ANNUAL REPORT 2008

DANISH
SHIP FINANCE

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Danish Ship Finance at a Glance

- Danish Ship Finance is a ship finance institute, which uses a simple and effective business model for financing ships against a first mortgage. The company is supervised by the Danish Financial Supervisory Authority.

- Danish Ship Finance provides financing for Danish shipowners and for selected non-Danish shipowners.

- Danish Ship Finance must comply with a balance principle, which ensures that its loans are funded through bond issuance throughout the maturity. To that end, the company has secured sufficient funding to finance the existing portfolio of loans and loan offers until 2020 without having to issue new bonds. Future lending activities will require new bond issues.

- Since 2007, Danish Ship Finance has had the opportunity to issue covered bonds. This opportunity has not yet been utilised.

- In 2003, Danish Ship Finance acquired the exclusive right to offer CIRR loans for vessels contracted before the end of 2012 and built in Denmark until the end of 2015.

- Bonds issued by Danish Ship Finance uphold an Aa3 rating by Moody's Investors Service. The company's Issuer Rating is also Aa3.

- At 31 December 2008, Danish Ship Finance had loans of DKK 51.0 billion, total assets of DKK 81.6 billion and capital and reserves of DKK 8.9 billion before dividends. The company has 64 employees.

- The profit after tax for the year was DKK 37.0 million. The profit is considered acceptable in a year of unrest in the financial and maritime markets.

- Danish Ship Finance has a solvency ratio of 13.0% after proposed dividends. The company's core capital (Tier 1) ratio is also 13.0%.

Key Figures

	USD million	Danish Ship Finance A/S (Danmarks Skibskredit A/S) DKK million				Danish Ship Finance (Danmarks Skibskreditfond) DKK million
	2008	2008	2007	2006	2005	2004
Net interest income from lending operations	**48**	256	174	174	161	182
Net interest income from financing operations	**89**	470	443	411	369	411
Total net interest income	**137**	726	617	585	530	593
Net interest and fee income	**151**	796	659	630	568	615
Market value adjustment	**(72)**	(378)	(160)	(123)	(148)	(23)
Staff costs and administrative expenses	**(17)**	(92)	(86)	(80)	(80)	(74)
Losses and writedowns on debtors	**(38)**	(200)	104	176	56	772
Net profit before tax	**24**	128	519	606	399	1,293
Profit for the year	**7**	37	394	443	286	907
Loans	9,658	51,044	42,690	37,746	37,200	35,445
Due from credit institutions	**284**	1,503	10,550	6,150	1,591	2,734
Bonds	**5,081**	26,851	21,394	16,893	22,334	20,021
Capital and reserves	1,680	8,879	9,177	9,158	8,966	9,486
Total assets	15,446	81,632	76,660	62,542	62,534	59,907
Solvency ratio *)	**13.0**	13.0	15.3	17.9	18.6	22.2
Return on equity	**0.4**	0.4	4.3	5.0	3.3	10.4

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 2004 was calculated in accordance with the executive order on Danish Ship Finance (Danmarks 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 2004 have not been restated.

Activities During the Year

2008 was a year of many challenges. This applies to the financial sector as well as to large parts of the maritime sector. In light of this, Danish Ship Finance had an acceptable year in 2008.

The company recorded a continuing positive trend in lending operations before writedowns. However, the global economic crisis has had a direct impact on demand for sea transport. Slowing economic growth and in certain countries outright recession combined with the delivery of many new vessels from the shipyards have triggered a global decline in freight rates and ship prices. The decline in rates and prices was particularly strong in the dry bulk and container segments, where rates declined at an unprecedented pace to very low levels. This affected some of the company's customers and is the reason for the increase in the company's writedowns. The company did not record losses on loans in 2008.

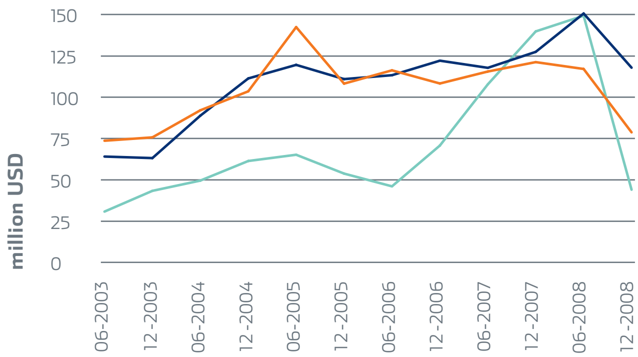
Danish Ship Finance has retained a consistent and prudent credit policy during the economic boom of the past few years. A very large number of loan requests have been rejected because they failed to comply with the company's requirements for factors such as loan-to-value ratio, financial standing of the borrower or employment of the vessel. Danish Ship Finance has focused on customers who are assessed to be resilient to an economic downturn, for example by maintaining a portfolio of vessels acquired over a number of years and at reasonable average prices. Even in view of recent economic developments, the company generally retains a satisfactory credit quality in its portfolio of outstanding loan offers and disbursed loans.

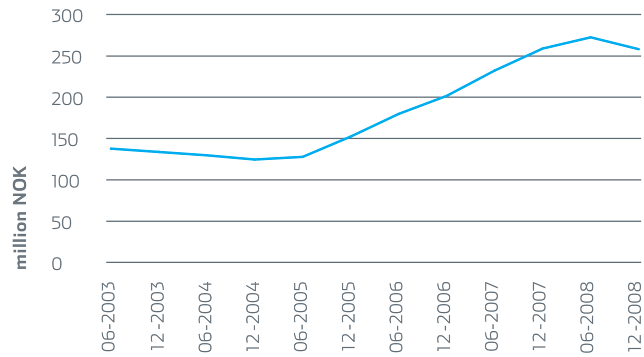
The company has suffered losses on its securities portfolio due to the financial crisis. The spread between mortgage bonds and government bonds widened in the course of 2008. As most of the securities portfolio is invested in Danish mortgage bonds, the company has not been able to generate the same return as that achieved by similar investments in Danish government bonds. The company also incurred losses on its equity investments owing to the historical decline in global equity indices in 2008.

Loan disbursements amounted to DKK 12.9 billion, an increase of DKK 1.1 billion relative to 2007. New lending is distributed on Danish as well as foreign shipowners and was achieved through loans to new customers and an increase in lending to a number of existing customers.

In 2008, Danish Ship Finance's customers accepted loan offers in the amount of DKK 15.1 billion. The loans will

Shipvalues by segment





Tanker: VLCC, 300,000 DWT, 5 year old
Dry bulk: Capesize, 170,000 DWT, 5 year old
Container: Post-Panamax, 6,600 teu, 5 year old
Offshore: AHTS, 12,240 BHP, 5 year old

Source: Clakson, Platou, Danish Ship Finance

be disbursed during the period 2008-2012. Shipowners fully or partly controlled by Danish interests account for a little over 54% of accepted loan offers. The remaining 46% are offers to a large group of shipowners domiciled outside Denmark, which is consistent with Danish Ship Finance's policy of active risk diversification. Loan offers to foreign shipowners were almost evenly distributed by geographic areas, with the highest number of accepted offers being accepted by US, Greek and German shipowners.

The shipping markets

The container market struggled with excess capacity in 2008. As a result of this, many shipowners had to lay up tonnage, and freight rates and ship prices declined throughout the year.

The tanker market was marked by the prospect of a global economic downturn. Freight rates stayed at high levels in 2008, but ship prices have started to come down.

The dry bulk carriers enjoyed a good first half in 2008 characterised by high rates and strong demand. The supply of tonnage rose in the second half of the year, and demand was down, causing a sharp decline in freight rates and ship prices.

For the third year running, demand for offshore supply vessels remained strong. In spite of consistently high freight rates, ship prices fell during the last few months of the year, partly because of a large order book, partly because of much lower oil prices.

