need has been fixed at 8%, which is equal to the minimum statutory requirement.

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

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

The exchange rate of the USD against DKK fell from 561.33 at 1 January 2011 to 516.07 at 30 June, equal to a depreciation of 8.0%. The average USD/DKK exchange rate for the six-month period was approximately 533.

Other things being equal, developments in the exchange rate of the US dollar in the first half of 2011 had a negative impact on net interest and fee income of DKK 13.6 million and a positive impact on impairment charges in the amount of DKK 166.0 million. Profit after tax and equity rose by DKK 114.3 million as a result of the change. The changing US dollar rate reduced total assets by DKK 3.7 billion and increased the solvency by 1.0% because of a decrease in weighted items for lending.

### **Outlook for the second half of 2011**

A substantial imbalance has developed in recent years between the supply of vessels and demand for transport in most vessel segments. Consequently, difficult times are expected to continue for the shipping industry in the second half year. A number of segments will probably experience brief periods of decent earnings, but overall rate prospects are bleak. As a result, ship prices may come under renewed pressure.

Historically, shipping has been a cyclical and volatile industry. As such, it comes as no surprise that a period of strong earnings is followed by a period with rates and ship prices under pressure. We should probably prepare for a relatively long slump this time around as the outlook is still for a large addition of new ships in many segments.

Danish Ship Finance has realigned its lending operations to a cyclical industry and remains focused on lending to shipowners with the ability to withstand these recurrent periods of low rates. This does not rule out the possibility that the company may need to make higher loan impairment charges in the second half of 2011. At present, Danish Ship Finance does not expect to incur any losses in the second half year.

In the first six months, the company granted loans to existing customers and also established new customer relationships with well-run shipping companies. In the second half, activities will also be centred on existing customers and the inflow of new customers who meet the company's quality requirements. Even though lending capacity to the shipping industry has contracted due to the financial crisis, competition in respect of loans to the best customers remains fierce.

The company expects no major increase in lending measured in foreign currency in the second half. Extraordinary repayments may trigger a small decline in lending. Nevertheless, earnings are expected to remain at the present level, as earnings (credit margins) on new lending exceed earnings on the loans being serviced through ordinary or extraordinary repayments.

In the annual report for 2010, the company estimates a profit after expenses (and recognition of losses due to the effect of maturity reduction) but before impairment charges, other market value adjustments and tax in the region of DKK 635-685 million. The company reiterates its full-year financial expectations.

Developments in the exchange rate of the US dollar versus Danish kroner may affect profits, balance sheet and solvency ratio at the end of 2011. An appreciating USD has a direct positive impact on earnings on lending operations and an adverse effect on impairment charges and the solvency ratio. The sensitivity is specified in note 15. In addition, the financial performance for the year will continue to be affected by price developments of bonds and shares.

Danish Ship Finance has resolved to continue recent years' policy of not issuing quarterly reports in 2011. The company currently publishes full-year and half-year reports. It is believed that more frequent reports would not affect the pricing of the bonds issued.

## **Statement by the Management Board and the Board of Directors**

The Board of Directors and the Management Board have today considered and adopted the interim report for the first half of 2011 of Danish Ship Finance A/S (Danmarks Skibskredit A/S).

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

In our opinion, the interim financial statements give a true and fair view of the company’s assets and liabilities and financial position at 30 June 2011 and of the results of the company’s operations for the period 1 January – 30 June 2011.

