



**DANISH
SHIP FINANCE**

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Interim report First half year 2012

Danish Ship Finance – highlights of the first half of 2012

- The profit for the period amounted to DKK 203 million compared with a profit of DKK 181 million in the first half of 2011. The financial performance is considered satisfactory.
- Net interest and fee income rose in line with expectations to DKK 245 million from DKK 202 million in the first half of 2011. The performance was positively affected by a higher average credit margin income and an appreciation of the US dollar against DKK. Measured in terms of earnings currency, earnings from lending operations increased by 12.1%.
- Loan impairment charges in the first half of 2012 represented an expense of DKK 128 million, against an income of DKK 25 million in 2011. Developments in impairment charges were driven by the appreciation of the USD against DKK since the turn of the year as loan impairment charges as a percentage of outstanding loans and guarantees only rose from 4.6% at the end of 2011 to 4.7% at 30 June 2012.
- The credit quality in lending remains strong although there has been an increase in loans on which deferral has been granted. The company did not incur losses on loans in the first half of 2012. Since the crisis started in 2008, losses actually incurred have generally remained at a very low level, standing at 0.1% p.a. of total loans.
- The return on asset management activities was marked by the low level of interest rates that prevails. At 30 June 2012, the company recorded negative value adjustments of DKK 30 million, against negative value adjustments of DKK 184 million in the year-earlier period. Overall, the company achieved a positive return of 3.6% p.a. for the period, which is considered satisfactory.
- At the end of May 2012, Moody's Investor Service downgraded the company's rating from A2 to Baa2. The changed rating triggered an increase in the company's funding costs, which is offset by rising credit margins on loans.
- 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 16.3% at the end of the first half of 2012, which is unchanged from 31 December 2011. The profit for the period has not been recognized in the capital base. Accordingly, the solvency ratio remains well above the minimum requirement of 8%.

Key figures for Danish Ship Finance A/S			
DKK million	1st half 2012	1st half 2011	Full year 2011
Net interest income from lending operations	223	172	348
Net interest income from financing operations	235	247	476
Total net interest income	458	419	824
Net interest and fee income	486	454	886
Market value adjustments	(30)	(184)	(135)
Staff costs and administrative expenses	(51)	(49)	(90)
Loan impairment charges etc.	(128)	25	(333)
Profit/loss before tax	277	246	326
Profit/loss for the period	203	181	244
Loans	49.390	44.624	46.948
Bonds	27.447	30.735	26.944
Subordinated debt	900	899	899
Equity	9.662	9.604	9.666
Total assets	81.937	81.935	78.998

Key ratios	1st half 2012	1st half 2011	Full year 2011
Solvency ratio	16,3	16,6	16,3
Tier 1 capital ratio	16,3	16,6	16,3
Return on equity before tax (%)	2,9	2,6	3,4
Return on equity after tax (%)	2,1	1,9	2,5
Income/cost ratio (DKK) *)	2,5	11,2	1,8
Income/cost ratio (DKK) (ex. impairment charges)	8,9	5,5	8,3
Foreign exchange position (%)	6,6	14,3	6,9
Gearing of loans	5,1	4,6	4,9
Growth in lending for the period (%)	5,2	(9,8)	(5,1)
Impairment ratio for the period	0,2	(0,1)	0,7
Accumulated impairment ratio	4,7	4,2	4,6

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

The Board of Directors of Danish Ship Finance A/S has today considered the interim report for the first half of 2012.

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 2011 and the annual report for 2011.

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

Income statement

The profit for the period after tax amounted to DKK 203.4 million compared with a profit of DKK 181.3 million in the first half of 2011.

Net earnings from lending operations including fees rose in the first half of 2012 to DKK 244.7 million, up from DKK 201.9 million in the first half of 2011. The improvement was due to higher credit margins on loans relative to the same period of last year. Furthermore, the appreciation of the USD relative to DKK during the period triggered an increase in total loans measured in Danish kroner.