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

Bond issuance

The need for issuing new bonds in 2008 was relatively small following the issuance in the second half of 2007 of sufficient volumes to cover all disbursements in the existing portfolio of loan offers. In 2008, the company issued bonds worth DKK 5.5 billion, of which DKK 1.7 billion was issued in DKK with an average maturity of just under 4.5 years. To this should be added issuance of bonds under the CIRR loan scheme in foreign currency for DKK 3.8 billion with a maturity of 12 years. Given the unstable market in which the bonds were issued, the terms for raising new funding were satisfactory.

Profit and Loss Account and Balance Sheet

Profit for the year

The profit for the year after tax amounted to DKK 37.0 million compared with DKK 394.4 million in 2007.

Net interest and fee income rose from DKK 658.6 million in 2007 to DKK 795.5 million in 2008, of which net interest and fee income from lending operations recorded an increase of DKK 94.3 million to DKK 308.1 million in 2008, up from DKK 213.8 million in 2007. Due to developments in market interest rates, net interest income from financing operations rose by DKK 27.9 million from DKK 442.6 million in 2007 to DKK 470.5 million in 2008.

Market value adjustments of securities and foreign exchange amounted to a loss of DKK 377.8 million compared with a loss of DKK 160.0 million in 2007. The securities portfolio consists primarily of Danish government bonds and mortgage bonds or bonds of a similar security and a few minor equity interests. The return on equity investments (unit trust certificates) amounted to a loss of DKK 232.8 million against a profit of DKK 28.3 million in 2007.

Staff costs and administrative expenses amounted to DKK 91.9 million in 2008, against DKK 85.9 million in 2007, an increase of just under 7%.

Losses and writedowns on debtors amounted to a net expense of DKK 199.7 million compared with a net income of DKK 103.7 million in 2007. Writedowns increased from DKK 730.8 million in 2007 to DKK 932.4 million in 2008, and at the end of the year made up 1.9% of total lending, which is in line with last year's percentage. Movements in writedowns in 2008 and writedowns broken down by countries are specified in note 12 to the accounts.

Tax for the year amounted to DKK 91.3 million against DKK 124.1 million in 2007. For 2008, this equals an effective tax rate of 71.2%, which is due to the fact that the negative return on equity investments in 2008 is not included in the taxable income.

Total assets increased to DKK 81,631.6 million from DKK 76,659.9 million at 31 December 2007.

Lending, calculated at hedged values, rose by DKK 8,515.5 million before writedowns from DKK 43,420.5 million in 2007 to DKK 51,936.0 million in 2008, an increase of 19.6%. Over the course of the year, there was a net increase in new loans of DKK 12,897.2 million, against an increase in 2007 of DKK 11,760.3 million. For further details on movements in lending, see note 10 to the accounts.

The bond portfolio rose from DKK 21,394.4 million in 2007 to DKK 26,851.2 million at 31 December 2008. The increase compared with 2007 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.

Issued bonds amounted to DKK 62,519.8 million at 31 December 2008 compared with DKK 64,962.3 million at year-end 2007. As a result of strong liquidity resources, in 2008 new bonds issued amounted to only DKK 5,524.2 million, as compared with issuance of DKK 24,021.3 million in 2007. Movements in issued bonds and a specification of bond types are set out in note 19 to the accounts.

Including the profit for the year, the company's capital and reserves amounted to DKK 8,879.1 million as compared with DKK 9,177.2 million at 31 December 2007. Dividends of DKK 5.6 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 by the shareholders at the annual general meeting in April 2009, and the amount has therefore been deducted in capital and reserves in the solvency calculation below.

The solvency ratio stood at 13.0% at 31 December 2008, as compared with the minimum requirement of 10% as stipulated in the executive order on a ship finance institute. As from 1 January 2009, the requirement is lowered to 8%. Using the same calculation method, the solvency ratio stood at 15.3% at 31 December 2007. 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 the fact that items involving operational risks are included in the calculation of the solvency ratio as from 2008. 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.

Outlook

Shipping has always been a cyclical industry in which fluctuations in supply and demand for vessels are a natural component. At the moment, the outlook is characterised by a very large order book and many deliveries of new vessels from the shipyards, whilst demand is slowing down due to the global economic crisis.

To some extent, the industry will contribute to reducing supply by increasing the proportion of vessels that are scrapped. During the past few months, there has been a sharp increase in scrapping activity. At the same time, the slowing demand has triggered renegotiations of many shipbuilding contracts already signed with a view to cancelling such contracts or postponing the delivery date. In the short term, however, these supply-reducing measures are unlikely to suffice to balance out the slowing demand.

It is still too early to determine what consequences the global economic crisis will have for the shipping markets. So far, especially the dry bulk and container markets have experienced unusual fluctuations. The other segments are expected to be affected to some extent as well. Many countries have taken steps to restore growth, but it remains to be seen when such measures will have a favourable impact on demand for sea transport.

Although the outlook for the various segments is not unequivocal, the shipping markets are generally expected to face a very challenging year.

So far, the challenges faced by the financial sector have resulted in demand for funding exceeding supply. The result is a sharp increase in credit margins. In spite of the heavy demand, Danish Ship Finance will retain its cautious lending policy and continue to focus on shipowners who are considered to have the best preconditions for making it through the current economic downturn.

Based on the volume of loan offers already made and accepted, lending in 2009 is expected to remain unchanged or to be slightly higher, in USD-terms. At 31 December 2008, 87% of lending was denominated in USD. Earnings from lending operations before writedowns, also measured in USD, are expected to rise. Movements in the exchange rate of the USD will affect the size of lending and earnings in DKK-terms.

Due to the economic downturn and the continuing turmoil in the financial markets, the company expects an increase in the number of loans involving a higher risk of default in 2009, and it may prove necessary to increase the company's writedowns.

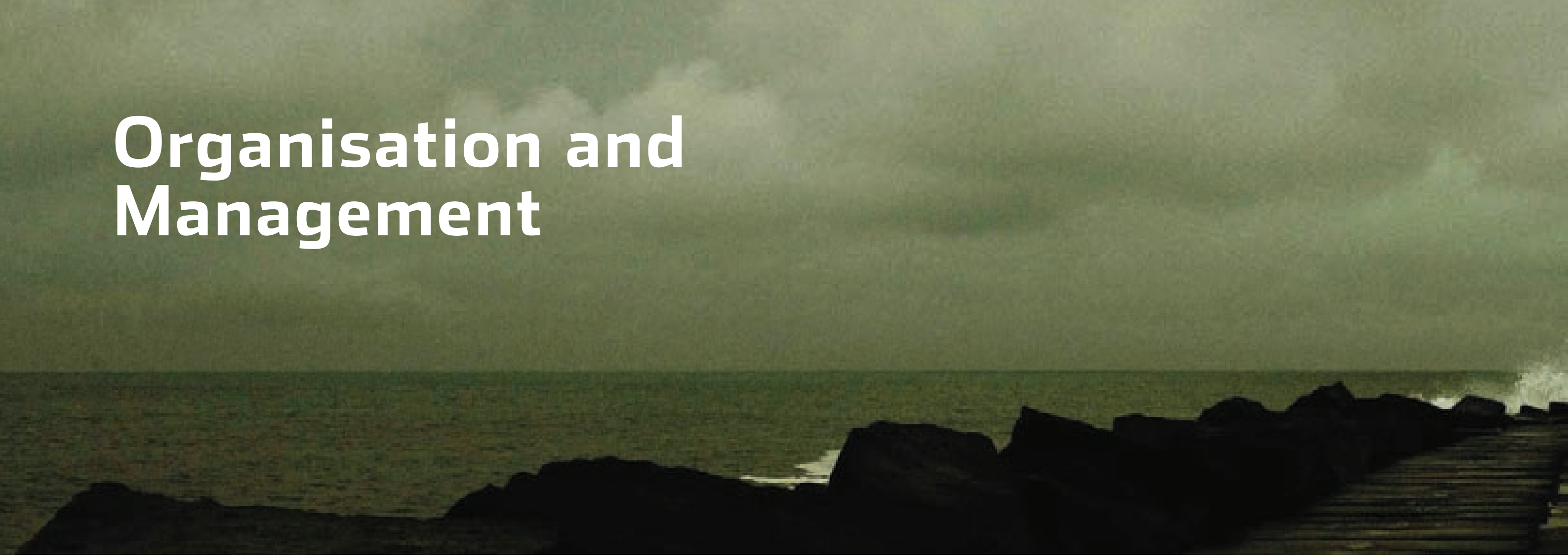
As in previous years, price developments in the securities portfolio will also affect the company's financial performance.

