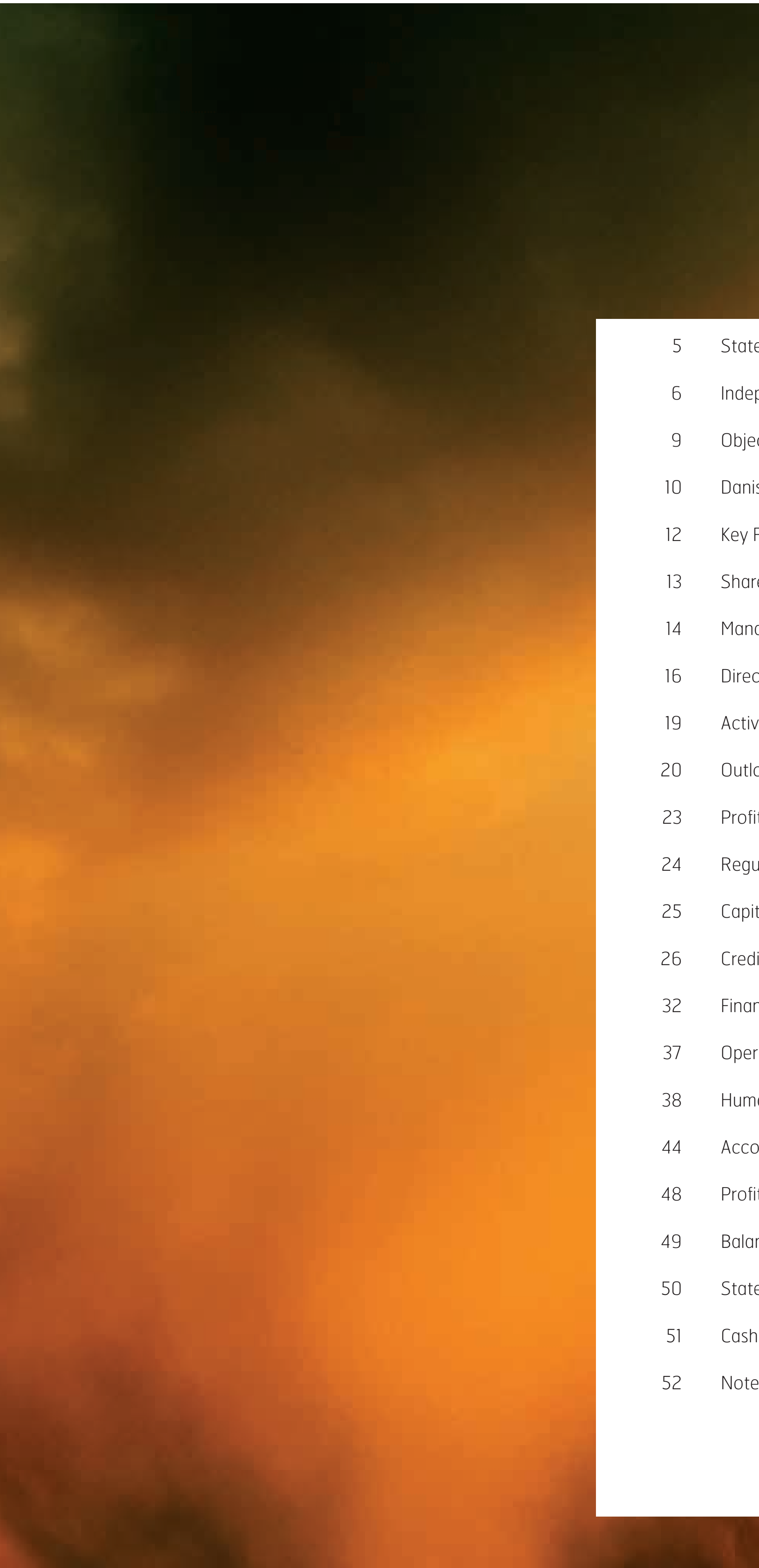
DANISH SHIP FINANCE A/S (DANMARKS SKIBSKREDIT A/S) / ANNUAL REPORT

'07



The Board of Directors and the Management have today presented and adopted the annual report of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the financial year ended 31 December 2007.

The annual report has been presented in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Financial Credit Institutions and Investment Companies, etc. Further, the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial companies.

The Management's review includes a fair presentation of the development in the company's activities and financial position as well as a description of the most material risks and elements of uncertainty that may affect the company.

The Board of Directors and the Management consider the applied accounting policies appropriate for the annual report to provide a true and fair view of the company's financial position at 31 December 2007 as well as of its activities and cash flows for the financial year 1 January to 31 December 2007.

We recommend the annual report for adoption at the annual general meeting.

Copenhagen, 7 February 2008

Management

Bo Jagd

Board of Directors

Peter Schütze
Chairman

Per Skovhus
Deputy Chairman

Thorkil H. Christensen

Peter Falkenham

Flemming Ipsen

Jens Thomsen

To the shareholders of Danish Ship Finance A/S

We have audited the annual report of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the financial year ended 31 December 2007, comprising a statement by the Management and the Board of Directors, Management's review, accounting policies, profit and loss account, balance sheet, statement of changes in capital and reserves, cash flow statement and notes to the accounts. The annual report is presented in accordance with Executive Order no. 674 dated 21 June 2006 on a Ship Finance Institute.

Management's responsibility for the annual report

Management is responsible for preparing and presenting an annual report that gives a true and fair view in accordance with Executive Order no. 674 dated 21 June 2006 on a Ship Finance Institute. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. These Standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the company's assets, liabilities and financial position at 31 December 2007 as well as of the results of the company's operations and cash flows for the financial year then ended in accordance with Executive Order no. 674 dated 21 June 2006 on a Ship Finance Institute.

Copenhagen, 7 February 2008

Deloitte
Statsautoriseret Revisionsaktieselskab

Søren Dinesen   Henrik Priskorn
State Authorised Public Accountants

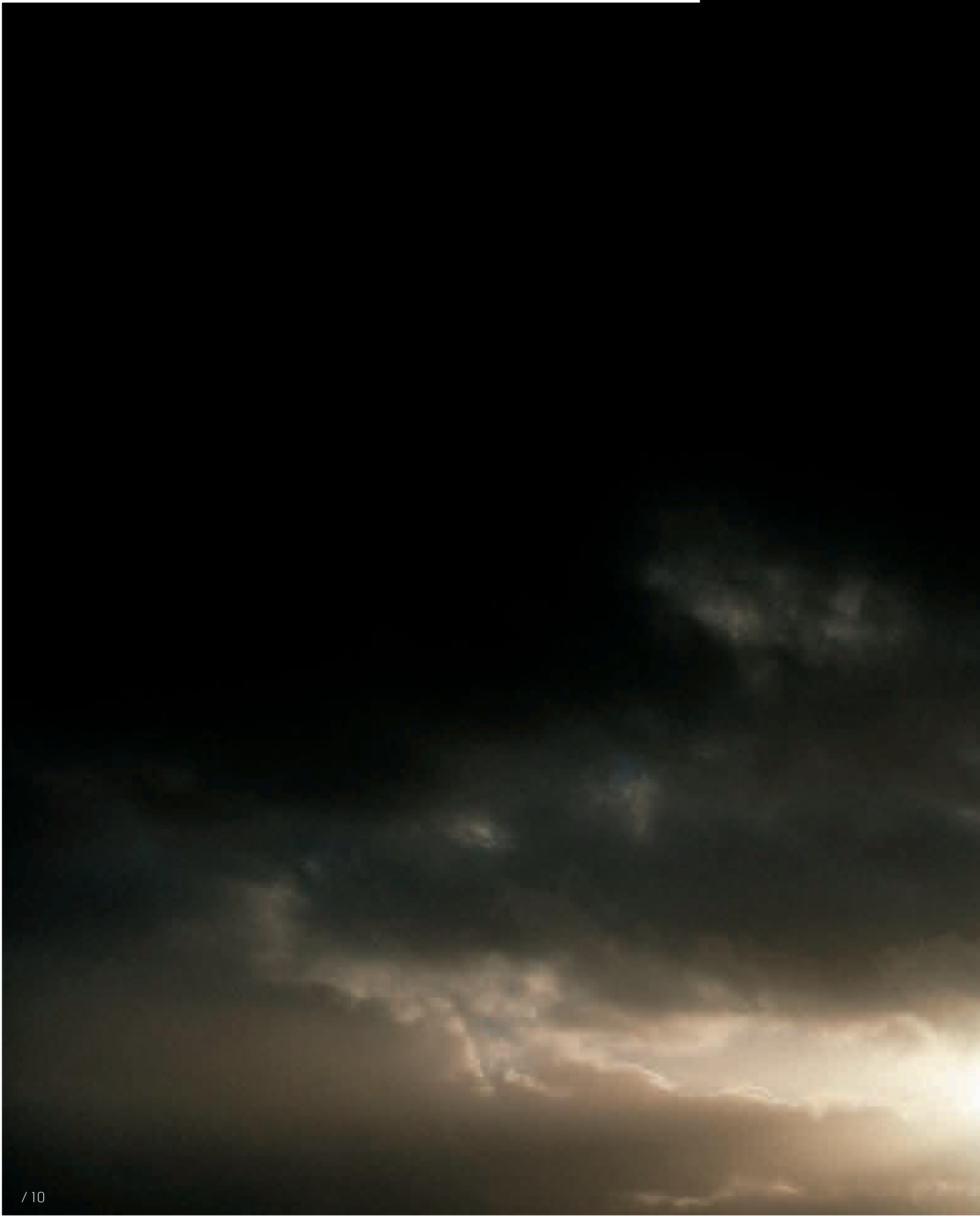
The objective of Danish Ship Finance is to provide ship financing in Denmark. In addition, the company provides ship financing in the international market, so long as such activities do not unnecessarily limit the company's Danish operations.

Danish Ship Finance is a stable and reliable source of short-term and long-term loan capital for shipowners in all stages of the shipping cycle and it endeavours to be a competent and trustworthy business partner to its customers and financial counterparties as well as other stakeholders.

Danish Ship Finance aims to obtain satisfactory financial results for its owners and is therefore dedicated to creating value, which is secured through controlled growth in lending while focusing on high credit quality and appropriate diversification in the loan portfolio.

Danish Ship Finance is managed on the basis of the following vision:

Danish Ship Finance is the leading provider of ship financing in Denmark and is to be regarded by the international market players as one of the five most recognised and leading lenders by 2010.



The company

Danish Ship Finance is owned by Danish and international banks, Danish insurance companies, Danish shipowners and shipyards, Danmarks Nationalbank (the Danish central bank) and Den Danske Maritime Fond.

At 31 December 2007, Danish Ship Finance had loans of DKK 42.7 billion, total assets of DKK 76.7 billion and capital and reserves of DKK 9.2 billion before dividends.

Danish Ship Finance had a solvency ratio of 15.3% after proposed dividends.

Danish Ship Finance is a credit institution supervised by the Danish Financial Supervisory Authority.

Danish Ship Finance employs 57 highly specialised employees.

Bonds issued by Danish Ship Finance have been assigned an Aa3 rating by Moody's Investors Service. The company's Issuer Rating is also Aa3. Bonds issued by Danish Ship Finance meet the requirements for gilt-edged status of the UCITS directive. See Regulation.

Activities

Danish Ship Finance provides ship financing against a first mortgage.

Danish Ship Finance's customers are recognised Danish and international shipowners.

Since the summer of 2007, Danish Ship Finance has had the opportunity to issue covered bonds as defined in the Capital Requirements Directive ("CRD"). This opportunity has not yet been utilised.

In 2003, Danish Ship Finance acquired the exclusive right to offer CIRR loans for vessels built in Denmark until the end of 2012.

In 2007, Danish Ship Finance's customers accepted loan offers in the amount of DKK 13.7 billion. Shipowners fully or partly controlled by Danish interests accounted for a little over 40% of accepted loan offers.

/ KEY FIGURES

	DANISH SHIP FINANCE A/S (DANMARKS SKIBSKREDIT A/S)				DANISH SHIP FINANCE (DANMARKS SKIBSKREDITFOND)	
	USD MILLION	DKK MILLION				
	2007	2007	2006	2005	2004	2003
Net interest income from lending operations	34	174	174	161	182	154
Net interest income from financing operations	87	443	411	369	411	453
Total net interest income	122	617	585	530	593	607
Net interest and fee income	130	659	630	568	615	632
Market value adjustment	(32)	(160)	(123)	(148)	(23)	(83)
Staff costs and administrative expenses	(17)	(86)	(80)	(80)	(74)	(71)
Losses and writedowns on debtors	20	104	176	56	772	(44)
Net profit before tax	102	519	606	399	1.293	435
Profit for the year	78	394	443	286	907	304
Loans	8,411	42,690	37,746	37,200	35,445	36,981
Due from credit institutions	2,079	10,550	6,150	1,591	2,734	6,971
Bonds	4,215	21,394	16,893	22,334	20,021	19,484
Capital and reserves	1,808	9,177	9,158	8,966	9,486	8,580
Total assets	15,105	76,660	62,542	62,534	59,907	64,810
Solvency ratio *	15.3	15.3	17.9	18.6	22.2	19.0
Return on equity	4.3	4.3	5.0	3.3	10.4	3.7

Figures in USD are calculated at the
exchange rate of DKK/USD 507.53

Return on equity is calculated as the profit for the year as a percentage of the average capital and reserves for the year. The guarantee capital, which amounted to DKK 300 million until 12 July 2005, was not paid up and is therefore not included in the calculation of average capital and reserves for use in calculating return on equity.

*) The solvency ratio for the years 2003-2004 was calculated in accordance with the executive order on Danish Ship Finance (Danmark Skibskreditfond), which was in force until 1 July 2006.

As part of the conversion of Danmarks Skibskreditfond to Danmarks Skibskredit A/S in 2005, a total of DKK 1,610 million was repaid to the Danish government and Danmarks Nationalbank. The repayment affected the capital and reserves recognised at 31 December 2005. The comparative figures for 2003 and 2004 have not been restated.

/ SHAREHOLDERS

The share capital of Danish Ship Finance amounts to DKK 333.3 million, which is divided into two share classes. A shares with a nominal value of DKK 300.0 million are held by Danmarks Nationalbank, financial enterprises and Danish shipowners and ship yards. B shares with a nominal value of DKK 33.3 million are held by Den Danske Maritime Fond. Each A share of DKK 1 carries ten votes, and each B share of DKK 1 carries one vote. Danish Ship Finance has no provisions that restrict the number of votes or limit the number of shares held by each individual shareholder.

The shareholders have signed a shareholders' agreement that includes a provision to the effect that the shares shall not be freely negotiable until 12 July 2010. However, the provision allows for trading in the shares within the corporate group of each individual shareholder.

The Board of Directors continually assesses whether the company's capital structure and the share structure consistently comply with the interests of the shareholders and the company. The Board of Directors believes that the company has an appropriate share and capital structure and finds that there is currently no need to make any adjustments in this respect.

The shares in Danish Ship Finance are distributed among the following shareholder groups:

Banks	40.5%
Danmarks Nationalbank	18.9%
Ship yards	14.8%
Shipowners	11.7%
Den Danske Maritime Fond	10.0%
Insurance companies	4.1%

The following of the company's shareholders hold at least 5% of the total voting rights or own at least 5% of the share capital. The shareholders are listed alphabetically:

A.P. Møller-Mærsk A/S
Danmarks Nationalbank
Danske Bank A/S
Den Danske Maritime Fond
Nordea Bank AB (publ.)
Odense Staalskibsværft A/S

The objective of Den Danske Maritime Fond is to provide financial support for initiatives and measures to develop and promote Danish shipping and/or the Danish shipbuilding industry. Danish Ship Finance is not involved in the operation of the fund or the allocation of financial support.

The general meeting shall be the supreme authority in all company matters.

At the annual general meeting in 2007, the Board of Directors' proposal on dividends was adopted. Accordingly, DKK 1.03 per share was paid to holders of A shares, and DKK 1.9913 per share was paid to holders of B shares.

The next annual general meeting will be held on 24 April 2008.

/ MANAGEMENT, ETC.

The Board of Directors of Danish Ship Finance defines the overall principles for the company's operations. The General Management is in charge of the senior, day-to-day management, and reports to the Board of Directors.