Interest and dividend earnings from financing operations fell to DKK 241.3 million in the first half of 2012 from DKK 252.3 million in the same period of 2011.

Net interest and fee income rose to DKK 485.9 million from DKK 454.2 million in the first half of 2011.

Market value adjustments of securities and foreign exchange for the period amounted to an expense of DKK 29.6 million compared with an expense of DKK 183.9 million in the first half of 2011. The securities portfolio consists primarily of Danish mortgage bonds, while a small proportion has been invested in Swedish mortgage bonds, Danish government bonds and shares (unit trust certificates).

The market value adjustment for the period is primarily due to the expected effect of maturity reduction of the securities portfolio. The option-adjusted duration of the portfolio of bonds and fixed-income instruments rose marginally from 0.5 at the beginning of 2012 to 0.7 at 30 June 2012.

Staff costs and administrative expenses were up from DKK 48.5 million in the first half of 2011 to DKK 50.5 million in the same period of this year. The average number of employees was 59 during the first half of 2012, against 58 employees in the year-earlier period.

Loan impairment charges for the first half of 2012 amounted to a net expense of DKK 128.3 million compared with an income of DKK 25.1 million in the same period of last year. Accumulated

impairment charges rose from DKK 2,327.9 million at year-end 2011 to DKK 2,471.0 million at 30 June 2012. Total impairment charges made up 4.7% of total lending and guarantees as compared with 4.2% at 30 June 2011 and 4.6% at 31 December 2011. In the division of the total impairment charges into individual charges and charges with a collective component, the company has recorded a rising proportion of loans subject to individual impairment charges. See note 7 to the financial statements. The company did not write off losses on loans in the first half of 2012. The Danish FSA's clarifications of the rules on impairment charges did not result in the company increasing its impairment charges.

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.

Any impairment is calculated on the basis of the financial standing of the ship owner and the estimated value of the mortgaged vessels in a forced sale within a period of six months.

88% of all recorded loans can be covered within 60% of the market value of the mortgaged vessels at 30 June 2012, against 90% at 30 June 2011. See note 16 to the financial statements.

After loan impairment charges at 30 June 2012, the weighted loan-to-value ratio for the mortgaged vessels was 67%, against 65% at 30 June 2011.

Tax on the profit for the period represents an expense of DKK 73.5 million against an expense of DKK 64.9 million in the first half of 2011.

Balance sheet and capital structure

Total assets rose to DKK 81,936.7 million from DKK 78,997.6 million at 31 December 2011.

In the first half of 2012, total lending rose by DKK 2,441.6 million from DKK 46,947.9 million at 31 December 2011 to DKK 49,389.5 million at 30 June 2012, or an increase of 5.2%. As most of the loans are denominated in US dollars, the increase is partly attributable to the fact the exchange rate of the USD against DKK has risen by 2.8% since 1 January. The exchange rate adjustment amounts to DKK 1,250.8 million of the total increase in lending. At the same time, the company recorded a net increase in lending of DKK 1,353.3 million, which is the result of a DKK 5,015.2 million increase in new loans and loan instalments totalling DKK 3,661.9 million. Note 5 provides a detailed description of loan developments.

Issued bonds increased by DKK 889.2 million, from DKK 55,538.2 million at 31 December 2011 to DKK 56,427.4 million at 30 June 2012. As part of its efforts to retain strong liquidity resources, Danish Ship Finance regularly issues bonds in advance of the expected cash outflow resulting from new loans. This policy makes the company financially strong to short-term fluctuations in the capital market. During the first half of 2012, Danish Ship Finance issued new bonds for DKK 1.8 billion.

The bond portfolio amounted to DKK 27,446.6 million, against DKK 26,943.5 million at 31 December 2011. 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 9,662.3 million as compared with DKK 9,666.0 million at 31 December 2011. In March 2012, an amount of DKK 207.1 million was distributed as dividend to the shareholders in accordance with the profit allocation adopted at the annual general meeting in 2011.