Like other credit institutions, Danish Ship Finance is covered by the Danish parliament's credit package, which is often referred to as Second Bank Package. It remains to be decided whether the company will exploit the possibilities for a capital injection from Second Bank Package. Regardless of the possibilities offered by Second Bank Package, Danish Ship Finance will pursue normal and selective loan offer activities.

From 1 January 2009, Danish Ship Finance is covered by the executive order on financial reporting in financial institutions. On the same date, the company's new executive order enters into force, and the rules on audit committees and obligations to report on corporate social responsibility will take effect. Details about the new rules are provided in Regulation.

Danish Ship Finance has resolved to continue recent years' policy of not issuing quarterly reports in 2009. 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.

Organisation and Management



Objective and Vision

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 provides 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.

Shareholders in Danish Ship Finance

The company's ambition is to generate a return that is satisfactory to its shareholders. The Board of Directors continually assesses whether the company's share and capital 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 given its level of activity.

The share capital of the company amounts to DKK 333.3 million, nominal value, and is divided into A shares with a nominal value of DKK 300.0 million and B shares with a nominal value of DKK 33.3 million. The shares are not listed for trading in a regulated market.

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

Banks	**40.5%**
Danmarks Nationalbank	**18.9%**
Shipyards	**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

At the annual general meeting in 2008, the Board of Directors' proposal on dividends was adopted. Accordingly, DKK 0.92 per share was paid to holders of A shares, and DKK 1.7748 per share was paid to holders of B shares. Since its conversion, the company has paid total dividends of DKK 168.4 million to the B share-

holder, Den Danske Maritime Fond. The funds are used to develop and promote Danish shipping and the Danish shipbuilding industry.

Management

The management structure in Danish Ship Finance reflects the overall legal requirements and the special statutory requirements that follow from Danish financial legislation.

Additional information about corporate governance in Danish Ship Finance is provided on www.shipfinance.dk.

Management structure: The general meeting elects six members to the Board of Directors, and the employees elect three. The Board of Directors defines the overall principles for the company's operations. The Board of Directors appoints the Management Board, which is in charge of the senior, day-to-day management, and reports to the Board of Directors.

Annual general meeting: The general meeting shall be the supreme authority in all company matters. The share capital is divided into A and B shares. Each A share of DKK 1 carries ten votes, and each B share of DKK 1 carries one vote. Other than this, there are no provisions that restrict the number of votes or limit the number of shares held by each individual shareholder.

The next annual general meeting will be held on 16 April 2009.

Board of Directors: At the annual general meeting held on 24 April 2008, Peter Schütze, the chairman, and Peter Falkenham resigned from the Board of Directors. Michael Rasmussen and Torben Schelde Jørgensen were elected as new board members.

Pursuant to Danish legislation, three employee representatives are elected for terms of four years. After the annual general meeting held on 24 April 2008, Erling Garrelts, Chief Accountant and Head of Staff Administration, Lisbeth Navntoft Pedersen, Assistant Relationship Manager, and Henrik Rohde Søgaard, Senior Relationship Manager, were elected to the Board of Directors.

The Board of Directors subsequently elected Per Skovhus as its new chairman and Jens Thomsen as its new deputy chairman.

Management Board: Bo Jagd, Managing Director, stepped down from his position as managing director in April 2008 in order to retire by the end of the year.

The company appointed two new members to the Management Board; Erik I. Lassen was appointed as chief executive officer, and Per Schnack was appointed executive vice president and chief financial officer in charge of treasury, finance, IT, human resources and other administrative functions.

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.

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.

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 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.

New rules in 2009

The company's new executive order: The new executive order on a ship finance institute took effect on 1 January 2009. Pursuant to the executive order, the solvency requirement is lowered from 10% to 8%, which is in line with the general solvency requirement for other financial enterprises.

The executive order also contains rules on the issuance of covered bonds. Covered bonds must be issued in a capital centre, and the executive order contains specific rules to that effect.

IFRS: As from 1 January 2009, Danish Ship Finance will be presenting its accounts according to the Danish Financial Supervisory Authority's executive order on accounting. This order builds on components of the International Financial Reporting Standards (IFRS). Like other financial enterprises, the company will thus be comprised by the IFRS rules.

Audit committee: The new rules on audit committees will have an effect after the annual general meeting in 2009. The primary role of the audit committee is to assist the Board of Directors in meeting its obligations to ensure an independent and objective monitoring of the company. The members of the audit committee have not yet been appointed, but the company is considering to let all the members of the Board of Directors handle the committee's function.

Corporate Social Responsibility: As from the annual report for 2009, Danish Ship Finance will be under an obligation to report on the company's Corporate Social Responsibility (CSR) policy. The company has started to provide CSR information on www.shipfinance.dk and will regularly develop and improve the policy.

Risk Management and Capital Adequacy

Risk management is given high priority at Danish Ship Finance, because uncontrolled development of the various risks may have an adverse impact on financial performance and solvency and, by extension, materially weaken future business opportunities.

The company is exposed to several types of risk. The company's risk management efforts are adjusted according to the special characteristics of each type of risk. The company distinguishes between credit risks, financial risks and operational risks, which are considered the most important types of risk.

Risk management

The Board of Directors has the overall responsibility for ensuring appropriate risk management procedures. Risk management efforts are determined by the guidelines established by the Board of Directors and the legislative framework.

The company is governed by its own regulation. Pursuant to the Executive Order, the company is governed by parts of the Danish Financial Business Act. The company is also governed by the Executive Order on bond issuance, the balance principle and risk management, and, like other financial enterprises, it is supervised by the Danish Financial Supervisory Authority.

The limits for credit risk management are stipulated in the credit policy. The policy builds on the provisions in the company's act and executive order. These provisions stipulate that the board of directors shall lay down risk diversification rules. In its risk management activities, the company distinguishes between credit risks derived from lending operations and credit risks derived from transactions with financial counterparties. The day-to-day responsibility for the credit policy and for the periodical risk calculation and reporting rests with the credit department.

The guidelines for financial risk management are laid down in the finance policy. The policy is based, among other things, on the provisions of the Executive Order on bond issuance, the balance principle and risk management. However, the guidelines for financial risks may be stricter than such external rules. The treasury department has the day-to-day responsibility for the finance policy, while the responsibility for the current calculation and reporting of financial risks lies with a function outside the treasury department.

Written in-house business procedures and control procedures are in place for all significant areas and activities. The internal control function regularly verifies that these procedures are adhered to and reports its findings via the external auditors to the Board of Directors. Danish Ship Finance is not subject to a requirement about internal audit.

The balance principle: Danish Ship Finance is governed by the balance principle and has resolved to pursue the specific balance principle. The balance principle entails fixed absolute limits for the size of allowable interest rate, foreign exchange and liquidity risks when there is a difference between payments on loans and funding. Under these rules, the company is prevented from assuming any noteworthy interest rate risk, foreign exchange risk or liquidity risk in its lending operations.