Board of Directors

The members of the Board of Directors elected by the general meeting shall be elected for terms of one year. The board members are eligible for re-election. No restrictions have been defined concerning the number of times a board member may be re-elected. The general meeting shall elect not less than three and not more than six members to the Board of Directors. However, no member attaining the age of 70 during an election period can be re-elected to the Board of Directors. The six current members of the Board of Directors elected by the general meeting may all be re-elected in 2008.

The Board of Directors shall form a quorum when more than half of its members, including the chairman or deputy chairman, are present. Matters considered by the Board of Directors are decided by a simple majority of votes. In case of an equality of votes, the chairman - or in his absence the deputy chairman - shall have the casting vote.

Members of the board are:

Peter Schütze (Chairman)
Per Skovhus (Deputy Chairman)
Thorkil H. Christensen
Peter Falkenham
Flemming Ipsen
Jens Thomsen

Board members elected by the employees

Effective from the coming annual general meeting, the employees have resolved to introduce employee representation on the Board of Directors.

Senior Relationship Manager Henrik Søgaard Olsen, Assistant Relationship Manager Lisbeth Navntoft Petersen and Chief Accountant and Head of Staff Administration Erling Garrelts have been elected to the Board of Directors. Assistant Relationship Manager Britt Andersen, Assistant Manager Tina Johansen and Assistant Manager Claus Kjærulff have been elected as alternates. The board members elected by the employees will join the Board of Directors immediately after the coming annual general meeting. Employee representatives are elected for terms of four years.

The independence of the Board of Directors

None of the members of the Board of Directors elected by the general meeting are employed with Danish Ship Finance or have been employed with the company within the past five years. None of the members of the Board of Directors are, or have been, a member of the General Management of Danish Ship Finance.

Danish Ship Finance has business relations with almost all of the businesses in which the board members are employed. All business transactions are conducted 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 Board of Directors counts members who are representatives involved in Danish and international ship financing operations or as issuer of bonds on OMX Nordic Exchange Copenhagen.

The company has in-house procedures to prevent conflicts of interest between Danish Ship Finance, the board members and the businesses which the board members represent.

Additional information about other directorships held by members of the Board of Directors in other Danish and foreign public limited companies and organisation duties is provided in Directorships – Board of Directors.

Frequency of meetings and participation

Board meetings are held whenever deemed necessary or when so requested by a member of the Board of Directors or the General Management. Ordinary board meetings are held six to nine times a year. Dates and agendas for the meetings are to the extent possible fixed for one year at a time.

In 2007, the Board of Directors held nine ordinary board meetings with an average participation rate of 85%. In addition, the Board of Directors held a number of telephone conferences in connection with the processing of credit recommendations.

The Board of Directors has not set up any special board committees.

Management remuneration

The company does not have a written remuneration policy. The unwritten remuneration policy reflects shareholder and company interests. The remuneration policy is adapted to the company's specific circumstances, is reasonable relative to the duties and responsibilities undertaken and promotes long-term behaviour.

At the annual general meeting in 2007, it was resolved to raise the remuneration paid to the board members.

Board members elected by the employees may be comprised by a bonus scheme. The bonus schemes are not unusual relative to the rest of the financial sector.

No unusual severance schemes exist for the management.

Day-to-day management

In connection with an organisational reshuffle in March 2007, Per Schnack assumed the overall responsibility for the Treasury, IT and Finance departments.

Members of day-to-day management are subsequently:

Bo Jagd, Managing Director
Denis Dønbo, Senior Vice President
Erik I. Lassen, Senior Vice President
Per Schnack, Senior Vice President

The Head of Internal Audit of Danish Ship Finance resigned as of 31 January 2007. Danish Ship Finance is not under any legal obligation to have an internal audit function. The Board of Directors has assessed that the company does not require an internal audit function and has therefore resolved not to fill the vacant position. Instead, the company has established a new internal control function, reporting to the Management.

Directorships – Board of Directors
The information relates to the occupations of the board members, directorships held in other Danish and foreign companies and other important management positions and directorships at the date of the publication of this annual report.

Peter Schütze
Nordea Bank Danmark A/S

Elected to the Board of Directors of Danish Ship Finance
01.04.1996

Member of the Board of Directors of:
Nordea Bank Norge ASA
Nordea Bank Finland PLC
The Danish Bankers Association (Chairman)

Member of Group Executive Management of Nordea Bank AB

Per Skovhus
Danske Bank A/S

Elected to the Board of Directors of Danish Ship Finance
28.04.2003

Member of the Board of Directors of:
Nordania Finans A/S (Chairman)
Realkredit Danmark A/S
The Danish Bankers Association (Deputy Chairman)

Thorkil H. Christensen
Danske Maritime

Elected to the Board of Directors of Danish Ship Finance
19.04.1995

Member of the Board of Directors of:
Den Danske Maritime Fond (Deputy Chairman)

Peter Falkenham
TrygVesta Forsikring A/S and Group COO of TrygVesta A/S

Elected to the Board of Directors of Danish Ship Finance
12.07.2005

Member of the Board of Directors of:
Glunz & Jensen A/S (Chairman)
Solar A/S (Deputy Chairman)
TrygVesta Garanti A/S
Tryg Ejendomme A/S

Flemming Ipsen
A.P. Møller-Mærsk A/S

Elected to the Board of Directors of Danish Ship Finance
28.08.2006

Member of the Board of Directors of:
48 subsidiaries of the A.P. Møller-Mærsk A/S Group in Denmark and abroad.
The Britannia Steam Ship Insurance Association Limited

Jens Thomsen
Danmarks Nationalbank

Elected to the Board of Directors of Danish Ship Finance
28.04.2003

Member of Det Finansielle Virksomhedsråd

Directorships – General Management

Bo Jagd

Member of the General Management since 01.08.1992

2007 was a good year for Danish Ship Finance's customers and for the company. The maritime sector experienced sustained improvement and strong earnings. These developments resulted in a satisfactory increase in lending operations for Danish Ship Finance and continuing high credit quality in the loan portfolio.

The second half of the year was marked by unrest in the financial markets. Overall, the price of funding increased, and terms and conditions tightened. The unrest did not have any noticeable impact on Danish Ship Finance, as the company was able to issue bonds with long maturities and at satisfactory price levels.

The USD depreciated over the course of the year. As most of Danish Ship Finance's loans are made in USD, the depreciated value had an adverse impact on the value of the loan portfolio in Danish kroner. Due to swap agreements for hedging purposes, the depreciating USD did not have a full impact on the company's loan portfolio. The declining USD/DKK exchange rate affected the DKK-value of interest income from the loan portfolio. As part of its efforts to manage financial risks, the company had hedged a small part of the interest income against exchange rate fluctuations, reducing the impact of the depreciating USD.

The shipping markets

Strong growth in the global economy and China's continuing integration into the global economy were once again pivotal factors in 2007 underlying the strong demand for international shipping operations.

Strong demand for coal and iron ore resulted in another good year for the dry bulk shipping companies with freight rates far above historical levels. The container shipping companies were affected by the weaker economic trends in the USA, but nevertheless recorded high freight rates on routes from Asia to Europe. Tanker operators experienced a more modest year in 2007 with freight rates below the five-year average. The high oil prices provided another good year for the offshore segment with rates above the five-year average.

The high freight rates spurred an increase in the global order book to a record high level, especially in the dry bulk and container segments.

The most recent Shipping Market Review, which is available from the website www.shipfinance.dk, provides an in-depth description of the shipping markets.

Lending

Loan disbursements amounted to a little over DKK 11.8 million in 2007, an increase of DKK 2.7 billion relative to 2006. At the same time, there was a DKK 1.0 billion increase in prepayments compared with 2006. The growth in lending was distributed on Danish as well as foreign shipowners. The improvement was achieved through loans to new customers and an increase in lending to a number of existing customers.

Loan offers accepted in 2007 amounted to DKK 13.7 billion, which was higher than in 2006. The accepted loan offers should be assessed against the background of a lower USD/DKK exchange rate than at the end of 2006. The increase in accepted loan offers was greater in original currency terms than in DKK terms. The figures should be seen against the background of a competitive market characterised by an unusually large supply of loan capital for the shipping industry throughout most of 2007. Towards the end of the year, trends in the financial markets reduced the supply of loan capital in the ship financing market, triggering rising credit margins.

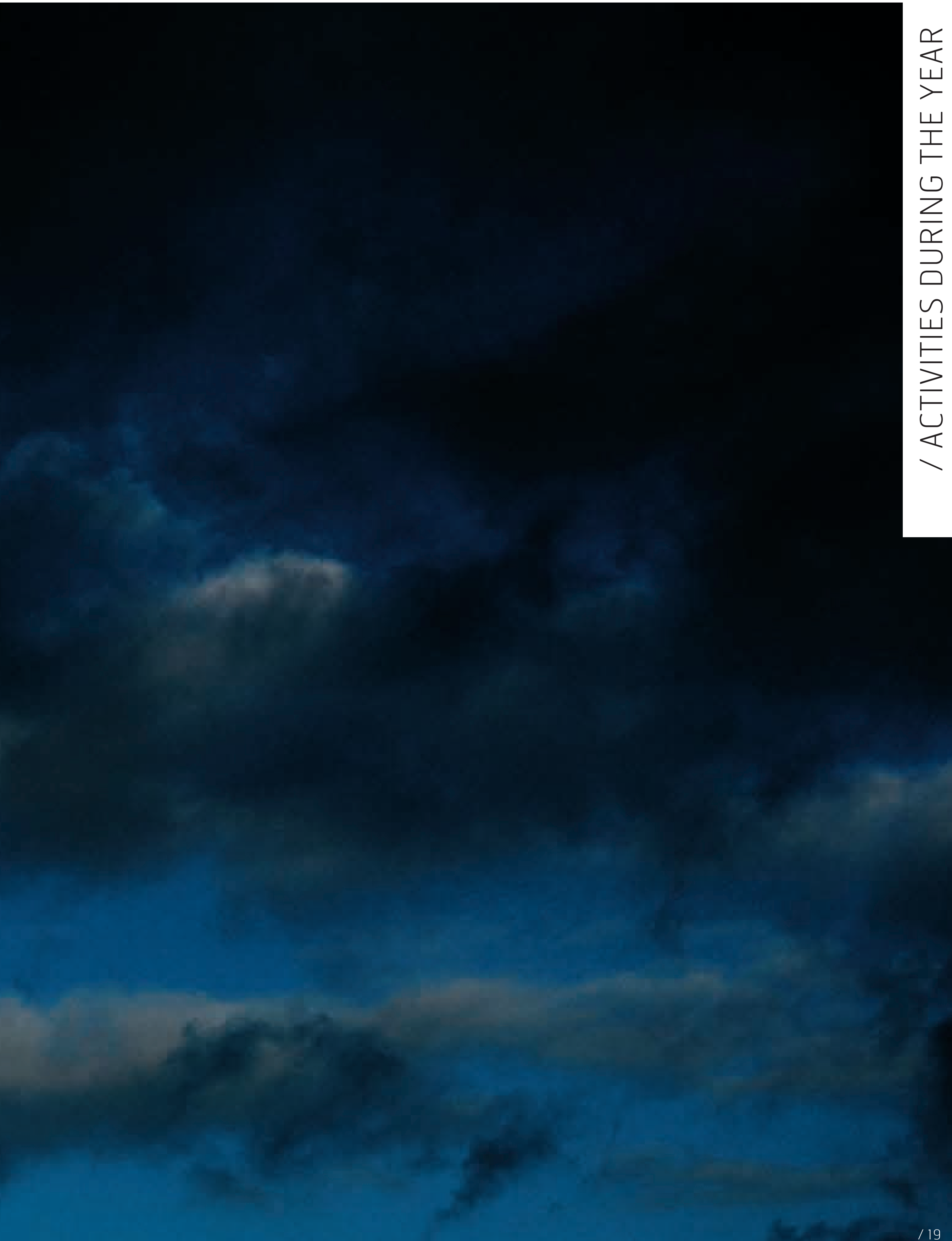
Shipowners fully or partly controlled by Danish interests accounted for a little over 40% of accepted loan offers in 2007. Loan offers to foreign shipowners were almost evenly distributed by geographic areas, with the highest number of offers being accepted by Norwegian, German and Greek shipowners.

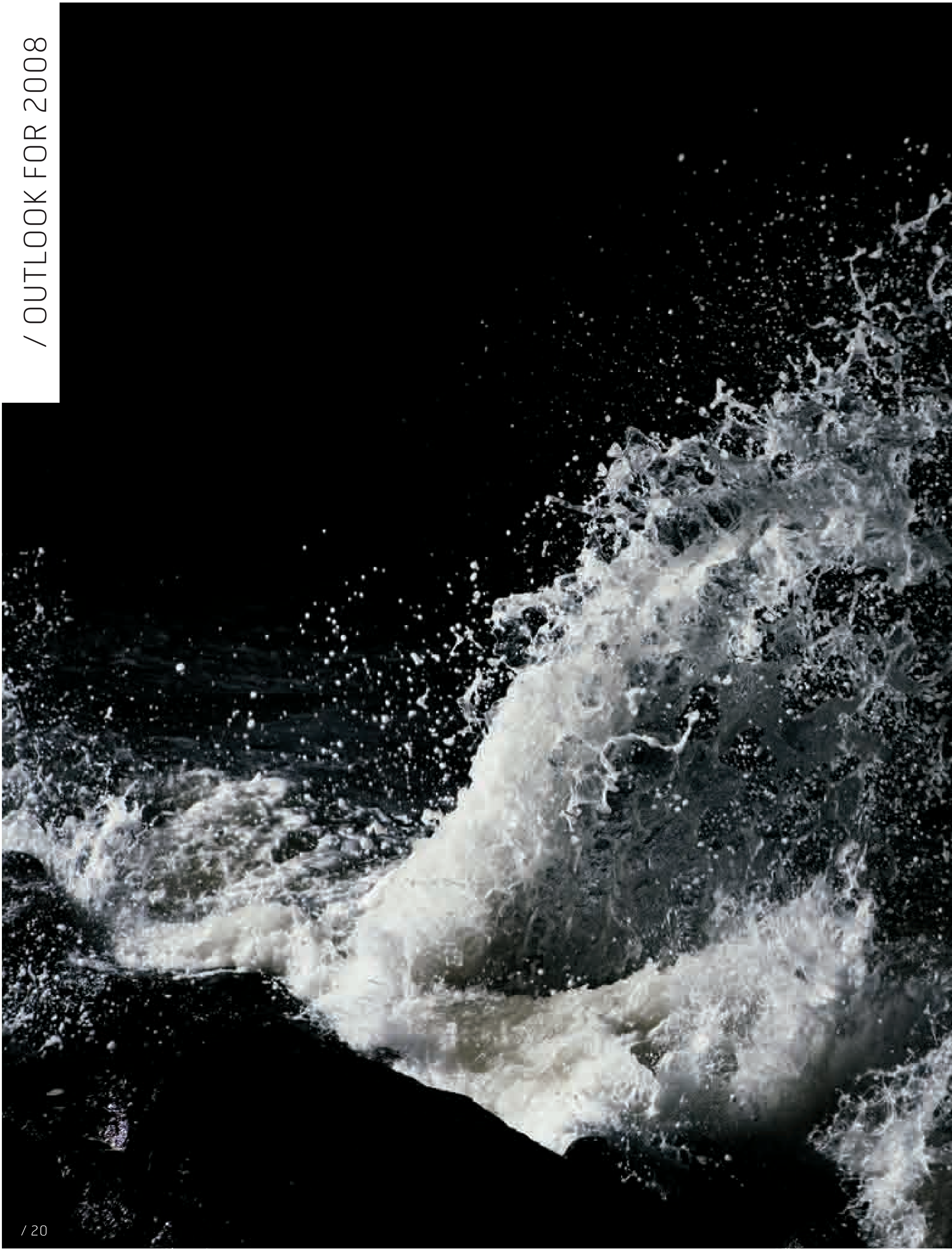
Bond issuance

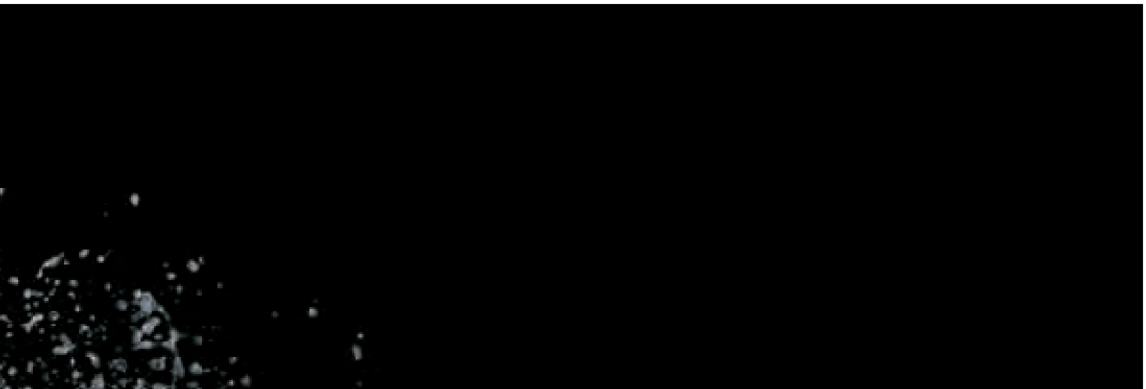
In 2007, Danish Ship Finance issued bonds worth DKK 24.0 billion with an average maturity of 10 years. The issuance was driven by the goal of maintaining strong liquidity resources. In this way, Danish Ship Finance protects itself against turmoil on the funding side.