Danish Ship Finance is subject to the capital adequacy rules of section 143 of the Danish Financial Business Act. At 30 June 2012, the solvency ratio was calculated at 16.3%, which was unchanged from 31 December 2011. The profit for the period has not been recognised in the capital base. Note 10 provides a specification of the company's solvency.

The adequate capital base amounted to DKK 3.8 billion at 30 June 2012, corresponding to a calculated individual solvency need of 6.3%. 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 rose from 574.56 at 1 January 2012 to 590.42 at 30 June, equal to an appreciation of 2.8%. The average USD/DKK exchange rate for the six-month period was approximately 572.

Other things being equal, developments in the exchange rate of the US dollar in the first half of 2012 had a negative impact on net interest and fee income of DKK 1.3 million because the average exchange rate for the period is marginally lower than the rate at 1 January. The higher USD/DKK exchange rate at 30 June had a negative impact on impairment charges in the amount of DKK 64.3 million. The change had a DKK 49.2 million negative impact on profit after tax and equity. The changing US dollar rate increased total assets by DKK 1.2 billion and, viewed separately, reduced the solvency by 0.3% because of an increase in weighted items for lending.

Change of rating

Danish Ship Finance has an issuer rating from Moody's Investors Service. In February 2012, Moody's placed more than 100 European financial institutions under review for possible downgrade. Danish Ship Finance was on this list of institutions. On 30 May, a number of Danish banks and institutions were downgraded, and in that connection the company's rating was reduced to Baa2 from the previous rating of A2. According to Moody's, the outlook remains negative.

Moody's reasoning for the downgrade is primarily that the company grants loans to a cyclical industry, that Danish Ship Finance has a high customer concentration and that its funding is based on bonds. These have been characteristics of Danish Ship Finance for decades, so the downgrade is not rooted in changes to the company's business model or its results of operations.

Outlook for the second half of 2012

The three large shipping segments – dry bulk, tankers and containers – will continue to face challenges in terms of absorbing the inflow of new vessels delivered in recent years and vessels scheduled for delivery within the foreseeable future. In the other segments, the order book is better balanced relative to the fleet in operation, and earnings are generally at an acceptable level.

Owing to the weak growth prospects for the global economy, the outlook is only for a small increase in global trade.

Overall, shipping thus remains tarnished by an imbalance between demand and supply, the alignment of which will require time and market discipline.

Many reputable shipping companies are in a position to withstand the low rates expected to characterise the market in the upcoming period, but some ship owners are or will come under pressure. In other words, the negative outlook will bring challenges especially, for ship owners who have been unfortunate in their timing of expansion or fleet renewal, having bought too many ships at too high a price.

Danish Ship Finance will retain its strategy of focusing on reputable ship owners, so the company does not expect that the second half year will bring any dramatic increases in loan impairment charges measured in lending currency. Credit quality in lending thus generally remains at a satisfactory level.

Moody's downgrade has pushed up the company's funding costs, but full-year earnings from lending operations are still expected to be higher than those reported in 2011. One of the contributing factors is that the competitive environment is expected to continue to improve because a number of the large international banks have indicated that they intend to withdraw from the ship financing market. As a result, credit margins are showing an upward trend, although the market for the most creditworthy ship owners remains competitive.

Upcoming EU capital requirements and requirements for longer-term funding for the banks are also expected to create an upward pressure on credit margins in the shipping industry.

Most of the company's loans are still denominated in US dollars. Consequently, developments in the exchange rate of the US dollar versus Danish kroner will affect profits, the balance sheet and the solvency ratio at the end of 2012. An appreciating USD would adversely impact the size of the company's loan impairment charges in DKK-terms and would also have a negative impact on the solvency ratio. Conversely, an appreciating USD would lead to a higher profit on lending operations. In addition, the financial performance for the year will continue to be affected by price developments of bonds and shares.

By way of exception, Danish Ship Finance published an interim announcement after the first quarter of 2012 because of the rating review that was ongoing at the time. The company does not intend to publish an interim announcement for the third quarter. Going forward, the company will only be publishing full-year and half-year reports as it is believed that more frequent reports would not affect the pricing of the bonds issued.