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

Copenhagen, 25 August 2011

### **Management Board**

Erik I. Lassen

Per Schnack

### **Board of Directors**

Per Skovhus

Chairman

Jens Thomsen

Deputy Chairman

Fatiha Benali

Thorkil H. Christensen

Erling Garrelts

Lisbeth Navntoft Pedersen

Michael Rasmussen

Henrik Rohde Søgaaard

Trond Ø. Westlie



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**INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**
*DKK million*

	<b>1st half 2011</b>	<b>1st half 2010</b>	<b>Year 2010</b>
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Note:

2	<b>Interest income</b>	<b>1,500.6</b>	1,628.8	3,217.5
3	<b>Interest expenses</b>	<u><b>(1,081.3)</b></u>	<u>(1,192.8)</u>	<u>(2,337.0)</u>
	<b>Net interest income</b>	<b>419.3</b>	436.0	880.5
	<b>Dividends on shares, etc.</b>	<b>5.4</b>	6.2	6.2
	<b>Fee and commission income</b>	<b>30.6</b>	34.4	61.4
	<b>Fees and commissions paid</b>	<u><b>(1.1)</b></u>	<u>(1.2)</u>	<u>(2.7)</u>
	<b>Net interest and fee income</b>	<b>454.2</b>	475.4	945.4
4	<b>Market value adjustments</b>	<b>(183.9)</b>	98.3	(1.8)
	<b>Staff costs and administrative expenses</b>	<b>(48.5)</b>	(44.6)	(84.1)
	<b>Depreciation and impairment of property, plant and equipment</b>	<b>(0.7)</b>	(0.8)	(1.7)
7	<b>Impairment charges on loans and receivables</b>	<u><b>25.1</b></u>	<u>(276.0)</u>	<u>(245.3)</u>
	<b>Profit/loss before tax</b>	<b>246.2</b>	252.3	612.5
	<b>Tax</b>	<u><b>(64.9)</b></u>	<u>(65.4)</u>	<u>(119.9)</u>
	<b>Profit and comprehensive income for the period</b>	<u><b>181.3</b></u>	<u>186.9</u>	<u>492.6</u>

<b>BALANCE SHEET</b>		as at 30 June 2011	as at 30 June 2010	<i>DKK million</i> as at 31 December 2010
Note:				
<b>ASSETS</b>				
	Due from credit institutions and central banks	1,275.2	212.9	1,222.9
5, 6	Loans at amortised cost	44,623.7	55,486.7	49,471.5
	Bonds at fair value	30,735.3	30,762.0	29,215.9
	Shares, etc.	563.1	509.0	570.6
	Land and buildings			
	Domicile property	64.5	64.7	64.6
	Other tangible assets	7.5	7.9	7.3
	Current tax assets	-	72.4	-
	Deferred tax assets	243.5	120.5	246.9
	Other assets	4,422.5	2,998.9	3,546.0
	<b>Total assets</b>	<b>81,935.3</b>	<b>90,235.0</b>	<b>84,345.7</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
	Due to credit institutions and central banks	10,662.7	9,046.8	9,350.0
8	Issued bonds at amortised cost	58,293.9	65,339.5	60,848.6
	Current tax liabilities	189.6	0.0	158.4
	Other liabilities	2,286.8	5,745.4	3,566.3
	<b>Total liabilities</b>	<b>71,433.0</b>	<b>80,131.7</b>	<b>73,923.3</b>
<b>Provisions</b>				
	Other provisions	-	15.0	28.0
	<b>Total provisions</b>	<b>-</b>	<b>15.0</b>	<b>28.0</b>
<b>Subordinated debt</b>				
	Subordinated debt	898.7	897.8	898.2
9	<b>Equity</b>			
	Share capital	333.3	333.3	333.3
	Tied-up reserve capital	8,343.1	8,343.1	8,343.1
	Revaluation reserves	9.6	9.6	9.6
	Profit brought forward	736.3	317.6	810.2
	Retained profit	181.3	186.9	-
	<b>Total equity</b>	<b>9,603.6</b>	<b>9,190.5</b>	<b>9,496.2</b>
	<b>Total liabilities and equity</b>	<b>81,935.3</b>	<b>90,235.0</b>	<b>84,345.7</b>
<b>Off-balance sheet items</b>				
11	Contingent liabilities	547.5	595.5	610.6
12	Other binding agreements	4,430.2	5,928.1	4,308.9
	<b>Total off-balance sheet items</b>	<b>4,977.7</b>	<b>6,523.6</b>	<b>4,919.5</b>