In terms of liquidity, the lending activity is hedged through bond issuance, and most loans are already hedged when the loan offer is made. The maturity of the issued bonds generally matches the maturity on the loan portfolio, and the future liquidity deficit should never exceed a level that cannot be hedged through the holding of liquid securities.

Most of the bonds were issued in the last quarter of the year. They were the result of solid investor demand. The turmoil in the financial markets in the second half of the year did not limit Danish Ship Finance's opportunities for issuing bonds with long maturities. There was a marginal increase in funding costs, but these were to a large extent offset by a corresponding increase in lending margins. In view of the turbulent markets, this performance was satisfactory.







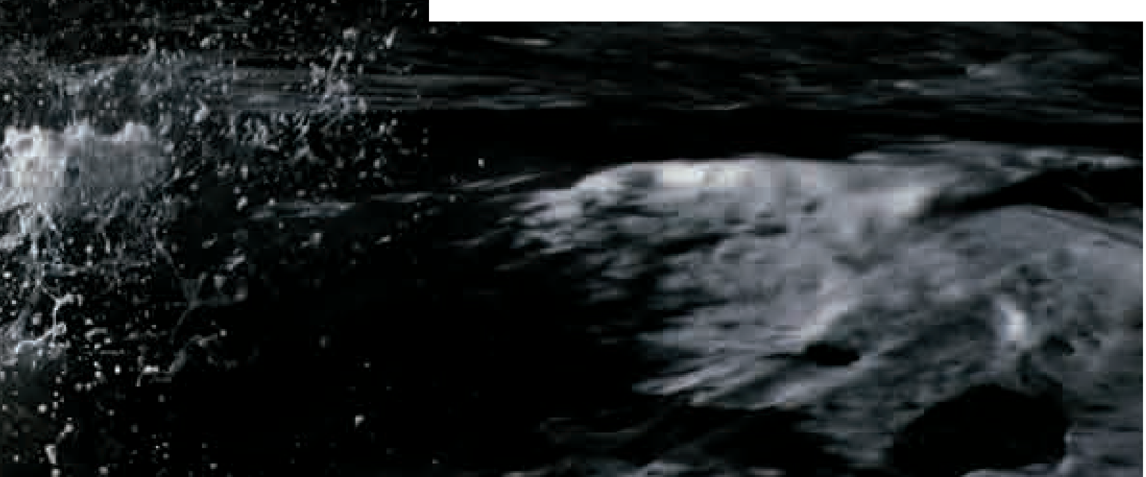
The extent of the unrest in the financial markets remains uncertain. The first reactions have emerged in the market for ship financing. During 2007, a number of the credit institutions offering ship financing proved more reluctant to lend funds. If this trend continues, the supply of ship financing could decline in 2008, causing, among other things, an increase in credit margins.

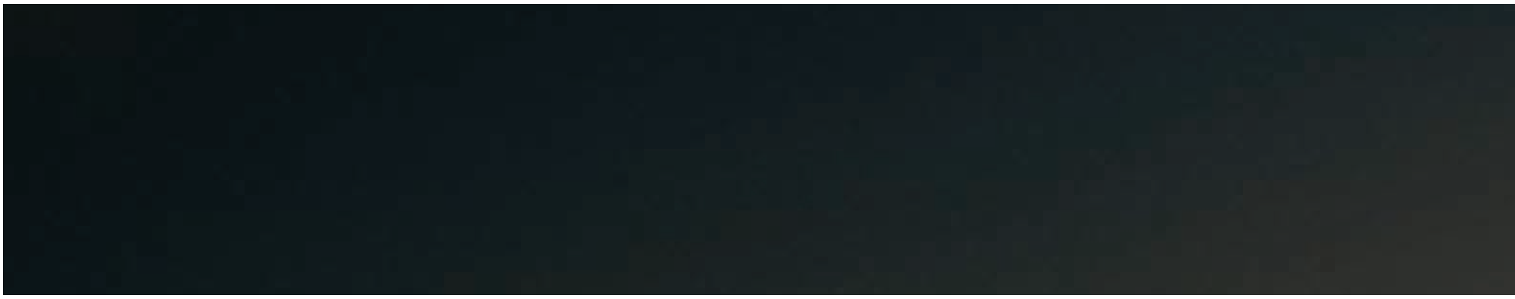
In spite of the opportunity to realise extraordinarily strong lending growth, Danish Ship Finance will continue to focus on credit quality over short-term return again in 2008. Against this background, the company expects controlled growth in its loan portfolio and higher earnings from lending operations.

As always, the financial performance in 2008 will be influenced by the level of prepayments, the size of credit margins and the DKK/USD exchange rate, as a significant proportion of new lending is made in USD. Price developments in the securities portfolio and movements in the line item Losses and writedowns on debtors also affect the financial performance.

In 2008, Danish Ship Finance has resolved to become a member of the Danish Bankers Association. Since 2007, membership of the association has been open to bond-issuing institutions.

Danish Ship Finance has resolved to continue recent years' policy of not issuing quarterly accounts in 2008. 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.





The profit for the year after tax amounted to DKK 394.4 million compared with DKK 442.5 million in 2006.

Total net interest and fee income rose from DKK 630.3 million in 2006 to DKK 658.6 million in 2007. Of this amount, net interest and fee income from lending operations amounted to DKK 213.8 million in 2007 against DKK 218.2 million in 2006. Net interest income from financing operations rose due to the overall increase in market interest rates by DKK 31.1 million from DKK 411.5 million in 2006 to DKK 442.6 million in 2007.

Market value adjustments of securities and foreign exchange amounted to a loss of DKK 160.0 million compared with a loss of DKK 122.5 million in 2006. The securities portfolio consists primarily of Danish government bonds and mortgage bonds or bonds of a similar security. The return on equity investments (unit trust certificates) amounted to DKK 28.3 million in 2007 against DKK 27.7 million in 2006. The combined annual return has been calculated at 2.5% on the bond portfolio and 4.9% on the equity portfolio.

Staff costs and administrative expenses in 2007 increased by DKK 5.6 million, or 7.0%, on the previous year to stand at DKK 85.9 million.

Losses and writedowns on debtors amounted to a net income of DKK 103.7 million compared with a net income of DKK 176.0 million in 2006. Writedowns were reduced from DKK 829.7 million in 2006 to DKK 730.8 million in 2007, and at the end of the year made up 1.7% of total lending as compared with 2.2% in 2006. Movements in writedowns in 2007 and writedowns broken down by countries are specified in note 12 to the accounts.

Tax for the year amounted to DKK 124.1 million (tax rate of 25%) against DKK 163.3 million in 2006 (tax rate of 28%). For 2007, this translates into an effective tax rate of 23.9%.

Total assets increased to DKK 76,659.9 million from DKK 62,541.6 million at 31 December 2006.

Lending, calculated at hedged values, rose by DKK 4,845.2 million before writedowns from DKK 38,575.3 million in 2006 to DKK 43,420.5 million in 2007, an increase of 12.6%. Over the course of the year, there was a net increase in new loans of DKK 11,760.3 million, against an increase in 2006 of DKK 9,106.8 million. For further details on movements in lending, see note 10 to the accounts.

The bond portfolio rose to DKK 21,394.4 million from DKK 16,893.4 million the previous year. The increase compared with 2006 was primarily due to an increase in the proportion of the loans granted, but still not disbursed, which is invested in short-term bonds until the loans are disbursed. The bond portfolio is specified in notes 13 and 14 to the accounts.

As part of the efforts to maintain strong liquidity resources, issued bonds increased by DKK 50,039.2 million at 31 December 2006 to DKK 64,962.3 million at year-end 2007. In 2007 new bonds issued amounted to DKK 24,021.3 million, as compared with issuance of DKK 6,845.3 million in 2006. Movements in issued bonds and a specification of bond types are set out in note 19 to the accounts.

After giving effect to the retained profit for the year, the company's capital and reserves amounted to DKK 9,177.2 million as compared with DKK 9,158.2 million at 31 December 2006. Dividends of DKK 335.2 million have been proposed for the financial year. The proposed dividend is included in capital and reserves but is expected to be disbursed after the approval of the shareholders at the annual general meeting in April 2008, and the amount has therefore been deducted in capital and reserves when calculating the company's solvency. See below.

The solvency ratio stood at 15.3% at 31 December 2007, as compared with the minimum requirement of 10% as stipulated in the executive order on a ship finance institute. Using the same calculation method, the solvency ratio stood at 17.9% at 31 December 2006. The declining solvency ratio during the year is especially due to the increase in the loan portfolio (weighted assets not included in the trading portfolio) and a higher duration on the portfolio of debt instruments (items with market risk, etc.). Note 23 provides a specification of the company's solvency.

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

/ REGULATION

Danish Ship Finance is governed by a specific act and executive order (the “Executive Order”). Pursuant to the Executive Order, the company is governed by parts of the Danish Financial Business Act. In addition, the company is governed by parts of common rules for financial enterprises. The full wording of the act and the Executive Order is provided on the company’s website, www.shipfinance.dk.

In addition to the rules that govern Danish Ship Finance, the company is governed by a set of rules that comply with the provisions of the Danish Public Companies Act. The company’s in-house activities are also governed by a set of policies that may be more restrictive than the external regulation. These policies have been adopted by the Board of Directors.

DANISH SHIP FINANCE’S OPTIONS WHEN ISSUING BONDS

Covered bonds as defined by the CRD

Particularly secure bonds which Danish Ship Finance has been able to issue since 1 July 2007. The risk weight for covered bonds as defined by the CRD is 10%.

Debenture bonds

Bonds issued before 1 January 2008. The bonds are grandfathered pursuant to Danish legislation on covered bonds. By definition, the bonds are covered bonds (as defined by the CRD) until maturity, even though there is no requirement for regular compliance with loan values. The risk weight for debenture bonds is 10%.

Ship mortgage bonds

Bonds issued after 1 January 2008 which do not qualify for the covered bond designation. The risk weight for ship mortgage bonds is 20%.

All bonds issued by Danish Ship Finance are on the European Commission’s list of bonds meeting the gilt-edged requirements of Article 22(4) of the UCITS directive (the “Investment Directive”).

Covered bonds

Since 1 July 2007, like other credit institutions Danish Ship Finance has had the opportunity to issue covered bonds as defined in the CRD. The term covered bonds is used to describe particularly secure bonds issued to finance lending secured by real property, ships or government risks within defined loan limits.

Danish Ship Finance did not issue any covered bonds in 2007.

In its bond issuance activities, Danish Ship Finance faces stricter requirements to qualify for the covered bond designation. The loan-to-value ratio of the underlying loans must not exceed 70%. If the value of the mortgaged asset declines, supplementary security must be provided in the form of additional ship’s mortgages, approved securities or cash deposits to keep the loan-to-value ratio at a maximum of 70%. The value of the mortgaged asset must continuously be monitored using updated market valuations.

Covered bonds must be issued in a separate capital centre. Each capital centre must comply with a balance principle, selecting one of two principles; the general balance principle or the specific balance principle.

For Danish Ship Finance, the access to issue covered bonds entails an amendment to the regulation currently applying to the company. A revised executive order is expected to be issued in 2008.

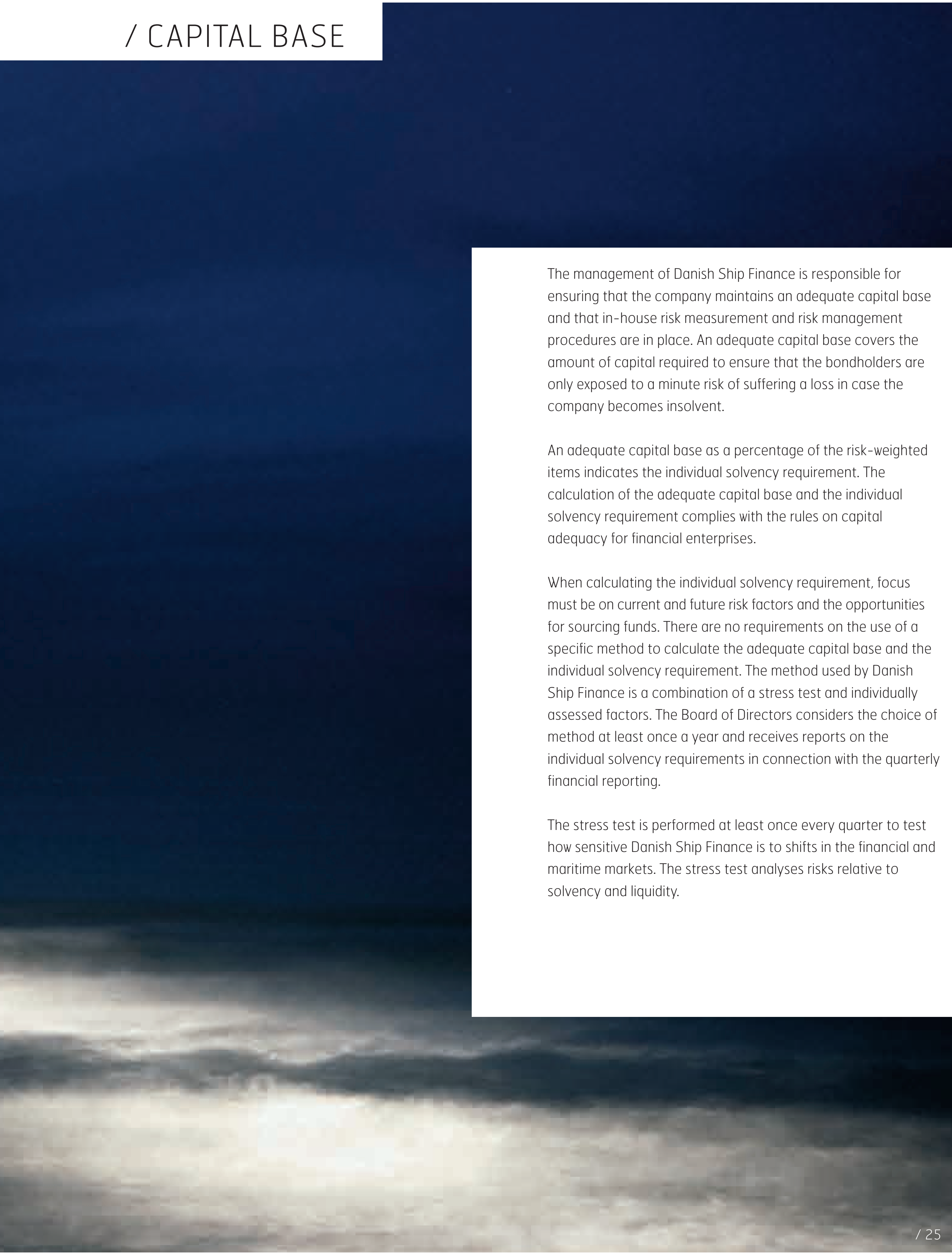
Ship mortgage bonds

As an alternative to covered bonds as defined in the CRD, from 2008 Danish Ship Finance may issue ship mortgage bonds. This possibility is also based on the rules implemented on 1 July 2007.

As for issuance of covered bonds, Danish Ship Finance must comply with a balance principle when issuing ship mortgage bonds. In other areas, the rules on issuing ship mortgage bonds are less restrictive than those applying to covered bonds. There is no requirement that the bonds must be issued in a separate capital centre. Moreover, there are no requirements for current adherence to loan-to-value ratios.

As the rules on issuing ship mortgage bonds are less restrictive than for covered bonds, the portfolio of these bonds carries a higher risk weighting when financial enterprises calculate their solvency. The risk weighting for ship mortgage bonds is 20%, while it is 10% for covered bonds.