Statement by the Management Board and the Board of Directors

The Board of Directors and the Management Board have today considered and adopted the interim report for the first half of 2012 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 2012 and of the results of the company’s operations for the period 1 January – 30 June 2012.

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, 20 August 2012

Management Board

Erik I. Lassen

Per Schnack

The Board of Directors

Jens Thomsen
Chairman

Thomas F. Borgen
Deputy Chairman

Fatiha Benali

Jenny N. Braat

Marcus F. Christensen

Michael Rasmussen

Christopher Rex

Henrik Rohde Søggaard

Trond Ø. Westlie

INCOME STATEMENT
DKK million

	1st half 2012	1st half 2011	Year 2011
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Note:

2	Interest income	1,441.4	1,500.6	3,028.2
3	Interest expenses	(983.3)	(1,081.3)	(2,204.1)
	Net interest income	458.1	419.3	824.1
	Dividends on shares, etc.	6.2	5.4	5.4
	Fee and commission income	23.8	30.6	58.4
	Fees and commissions paid	(2.2)	(1.1)	(2.3)
	Net interest and fee income	485.9	454.2	885.6
4	Market value adjustments	(29.6)	(183.9)	(135.1)
	Staff costs and administrative expenses	(50.5)	(48.5)	(89.9)
	Depreciation and impairment of property, plant and equipment	(0.6)	(0.7)	(1.0)
7	Loan impairment charges etc.	(128.3)	25.1	(333.4)
	Profit/loss before tax	276.9	246.2	326.2
	Tax	(73.5)	(64.9)	(82.5)
	Profit/loss for the period	203.4	181.3	243.7
	Other income	-	-	-
	Total income for the period	203.4	181.3	243.7

BALANCE SHEET	as at 30 June 2012	as at 30 June 2011	<i>DKK million</i> as at 31 December 2011
Note:			
ASSETS			
	534.2	1,275.2	596.5
5, 6 Due from credit institutions and central banks			
Loans at amortised cost	49,389.5	44,623.7	46,947.9
Bonds at fair value	27,446.6	30,735.3	26,943.5
Shares, etc.	583.2	563.1	557.8
Land and buildings			
Domicile property	64.4	64.5	64.5
Other tangible assets	7.2	7.5	7.5
Current tax assets	-	-	-
Deferred tax assets	437.5	243.5	437.5
Other assets	3,474.1	4,422.5	3,442.4
Total assets	81,936.7	81,935.3	78,997.6
LIABILITIES AND EQUITY			
Liabilities			
	10,815.9	10,662.7	9,205.1
8 Due to credit institutions and central banks			
Issued bonds at amortised cost	56,427.4	58,293.9	55,538.2
Current tax liabilities	194.0	189.6	162.4
Other liabilities	3,937.5	2,286.8	3,526.8
Total liabilities	71,374.8	71,433.0	68,432.5
Provisions			
Other provisions	-	-	-
Total provisions	-	-	-
Subordinated debt			
Subordinated debt	899.6	898.7	899.1
Equity			
9 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	772.9	736.3	980.0
Retained profit	203.4	181.3	-
Total equity	9,662.3	9,603.6	9,666.0
Total liabilities and equity	81,936.7	81,935.3	78,997.6
Off-balance sheet items			
11 Contingent liabilities	785.9	547.5	805.7
12 Other binding agreements	4,353.6	4,430.2	7,376.5
Total off-balance sheet items	5,139.5	4,977.7	8,182.2

STATEMENT OF CHANGES IN EQUITY
Amounts in DKK million

	<u>Share capital</u>	<u>Tied-up reserve capital</u>	<u>Tied-up reserve capital</u>	<u>Proposed dividends for the financial year</u>	<u>Total</u>
Equity at 1 January 2011	333.3	8,343.1	745.9	73.9	9,496.2
Dividends distributed	-	-	-	(73.9)	(73.9)
Profit for the period	-	-	36.6	207.1	243.7
Equity at 31 December 2011	333.3	8,343.1	782.5	207.1	9,666.0
Dividends distributed	-	-	-	(207.1)	(207.1)
Profit for the period	-	-	203.4	-	203.4
Equity at 30 June 2012	333.3	8,343.1	985.9	0.0	9,662.3

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NOTE 1.**ACCOUNTING POLICIES**

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

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

The accounting policies are unchanged from the policies applied in the financial statements for 2011. The annual report for 2011 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 2012 as in the preparation of the annual report for 2011.