## STATEMENT OF CHANGES IN EQUITY

*Amounts in DKK million*

	<u>Share capital</u>	<u>Tied-up reserve capital</u>	<u>Tied-up reserve capital</u>	<u>Proposed dividends for the financial year</u>	<u>Total</u>
<b>Equity at 1 January 2010</b>	<b>333.3</b>	<b>8,343.1</b>	<b>327.2</b>	<b>39.4</b>	<b>9,043.0</b>
Dividends distributed	-	-	-	(39.4)	(39.4)
Profit for the period	-	-	418.7	73.9	492.6
<b>Equity at 31 December 2010</b>	<b>333.3</b>	<b>8,343.1</b>	<b>745.9</b>	<b>73.9</b>	<b>9,496.2</b>
Dividends distributed	-	-	-	(73.9)	(73.9)
Profit for the period	-	-	181.3	-	181.3
<b>Equity at 30 June 2011</b>	<b>333.3</b>	<b>8,343.1</b>	<b>927.2</b>	<b>0.0</b>	<b>9,603.6</b>

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**NOTE 1.****ACCOUNTING POLICIES**

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

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

The accounting policies are unchanged from the policies applied in the financial statements for 2010. The annual report for 2010 contains a more detailed description of the accounting policies applied, including the definitions of the ratios used, which are calculated in accordance with the definitions in the executive order on financial reporting.

The measurement of certain assets and liabilities requires management estimates. The most significant estimates made by management in connection with recognition and measurement of these assets and liabilities and the most significant judgment uncertainty related thereto is the same in preparation of the half-year report for 2011 as in the preparation of the annual report for 2010.

**NOTE 2.**

	<i>DKK million</i>		
	<b>1st half</b>	<b>1st half</b>	<b>Year</b>
<b>INTEREST INCOME</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
Interest from credit institutions	3.8	1.9	3.7
Interest on loans	663.9	789.2	1,533.6
Interest on bonds	479.1	482.1	949.1
Other interest income	0.0	3.7	2.2
Derivatives			
Interest rate contracts	354.6	358.1	730.5
Foreign exchange contracts	(0.8)	(6.2)	(1.6)
Total interest income	<u>1,500.6</u>	<u>1,628.8</u>	<u>3,217.5</u>
Of this amount, income from genuine purchase and resale transactions recognised in			
Due from credit institutions and central banks	-	-	-

**NOTE 3.**

	<i>DKK million</i>		
	<b>1st half</b>	<b>1st half</b>	<b>Year</b>
<b>INTEREST EXPENSES</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
Interest to credit institutions	(44.3)	(38.3)	(72.8)
Interest on issued bonds	(940.6)	(1,100.0)	(2,143.6)
Interest on subordinated debt	(42.0)	(42.2)	(84.4)
Other interest expenses	(54.4)	(12.3)	(36.2)
Total interest expenses	<u>(1,081.3)</u>	<u>(1,192.8)</u>	<u>(2,337.0)</u>
Of this amount, interest expenses on genuine sale and repurchase transactions recognised in			
Due to credit institutions and central banks	(44.1)	(38.2)	(72.5)

**NOTE 4.**

	<i>DKK million</i>		
	<b>1st half</b>	<b>1st half</b>	<b>Year</b>
<b>MARKET VALUE ADJUSTMENTS</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
Market value adjustment of bonds	(229.1)	275.5	11.6
Market value adjustment of shares	(6.0)	(9.4)	53.9
Exchange rate adjustments	(8.9)	22.2	15.7
Market value adjustment of financial instruments	60.1	(190.0)	(83.0)
Total market value adjustments	<u>(183.9)</u>	<u>98.3</u>	<u>(1.8)</u>