/ CAPITAL BASE



The management of Danish Ship Finance is responsible for ensuring that the company maintains an adequate capital base and that in-house risk measurement and risk management procedures are in place. An adequate capital base covers the amount of capital required to ensure that the bondholders are only exposed to a minute risk of suffering a loss in case the company becomes insolvent.

An adequate capital base as a percentage of the risk-weighted items indicates the individual solvency requirement. The calculation of the adequate capital base and the individual solvency requirement complies with the rules on capital adequacy for financial enterprises.

When calculating the individual solvency requirement, focus must be on current and future risk factors and the opportunities for sourcing funds. There are no requirements on the use of a specific method to calculate the adequate capital base and the individual solvency requirement. The method used by Danish Ship Finance is a combination of a stress test and individually assessed factors. The Board of Directors considers the choice of method at least once a year and receives reports on the individual solvency requirements in connection with the quarterly financial reporting.

The stress test is performed at least once every quarter to test how sensitive Danish Ship Finance is to shifts in the financial and maritime markets. The stress test analyses risks relative to solvency and liquidity.

/ CREDIT RISKS

The composition of the loan portfolio is governed by a set of diversification rules. These rules have been approved by the Board of Directors and are part of the company's in-house credit policy. The policy describes risk management targets and frameworks. The purpose of the diversification rules is to ensure satisfactory diversification by vessel type, borrower and country risk.

Risk diversification on vessel types

Adequate loan portfolio diversification must be in place regarding vessel types. No single vessel type may be provided as security for more than 33% of the company's gross lending. No group of vessel types may account for more than 50% of gross lending.

Risk diversification on borrowers

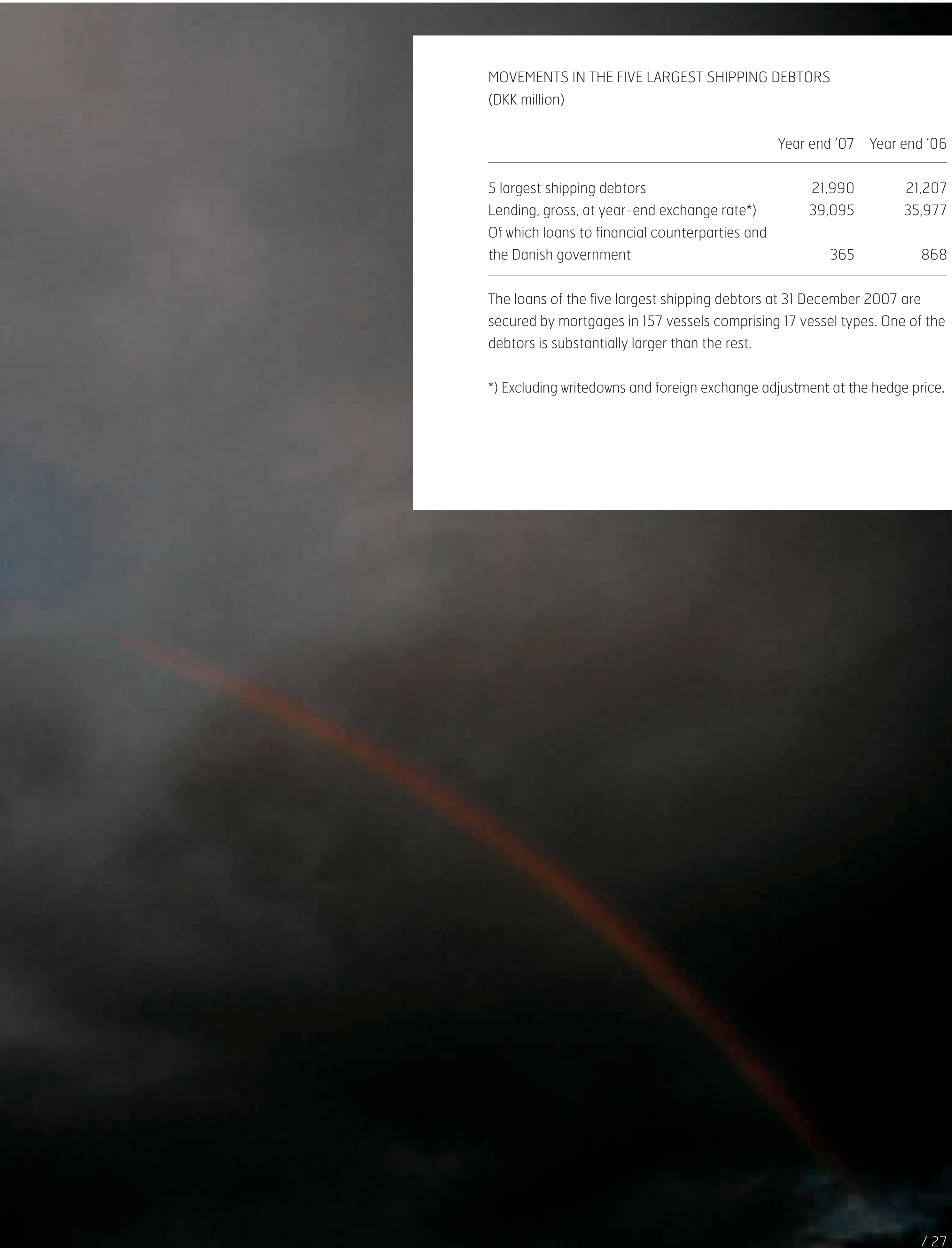
The composition of borrowers must be adequately diversified in the loan portfolio. For large loans, the company should seek to diversify the risk on vessel types within the individual account. The diversification rule is related to the objects clause in the company's articles of association.

THE OBJECT OF THE COMPANY IS TO PROVIDE SHIP FINANCING IN DENMARK. IN ADDITION, THE COMPANY MAY PROVIDE SHIP FINANCING IN THE INTERNATIONAL MARKET, SO LONG AS SUCH ACTIVITIES DO NOT UNNECESSARILY LIMIT THE COMPANY'S DANISH OPERATIONS.

For financing as defined in the second sentence of the objects clause, the overall account per borrower may not exceed 25% of the company's most recently published capital and reserves. There are no formal limits on loan sizes in respect of funding pursuant to the company's main objective (ship financing in Denmark).

Risk diversification on countries

The loan portfolio must be adequately diversified on countries. The country risk is calculated on the basis of the borrower's home country. Loans to borrowers in Norway, the USA and in certain EU countries are not subject to restrictions as to country risk. For loans to borrowers in other countries, the company has defined an overall limit per country of up to 20% of its gross lending.



MOVEMENTS IN THE FIVE LARGEST SHIPPING DEBTORS
(DKK million)

	Year end '07	Year end '06
5 largest shipping debtors	21,990	21,207
Lending, gross, at year-end exchange rate*)	39,095	35,977
Of which loans to financial counterparties and the Danish government	365	868

The loans of the five largest shipping debtors at 31 December 2007 are secured by mortgages in 157 vessels comprising 17 vessel types. One of the debtors is substantially larger than the rest.

*) Excluding writedowns and foreign exchange adjustment at the hedge price.

Risk management

The limits for credit risks have been determined by the Board of Directors. The day-to-day responsibility for the credit policy and for the periodical risk calculation and reporting rests with the credit department.

In its risk management activities, Danish Ship Finance distinguishes between credit risk derived from lending operations and credit risks derived from transactions with financial counterparties.

Lending operations

Loans are secured by mortgage in one or more vessels. The mortgage secures the loan in case of default. In case of financing during construction, the ship mortgage may be replaced by assignment of the ship building contract and a refundment guarantee provided by the shipyard's bank.

Prior to granting a loan, an individual credit assessment is made on the basis of the borrower's financial position as well as the age, condition and employment of the financed vessels. The mortgage value of the vessels is determined on the basis of an approved purchase price or market valuation obtained from external, independent brokers.

Danish Ship Finance may grant CIRR loans of up to 80% of the net funding requirements to borrowers of particularly good financial standing. Borrowers who are given the highest rating in the internal classification system are considered to be of particularly good financial standing. The principle governs the solvency calculation.

As part of the credit risk management, all vessel loans are assessed at least twice a year. All loans are assessed and the current credit risk is assessed on the basis of current market valuations of the mortgaged vessels and the most recent accounting data and budgets.

In addition, the loan portfolio is monitored in an ongoing process in relation to the borrowers' fulfilment of a number of lending terms and conditions, comprising:

- Verifying the existence of adequate insurance cover on mortgaged vessels.
- Updating the market values of all mortgaged vessels.
- Verifying that other collateral meets the specified minimum requirements.
- Verifying compliance with all other loan covenants.

If a loan is deemed to entail increased risk, the monitoring will be intensified to safeguard Danish Ship Finance' interests to the best possible extent.

Insurance of ship's mortgages

Borrowers' insurances concerning financed vessels are assigned to Danish Ship Finance. As a minimum, the insurance includes:

- Hull and machinery insurance, which covers damage to the vessel or total loss.
- P&I (Protection & Indemnity) insurance, which is a third party liability insurance to cover damage against persons or equipment.
- War Risks to cover damage, retention, etc. caused by war or war-like conditions.

Vessels owned by most of the borrowers are covered by Mortgage Interest Insurance and Mortgagee Additional Perils Pollution Insurance. This insurance covers Danish Ship Finance's risk in situations which the borrower's primary insurance policies do not cover.

Inspection of ships

As a supplement to the half-yearly market valuations, physical inspections of the financed vessels are made periodically. The inspection may be performed both during the loan period or prior to submitting an offer to finance second-hand tonnage. When financing second-hand tonnage, focus is on the age of the vessel and its condition.

Financial counterparties

Credit risk associated with the conclusion of transactions with financial counterparties arises if Danish Ship Finance has a positive market value on a transaction. If the financial counterparty cannot fulfil his part of the agreement, there will be a risk of incurring a loss.

The credit risk typically relates to agreements to hedge interest rate and exchange rate risks, bond trading and money market investments. This type of risk also includes settlement risk.

Danish Ship Finance operates with a set of internal guidelines for risk management. Great importance is attached to the credit rating of financial counterparties, as the market value of financial contracts may fluctuate heavily.

Losses and writedowns on debtors

Twice a year, all loans are reviewed in order to re-assess the current need for writedowns. All writedowns on loans are made according to individual assessments.

The assessment of any need for writedowns for the individual loans is based on the borrower's present and expected future financial position and on the value of the ship mortgage and any other collateral.

In accordance with the Executive Order, the writedowns are classified as either 1 or 2 writedowns. A 1 writedown indicates a probable risk of loss from the loan facility. A 2 writedown indicates that a loss from the loan facility is deemed inevitable, but that the final loss cannot be calculated yet. As soon as a loss can be calculated, it is written off.

Unlike the Danish banks, Danish Ship Finance does not have a legal obligation to present its accounts in accordance with the international accounting standards (IFRS). Consequently, provisions for losses on credit-weak loans will continue to be made according to the existing policies.

The company will adopt IFRS from the financial year 2009.

When the company implements IFRS, it will no longer be possible to make provisions for losses on credit-weak loans and loans with a high risk of losses according to the principles applied so far. Instead of provisions, a thorough test is made of the risk on a specific loan or a homogenous group of loans, which forms the basis of a writedown of the individual loan(s), to the effect that the carrying amount of the loan corresponds to the discounted present value of the future cash flows from the loan. The decisive issue in terms of writedowns according to the rules is that the assessment of the risk of loss on a loan is based on clear, objective criteria.

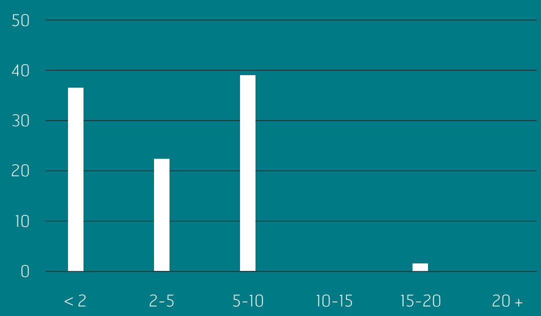
The transition to IFRS would be expected to involve a reduction of the company's writedowns.

Solvency

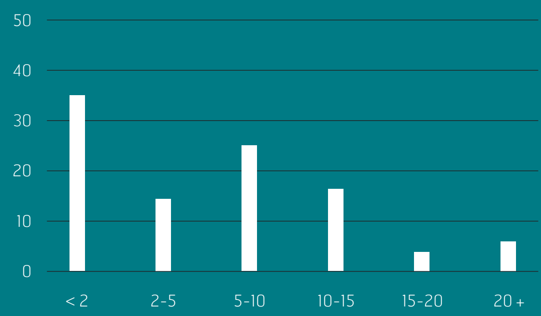
In its solvency calculation, the company will from 2008 use the standard method to calculate the risk-weighted items concerning credit risks. In 2007, the risk-weighted items are calculated in accordance with the transition provisions of the capital adequacy rules. Thus, the calculation follows the previous capital adequacy rules.

The calculation of the individual solvency requirement includes a provision for loss risk on individual accounts and for concentration risks.

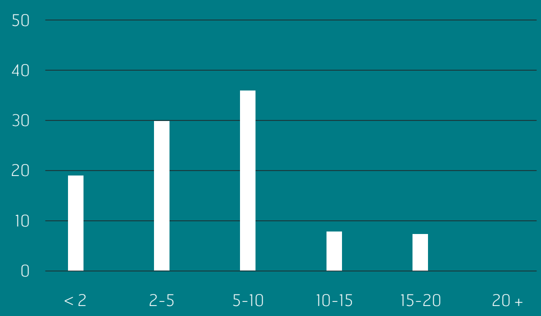
AGE DISTRIBUTION OF MORTGAGED VESSELS
(AS A PERCENTAGE OF TOTAL LENDING)



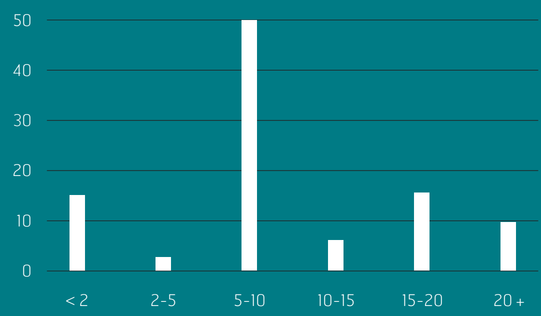
CONTAINER POST PANAMAX



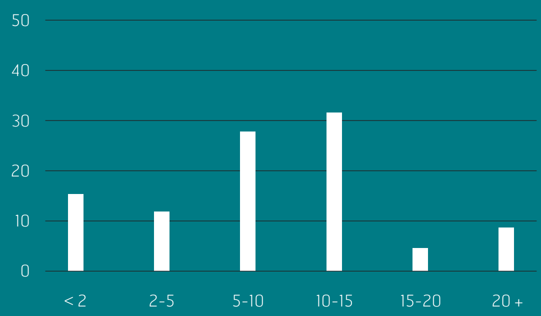
FERRIES / RO-RO



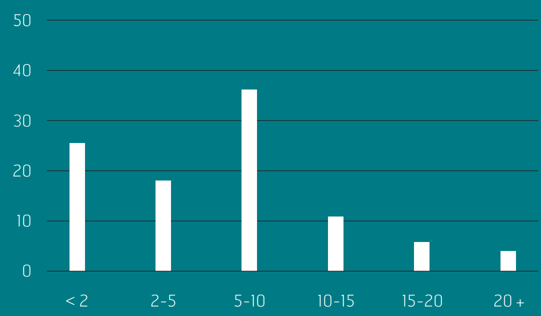
CRUDE OIL/PRODUCT TANKERS



OFFSHORE VESSELS

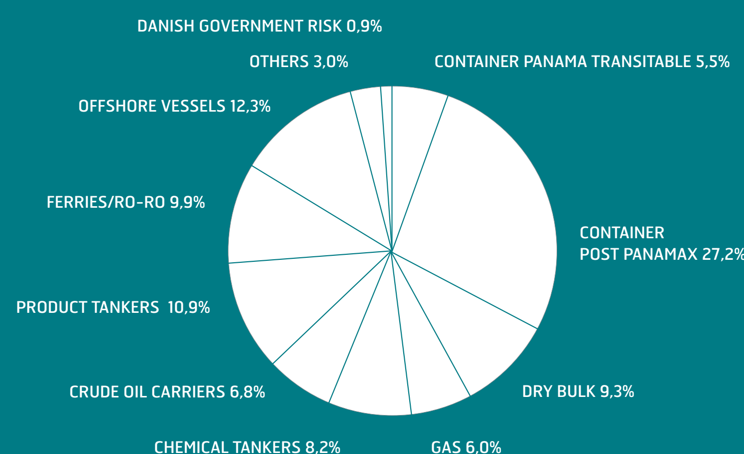


OTHERS

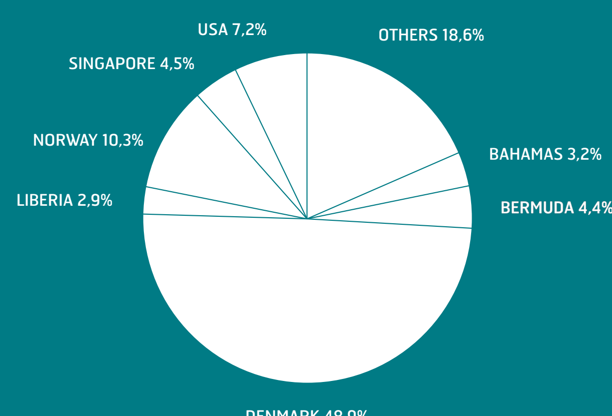


TOTAL FOR ALL VESSEL CATEGORIES

LOAN PORTFOLIO BY MORTGAGED VESSELS ETC.
(PERCENTAGE OF TOTAL LENDING)



DEBTOR DISTRIBUTION BY COUNTRY
INCLUDING DANISH GOVERNMENT RISK



/ FINANCIAL RISKS

The Executive Order on bond issuance, balance principle and risk management (the "Bond Executive Order") contains specific provisions intended to limit Danish Ship Finance's interest rate, foreign exchange and liquidity risks.