Based on the Danish FSA's clarifications of the rules on impairment charges in the Executive Order on Financial Reporting, the company has changed the accounting estimates for impairment charges. The changed rules have not resulted in a need for higher loan impairment charges.

NOTE 2.

	<i>DKK million</i>		
INTEREST INCOME	1st half 2012	1st half 2011	Year 2011
Interest from credit institutions	1.7	3.8	14.7
Interest on loans	754.1	663.9	1,370.3
Interest on bonds	414.2	479.1	933.7
Other interest income	0.0	0.0	0.0
Derivatives			
Interest rate contracts	272.3	354.6	715.0
Foreign exchange contracts	(0.9)	(0.8)	(5.5)
Total interest income	<u>1,441.4</u>	<u>1,500.6</u>	<u>3,028.2</u>

NOTE 3.

	<i>DKK million</i>		
INTEREST EXPENSES	1st half 2012	1st half 2011	Year 2011
Interest to credit institutions	(35.1)	(44.3)	(95.4)
Interest on issued bonds	(839.8)	(940.6)	(1,912.3)
Interest on subordinated debt	(42.0)	(42.0)	(84.3)
Other interest expenses	(66.4)	(54.4)	(112.1)
Total interest expenses	<u>(983.3)</u>	<u>(1,081.3)</u>	<u>(2,204.1)</u>
Of this amount, interest expenses on genuine sale and repurchase transactions recognised in			
Due to credit institutions and central banks	(34.9)	(44.1)	(94.9)

NOTE 4.	<i>DKK million</i>		
MARKET VALUE ADJUSTMENTS	1st half 2012	1st half 2011	Year 2011
Market value adjustment of bonds	6.0	(229.1)	268.3
Market value adjustment of shares	26.9	(6.0)	(10.0)
Exchange rate adjustments	8.3	(8.9)	12.1
Market value adjustment of financial instruments	(70.8)	60.1	(405.5)
Total market value adjustments	<u>(29.6)</u>	<u>(183.9)</u>	<u>(135.1)</u>

NOTE 5.	<i>DKK million</i>		
LOANS AT AMORTISED COST	as at 30 June 2012	as at 30 June 2011	as at 31 December 2011
At 1 January	46,947.9	49,471.5	49,471.5
Additions	5,015.2	2,094.4	3,877.5
Ordinary repayments and redemptions	(2,714.9)	(2,557.0)	(5,309.7)
Extraordinary prepayments	(47.6)	(529.4)	(1,560.8)
Net change concerning revolving credit facilities	(899.4)	(193.0)	(119.5)
Exchange adjustment of loans	1,250.8	(3,649.7)	883.0
Change in amortised cost for the year	(19.4)	(1.0)	3.0
Depreciation, amortisation and impairment for the year	(143.1)	(12.1)	(297.1)
At the end of the period	<u>49,389.5</u>	<u>44,623.7</u>	<u>46,947.9</u>

NOTE 6.**LOANS AT AMORTISED COST****SPECIFICATION OF LOANS AT PERIOD END**as at 30 June
2012as at 30 June
2011*DKK million*as at 31 December
2011