The company may issue bonds in a block issue on the basis of loan offers submitted and estimated lending activity.

Capital adequacy

Calculation method: Danish Ship Finance is subject to the provisions of the Executive Order on Capital Adequacy. The company may choose between different methods for calculating its risk-weighted items for each of the three overall types of risk. The company has not applied for a permission from the Danish Financial Supervisory Authority to apply one of the internal methods. Accordingly, the company applies the standard method to calculate the risk-weighted items concerning credit risks and market risks, and uses the standard indicator method to calculate risk-weighted items concerning operational risks.

Adequate capital base and the capital requirement: The Danish Financial Business Act uses the concepts of capital requirements and adequate capital base.

The capital requirement is the absolute minimum for the statutory capital base. The capital base is the sum of core capital and additional capital. The ratio between the capital base and risk-weighted assets is referred to as the solvency ratio. Until 1 January 2009, the minimum solvency ratio was 10%. As from 1 January 2009, the requirement is lowered to 8%. Danish Ship Finance's capital base consists exclusively of core capital, as the company has not issued any supplementary capital.

An adequate capital base covers the minimum amount of capital which, in the opinion of the Board of Directors, is required to ensure that the bondholders are only exposed to a minute risk of suffering a loss in case the company becomes insolvent. The individual solvency requirement is calculated on the basis of the adequate capital base. When calculating the solvency requirement current and future risk factors and the opportunities for sourcing fresh capital should be taken into consideration. The rules on calculation of the adequate capital base and, by extension, the individual solvency requirement, are set out in the Executive Order on Capital Adequacy.

There are no requirements on the use of a specific method to calculate the adequate capital base and the individual solvency requirement. The method selected is a combination of stress tests and individually assessed factors believed to be of importance for the size of the capital base which the company, as a minimum, must maintain. A capital requirement is calculated for each of the factors; a positive, negative or neutral requirement. The overall solvency requirement is then calculated as the sum of all contributions and expressed as a percentage of the risk-weighted assets, which are not restated. 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.

Stress test: The stress test is performed at least once every quarter to test sensitivity to shifts in the financial market and the credit quality of the loan portfolio. The starting point is the financial impact within twelve months and within a selected degree of security.

Credit Risks

Credit risk reflects the risk of a loss due to default on the part of a counterparty. This applies to counterparties in the form of shipowners and financial counterparties.

Credit policy

The credit policy defines specific guidelines for the provision of financing for shipowners.

The following overall policies apply:

- Any loan offer builds on an individual credit assessment which takes into consideration the borrower's financial position and the age, condition and employment of the financed vessels.
- Loans are secured by a first mortgage in one or more vessels. 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.
- Loans are usually established with covenants on maximum loan-to-value ratios and/or financial covenants.
- Focus will be on the financial standing of the borrower, the terms of the loan and on the loan's contribution to compliance with the diversification rules.
- The loan portfolio is monitored in an ongoing process, including an annual classification of each borrower's credit quality.

Diversification rules

The composition of the loan portfolio is governed by a set of diversification rules, which form part of the credit policy. The purpose of the diversification rules is to ensure 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 vessel type (tanker, container, etc.) may be provided as security for more than 50% of the company's gross lending. Within each vessel type, no segment (crude oil, product, etc.) may be provided as security for more than 33% of the company's gross lending.

At the end of 2008, Danish Ship Finance's loans were distributed on three core segments; container, tanker and dry bulk. In addition, the company provides loans for vessels in the offshore sector, ferries/Ro-Ro vessels, LPG vessels and cruise vessels. In 2009, the company will most likely receive a mortage in one or more LNG vessels and semi-submersible vessels. The latter are floating units for use in the offshore sector.

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 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, at a consolidated level, 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 loans to shipowners

(DKK million)	31.12.2008	31.12.2007
5 largest loans to shipowners*)	25,850	21,990
Lending, gross, at year-end exchange rate*)	49,126	39,095
Of which loans to financial debtors and the Danish government	102	365

The five largest loans to shipowners at 31 December 2008 are secured by mortgages in 146 vessels comprising 17 vessel types. One of the loans is substantially larger than the rest.

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

Ongoing monitoring

As part of the risk management process, all 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 financed vessels and the most recent accounting data and budgets from the borrower.

In addition, the loan portfolio is monitored in an ongoing process in relation to the borrowers' fulfilment of the individual loan agreement, comprising:

- Verifying the existence of adequate insurance cover on financed vessels.
- Half-yearly updating of the market values of all financed vessels.
- Verifying that any 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's 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 the risk in most 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 on a spot-check basis. 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.

Assessments

Market valuations are regularly sourced from independent brokers who fix a price for the financed vessels on the basis of supply and demand.

CIRR loans

Danish Ship Finance may grant so-called CIRR loans of up to 80% of the net funding requirements to finance certain types of Danish-built vessels. The company has the exclusive right in Denmark for vessels contracted until the end of 2012 and delivered before the end of 2015. CIRR loans granted to borrowers of particularly good credit standing are treated in terms of solvency like other loans within 70% of the value of the financed vessels. Borrowers who are given one of the three highest ratings in the internal classification system (out of a total of ten ratings) are considered to be of particularly good financial standing.

Financial counterparties

Transactions with financial counterparties are made in connection with investing the company's funds and excess liquidity and in transactions with derivative financial instruments for risk management purposes. When the transactions involve a credit risk, risk management is handled according to a specific policy.

The policy is dedicated to minimising the credit risk on the counterparties. The policy defines limits for how large credit risks should be accepted and provides guidelines for the use of collateral to limit the counterparty risk.

The contractual basis for transactions with financial counterparties is based primarily on market standards such as ISDA, which allows netting in the case of default on the part of the financial counterparty.

Losses and writedowns

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.

Until the end of 2008, the writedowns were classified as either 1 or 2 writedowns. This was made in accordance with the Executive Order on a Ship Finance Institute dated 21 June 2006, which applies for the 2008 financial year. 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.

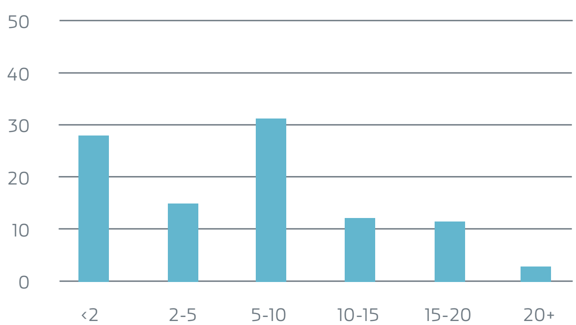
From the financial year 2009, the company will start to present its accounts in accordance with the Danish Financial Supervisory Authority's executive order on accounting, which builds on components of the International Financial Reporting Standards (IFRS).

In connection with the preparation of the accounts, the principles for writedowns have been adjusted so that writedowns for 2008 in all material respects comply with the new regulations.

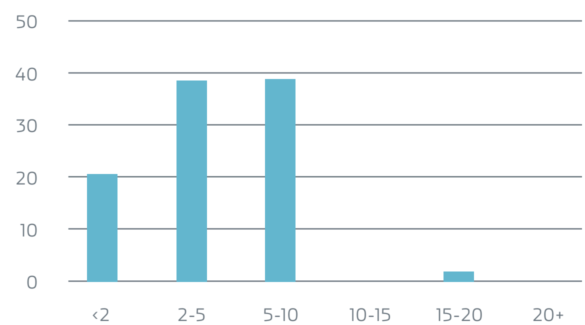
The transition to the new accounting rules is not expected to lead to a reduction of the company's writedowns. Compared with the annual report for 2007, the company has revised its expectations. At the end of 2007, the company expected a reduction of writedowns based on the criteria for objective indication of impairment. Given developments in the global economy in 2008 and expectations to the shipping markets, based on the same criterion the company no longer expects a reduction of its writedowns under the new rules.