Risk management

The guidelines for financial risk management are laid down in the company's finance policy. Adopted by the Board of Directors, the policy is based on statutory rules. However, the guidelines for financial risks may be stricter than such external rules.

Credit lines and requirements on ratings held by financial counter-parties are laid down by the Board of Directors. The guidelines are included in a separate policy.

The treasury department has the day-to-day responsibility for the finance policy. The responsibility for the current calculation and reporting of financial risks lies with a function outside the treasury department.

Interest rate risks

Danish Ship Finance's interest rate risks are adjusted using a minimum target and a maximum target for the option-adjusted duration. The current maximum adjusted duration on the securities portfolio has been restricted to six years. Danish Ship Finance has calculated the option-adjusted duration at approximately 4.4 years at the end of 2007.

According to the Executive Order, interest rate risk on the company's assets, liabilities and off-balance sheet items must not exceed 8% of the company's capital base.

Rising interest rates have an adverse impact on the market value of the securities portfolio, which may result in an overall negative financial performance and a resulting negative impact on the solvency ratio. Using the Danish Financial Supervisory Authority's guidelines for calculating interest rate risks, the risk was calculated at DKK 613 million at 31 December 2007 against DKK 411 million at 31 December 2006. The increase in the calculated interest rate risk is primarily due to the fact that part of the interest rate risk on the DKK-denominated bond portfolio is hedged by way of interest rate swaps in EUR. In Danish Ship Finance' opinion, the hedge transaction reduces the interest rate risk by approximately DKK 100 million, but according to the Danish Financial Supervisory Authority's calculation method, the hedge transaction involves an increase of the interest rate risk by approximately DKK 100 million.

Danish Ship Finance seeks to minimise the interest rate risk between funding and lending by applying conservative principles, but losses may arise due to changes in interest rates. Pursuant to the Bond Executive Order, the interest rate risk between funding and lending must not exceed 1% of the capital base. Pursuant to the finance policy, interest rate risks are accepted solely when caused by timing differences in determining the reference interest rate (such as LIBOR) for variable rate funding and lending.

Foreign exchange risks

The finance policy does not accept currency risks arising due to mismatch of funding and lending except for inevitable, limited foreign exchange risks resulting from the ongoing cash management. The company's credit margin is collected in the same currency in which the loan was granted. Accordingly, the company's net interest income from lending operations is affected by exchange rate fluctuations. The primary impact derives from the USD, which is the most important lending currency.

The Bond Executive Order stipulates that the combined foreign exchange risk on assets, liabilities and off-balance-sheet items must not exceed 2% of the capital base. For certain currency positions, the risk is limited to DKK 30 million per currency.

Liquidity risks

According to the Bond Executive Order, any future cash deficit resulting from the payments related to bonds issued by Danish Ship Finance, other funding and financial instruments which exceed the future incoming payments on mortgage deeds, financial instruments and investments may not exceed 100% of the capital base.

Equity risks

The finance policy defines limits for the equity risk. Equity investments may not represent more than 10% of the capital base. At the end of 2007, the company had made equity investments corresponding to 7.7% of the capital base.

Investment of funds

According to the Executive Order, at least 60% of the capital base must be invested in the highest quality investment grade securities.

Excess liquidity deriving from issuance of bonds must be invested in safe and liquid assets in accordance with the provisions of the Executive Order.

Derivatives and structured notes

The finance policy specifies which derivatives the company may use and for which purposes.

Moreover, the policy defines restrictions on structured notes. The rules define the maximum scope of structured notes, acceptable structures and maximum maturities.

Structured notes refer to funding with conditions other than standard fixed/floating-rate conditions. The company does not issue structured bonds on which the return is dependent on the performance of shares.

Rating

Danish Ship Finance holds an Aa3 Issuer Rating, which was assigned to it by Moody's Investors Service Limited on 14 November 1998. An Issuer Rating extends to the senior debt of the entire bond-issuing institution rather than to individual bond series.

Most of the bonds have subsequently been allocated a specific rating. A rating of Aa3 has been assigned to all issued bonds that carry a rating.

Bond issuance

The rules governing bond issuance are described in the act, the Executive Order and the Bond Executive Order. The lending operations are funded through bond issuance, through lending of own funds and through proceeds from loans raised in money markets and capital markets. Individual borrowers have no direct obligations towards the bondholders.

Danish Ship Finance uses financial instruments to hedge interest rate and foreign exchange differences between funding and lending.

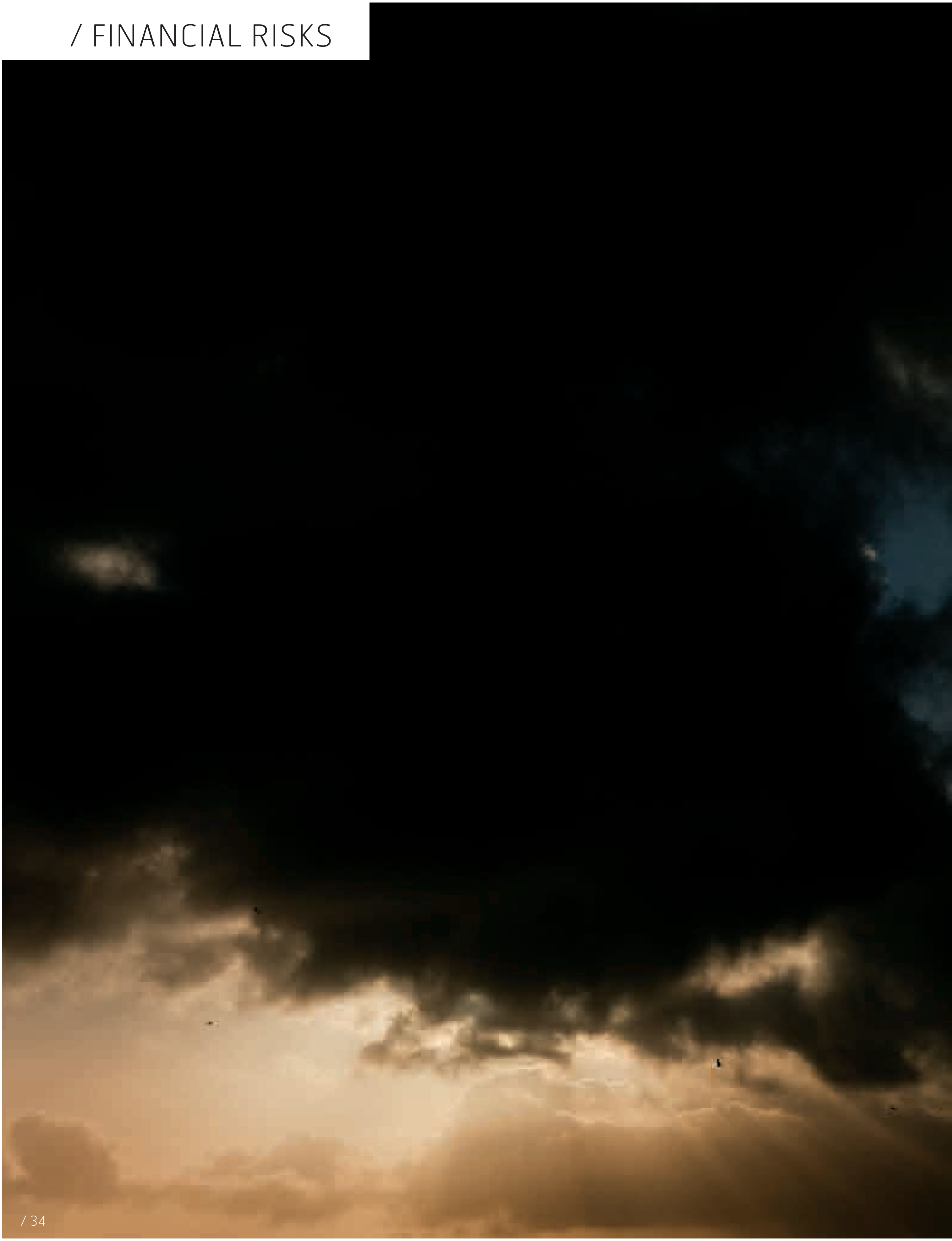
Issued bonds are primarily bullet loans denominated in DKK. At 31 December 2007, issued bonds totalled DKK 65.0 billion, of which bonds issued in DKK accounted for 89%. The bonds may be unlisted but the bulk of the bonds are listed on OMX Nordic Exchange Copenhagen with terms to maturities ranging from 1 to 20 years. The average maturity of the bonds exceeds the average maturity of the loans.

Solvency

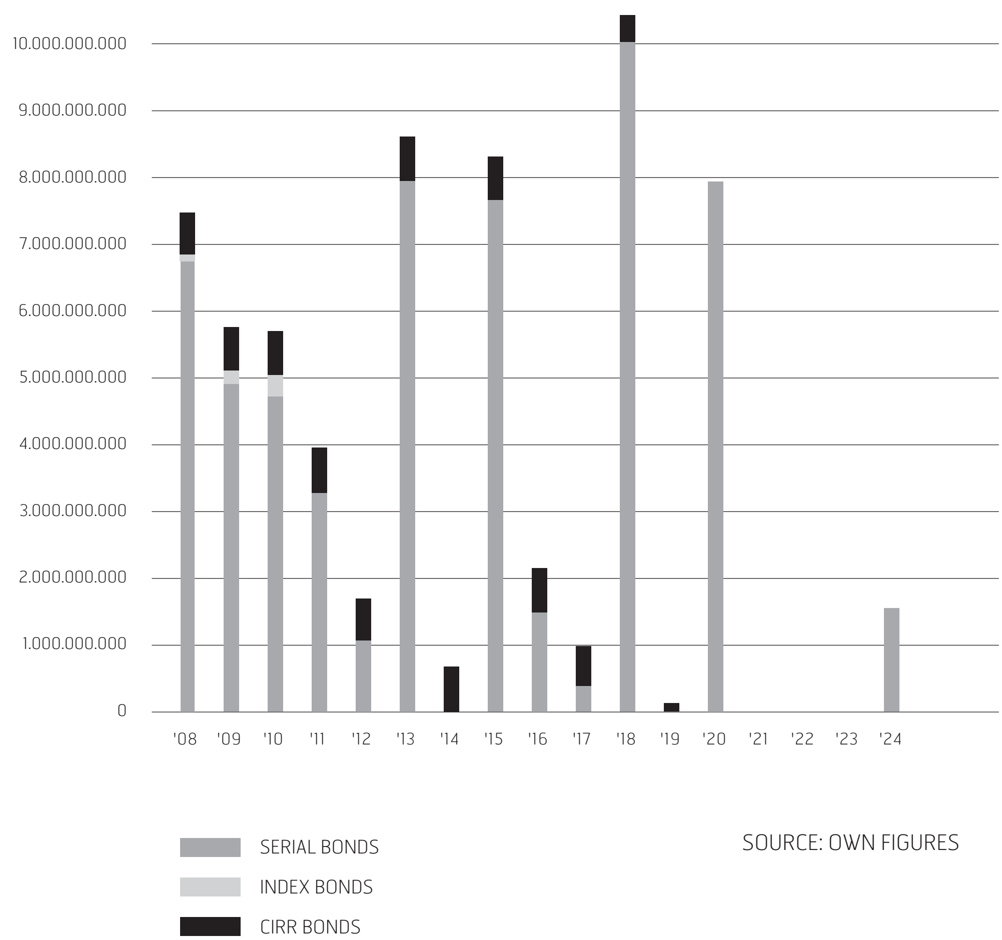
In its solvency calculation, the company will from 2007 use the standard method to calculate the risk-weighted items concerning positions involving market risk.

From 2008, credit risks concerning financial counterparties will be calculated using the standard method. In 2007, the risk-weighted items are calculated in accordance with the transition provisions of the capital adequacy rules. Thus, the calculation follows the previous capital adequacy rules.

The calculation of the individual solvency requirement includes a provision for market risk on the basis of the quarterly stress tests.



DEBT DISTRIBUTION



SOURCE: OWN FIGURES

The main operational risks of Danish Ship Finance relate to document and handling risks in lending operations and in connection with the conclusion of financial contracts. A risk of losses arises if the documentation does not adequately protect the interests of Danish Ship Finance.

Other, material operational risks relate to the use of information technology, where a system breakdown or serious system errors could involve a risk of loss, and loss risk related to taking over ship's mortgages. Taking over ship's mortgages may prove necessary in case the borrower defaults on his loan. If the ship is subsequently lost or becomes involved in an environmental issue, Danish Ship Finance, in its capacity as owner of the ship, may incur a financial loss if the insurance cover proves insufficient.

Risk management

Written in-house business procedures and control procedures are in place for all significant areas and activities. The company endeavours to maintain a high level of control through widespread use of segregated functions.

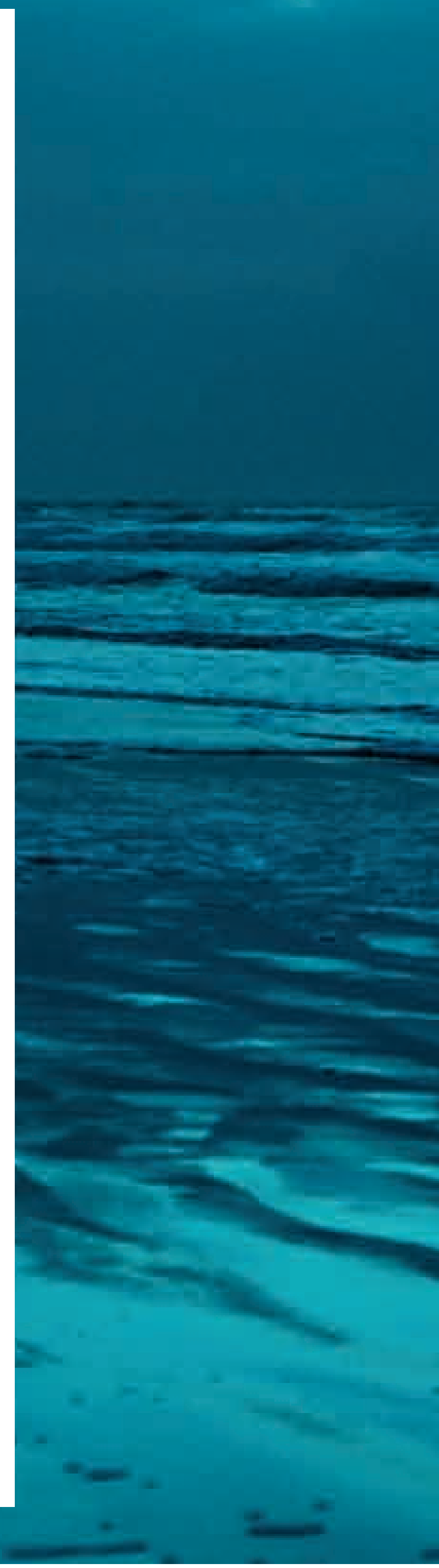
The risk of losses due to incorrect or insufficient document handling and other aspects of a legal nature has also been minimised through the use of external legal assistance and insurance cover.