Gross loans at exchange rates at the balance sheet date	51,860.5	46,581.6	49,275.8
Loan impairment charges	(2,471.0)	(1,957.9)	(2,327.9)
Total loans	49,389.5	44,623.7	46,947.9
Total loans broken down by due date:			
Demand deposits	-	-	-
Up to 3 months	1,813.5	1,150.8	1,342.8
From 3 months to 1 year	5,333.7	4,835.0	4,882.5
From 1 to 5 years	26,970.4	23,289.7	25,516.1
Over 5 years	15,271.9	15,348.2	15,206.5
Total loans	49,389.5	44,623.7	46,947.9
Total loans			
Loans at fair value	50,446.0	45,402.0	48,014.5
Loans at amortised cost	49,389.5	44,623.7	46,947.9
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			
Values of loans with objective evidence of impairment:			
Loans and receivables before impairment charges	3,785.7	138.4	2,129.3
Impairment charges	(1,393.0)	(54.0)	(792.3)
Total loans and receivables for which respite has been granted	2,392.7	84.4	1,337.0
Loans and receivables involving breach of covenants	927.3	1,168.3	2,027.8
Impairment charges	(86.3)	(94.9)	(416.2)
Total loans and receivables involving breach of covenants	841.0	1,073.4	1,611.6
Total loans and receivables subject to individual impairment charges	3,233.7	1,157.8	2,948.6

NOTE 7.

LOAN IMPAIRMENT CHARGES

as at 30 June
2012as at 30 June
2011*DKK million*
as at 31 December
2011**The following impairment charges were made on loans**

Individual impairment charges	1,479.3	148.9	1,208.5
Impairment charges with a collective component	991.7	1,809.0	1,119.4
Total impairment charges	2,471.0	1,957.9	2,327.9

As a percentage of loans and impairment charges

Individual impairment charges	2.8	0.3	2.4
Impairment charges with a collective component	1.9	3.9	2.2
Total impairment charges	4.7	4.2	4.6

Distribution of impairment charges

Amount set off against loans	2,471.0	1,957.9	2,327.9
Provisions made for other liabilities	-	-	-
Total impairment charges	2,471.0	1,957.9	2,327.9

Movements in impairment charges

At 1 January	2,327.9	2,058.7	2,058.7
Addition of new impairment charges	535.2	434.1	1,327.4
Reversals of impairment charges from previous years	(392.1)	(450.0)	(973.3)
Losses covered by impairment charges	-	(84.9)	(84.9)
Total impairment charges	2,471.0	1,957.9	2,327.9

Losses on and impairment charges on receivables

New impairment charges	(535.2)	(434.1)	(1,327.4)
Reversed impairment charges	392.1	450.0	973.3
Reclassification of interest	14.8	9.2	19.7
Losses not covered by impairment charges	-	-	-
Received on claims previously written off	-	-	1.0
Total losses on and impairment charges on receivables	(128.3)	25.1	(333.4)

NOTE 8.

DKK million

ISSUED BONDS AT AMORTISED COST	as at 30 June 2012	as at 30 June 2011	as at 31 December 2011
At 1 January	55,538.1	60,848.6	60,848.6
Additions in conjunction with block issues	1,815.3	190.0	1,297.4
Amortisation of cost	215.7	224.4	503.3
Adjustment for hedge accounting	(152.9)	(547.2)	1,019.8
Exchange rate adjustment	227.1	(781.2)	151.8
Ordinary redemptions	(1,215.9)	(1,640.7)	(8,282.8)
At the end of the period	56,427.4	58,293.9	55,538.1
Specification of issued bonds			
Bonds issued in DKK			
Bullet bonds	46,458.1	48,568.4	45,854.2
Amortising CIRR bonds	1,259.0	293.9	615.8
Total nominal value	47,717.1	48,862.3	46,470.0
Total Danish bonds	47,717.1	48,862.3	46,470.0
Bonds issued in foreign currency			
Amortising CIRR bonds, at year-end exchange rates	8,598.8	8,573.8	8,956.7
Bullet bonds, at year-end exchange rates	111.5	857.8	111.5
Total bonds issued in foreign currency	8,710.3	9,431.6	9,068.2
Total issued bonds	56,427.4	58,293.9	55,538.2
Broken down by term to maturity:			
Up to 3 months	-	-	-
From 3 months to 1 year	5,320.9	3,111.2	1,225.3
From 1 to 5 years	19,305.2	25,031.9	23,687.4
Over 5 years	31,801.3	30,150.8	30,625.5
Total issued bonds	56,427.4	58,293.9	55,538.2