<b>NOTE 5.</b>	<i>DKK million</i>		
<b>LOANS AT AMORTISED COST</b>	<b>as at 30 June 2011</b>	<b>as at 30 June 2010</b>	<b>as at 31 December 2010</b>
At 1 January	49,471.5	48,437.6	48,437.6
Additions	2,094.4	3,508.5	6,057.1
Ordinary repayments and redemptions	(2,557.0)	(2,435.5)	(5,199.5)
Extraordinary prepayments	(529.4)	(1,322.3)	(3,154.9)
Net change concerning revolving credit facilities	(193.0)	12.2	(265.3)
Exchange adjustment of loans	(3,649.7)	7,607.0	3,807.6
Change in amortised cost for the year	(1.0)	(5.5)	(7.0)
Depreciation, amortisation and impairment for the year	(12.1)	(315.3)	(204.1)
At the end of the period	<u>44,623.7</u>	<u>55,486.7</u>	<u>49,471.5</u>

<b>NOTE 6.</b>	<i>DKK million</i>		
<b>LOANS AT AMORTISED COST SPECIFICATION OF LOANS AT PERIOD END</b>	<b>as at 30 June 2011</b>	<b>as at 30 June 2010</b>	<b>as at 31 December 2010</b>
Gross loans at exchange rates at the balance sheet date	46,581.6	57,628.7	51,502.2
Loan impairment charges	(1,957.9)	(2,142.0)	(2,030.7)
Total loans	<u>44,623.7</u>	<u>55,486.7</u>	<u>49,471.5</u>
<b>Total loans broken down by due date:</b>			
Demand deposits	-	-	-
Up to 3 months	1,150.8	1,526.3	1,427.9
From 3 months to 1 year	4,835.0	4,383.6	4,863.4
From 1 to 5 years	23,289.7	27,497.5	25,614.7
Over 5 years	15,348.2	22,079.3	17,565.5
Total loans	<u>44,623.7</u>	<u>55,486.7</u>	<u>49,471.5</u>
<b>Total loans</b>			
Loans at fair value	45,402.0	56,550.2	50,322.6
Loans at amortised cost	44,623.7	55,486.7	49,471.5

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

**Loans and receivables subject to individual impairment charges (breach of covenant)**

Values of loans with objective evidence of impairment:

Loans and receivables before impairment charges	1,306.7	7,359.1	4,231.9
Impairment charges	(148.9)	(1,011.4)	(774.6)
Total impaired loans and receivables	<u>1,157.8</u>	<u>6,347.7</u>	<u>3,457.3</u>

<b>NOTE 7.</b>			<i>DKK million</i>
<b>IMPAIRMENT CHARGES</b>	<b>as at 30 June 2011</b>	<b>as at 30 June 2010</b>	<b>as at 31 December 2010</b>
<b>The following impairment charges were made on receivables</b>			
Individual impairment charges	<b>148.9</b>	1,011.4	774.6
Impairment charges with a collective component	<b>1,809.0</b>	1,145.6	1,284.1
Total impairment charges	<b>1,957.9</b>	2,157.0	2,058.7
<b>As a percentage of loans and impairment charges</b>			
Individual impairment charges	<b>0.3</b>	1.7	1.5
Impairment charges with a collective component	<b>3.9</b>	2.0	2.4
Total impairment charges	<b>4.2</b>	3.7	3.9
<b>Distribution of impairment charges</b>			
Amount set off against loans	<b>1,957.9</b>	2,142.0	2,030.7
Provisions made for other liabilities	<b>-</b>	15.0	28.0
Total impairment charges	<b>1,957.9</b>	2,157.0	2,058.7
<b>Movements in impairment charges</b>			
At 1 January	<b>2,058.7</b>	1,871.7	1,871.7
Addition of new impairment charges	<b>434.1</b>	495.5	960.9
Reversals of impairment charges from previous years	<b>(450.0)</b>	(210.0)	(696.1)
Losses covered by impairment charges	<b>(84.9)</b>	(0.2)	(77.8)
Total impairment charges	<b>1,957.9</b>	2,157.0	2,058.7
<b>Losses on and impairment charges on receivables</b>			
New impairment charges	<b>(434.1)</b>	(495.5)	(960.9)
Reversed impairment charges	<b>450.0</b>	210.0	696.1
Reclassification of interest	<b>9.2</b>	9.5	19.6
Losses not covered by impairment charges	<b>0.0</b>	0.0	(0.1)
Received on claims previously written off	<b>0.0</b>	0.0	0.0
Total losses on and impairment charges on receivables	<b>25.1</b>	(276.0)	(245.3)