Contingency plans are in place to handle IT system risks. In case of a system breakdown, the company can continue operations for a period of up to 30 days without the use of information technology. Such period is considered to be sufficient to fully re-establish the IT systems.

Solvency

From 2008 onwards, operational risks will be included in Danish Ship Finance's solvency calculation. Capital requirements will be calculated using the standard indicator method under the capital adequacy rules. Under the standard indicator method, the requirement is calculated on the basis of the financial performance for the preceding three years.

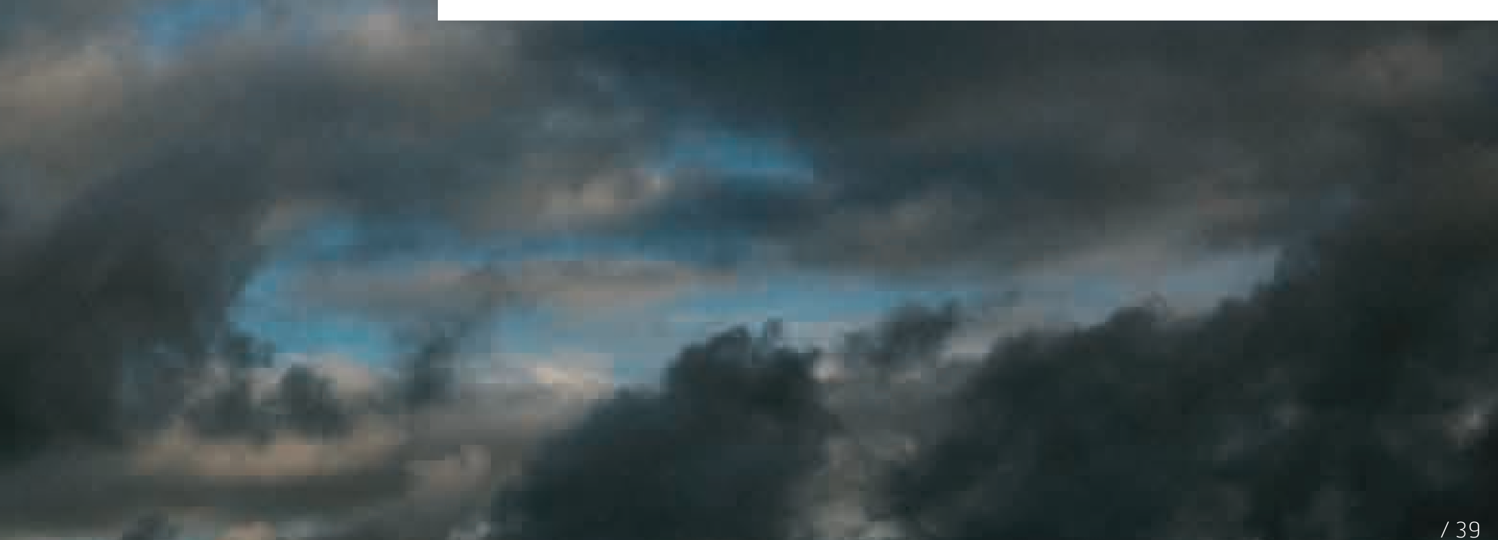
The calculation of the individual solvency requirement includes a provision corresponding to the standard indicator method under the capital adequacy rules.



As a result of the intensifying competition in the Danish labour market, Danish Ship Finance followed the general trends in the financial sector by recording a higher staff turnover in 2007 than in previous years. This trend emphasises the importance of consistently being able to continue to attract the right employees. To counter this trend, the company has taken a number of steps, including the offer of employee bonds and enhanced focus on the personal development of employees.

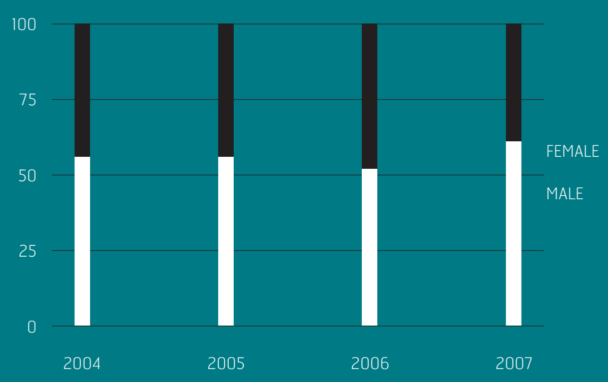
Owing to the company's status as a leading player in international ship finance, vacant positions have been filled relatively quickly. Accordingly, the company has witnessed a satisfactory inflow of highly qualified employees to replace those who left.

To support the company's position in the market for international ship financing, it has been resolved to increase investments in employee skills. One of the results of this decision is that the company will continue the training of new graduates in a trainee position and also to retain its focus on developing the skills of all employees. Training expenses therefore stayed at a high level in 2007, representing 3.7% of total staff costs.

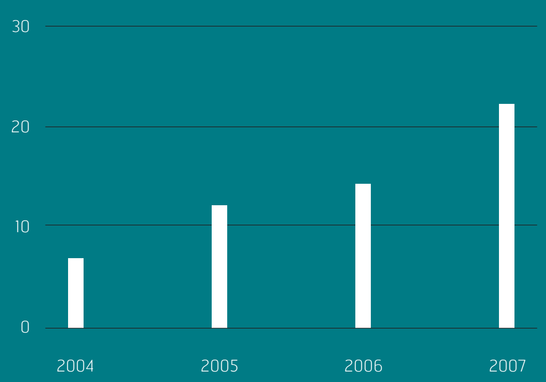


NUMBER OF EMPLOYEES

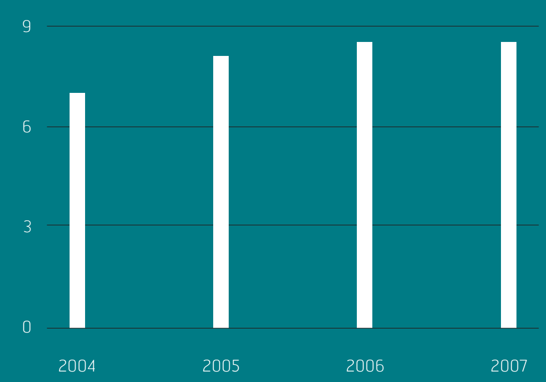
PERCENTAGE OF MALE AND FEMALE EMPLOYEES



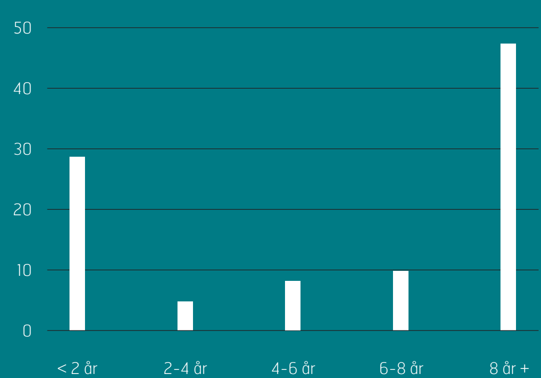
STAFF TURNOVER, PERCENT



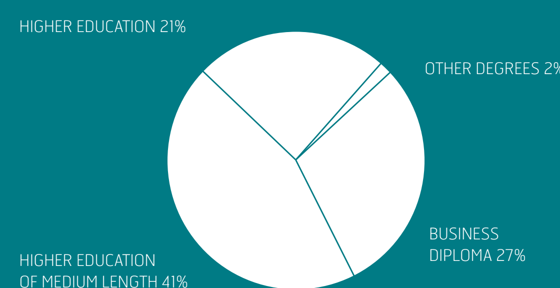
AVERAGE SENIORITY



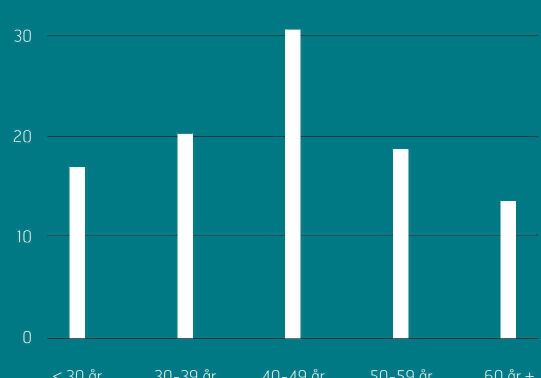
AVERAGE SENIORITY
AS A PERCENTAGE OF TOTAL EMPLOYEES

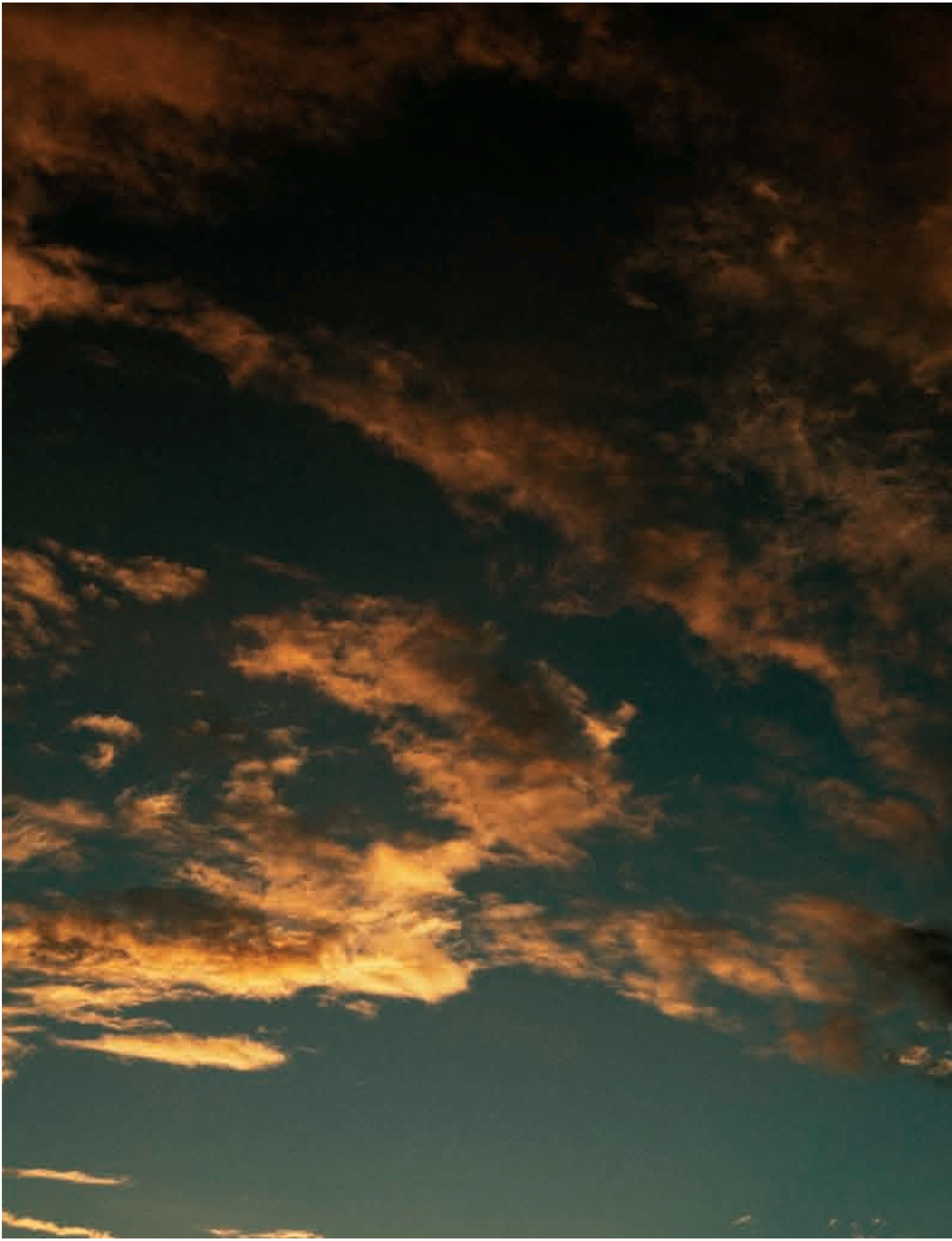


EDUCATIONAL BACKGROUND
(EMPLOYEES WHO ARE IN THE PROCESS OF COMPLETING OR HAVE COMPLETED A DEGREE)

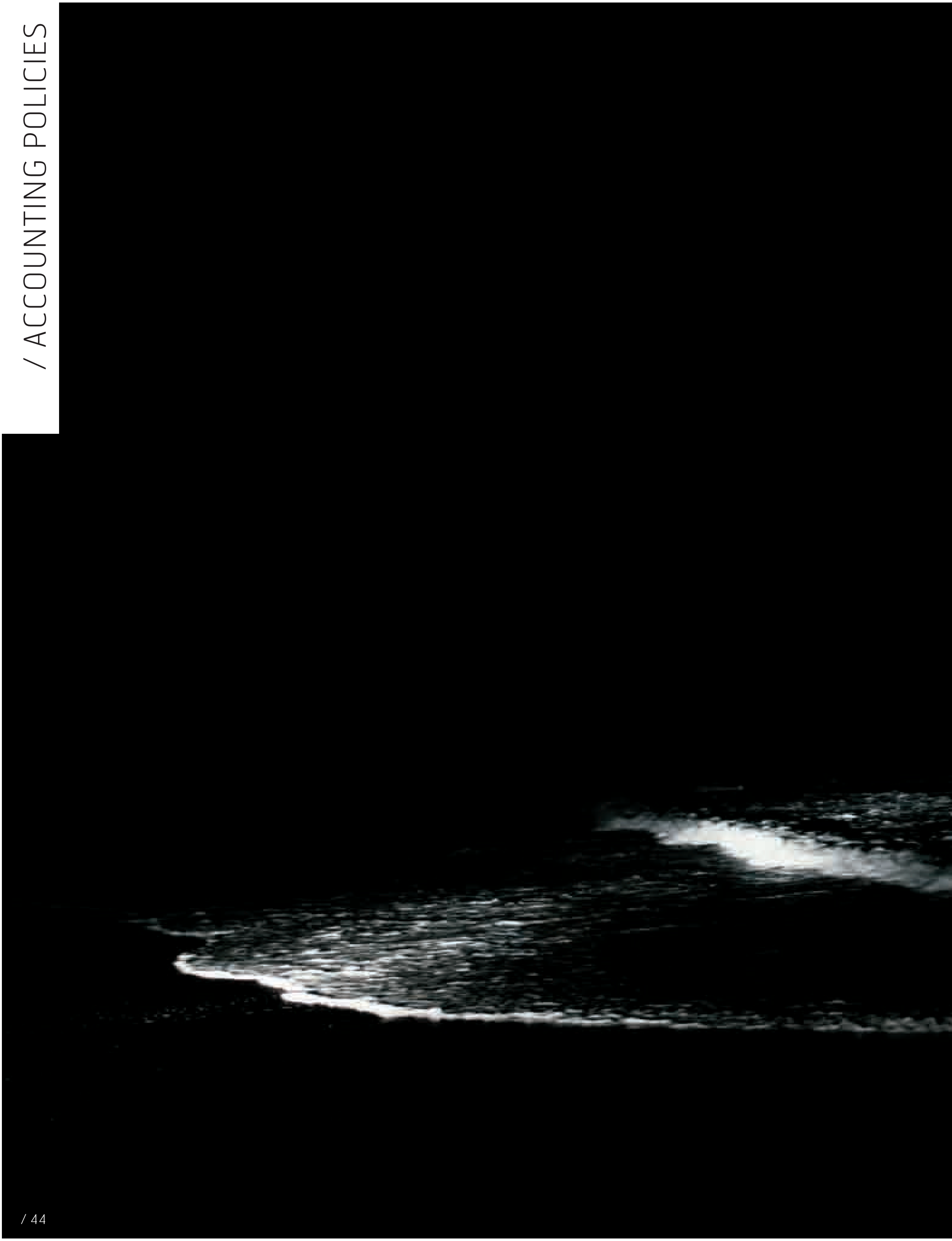


DISTRIBUTION BY AGE IN PERCENTAGE





/ ANNUAL ACCOUNTS 2007



The annual report of Danish Ship Finance A/S is presented in accordance with Executive Order no. 674 dated 21 June 2006 on a Ship Finance Institute issued by the Danish Ministry of Economic and Business Affairs. The accounting policies are unchanged from the 2006 financial year.