NOTE 9.**EQUITY**as at 30 June
2012as at 30 June
2011*DKK million*
as at 31 December
2011**Share capital**

A shares	300.0	300.0	300.0
B shares	33.3	33.3	33.3
Total 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	772.9	736.3	980.0
Retained profit	203.4	181.3	-
Total equity	9,662.3	9,603.6	9,666.0

of which proposed dividend, cf. allocation of profit

207.1

The share capital is divided into the following denominations:

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

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

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

NOTE 10.			<i>DKK million</i>
SOLVENCY	as at 30 June 2012	as at 30 June 2011	as at 31 December 2011
Tier 1 capital			
Share capital	333.3	333.3	333.3
Tied-up reserve capital	8,343.1	8,343.1	8,343.1
Retained earnings	772.9	736.3	980.0
Retained profit	203.4	181.3	-
Total tier 1 capital	9,652.7	9,594.0	9,656.4
Deductions in Tier 1 capital			
Proposed dividend	-	-	207.1
Deferred tax assets	243.3	54.0	275.1
Retained profit	203.4	181.3	-
Additional straining relative to the Executive Order on a Ship Finance Institute	285.8	419.0	323.0
Total deductions in tier 1 capital	732.5	654.3	805.2
Tier 1 capital less deductions	8,920.2	8,939.7	8,851.2
Subordinated debt			
Subordinated debt	899.6	898.7	899.1
Total tier 1 capital	9,819.8	9,838.4	9,750.3
Supplementary capital			
Revaluation reserves	9.6	9.6	9.6
Supplementary capital less deductions	9.6	9.6	9.6
Capital base less deductions	9,829.4	9,848.0	9,759.9
Weighted items not included in the trading portfolio	50,883.2	47,729.0	49,028.0
Weighted off-balance sheet items	2,958.9	2,758.6	4,489.9
Weighted items involving counterparty risk outside the trading portfolio	696.8	883.5	696.0
Weighted items involving market risk, etc.	3,873.6	6,475.0	3,826.7
Weighted items involving operational risk	1,858.6	1,627.3	1,858.6
Total weighted items	60,271.1	59,473.4	59,899.2
Tier 1 capital less deductions as a percentage of total risk-weighted items	16.3	16.6	16.3
Solvency ratio pursuant to the Executive Order on a Ship Finance Institute	16.3	16.6	16.3
Minimum requirement fixed at 8%			
Weighted items with market risk, etc. consist of			
Items with position risk: Debt instruments	3,224.4	5,063.0	3,146.0
Items with position risk: Shares	5.9	5.9	5.9
Total currency position	643.3	1,406.1	674.8
Total weighted items with market risk, etc.	3,873.6	6,475.0	3,826.7

NOTE 11.			<i>DKK million</i>
CONTINGENT LIABILITIES	as at 30 June 2012	as at 30 June 2011	as at 31 December 2011
In the ordinary course of its lending operations, Danish Ship Finance has undertaken guarantee commitments of	780.6	541.8	800.0
Payment guarantee provided to the Danish Securities Centre	3.6	3.9	3.9
Guarantees provided to the Danish Securities Centre	1.7	1.8	1.8
Total contingent liabilities	785.9	547.5	805.7

NOTE 12.			<i>DKK million</i>
OTHER BINDING AGREEMENTS	as at 30 June 2012	as at 30 June 2011	as at 31 December 2011
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	306.8	656.2	208.1
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	203.1	252.9	132.7
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	3,843.6	3,521.1	7,035.7
Total other binding agreements	4,353.6	4,430.2	7,376.5

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 2012**

The total unhedged foreign currency position at 30 June 2012, translated at year-end exchange rates into DKK amounts to DKK 281.5 million (DKK 336.8 million at 31 December 2011).