Age distribution of mortgaged vessels (Percentage of total lendings)

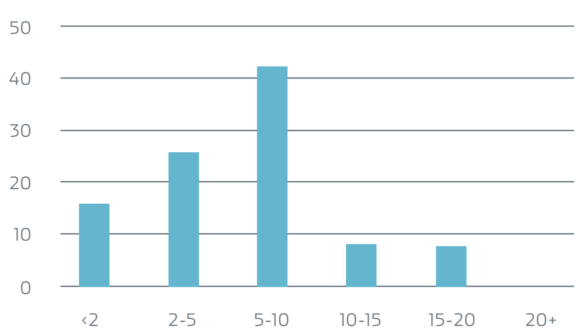
FERRIES / RO-RO



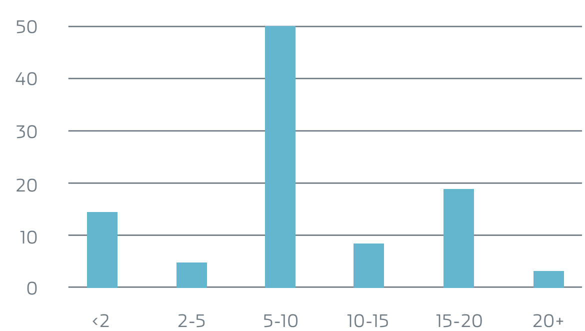
CONTAINER POST PANAMAX



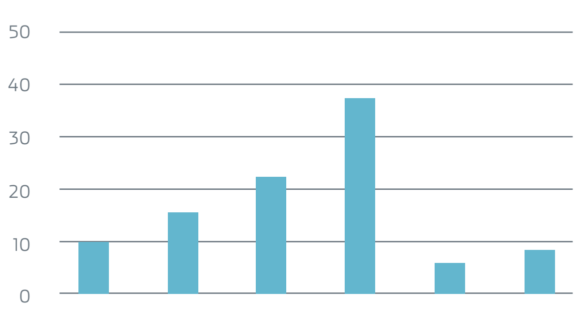
CRUDE OIL / PRODUCT TANKERS



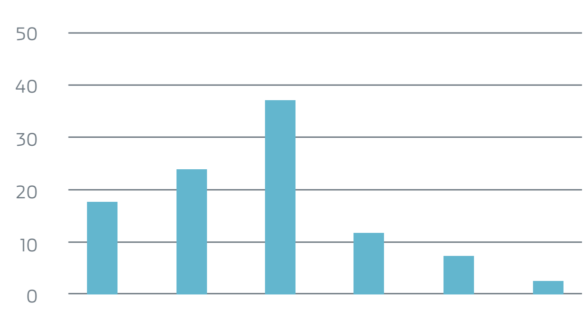
OFFSHORE VESSELS



OTHERS

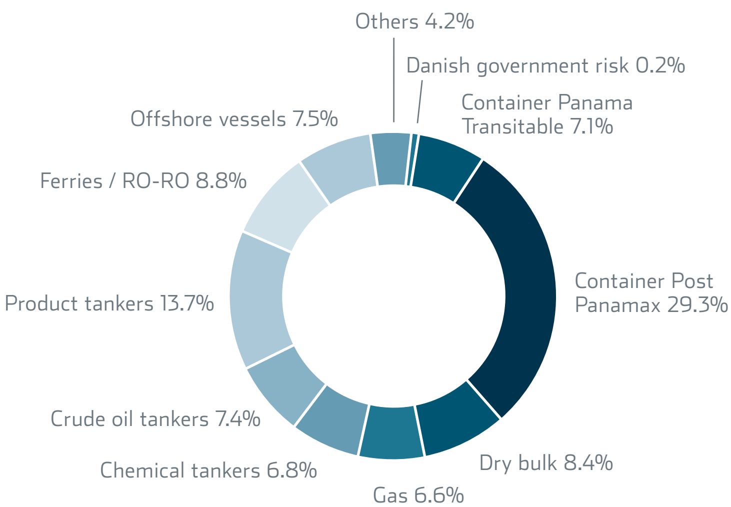


TOTAL FOR ALL VESSEL CATEGORIES

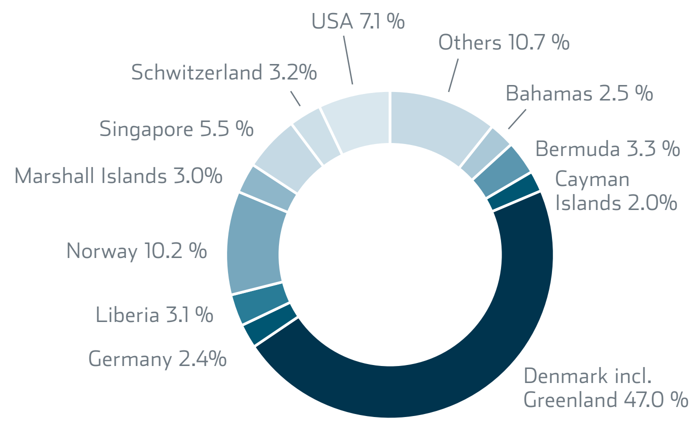


Source: Own figures

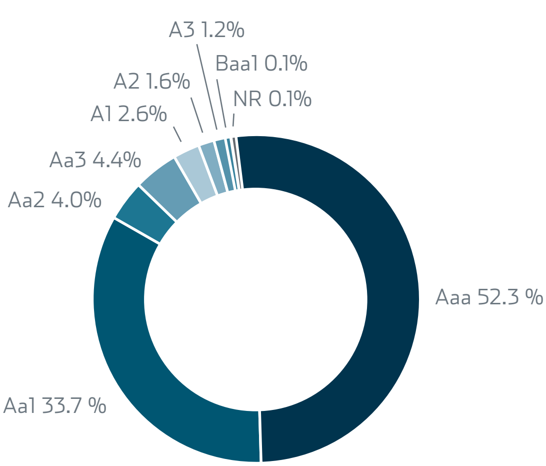
Loan portfolio by mortgaged vessels etc. (Percentage of total lendings)



Deptor distribution by country including danish government risk (Percentage of total lendings)



Exposure on financial counterparties by credit rating



Source: Own figures

Financial Risks

Financial risks comprise market risks and liquidity risks. Market risk is the risk of a loss due to changes in the fair value of assets and liabilities, Market risks concern fixed income, exchange rate and equity positions. Liquidity risk is defined as the risk of a loss because the current liquidity portfolio is not sufficient to cover the current payment obligations.

Finance policy

The company pursues a finance policy to manage its market risks. The policy lays down clear and measurable limits for interest rate, exchange rate, equity, liquidity, option and credit risks.

Market risks

Interest rate risks: Interest rate risks are adjusted using a minimum and a maximum for the option-adjusted duration. The current maximum adjusted duration on the securities portfolio has been restricted to six years. The option-adjusted duration has been calculated at approximately 2.8 years at the end of 2008.