<b>NOTE 8.</b>	<i>DKK million</i>		
<b>ISSUED BONDS AT AMORTISED COST</b>	<b>as at 30 June 2011</b>	<b>as at 30 June 2010</b>	<b>as at 31 December 2010</b>
At 1 January	<b>60,848.6</b>	63,056.9	63,056.9
Additions in conjunction with block issues	<b>190.0</b>	1,000.4	1,310.0
Amortisation of cost	<b>224.4</b>	237.5	393.2
Adjustment for hedge accounting	<b>(547.2)</b>	887.6	1,254.7
Exchange rate adjustment	<b>(781.2)</b>	1,682.3	823.6
Ordinary redemptions	<b>(1,640.7)</b>	(1,525.2)	(5,989.8)
At the end of the period	<b><u>58,293.9</u></b>	<u>65,339.5</u>	<u>60,848.6</u>
<b>Specification of issued bonds</b>			
<b>Bonds issued in DKK</b>			
Bullet bonds	<b>48,568.4</b>	52,831.9	49,782.3
Amortising CIRR bonds	<b>293.9</b>	321.9	-
Total nominal value	<b><u>48,862.3</u></b>	<u>53,153.8</u>	<u>49,782.3</u>
Total Danish bonds	<b><u>48,862.3</u></b>	<u>53,153.8</u>	<u>49,782.3</u>
<b>Bonds issued in foreign currency</b>			
Amortising CIRR bonds, at year-end exchange rates	<b>8,573.8</b>	11,329.1	10,209.0
Bullet bonds, at year-end exchange rates	<b>857.8</b>	856.6	857.3
Total bonds issued in foreign currency	<b><u>9,431.6</u></b>	<u>12,185.7</u>	<u>11,066.3</u>
<b>Total issued bonds</b>	<b><u>58,293.9</u></b>	<u>65,339.5</u>	<u>60,848.6</u>
<b>Broken down by term to maturity:</b>			
Up to 3 months	-	-	0.0
From 3 months to 1 year	<b>3,111.2</b>	3,502.3	3,247.6
From 1 to 5 years	<b>25,031.9</b>	21,708.9	26,033.2
Over 5 years	<b>30,150.8</b>	40,128.3	31,567.8
Total issued bonds	<b><u>58,293.9</u></b>	<u>65,339.5</u>	<u>60,848.6</u>

<b>NOTE 9.</b>			<i>DKK million</i>
<b>EQUITY</b>	<b>as at 30 June 2011</b>	<b>as at 30 June 2010</b>	<b>as at 31 December 2010</b>
<b>Share capital</b>			
A shares	<b>300.0</b>	300.0	300.0
B shares	<b>33.3</b>	33.3	33.3
Total share capital	<b>333.3</b>	333.3	333.3
Tied-up reserve capital	<b>8,343.1</b>	8,343.1	8,343.1
Revaluation reserves	<b>9.6</b>	9.6	9.6
Profit brought forward	<b>736.3</b>	317.6	810.2
Retained profit	<b>181.3</b>	186.9	-
<b>Total equity</b>	<b>9,603.6</b>	9,190.5	9,496.2
<i>of which proposed dividend, cf. allocation of profit</i>			<u>73.9</u>

The share capital is divided into the following denominations:

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

Each A share of DKK 1.00 entitles the holder to 10 votes  
 Each B share of DKK 1.00 entitles the holder to 1 vote

<b>NOTE 10.</b>			<i>DKK million</i>
<b>SOLVENCY</b>	as at 30 June 2011	as at 30 June 2010	as at 31 December 2010
<b>Tier 1 capital</b>			
Share capital	333.3	333.3	333.3
Tied-up reserve capital	8,343.1	8,343.1	8,343.1
Retained earnings	736.3	317.6	810.2
Retained profit	181.3	186.9	-
Total tier 1 capital	<u>9,594.0</u>	<u>9,180.9</u>	<u>9,486.6</u>
<b>Deductions in Tier 1 capital</b>			
Proposed dividend	-	-	73.9
Deferred tax assets	54.0	120.5	88.5
Retained profit	181.3	186.9	-
Additional straining relative to the Executive Order on a Ship Finance Institute	419.0	378.5	414.2
Total deductions in tier 1 capital	<u>654.3</u>	<u>685.9</u>	<u>576.6</u>
<b>Tier 1 capital less deductions</b>	<u>8,939.7</u>	<u>8,495.0</u>	<u>8,910.0</u>
<b>Subordinated debt</b>			
Subordinated debt	898.7	897.8	898.2
Total tier 1 capital	<u>9,838.4</u>	<u>9,392.8</u>	<u>9,808.2</u>
<b>Supplementary capital</b>			
Revaluation reserves	9.6	9.6	9.6
<b>Supplementary capital less deductions</b>	<u>9.6</u>	<u>9.6</u>	<u>9.6</u>
<b>Capital base less deductions</b>	<u>9,848.0</u>	<u>9,402.4</u>	<u>9,817.8</u>
Weighted items not included in the trading portfolio	47,729.0	58,368.3	52,194.3
Weighted off-balance sheet items	2,758.6	3,555.7	2,761.2
Weighted items involving counterparty risk outside the trading portfolio	883.5	602.3	708.1
Weighted items involving market risk, etc.	6,475.0	5,169.5	6,824.9
Weighted items involving operational risk	1,627.3	1,377.1	1,653.6
<b>Total weighted items</b>	<u>59,473.4</u>	<u>69,072.9</u>	<u>64,142.1</u>
<b>Tier 1 capital less deductions as a percentage of total risk-weighted items</b>	<u>16.6</u>	<u>13.6</u>	<u>15.3</u>
<b>Solvency ratio pursuant to the Executive Order on a Ship Finance Institute</b>			
Minimum requirement fixed at 8%	<u>16.6</u>	<u>13.6</u>	<u>15.3</u>
<b>Weighted items with market risk, etc. consist of</b>			
Items with position risk: Debt instruments	5,063.0	3,359.0	5,006.1
Items with position risk: Shares	5.9	511.1	572.6
Total currency position	1,406.1	1,299.4	1,246.2
Total weighted items with market risk, etc.	<u>6,475.0</u>	<u>5,169.5</u>	<u>6,824.9</u>

<b>NOTE 11.</b>			<i>DKK million</i>
<b>CONTINGENT LIABILITIES</b>	<b>as at 30 June 2011</b>	<b>as at 30 June 2010</b>	<b>as at 31 December 2010</b>
In the ordinary course of its lending operations, Danish Ship Finance has undertaken guarantee commitments of	<b>541.8</b>	590.1	605.2
Payment guarantee provided to the Danish Securities Centre	<b>3.9</b>	3.7	3.7
Guarantees provided to the Danish Securities Centre	<u><b>1.8</b></u>	<u>1.7</u>	<u>1.7</u>
Total contingent liabilities	<u><b>547.5</b></u>	<u>595.5</u>	<u>610.6</u>