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	44,754.2	5,049.5	49,803.7	2,056.8	51,860.5
Impairment charges				(2,471.0)	(2,471.0)
Loans as per the balance sheet					49,389.5
Due from credit institutions and central banks	488.6	23.1	511.7	22.5	534.2
Bond portfolios		2,468.4	2,468.4	24,978.2	27,446.6
Interest receivable, etc.	278.5	122.3	400.8	247.9	648.7
Other assets			0.0	3,917.7	3,917.7
Total assets as per the balance sheet	45,521.3	7,663.3	53,184.6	28,752.1	81,936.7
Issued bonds at year-end exchange rates	(8,598.9)	(111.5)	(8,710.4)	(47,717.0)	(56,427.4)
Issued bonds as per the balance sheet					(56,427.4)
Due to banks		(1,979.8)	(1,979.8)	(8,836.1)	(10,815.9)
Interest payable	(164.0)	(66.7)	(230.7)	(398.3)	(629.0)
Other payables			0.0	(4,402.1)	(4,402.1)
Total equity				(9,662.3)	(9,662.3)
Total liabilities as per the balance sheet	(8,762.9)	(2,158.0)	(10,920.9)	(71,015.8)	(81,936.7)
Derivative financial instruments - receivables	1,628.4	6,701.2	8,329.6		
Derivative financial instruments - payables	(38,248.1)	(12,063.7)	(50,311.8)		
Total net position (translated into DKK)	138.7	142.8	281.5		

NOTE 15.**MARKET RISK SENSITIVITY**as at 30 June
2012as at 30 June
2011*DKK million*
as at 31 December
2011

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	(45.5)	(261.4)	(42.0)
Change in equity	(45.5)	(261.4)	(42.0)

An interest rate fall of 1 percentage point

Change in results	45.5	261.4	42.0
Change in equity	45.5	261.4	42.0

Equity risk

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

Change in results	58.3	56.3	41.8
Change in equity	58.3	56.3	41.8

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

Change in results	(58.3)	(56.3)	(41.8)
Change in equity	(58.3)	(56.3)	(41.8)

Exchange rate risk

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

Change in results	(247.1)	(219.3)	239.5
Change in equity	(247.1)	(219.3)	(239.5)
Percentage change in solvency	-1.9%	-2.0%	-1.9%

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

Change in results	247.1	219.3	239.5
Change in equity	247.1	219.3	239.5
Percentage change in solvency	1.9%	2.0%	1.9%

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.

	as at 30 June 2012	as at 30 June 2011	<i>DKK million</i> as at 31 December 2011
CREDIT RISK			
Total credit exposure distributed on balance sheet and off-balance sheet items			
Due from credit institutions and central banks	534.2	1,275.2	596.5
Loans at amortised cost	49,389.5	44,623.7	46,947.9
Bonds at fair value	27,446.6	30,735.3	26,943.5
Shares etc.	583.2	563.1	557.8
Derivatives	2,820.6	3,462.9	2,704.4
Total balance sheet items	80,774.1	80,660.2	77,750.1
Off-balance sheet items			
Contingent liabilities	785.9	547.5	805.7
Other binding agreements	4,353.6	4,430.2	7,376.5
Total off-balance sheet items	5,139.5	4,977.7	8,182.2

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

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

Description of collateral

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

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

Loan-to-value range	Share of loans 30. juni 2012	Share of loans 30. juni 2011	Share of loans 31. december 2011
0 - 20 %	31%	33%	33%
20 - 40 %	30%	31%	31%
40 - 60 %	27%	26%	26%
60 - 80 %	10%	8%	8%
80 - 100 %	2%	1%	1%
Over 100 %	0%	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 0.6 pct. of the loan portfolio at 30 June 2012 (1.0 pct. at 31 December 2011).

It appears from the table above that as at 30. June 2012 88 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 3 pct. since December 2011 in DKK and about 6 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.

NOTE 17.

REFERENCE NOTE

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

The description of financial risks and policies for financial risk management is set out in the risk management section of the annual report for 2011, to which reference is made.