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

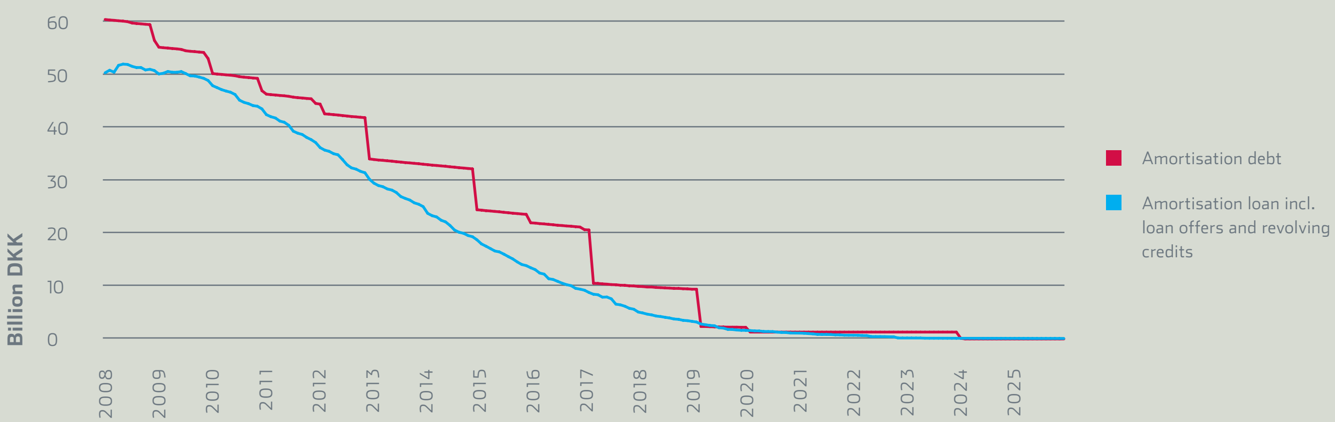
Rising interest rates have an adverse impact on the market value of the securities portfolio, which may result in an overall negative financial performance and a resulting negative impact on the solvency ratio. Using the Danish Financial Supervisory Authority's guidelines for calculating interest rate risks, the risk was calculated at DKK 389 million at 31 December 2008 against DKK 613 million at 31 December 2007. The company has opted to hedge part of the interest rate risk in DKK using interest rate swaps denominated in EUR. If future changes in the DKK rate fully mirror changes in the EUR rate, the above-mentioned interest rate risks would amount to approximately DKK 250 million for 2008 and approximately DKK 393 million for 2007.

Pursuant to the Executive Order on bond issuance, the balance principle and risk management, the interest rate risk between funding and lending must not exceed 1% of the capital base. The finance policy accepts interest rate risks solely when caused by timing differences in determining the reference interest rate (such as LIBOR) for variable rate funding and lending. The company seeks to minimise the interest rate risk between funding and lending by applying conservative principles, but a loss or a gain may arise due to changes in interest rates.

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 lending margin is collected in the same currency in which the loan was granted. Accordingly, net interest income from lending operations is affected by exchange rate fluctuations. The primary impact derives from the USD, which is the borrowers' preferred lending currency.

The Executive Order on bond issuance, the balance principle and risk management stipulates that the com-

The ratio of the issued bonds and loans provided



bined 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.

Equity risks: The finance policy defines limits for the equity risk. Equity investments may not represent more than 10% of the capital base.

Derivatives and structured notes: The finance policy specifies which derivatives the company may use and for which purposes. These are typically transactions made to hedge risks between funding and lending and in connection with investment activities.

The policy also includes guidelines on structured notes. Structured notes refer to funding with conditions other than standard fixed/floating-rate conditions. Issues may only be structured using interest rate and exchange rate instruments, and they must not represent more than 10% of the total loan amount.

The company does not presently have any issued structured bonds.

Liquidity risks

The specific balance principle permits a cash deficit, which is a deficit between issued bonds and loans provided. Such a cash deficit – resulting from the future payments related to bonds issued by Danish Ship Finance, other funding and financial instruments which exceed the future incoming payments on loans, financial instruments and investments – may not exceed 100% of the capital base.

Pursuant to the company's in-house policy, the company must have overall positive liquidity within the first-coming 18-month period. The calculation of the limit includes the securities portfolio at market value, and loan offers are included if they are expected to be disbursed during the period.

Bonds are typically issued in DKK, but most of the loans are disbursed in USD. The company has sourced USD for funding of all loan disbursements and for most of the loan offers submitted. The risk of lack of access to convert DKK funding into USD involves higher financing costs or the loss of business opportunities. The opportunities for sourcing liquidity rely on an effective swap market. Lack of liquidity is managed as a liquidity risk and forms part of the stress test.

Stress test: The Board of Directors will consider the methodology used in the stress test at least once a year, and the outcome of the stress test is reported at least once very quarter to the Board of Directors. A test is made of sensitivity to shifts in the financial market and the credit quality of the loan portfolio. The starting point is the financial impact within twelve months and within a selected degree of security.

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.

Operational Risks

Operational risk is the risk of a loss due to lack of procedures or resources to manage the risks facing the company. The key operational risks relate to credit and finance functions and the use of information technology.

In the credit function, the risk relates to the handling of facility agreements and security documents and regular follow-up on loan covenants. In addition, the risk relates to the handling of any ship's mortgages which it proves necessary to take over in case the borrower defaults on his loan.

In the finance function, the risk relates to the conclusion and implementation of financial contracts.

In the area of information technology, the risk relates to the derived consequences of a system breakdown or serious system errors.

The company seeks to mitigate each of these risks through the use of business procedures, segregation of functions and internal controls.

Bonds

The rules governing bond issuance are described in the act, the Executive Order and the Executive Order on bond issuance, the balance principle and risk management. The lending operations are funded through previous issuance of debenture bonds, issuance of ship mortgage bonds, 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.

Covered bonds as defined by the CRD

Like banks and mortgage credit institutions, Danish Ship Finance may issue covered bonds. 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 can only issue covered bonds against ship's mortgages. The risk weight for covered bonds as defined by the CRD is 10%.

In bond issuance activities, the issuer faces stricter requirements to qualify for the covered bond designation. For example, the bonds must be issued in a separate capital centre, and the loan-to-value ratio of the underlying loans must not exceed 70%. If the value of the mortgaged asset declines, Danish Ship Finance must provide supplementary security in the form of 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. Danish Ship Finance has still not used its permission to issue covered bonds.

Ship mortgage bonds

As an alternative to covered bonds as defined in the CRD, Danish Ship Finance may issue ship mortgage bonds.

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 the previous rules that apply to debenture bonds. There is no requirement that the bonds must be issued in a separate capital centre.

Bonds in circulation

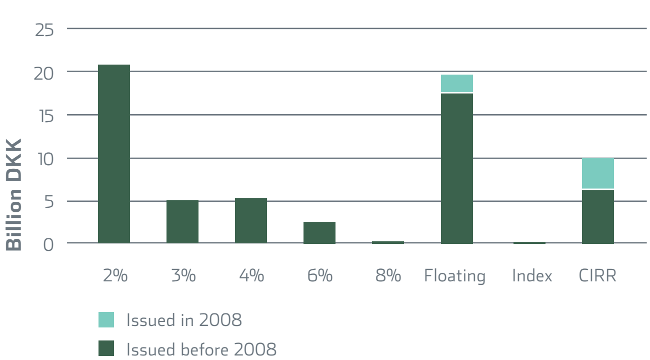
Issued bonds are primarily bullet loans denominated in DKK. At 31 December 2008, bonds in circulation totalled DKK 62.5 billion, nominal value, of which bonds issued in DKK accounted for 84%. The bonds may be unlisted, but the bulk of the bonds are listed and traded on NASDAQ OMX Copenhagen with terms to maturities ranging from 1 to 20 years. The average maturity of the bonds exceeds the average maturity of the loans.

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.

Circulating bonds by bond type



Bonds in circulation

Debenture bonds: Bonds issued before 1 January 2008. 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").

Statement by the Management Board and the Board of Directors

The Board of Directors and the Management Board have today considered and adopted the annual report of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the financial year ended 31 December 2008. The annual report has been prepared in accordance with the provisions of Danish legislation on the presentation of accounts.