<b>NOTE 12.</b>			<i>DKK million</i>
<b>OTHER BINDING AGREEMENTS</b>	<b>as at 30 June 2011</b>	<b>as at 30 June 2010</b>	<b>as at 31 December 2010</b>
In the ordinary course of its lending operations, Danish Ship Finance has undertaken commitments in relation to unutilised drawing rights on loans with revolving credit facilities in the amount of	<b>656.2</b>	1,513.2	1,115.1
In the ordinary course of its lending operations, Danish Ship Finance has undertaken commitments relating to irrevocable credit commitments on loans with revolving credit facilities in the amount of	<b>252.9</b>	289.6	77.7
In the ordinary course of its lending operations, Danish Ship Finance has undertaken commitments relating to irrevocable credit commitments on other loans in the amount of	<u><b>3,521.1</b></u>	<u>4,125.3</u>	<u>3,116.1</u>
Total other binding agreements	<u><b>4,430.2</b></u>	<u>5,928.1</u>	<u>4,308.9</u>

**NOTE 13.****RELATED PARTIES**

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

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

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

The company has no related parties with a controlling influence.

## NOTE 14.

**EXCHANGE RATE RISK AND USE OF DERIVATIVES  
AT 30 JUNE 2011**

The total unhedged foreign currency position at 30 June 2011, translated at year-end exchange rates into DKK amounts to DKK 1,054.7 million (DKK 882.2 million at 30 December 2010).

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

The net position is specified as follows:

*Amounts in DKK million*

	USD	Other currencies	Total foreign currency	DKK	Total
Loans at year-end exchange rates	39,789.6	5,119.5	<b>44,909.1</b>	1,672.5	<b>46,581.6</b>
Impairment charges				(1,957.9)	(1,957.9)
<b>Loans as per the balance sheet</b>					<b>44,623.7</b>
Due from credit institutions and central banks	852.8	82.2	<b>935.0</b>	340.2	1,275.2
Bond portfolios		951.0	<b>951.0</b>	29,784.3	30,735.3
Interest receivable, etc.	223.2	87.4	<b>310.6</b>	338.1	648.7
Other assets			<b>0.0</b>	4,652.4	4,652.4
<b>Total assets as per the balance sheet</b>	<b>40,865.6</b>	<b>6,240.2</b>	<b>47,105.7</b>	<b>34,829.6</b>	<b>81,935.3</b>
Issued bonds at year-end exchange rates	(8,573.8)	(857.8)	<b>(9,431.6)</b>	(48,862.3)	(58,293.9)
<b>Issued bonds as per the balance sheet</b>					<b>(58,293.9)</b>
Due to banks			<b>0.0</b>	(10,662.7)	(10,662.7)
Interest payable	(143.1)	(71.7)	<b>(214.8)</b>	(414.3)	(629.1)
Other payables			<b>0.0</b>	(2,746.0)	(2,746.0)
Total equity				(9,603.6)	(9,603.6)
<b>Total liabilities as per the balance sheet</b>	<b>(8,716.9)</b>	<b>(929.5)</b>	<b>(9,646.4)</b>	<b>(72,288.9)</b>	<b>(81,935.3)</b>
Derivative financial instruments - receivables	2,370.4	4,860.0	<b>7,230.4</b>		
Derivative financial instruments - payables	(34,244.1)	(9,391.0)	<b>(43,635.1)</b>		
<b>Total net position</b> (translated into DKK)	<b>275.0</b>	<b>779.7</b>	<b>1,054.7</b>		

**NOTE 15.****MARKET RISK SENSITIVITY**as at 30 June  
2011as at 30 June  
2010*DKK million*  
as at 31 December  
2010

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

**Interest rate risk**

An interest rate increase of 1 percentage point

Change in results	(261.4)	(172.7)	(219.1)
Change in equity	(261.4)	(172.7)	(219.1)

An interest rate fall of 1 percentage point

Change in results	261.4	172.7	219.1
Change in equity	261.4	172.7	219.1

**Equity risk**

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

Change in results	56.3	50.9	42.8
Change in equity	56.3	50.9	42.8

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

Change in results	(56.3)	(50.9)	(42.8)
Change in equity	(56.3)	(50.9)	(42.8)