The format and contents of the profit and loss account, the balance sheet and the notes are prepared on the basis of the guidelines issued by the Danish Financial Supervisory Authority on the presentation of accounts by banks. However, a few adjustments have been made as a result of Danish Ship Finance's legal framework.

Transition to international financial reporting standards (IFRS)

The European Commission has adopted regulations to the effect that groups with listed shares or debt instruments must present their financial statements in accordance with the international financial reporting standards (IFRS) from 1 January 2005.

Danish Ship Finance presents parent company accounts in accordance with its own executive order. The company is therefore not required to adopt IFRS as per this date. Danish Ship Finance will adopt IFRS from 1 January 2009.

The full financial impact from the transition to IFRS on the company's profit, capital and reserves and balance sheet remains to be calculated.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to Danish Ship Finance and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when they are probable and can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below in respect of each individual item, and all adjustments are recognised in the profit and loss account.

Recognition and measurement take into consideration gains, losses and risks that arise before the time of presentation of the annual report and that confirm or invalidate matters existing at the balance sheet date.

Income is recognised in the profit and loss account as earned, including value adjustments of assets and liabilities. Moreover costs paid to generate the year's earnings, including depreciation and provisions for bad and doubtful debts, are recognised.

Foreign currency translation

Transactions denominated in foreign currency are translated when first recorded at the exchange rate prevailing on the entry date. Exchange rate differences arising between the exchange rate at the entry date and the exchange rate at the date of payment are recognised in the profit and loss account under financial income and expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates applying at the balance sheet date. The difference between the exchange rate applying at the balance sheet date and the exchange rate at the time when the receivable or payable arose or was recorded in the most recent annual report is recognised in the profit and loss account under financial income or expenses.

Danish Ship Finance uses derivative financial instruments to hedge financial risks on an ongoing basis. Receivables and payables denominated in foreign currencies and returns thereof are recognised in the accounts at the hedged values to the extent that the exchange rate risk has been fully hedged.

Derivative financial instruments

Swaps, forward exchange contracts, forward rate agreements and options that are entered into for the purpose of fully hedging exchange rate, interest rate and equity exposure on recognised financial assets or liabilities are not stated in the balance sheet as separate items, but are stated together with the hedged items. Recognition in the profit and loss account also follows the hedged item. Principal amounts and market values of the derivative financial instruments are disclosed in a note to the accounts.

Apart from minor interest margins, the net value of such interest and currency swap agreements and the assets and liabilities hedged is nil.

Derivative financial instruments entered into to fully hedge exchange rate and interest rate exposure in conjunction with anticipated future transactions and forward securities transactions are recognised in the balance sheet under other assets or other liabilities and measured at the market value on the balance sheet date. Value adjustments are recognised in the profit and loss account under market value adjustments. However, accrual of interest is recognised under interest income and expenses.

Derivative financial instruments not entered into to fully hedge financial risks or hedging assets measured at market value are recognised in the balance sheet under other assets or other liabilities and are measured at market values. Value adjustments are recognised in the profit and loss account under market value adjustments. However, accrual of interest is recognised under interest income and expenses.

PROFIT AND LOSS ACCOUNT

Other operating income

Other operating income includes rental income less expenses for operating properties. Rent is charged at market rates for the use of premises in the company's own office building.

Tax

Tax for the year, comprising income tax payable for the year and movements in deferred tax, is recognised in the profit and loss account. Income tax payable for the year is calculated at 25% of the pre-tax profit for the year, adjusted for any income that is not liable for tax and for expenses that are not tax-deductible. Deferred tax is calculated according to the balance sheet liability method as 25% of all timing differences between the accounting and tax value of the assets and liabilities. Deferred tax assets are recognised to the extent they are expected to be realised through future earnings.

BALANCE SHEET

Loans

Loans, including arrears on instalments, are assessed individually and writedowns are made to meet any anticipated losses, based on a conservative assessment. Receivables considered to be irrecoverable are written off. Losses and writedowns on debtors are deducted from lending. Writedowns on guarantee commitments are recognised under other liabilities.

Securities

Listed securities are measured at the officially quoted prices at the balance sheet date. Unlisted securities are measured at the market value at the balance sheet date.

Bonds are recognised at the hedged values if a concurrent swap agreement with effective hedging (asset swap) has been concluded.

Sale and repurchase transactions and obligation concerning securities

Securities sold, for which a simultaneous repurchase agreement is made, are recognised in the balance sheet as if the securities were still held. The amount received is recorded as an amount owed to the buyer, and any difference between the buying and selling price is recognised as interest expenses in the profit and loss account. Returns on securities are recognised in the profit and loss account.

Securities acquired, for which a simultaneous reverse transaction is made, are not recognised in the balance sheet. The amount paid is recorded under debtors, and any difference between the buying and selling price is recognised as interest income in the profit and loss account.

Upon the resale of securities bought in a reverse transaction, the obligation to buy the securities is recognised as a short-term securities portfolio under "Securities obligations" and measured at officially quoted prices. Value adjustments are recognised in the profit and loss account under "Market value adjustments".

Issued bonds

Fixed-rate issued bonds both in Danish kroner and in foreign currency are recognised in the balance sheet at nominal values as they are valued together with swap agreements. Index-linked loans are measured at the year-end index value.

Floating-rate issued bonds are recognised in the balance sheet at cost, which corresponds to the fair value of the proceeds received, net of transaction costs incurred. Subsequently, floating-rate issued bonds are measured at amortised cost.

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses.

Assets are depreciated on a straight line basis over their estimated useful lives with due consideration to any scrap value, as follows:

Office property	50 years
Other tangible assets	3 years

However, special building installations are charged to the profit and loss account in the year of acquisition. Other tangible assets with a purchase price of less than DKK 250,000 are also written off in the year of acquisition.

Commercial Interest Reference Rate (CIRR)

In 2003, Danish Ship Finance acquired the exclusive right to offer CIRR loans for vessels until the end of 2012. The price of the exclusive right was subject to contracting volumes of certain vessel types in Danish shipyards in the period from 31 March 2004, calculated at a total of DKK 225.0 million.

The DKK 225.0 million payment to the Danish government was offset by additional earnings from lending operations and is charged over the life of the CIRR loans (12 years) to the item "Net interest income from lending operations". The part of the payment which has still not been expensed is recognised in the balance sheet under "Other assets".

Danish Ship Finance's payment to the Danish government falls due as the shipyards start to deliver the vessels in question. The remaining obligation is recognised in the balance sheet under "Other liabilities".

CASH FLOW STATEMENT

The cash flow statement shows cash flows for the year and cash and cash equivalents at the beginning and end of the year. The cash flow statement is presented in accordance with the indirect method based on the profit for the year. The cash flows include market value adjustments of bonds, shares and foreign exchange for the year.

Cash flows from operating activities

Cash flows from operating activities are the profit for the year adjusted for non-cash operating items and movements in working capital.

Cash flows from investing activities

Cash flows investing activities comprise payments in connection with the purchase and sale of tangible assets.

PROFIT AND LOSS ACCOUNT

NOTE	1 JANUARY - 31 DECEMBER AMOUNTS IN DKK MILLION	2007	2006
1	Interest income	2,412.9	2,376.9
2	Interest expenses	(1,795.8)	(1,791.8)
3	**Net interest income**	**617.1**	**585.1**
	Dividends on shares	2.2	0.6
4	Fee and commission income	41.4	44.8
	Fees and commissions paid	(2.1)	(0.2)
	Net interest and fee income	**658.6**	**630.3**
5	Market value adjustments	(160.0)	(122.5)
	Other operating income	3.2	3.3
6, 7	Staff costs and administrative expenses	(85.9)	(80.3)
16	Depreciation and writedowns of tangible assets	(1.1)	(1.0)
12	Losses and writedowns on debtors	103.7	176.0
	Profit before tax	**518.5**	**605.8**
8	Tax	(124.1)	(163.3)
	Profit for the year	**394.4**	**442.5**
	PROPOSED ALLOCATION OF PROFIT		
	Dividend for the financial year	335.2	375.4
	Retained earnings	59.2	67.1
		394.4	**442.5**

BALANCE SHEET

NOTE	AS AT 31 DECEMBER AMOUNTS IN DKK MILLION	2007	2006
	ASSETS		
9	Due from credit institutions and central banks	10,550.4	6,149.8
10, 11, 12	Loans	42,689.8	37,745.7
13, 14	Bonds	21,394.4	16,893.4
15	Shares, etc.	679.9	446.0
16	Tangible assets	53.6	53.5
17	Other assets	1,291.8	1,253.2
	Total assets	**76,659.9**	**62,541.6**
	LIABILITIES, CAPITAL AND RESERVES		
	Liabilities		
18	Due to credit institutions and central banks	1,333.8	2,446.2
19	Issued bonds	64,962.3	50,039.2
20, 21	Other liabilities	1,186.6	898.0
	Total liabilities	**67,482.7**	**53,383.4**
22	**CAPITAL AND RESERVES**		
	Share capital	333.3	333.3
	Tied-up reserve capital	8,343.1	8,343.1
	Retained profit	500.8	481.8
	Total capital and reserves	**9,177.2**	**9,158.2**
	of which dividend proposed for the financial year	335.2	375.4
	Total liabilities, capital and reserves	**76,659.9**	**62,541.6**

23	Solvency
24	Guarantee commitments
25	Other commitments
26	Related parties
27	Notional principals of outstanding derivative financial instruments as at 31 December
28	Market values of outstanding derivative financial instruments as at 31 December 2007
29	Exchange rate risk and use of derivative financial instruments at 31 December 2007

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

AMOUNTS IN DKK MILLION

	Share capital	Undistributable reserve capital	Profit brought forward	Proposed dividends for the financial year	Total
Capital and reserves at 1 January 2006	**333.3**	**8,343.1**	**39.3**	**249.8**	**8,965.5**
Dividends distributed	-	-	-	(249.8)	(249.8)
Profit for the period	-	-	67.1	375.4	442.5
Capital and reserves at 1 January 2007	**333.3**	**8,343.1**	**106.4**	**375.4**	**9,158.2**
Dividends distributed	-	-	-	(375.4)	(375.4)
Profit for the period	-	-	59.2	335.2	394.4
Capital and reserves at 31 December 2007	**333.3**	**8,343.1**	**165.6**	**335.2**	**9,177.2**

CASH FLOW STATEMENT

AMOUNTS IN DKK MILLION	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year after tax	394.4	442.5
Adjustment for non-cash operating items	(78.9)	(188.9)
Profit for the year adjusted for non-cash operating items	**315.5**	**253.6**
CHANGE IN WORKING CAPITAL		
Loans	(4,845.2)	(370.5)
Issued bonds	14,923.1	(1,492.7)
Other operating capital	(378.6)	(854.7)
Total	**9,699.3**	**(2,717.9)**
Cash flows from operating activities	**10,014.8**	**(2,464.3)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Liquidation proceeds from subsidiary undertakings	-	0.7
Purchase of tangible assets	(0.8)	(0.4)
Sale of tangible assets	0.0	0.5
Total	**(0.8)**	**0.8**
Cash and cash equivalents, 1 January	20,597.0	23,060.5
Change in cash and cash equivalents	10,014.0	(2,463.5)
Cash and cash equivalents, 31 December	**30,611.0**	**20,597.0**
CASH AND CASH EQUIVALENTS, 31 DECEMBER, CONSIST OF		
Due from credit institutions and central banks	10,550.4	6,149.8
Bonds	21,394.4	16,893.4
Due to credit institutions and central banks	(1,333.8)	(2,446.2)
Cash and cash equivalents, 31 December	**30,611.0**	**20,597.0**

NOTES

AMOUNTS IN DKK MILLION		2007	2006
NOTE 1	**INTEREST INCOME**		
	Interest from credit institutions	293.8	186.1
	Interest on loans	2,204.3	1,913.6
	Index revaluations of index-linked loans	16.1	36.2
	Interest on bonds	661.4	662.0
	Other interest income	3.3	43.7
	Derivative financial instruments		
	Interest rate contracts	(775.9)	(474.2)
	Foreign exchange contracts	9.9	9.5
	Total interest income	**2,412.9**	**2,376.9**
NOTE 2	**INTEREST EXPENSES**		
	Interest to credit institutions	(47.4)	(60.5)
	Interest on issued bonds	(1,693.2)	(1,632.2)
	Index revaluations on issued bonds	(16.1)	(36.2)
	Other interest expenses	(39.1)	(62.9)
	Total interest expenses	**(1,795.8)**	**(1,791.8)**
NOTE 3	**NET INTEREST INCOME**		
	NET INTEREST INCOME FROM LENDING OPERATIONS		
	Interest on loans	2,219.8	1,949.1
	Interest on bonds	170.1	205.2
	Interest on block issues included in interest due from credit institutions	294.7	184.5
	Interest to credit institutions	(1.9)	(12.0)
	Interest expenses on issued bonds	(1,709.3)	(1,668.4)
	Other interest expenses	(32.9)	(20.1)
	Derivative financial instruments		
	Interest rate contracts	(775.9)	(474.2)
	Foreign exchange contracts	9.9	9.5
	Total net interest income on lending operations	**174.5**	**173.6**
	NET INTEREST INCOME FROM FINANCING OPERATIONS		
	Interest on bonds	491.3	456.8
	Interest on loans	0.7	0.8
	Interest due from credit institutions excluding interest on block issues	(1.0)	1.5
	Other interest income	3.3	43.6
	Interest to credit institutions	(45.5)	(48.5)
	Other interest expenses	(6.2)	(42.7)
	Total net interest income from financing operations	**442.6**	**411.5**
	Total net interest income	**617.1**	**585.1**

NOTES

AMOUNTS IN DKK MILLION		2007	2006
NOTE 4	**FEE AND COMMISSION INCOME**		
	Guarantee commission	0.0	0.0
	Fee and other commission income	41.4	44.8
	Total fee and other commission income	**41.4**	**44.8**
NOTE 5	**MARKET VALUE ADJUSTMENTS**		
	MARKET VALUE ADJUSTMENTS OF BONDS		
	Realised gains/losses on redemption and sales	(12.7)	(27.6)
	Unrealised market value adjustment	(200.2)	(136.8)
	Total market value adjustment of bonds	**(212.9)**	**(164.4)**
	Market value adjustments of shares	28.3	27.7
	Exchange rate adjustments	4.3	8.3
	Market value adjustments of financial instruments	20.3	5.9
	Total market value adjustments	**(160.0)**	**(122.5)**
NOTE 6	**STAFF COSTS AND ADMINISTRATIVE EXPENSES**		
	Remuneration for the Board of Directors	(1.1)	(0.8)
	Staff costs	(54.9)	(50.5)
	Other administrative expenses	(29.9)	(29.0)
	Total staff costs and administrative expenses	**(85.9)**	**(80.3)**
	Number of employees - full-time equivalents	57	54
	Average number of employees - full-time equivalents	55	53
NOTE 7	**AUDIT FEES**		
	Audit fees for statutory audit	(0.7)	(0.8)
	Fees for consultancy services and other professional services	(1.0)	(0.6)
	Total audit fees	**(1.7)**	**(1.4)**

NOTES

AMOUNTS IN DKK MILLION		2007	2006
NOTE 8	**TAX**		
	Estimated tax on the profit for the year	(105.9)	(162.1)
	Change in deferred tax on the profit for the year	(18.0)	(0.7)
	Adjustment due to lowering of corporation tax rate to 25 per cent	1.5	-
	Prior-year adjustments of current tax	(1.7)	(0.5)
	Total tax	**(124.1)**	**(163.3)**

During the financial year, DKK 149.9 million was paid under the on-account tax scheme.
Underpayment of tax for 2006 amounted to DKK 6.9 million.