The Management's review includes a fair presentation of the developments 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 Board consider the applied accounting policies to be appropriate for the annual report to give a true and fair view of the company's financial position at 31 December 2008 as well as of its activities and cash flows for the financial year 1 January to 31 December 2008.

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

Copenhagen, 5. February 2009

Management Board

Erik I. Lassen
Chief Executive Officer

Per Schnack
Executive Vice President and CFO

Board of Directors

Per Skovhus
Chairman

Jens Thomsen
Deputy Chairman

Thorkil H. Christensen **Flemming Ipsen** **Torben S. Jørgensen** **Michael Rasmussen**

Erling Garrelts **Lisbeth N. Pedersen** **Henrik R. Søgaard**

Independent Auditors' Report

To the shareholders of Danish Ship Finance

We have audited the annual report of Danish Ship Finance A/S (Danmarks Skibskredit A/S) for the financial year ended 31 December 2008, comprising a statement by the Management Board and the Board of Directors, Management's review, accounting policies, profit and loss account, balance sheet, statement of changes in capital and reserves 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.

Auditor's 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 2008 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, 5. February 2009

Deloitte
Statsautoriseret Revisionsaktieselskab

Søren Dinesen **Henrik Priskorn**
State Authorised Public Accountants

Directorships

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.

Per Skovhus

Danske Bank A/S
Elected to the Board of Directors of
Danish Ship Finance on 28.04.2003
Member of the Board of Directors of:
Realkredit Danmark A/S
The Danish Bankers Association (Deputy Chairman)

Jens Thomsen

Nationalbanken
Elected to the Board of Directors of
Danish Ship Finance on 28.04.2003
Member of Det Finansielle Virksomhedsråd

Thorkil H. Christensen

Danske Maritime
Elected to the Board of Directors of
Danish Ship Finance on 19.04.1995
Member of the Board of Directors of:
Den Danske Maritime Fond (Deputy Chairman)

Flemming Ipsen

A.P. Møller-Mærsk A/S
Elected to the Board of Directors of
Danish Ship Finance on 28.08.2006
Member of the Board of Directors of:
44 subsidiaries of the A.P. Møller-Mærsk A/S Group
in Denmark and abroad.
The Danish Institute of Arbitration (Deputy Chairman)
Member of The Board of Directors of The Britannia
Steam Ship Insurance Association Limited

Torben S. Jørgensen

Tryg Vesta Forsikring A/S
Elected to the Board of Directors of
Danish Ship Finance on 24.04.2008
Member of the Board of Directors of:
Aktieselskabet Forsikringens Hus

Michael Rasmussen

Nordea Danmark A/S
Elected to the Board of Directors of
Danish Ship Finance on 24.04.2008
Member of the Board of Directors of:
Nordea Kredit A/S (Chairman)
Nordea Liv & Pension Danmark A/S
LR Realkredit A/S

Erling Garrelts

Danmarks Skibskredit A/S
Elected to the Board of Directors of
Danish Ship Finance on 24.04.2008

Lisbeth N. Pedersen

Danmarks Skibskredit A/S
Elected to the Board of Directors of
Danish Ship Finance on 24.04.2008

Henrik R. Søgaard

Danmarks Skibskredit A/S
Elected to the Board of Directors of
Danish Ship Finance on 24.04.2008

Directorships – Management Board

Chief Executive Officer Erik I. Lassen

Member of the Management Board since 09.04.2008

Executive Vice Precident and CFO Per Schnack

Member of the Management Board since 09.04.2008

Accounting Policies

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 2007 financial year.

The company has changed its accounting estimate concerning writedowns on debtors. As a result of this change, objective criteria will to a greater extent be applied when calculating the need for writedowns. The change does not affect the profit for the 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 new accounting rules

The EU has resolved that listed companies must present their consolidated accounts in accordance with accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the EU.

The Regulation comprises listed companies, i.e. companies whose shares or debt instruments (such as bonds) are listed. Furthermore the Regulation allows member countries to permit or require that other companies must comply with the approved standards in their financial reporting.

With effect from the 2009 financial year, Danish Ship Finance will be comprised by the Danish accounting rules for financial enterprises and expects to follow the Danish Financial Supervisory Authority's IFRS-consistent rules in the form of the Executive Order on the Presentation of Financial Statements by Banks with effect for the annual report for 2009.

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 reliably measured.

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

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 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. Provisions for guarantee commitments and financial counterparties 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 DKK 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 million.

The DKK 225 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 fell due as the shipyards started to deliver the vessels in question. The remaining obligation was paid in January 2007.

Profit and Loss Account

1 January – 31 December

Note	Amounts in DKK million	2008	2007
1	Interest income	3,394.3	2,412.9
2	Interest expenses	(2,668.3)	(1,795.8)
3	**Net interest income**	**726.0**	**617.1**
	Dividends on shares	16.9	2.2
4	Fee and commission income	52.6	41.4
	Fees and commissions paid	0.0	(2.1)
	Net interest and fee income	**795.5**	**658.6**
5	Market value adjustments	(377.8)	(160.0)
	Other operating income	3.3	3.2
6, 7	Staff costs and administrative expenses	(91.9)	(85.9)
16	Depreciation and writedowns of tangible assets	(1.1)	(1.1)
12	Losses and writedowns on debtors	(199.7)	103.7
	Profit before tax	**128.3**	**518.5**
8	Tax	(91.3)	(124.1)
	Profit for the year	**37.0**	**394.4**
	Proposed allocation of profit		
	Dividend for the financial year	5.6	335.2
	Retained earnings	31.4	59.2
		37.0	**394.4**

Balance Sheet

as at 31 December

Note	Amounts in DKK million	2008	2007
	Assets		
9	Due from credit institutions and central banks	1,503.2	10,550.4
10,11,12	Loans	51,043.6	42,689.8
13,14	Bonds	26,851.2	21,394.4
15	Shares, etc.	444.2	679.9
16	Tangible assets	53.5	53.6
17	Other assets	1,735.9	1,291.8
	Total assets	**81,631.6**	**76,659.9**
	Liabilities, capital and reserves		
	Liabilities		
18	Due to credit institutions and central banks	8,428.4	1,333.8
19	Issued bonds	62,519.8	64,962.3
20,21	Other liabilities	1,804.3	1,186.6
	Total liabilities	**72,752.5**	**67,482.7**
22	**Capital and reserves**		
	Share capital	333.3	333.3
	Tied-up reserve capital	8,343.1	8,343.1
	Retained profit	202.7	500.8
	Total capital and reserves	**8,879.1**	**9,177.2**
	of which dividend proposed for the financial year	5.6	335.2
	Total liabilities, capital and reserves	**81,631.6**	**76,659.9**

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 2007i

Statement of Changes in Capital and Reserves

Amounts in DKK million	Share capital	Tied-up reserve capital	Profit brought forward	Proposed dividends for the financial year	Total
Capital and reserves at 1 January 2007	**333.3**	**8,343.1**	**106.5**	**375.4**	**9,158.3**
Dividends distributed	-	-	-	(375.4)	(375.4)
Profit for the period	-	-	59.2	335.2	394.4
Capital and reserves at 1 January 2008	**333.3**	**8,343.1**	**165.7**	**335.2**	**9,177.3**
Dividends distributed	-	-	-	(335.2)	(335.2)
Profit for the period	-	-	31.4	5.6	37.0
Capital and reserves at 31 December 2008	**333.3**	**8,343.1**	**197.1**	**5.6**	**8,879.1**