**Exchange rate risk**

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

Change in results	(219.3)	(206.4)	(212.4)
Change in equity	(219.3)	(206.4)	(212.4)
Percentage change in solvency	(2.0%)	(1.6%)	(1.8%)

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

Change in results	219.3	206.4	212.4
Change in equity	219.3	206.4	212.4
Percentage change in solvency	2.0%	1.6%	1.8%

The impact on the results and equity from a change in the exchange of USD assumes a permanent change of DKK 1 for an entire financial year.

The impact comprises the change in the value of ongoing net interest and fee income as well as the change in the need for impairment charges due to the change in the exchange rate of USD.

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

**NOTE 16.**

<b>CREDIT RISK</b>	<b>as at 30 June</b>	<b>as at 30 June</b>	<i>DKK million</i> <b>as at 31 December</b>
	<b>2011</b>	<b>2010</b>	<b>2010</b>
<b>Total credit exposure distributed on balance sheet and off-balance sheet items</b>			
Due from credit institutions and central banks	1,275.2	212.9	1,222.9
Loans at amortised cost	44,623.7	55,486.7	49,471.5
Bonds at fair value	30,735.3	30,762.0	29,215.9
Shares etc.	563.1	509.0	570.6
Derivatives	3,462.9	1,780.6	2,657.8
Total balance sheet items	<u>80,660.2</u>	<u>88,751.2</u>	<u>83,138.7</u>
<b>Off-balance sheet items</b>			
Contingent liabilities	547.5	595.5	610.6
Other binding agreements	4,430.2	5,928.1	4,308.9
Total off-balance sheet items	<u>4,977.7</u>	<u>6,523.6</u>	<u>4,919.5</u>

**Credit risk in the loan portfolio****Maximum credit risk without regard to collateral**

All loans have been reviewed to identify any evidence of impairment. The company believes that the carrying amount of loans subsequently stated best represents the maximum credit risk.

**Description of collateral**

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

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

<b>Loan-to-value range</b>	<b>Share of loans 30. juni 2011</b>	<b>Share of loans 30. juni 2010</b>	<b>Share of loans 31. december 2010</b>
0 - 20 %	33%	32%	32%
20 - 40 %	31%	31%	30%
40 - 60 %	26%	27%	26%
60 - 80 %	8%	8%	10%
80 - 100 %	1%	1%	1%
Over 100 %	1%	1%	1%

Loans for shipbuilding financing is included in the "over 100%" category in the table above. No mortgage is registered on vessels during the building period, but the company receives a guarantee from the borrower, and is secured through assignment and subrogation in the building contract and subrogation in the refundment guarantee provided by the shipyard's bank. Loans for shipbuilding accounted for 1.7 pct. of the loan portfolio at 30 June 2011 (1.5 pct. at 31 December 2010).

It appears from the table above that as at 30. June 2011 90 pct. of the loan amounts is secured through mortgages within 60 pct. of the most recently calculated market value of the mortgage, and 98 pct. of the loans are within 80 pct. of the most recently calculated market value of the mortgage.

The market value of ships has generally decreased by about 11 pct. since December 2010 in DKK and about 3 pct. in US dollars.

**Credit quality on loans neither subject to default or impairment**

All loans have been reviewed to identify any evidence of impairment, and the company has made the impairment charges it considered necessary.

**Arrears**

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

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**NOTE 17.****REFERENCE NOTE**

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

Danish Ship Finance presents its financial statements in accordance with the rules set out in the Danish FSA's executive order on financial reports by credit institutions, etc. (Executive Order on Financial Reporting). The accounting policies are unchanged from the policies applied in the annual report for 2010. The accounting policies are described in note 1 to the annual report for 2010, to which reference is made.

The description of financial risks and policies for financial risk management is set out in the risk management section of the annual report for 2010, to which reference is made.