		2007	2006
NOTE 9	**DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS**		
	Repo/reverse transactions	0.0	1,963.1
	Other debtors	10,550.4	4,186.7
	Total due from credit institutions and central banks	**10,550.4**	**6,149.8**
NOTE 10	**LOANS**		
	At 1 January	37,745.7	37,199.7
	Additions	11,760.3	9,106.8
	Index revaluations during the year	16.1	36.3
	Ordinary repayments and redemptions	(4,156.3)	(3,916.9)
	Extraordinary prepayments	(2,735.5)	(1,734.9)
	Net change concerning revolving credit facilities	2,008.2	167.7
	Net change concerning debentures with Danmarks Nationalbank	(334.3)	(694.7)
	Exchange rate adjustment of additions and disposals at hedged exchange rate	(1,713.3)	(2,593.6)
	Losses and writedowns for the year	98.9	175.3
	At 31 December	**42,689.8**	**37,745.7**
NOTE 11	**LOANS**		
	Loans secured against a ship's mortgage	38,730.7	35,109.7
	Financial debtors	-	74.2
	The Financial Administration Agency	6.3	108.7
	Compensation from the Danish State for interest subsidies and inflation guarantees	0.2	5.0
	Danmarks Nationalbank	358.1	679.8
	Gross loans at exchange rates at the balance-sheet date	**39,095.3**	**35,977.4**
	Exchange rate adjustments at hedged exchange rates	4,325.2	2,597.9
	Accumulated writedowns	(730.7)	(829.6)
	Total loans	**42,689.8**	**37,745.7**

"Exchange rate adjustments at hedged exchange rates" relate to the difference between the value of loans calculated at exchange rates at the balance-sheet date and the value of loans calculated at hedged exchange rates, as all significant foreign exchange risks are fully hedged.

NOTES

NOTE 12

ACCUMULATED WRITEDOWNS

AMOUNTS IN DKK MILLION	2007	2006
THE FOLLOWING WRITEDOWNS HAVE BEEN MADE ON DEBTORS		
1 writedowns which involve a probable risk of losses	720.1	811.4
2 writedowns which involve losses that are deemed unavoidable	10.7	18.3
Total accumulated writedowns	**730.8**	**829.7**
AS A PERCENTAGE OF LOANS AND WRITEDOWNS		
1 writedowns which involve a probable risk of losses	1.7	2.1
2 writedowns which involve losses that are deemed unavoidable	0.0	0.1
Total accumulated writedowns	**1.7**	**2.2**
TOTAL ACCUMULATED WRITEDOWNS CONSIST OF		
Set off against loans	730.7	829.6
Provisions made for other liabilities	0.1	0.1
Total accumulated writedowns	**730.8**	**829.7**
MOVEMENTS IN ACCUMULATED WRITEDOWNS		
At 1 January	829.7	1,005.1
New writedowns made	361.4	314.9
Reversed writedowns	(460.3)	(490.0)
Losses covered by prior-year writedowns	-	(0.3)
Total accumulated writedowns	**730.8**	**829.7**
LOSSES AND WRITEDOWNS ON DEBTORS		
New writedowns made	(361.4)	(314.9)
Reversed writedowns	460.3	490.0
Losses not covered by prior-year writedowns	0.0	0.0
Recovered from previous claims written off	4.8	0.9
Total losses and writedowns on debtors	**103.7**	**176.0**
WRITEDOWNS BROKEN DOWN BY COUNTRIES		
Bermuda	60.5	3.0
Denmark	233.2	367.0
Greenland	4.9	23.3
Italy	38.1	26.5
Luxembourg	57.6	11.3
Norway	97.2	103.2
Singapore	45.8	-
USA	193.5	295.4
Total accumulated writedowns	**730.8**	**829.7**

NOTES

AMOUNTS IN DKK MILLION		2007	2006
NOTE 13	**BONDS**		
	BOND PORTFOLIO		
	Non-callable bonds	13,511.0	10,660.0
	Callable bonds	7,883.4	6,233.4
	Total bonds	**21,394.4**	**16,893.4**
NOTE 14	**BOND HOLDINGS SPECIFIED BY TIME TO MATURITY**		
	BOND PORTFOLIO		
	Bonds with a maturity of up to and including 1 year	-	4,675.0
	Bonds with a maturity of over 1 year and up to and including 5 years	12,743.8	4,916.1
	Bonds with a maturity of over 5 years and up to and including 10 years	641.1	1,261.6
	Bonds with a maturity of over 10 years	8,009.5	6,040.7
	Total bond holdings specified by time to maturity	**21,394.4**	**16,893.4**
NOTE 15	**SHARES, ETC.**		
	Shares/unit trust certificates listed on OMX The Nordic Exchange Copenhagen	445.3	207.0
	Unlisted shares/unit trust certificates recognised at fair value	234.6	239.0
	Total shares, etc.	**679.9**	**446.0**

NOTES

AMOUNTS IN DKK MILLION	2007	2006

NOTE 16 **TANGIBLE ASSETS**

OFFICE PROPERTY		
Purchase price including leasehold improvements, 1 January	59.0	58.9
Leasehold improvements during year	0.4	0.1
Purchase price including leasehold improvements, 31 December	**59.4**	**59.0**
Accrued depreciation, 1 January	6.0	5.4
Depreciation during the year	0.6	0.6
Accrued depreciation, 31 December	**6.6**	**6.0**
Total office property	**52.8**	**53.0**

The asset comprises the office property at Sankt Annæ Plads 1-3, Copenhagen, the public valuation of which is assessed at DKK 81.0 million at 1 October 2006.

OTHER TANGIBLE ASSETS		
Purchase price, 1 January	1.9	2.2
Disposals during the year	0.0	(0.7)
Additions during the year	0.8	0.4
Purchase price, 31 December	**2.7**	**1.9**
Accumulated depreciation, 1 January	1.4	1.3
Disposals during the year	0.0	(0.3)
Depreciation during the year	0.5	0.4
Accumulated depreciation, 31 December	**1.9**	**1.4**
Total other tangible assets	**0.8**	**0.5**

Other tangible assets comprise acquisitions with a purchase price exceeding DKK 250,000.00.

Total tangible assets	**53.6**	**53.5**

NOTE 17 **OTHER ASSETS**

Interest receivable	1,013.2	1,007.2
Accruals related to CIRR financing	163.5	196.4
On-account corporation tax receivable	44.5	-
Market value of derivative financial instruments	26.2	6.5
Miscellaneous receivables	44.4	43.1
Total other assets	**1,291.8**	**1,253.2**

AMOUNTS IN DKK MILLION		2007	2006
NOTE 18	**DUE TO CREDIT INSTITUTIONS AND CENTRAL BANKS**		
	Repo transactions	1,274.2	1,963.1
	Debt to Danmarks Nationalbank	-	400.0
	Other creditors	59.6	83.1
	Total due to credit institutions and central banks	**1,333.8**	**2,446.2**
NOTE 19	**ISSUED BONDS**		
	At 1 January	50,039.2	51,531.9
	Additions in conjunction with new loans and block issues	24,021.3	6,845.3
	Index revaluations during the year	16.1	36.2
	Ordinary redemptions	(9,114.3)	(7,631.3)
	Extraordinary repayments and prepayments	-	(742.9)
	At 31 December	**64,962.3**	**50,039.2**
	SPECIFICATION OF ISSUED BONDS		
	Bonds issued in DKK		
	Bullet bonds	57,488.2	43,348.7
	Index-linked loans, nominal value	255.0	523.1
	Total nominal value	**57,743.2**	**43,871.8**
	Index premium	334.9	664.5
	Total issued bonds in DKK	**58,078.1**	**44,536.3**
	Bonds issued in foreign currency		
	Amortising CIRR bonds, at year-end exchange rates	6,884.2	4,583.1
	Bullet bonds at exchange rates at the balance-sheet date	-	885.1
	Exchange rate adjustments at hedged exchange rates	-	34.7
	Total issued bonds in foreign currency	6,884.2	5,502.9
	Total issued bonds	**64,962.3**	**50,039.2**
NOTE 20	**OTHER LIABILITIES**		
	Interest payable	1,141.3	820.7
	Income tax payable	-	4.8
	Amount payable to the Danish government concerning CIRR financing	-	35.0
	Market value of derivative financial instruments	-	11.9
	Deferred tax	30.7	14.2
	Provision guarantees, etc.	0.1	0.1
	Miscellaneous liabilities	14.5	11.3
	Total other liabilities	**1,186.6**	**898.0**

NOTES

AMOUNTS IN DKK MILLION		2007	2006
NOTE 21	**DEFERRED TAX**		
	Deferred tax, 1 January	14.2	13.5
	Estimated deferred tax on the profit for the year	18.0	0.7
	Adjustment due to lowering of corporation tax rate to 25 per cent	(1.5)	-
	At 31 December	**30.7**	**14.2**
NOTE 22	**CAPITAL AND RESERVES**		
	SHARE CAPITAL		
	A shares	300.0	300.0
	B shares	33.3	33.3
	Total share capital	**333.3**	**333.3**
	Tied-up reserve capital	8,343.1	8,343.1
	Profit brought forward	500.8	481.8
	Total capital and reserves	**9,177.2**	**9,158.2**
	of which proposed dividend, cf. allocation of profit	335.2	375.4

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

AMOUNTS IN DKK MILLION	2007	2006
NOTE 23 SOLVENCY		
TIER 1 CAPITAL		
Share capital	333.3	333.3
Tied-up reserve capital	8,343.1	8,343.1
Profit brought forward	500.8	481.8
Total Tier 1 capital	**9,177.2**	**9,158.2**
DEDUCTIONS IN TIER 1 CAPITAL		
Proposed dividends	335.2	375.4
Additional straining relative to the Executive Order on a Ship Finance Institute	38.2	12.1
Total deductions in Tier 1 capital	**373.4**	**387.5**
Tier 1 capital less deductions	**8,803.8**	**8,770.7**
Capital base	**8,803.8**	**8,770.7**
Weighted items not included in the trading portfolio	42,069.1	35,966.4
Weighted off-balance sheet items	6,158.2	7,323.9
Weighted items with counterparty risk outside the trading portfolio	629.9	398.9
Weighted items with market risk, etc.	8,808.9	5,372.4
Total weighted items	**57,666.1**	**49,061.6**
Tier 1 capital less deductions as a percentage of total risk-weighted items	**15.3**	**17.9**
Solvency ratio pursuant to the Executive Order on a Ship Finance Institute	**15.3**	**17.9**
Minimum requirement fixed at 10 per cent		
WEIGHTED ITEMS WITH MARKET RISK, ETC. CONSIST OF		
Items with position risk: Debt instruments	7,367.0	4,585.4
Items with position risk: Shares	1,019.9	668.9
Total currency position	422.0	118.1
Total weighted items with market risk, etc.	**8,808.9**	**5,372.4**

NOTES

AMOUNTS IN DKK MILLION		2007	2006
NOTE 24	**GUARANTEE COMMITMENTS**		
	In the ordinary course of its lending operations, Danish Ship Finance has undertaken guarantee commitments of	380.2	221.4
	In the ordinary course of its lending operations, Danish Ship Finance has undertaken obligations to take over loan commitments at the end of syndication periods expiring before the loans mature for an amount of	57.1	63.7
	Payment guarantee provided to the Danish Securities Centre	3.7	4.4
	Guarantees provided to the Danish Securities Centre	1.7	2.0
	Total guarantee commitments	**442.7**	**291.5**
NOTE 25	**OTHER COMMITMENTS**		
	As a normal part of its lending operations, Danish Ship Finance has undertaken obligations in connection with unutilised drawing rights on loans with revolving credit facilities in the amount of	1,444.5	2,096.2

NOTE 26 **RELATED PARTIES**

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

All related-party transactions involving deposits and debt and transactions with financial instruments in the form of swap 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 new buildings.

AMOUNTS IN DKK MILLION	2007	2006
NOTE 27 NOTIONAL PRINCIPALS OF OUTSTANDING DERIVATIVE FINANCIAL INSTRUMENTS AS AT 31 DECEMBER		
SWAP AGREEMENTS		
Swap agreements have been made with the following parties to hedge the exchange rate exposure on loans and issued bonds:		
Danmarks Nationalbank	1,530.0	1,954.6
Banks	38,548.5	32,324.6
Swap agreements have been made with the following parties to hedge the interest rate exposure on loans and issued bonds:		
Debtors	444.1	-
Banks	49,867.1	61,697.2
Matching swap agreements have been made with debtors and banks as follows:		
Debtors	2.3	5.2
Banks	2.3	5.2
Swap agreements, for which financial risks are not fully hedged, have been made with the following parties:		
Banks	1,738.4	2,117.7
FORWARD CURRENCY AGREEMENTS		
Forward currency sales	11.3	11.7
FORWARD INTEREST RATE AND CURRENCY AGREEMENTS		
Forward interest rate and currency agreements have been made with the following parties to hedge interest rate and exchange rate risk		
Banks	394.5	301.0
FORWARD SECURITIES TRANSACTIONS		
Buying	-	-
Selling	830.0	780.0

AMOUNTS IN DKK MILLION	POSITIVE	NEGATIVE
NOTE 28 **MARKET VALUES OF OUTSTANDING DERIVATIVE FINANCIAL INSTRUMENTS AS AT 31 DECEMBER 2007**		
SWAP AGREEMENTS		
Swap agreements have been made with the following parties to hedge the exchange rate exposure on loans:		
Danmarks Nationalbank	309.7	
Banks	4,156.6	111.6
Swap agreements have been made with the following parties to hedge the interest rate exposure on loans:		
Debtors	-	36.4
Banks	375.1	3,922.8
Matching swap agreements have been made with debtors and banks as follows:		
Debtors	-	0.1
Banks	0.1	-
Swap agreements, for which financial risks are not fully hedged, have been made with the following parties:		
Banks	16.0	35.1
FORWARD CURRENCY AGREEMENTS		
Forward currency sales	0.2	-
FORWARD INTEREST RATE AND CURRENCY AGREEMENTS		
Forward interest rate and currency agreements have been made with the following parties to hedge interest rate and exchange rate risk		
Banks	-	14.6
FORWARD SECURITIES TRANSACTIONS		
Buying	-	-
Selling	12.8	-
NETTING OF EXPOSURE VALUE		
The positive gross fair value of financial contracts after netting, pursuant to appendix 17 to the Danish Executive Order on Capital Adequacy		
Counterparty with risk weight of 0%	309.7	
Counterparty with risk weight of 20%	1,639.2	
Value of total counterparty risk calculated according to the market valuation method for counterparty risk		
Counterparty with risk weight of 0%	309.7	
Counterparty with risk weight of 20%	4,560.7	

NOTES

AMOUNTS IN DKK MILLION

NOTE 29 **EXCHANGE RATE RISK AND USE OF DERIVATIVE FINANCIAL INSTRUMENTS AT 31 DECEMBER 2007**

The total unhedged foreign currency position at 31 December, translated at year-end exchange rates into DKK amounts to DKK 339.9 mio. (DKK (73.4) million at 31. December 2006).

All amounts are translated into DKK at the year-end exchange rates.

The net position is specified as follows:

	USD	OTHER CURRENCIES	TOTAL FOREIGN CURRENCY	DKK	TOTAL
Loans at year-end exchange rates	31,512.5	5,402.3	**36,914.8**	2,180.5	39,095.3
Foreign exchange adjustment at hedge price				4,325.2	4,325.2
Provision for loans				(730.7)	(730.7)
Loans as per the balance sheet					**42,689.8**
Due from credit institutions and central banks	1,048.1	214.1	**1,262.2**	9,288.2	10,550.4
Bond portfolios	0.0	4,625.3	**4,625.3**	16,769.1	21,394.4
Interest receivable, etc.	245.7	151.2	**396.9**	610.3	1,007.2
Other assets	0.0	41.3	**41.3**	976.8	1,018.1
Total assets as per the balance sheet	**32,806.3**	**10,434.2**	**43,240.5**	**33,419.4**	**76,659.9**
Issued bonds at year-end exchange rates	(6,884.2)	0.0	**(6,884.2)**	(58,078.1)	(64,962.3)
Foreign exchange adjustment at hedge price				0.0	0.0
Issued bonds as per the balance sheet					**(64,962.3)**
Due to banks	0.0	(27.1)	**(27.1)**	(1,306.7)	(1,333.8)
Interest payable	(256.2)	(365.9)	**(622.1)**	(198.6)	(820.7)
Other creditors				(365.9)	(365.9)
Total capital and reserves				(9,177.2)	(9,177.2)
Total liabilities as per the balance sheet	**(7,140.4)**	**(393.0)**	**(7,533.4)**	**(69,126.5)**	**(76,659.9)**
Derivative financial instruments - debtors	261.2	0.0	**261.2**		
Derivative financial instruments - creditors	(25,952.1)	(9,676.3)	**(35,628.4)**		
Total net position (Translated into DKK)	**(25.0)**	**364.9**	**339.9**		

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