Notes

Amounts in DKK million		2008	2007
Note 1	**Interest income**		
	Interest from credit institutions	147.5	293.8
	Interest on loans	2,188.9	2,204.3
	Index revaluations of index-linked loans	8.7	16.1
	Interest on bonds	1,265.1	661.4
	Other interest income	12.5	3.3
	Derivative financial instruments		
	Interest rate contracts	(243.1)	(775.9)
	Foreign exchange contracts	14.7	9.9
	Total interest income	**3,394.3**	**2,412.9**
Note 2	**Interest expenses**		
	Interest to credit institutions	(149.6)	(47.4)
	Interest on issued bonds	(2,480.1)	(1,693.2)
	Index revaluations on issued bonds	(8.7)	(16.1)
	Other interest expenses	(29.9)	(39.1)
	Total interest expenses	**(2,668.3)**	**(1,795.8)**
Note 3	**Net interest income**		
	Net interest income from lending operations		
	Interest on loans	2,197.1	2,219.8
	Interest on bonds	712.2	170.1
	Interest on block issues included in interest due from credit institutions	126.2	294.7
	Interest to credit institutions	(32.9)	(1.9)
	Interest expenses on issued bonds	(2,488.8)	(1,709.3)
	Other interest expenses	(29.9)	(32.9)
	Derivative financial instruments		
	Interest rate contracts	(243.1)	(775.9)
	Foreign exchange contracts	14.7	9.9
	Total net interest income on lending operations	**255.5**	**174.5**
	Net interest income from financing operations		
	Interest on bonds	553.0	491.3
	Interest on loans	0.5	0.7
	Interest due from credit institutions excluding interest on block issues	21.2	(1.0)
	Other interest income	12.5	3.3
	Interest to credit institutions	(116.7)	(45.5)
	Other interest expenses	0.0	(6.2)
	Total net interest income from financing operations	**470.5**	**442.6**
	Total net interest income	**726.0**	**617.1**

Notes

Amounts in DKK million		2008	2007
Note 4	**Fee and commission income**		
	Guarantee commission	2.1	0.0
	Fee and other commission income	50.5	41.4
	Total fee and other commission income	**52.6**	**41.4**
Note 5	**Market value adjustments**		
	Market value adjustments of bonds		
	Realised gains/losses on redemption and sales	(75.4)	(12.7)
	Unrealised market value adjustment	38.0	(200.2)
	Total market value adjustment of bonds	**(37.4)**	**(212.9)**
	Market value adjustments of shares	(232.8)	28.3
	Exchange rate adjustments	38.2	4.3
	Market value adjustments of financial instruments	(145.8)	20.3
	Total market value adjustments	**(377.8)**	**(160.0)**
Note 6	**Staff costs and administrative expenses**		
	Remuneration for the Board of Directors	(1.4)	(1.1)
	Staff costs	(60.2)	(54.9)
	Other administrative expenses	(30.3)	(29.9)
	Total staff costs and administrative expenses	**(91.9)**	**(85.9)**
	Number of employees - full-time equivalents	58	57
	Average number of employees - full-time equivalents	57	55
Note 7	**Audit fees**		
	Audit fees for statutory audit	(0.8)	(0.7)
	Fees for consultancy services and other professional services	(1.0)	(1.0)
	Total audit fees	**(1.8)**	**(1.7)**

Notes

Amounts in DKK million	2008	2007

Note 8 Tax

	2008	2007
Estimated tax on the profit for the year	(269.1)	(105.9)
Change in deferred tax on the profit for the year	179.7	(18.0)
Adjustment due to lowering of corporation tax rate to 25 %	-	1.5
Prior-year adjustments of current tax	(1.9)	(1.7)
Total tax	**(91.3)**	**(124.1)**

During the financial year, DKK 67,8 million was paid under the on-account tax scheme.
Overpayment of tax for 2007 amounted to DKK 9,6 million.

Note 9 Due from credit institutions and central banks

	2008	2007
Repo/reverse transactions	0.0	0.0
Other debtors	1,503.2	10,550.4
Total due from credit institutions and central banks	**1,503.2**	**10,550.4**

Notes

Amounts in DKK million		2008	2007
Note 10	**Loans**		
	At 1 January	42,689.8	37,745.7
	Additions	12,897.2	11,760.3
	Index revaluations during the year	8.7	16.1
	Ordinary repayments and redemptions	(5,172.0)	(4,156.3)
	Extraordinary prepayments	(1,574.4)	(2,735.5)
	Net change concerning revolving credit facilities	2,243.3	2,008.2
	Net change concerning debentures with Danmarks Nationalbank	(264.2)	(334.3)
	Exchange rate adjustment of additions and disposals at hedged exchange rate	416.8	(1,713.3)
	Losses and writedowns for the year	(201.6)	98.9
	At 31 December	**51,043.6**	**42,689.8**
Note 11	**Loans**		
	Loans secured against a ship's mortgage	49,023.4	38,730.7
	Financial debtors	-	-
	The Financial Administration Agency	-	6.3
	Compensation from the Danish State for interest subsidies and inflation guarantees	-	0.2
	Danmarks Nationalbank	102.4	358.1
	Gross loans at exchange rates at the balance-sheet date	**49,125.8**	**39,095.3**
	Exchange rate adjustments at hedged exchange rates	2,810.2	4,325.2
	Accumulated writedowns	(892.4)	(730.7)
	Total loans	**51,043.6**	**42,689.8**

"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

Amounts in DKK million	2008	2007

Note 12 Accumulated writedowns

The following writedowns have been made on debtors		
1 writedowns which involve a probable risk of losses	816.2	720.1
2 writedowns which involve losses that are deemed unavoidable	116.2	10.7
Total accumulated writedowns	**932.4**	**730.8**
As a percentage of loans and writedowns		
1 writedowns which involve a probable risk of losses	1.7	1.9
2 writedowns which involve losses that are deemed unavoidable	0.2	0.0
Total accumulated writedowns	**1.9**	**1.9**
Total accumulated writedowns consist of		
Set off against loans	892.4	730.7
Provisions made for other liabilities	40.0	0.1
Total accumulated writedowns	**932.4**	**730.8**
Movements in accumulated writedowns		
At 1 January	730.8	829.7
New writedowns made	891.7	361.4
Reversed writedowns	(690.1)	(460.3)
Losses covered by prior-year writedowns	-	-
Total accumulated writedowns	**932.4**	**730.8**
Losses and writedowns on debtors		
New writedowns made	(891.7)	(361.4)
Reversed writedowns	690.1	460.3
Losses not covered by prior-year writedowns	0.0	0.0
Recovered from previous claims written off	1.9	4.8
Total losses and writedowns on debtors	**(199.7)**	**103.7**

(Note 12 continues on the following page)

Notes

Amounts in DKK million	2008	2007
Writedowns broken down by countries:		
Bermuda	79.7	60.5
Cayman Islands	64.9	-
Cypern	51.4	-
Denmark	362.9	233.2
Greenland	-	4.9
Hong Kong	2.6	-
Italy	11.6	38.1
Liberia	41.5	-
Luxembourg	-	57.6
Norway	3.8	97.2
Switzerland	95.7	-
Singapore	8.1	45.8
Sweden	6.2	-
Germany	164.0	-
USA	40.0	193.5
Total accumulated writedowns	**932.4**	**730.8**

Note 13 Bonds

Bond portfolio		
Non-callable bonds	18,084.5	13,511.0
Callable bonds	8,766.7	7,883.4
Total bonds	**26,851.2**	**21,394.4**

Note 14 Bond holdings specified by time to maturity

Bond portfolio		
Bonds with a maturity of up to and including 1 year	81.9	-
Bonds with a maturity of over 1 year and up to and including 5 years	16,638.5	12,743.8
Bonds with a maturity of over 5 years and up to and including 10 years	2,919.5	641.1
Bonds with a maturity of over 10 years	7,211.3	8,009.5
Total bond holdings specified by time to maturity	**26,851.2**	**21,394.4**

Note 15 Shares, etc.

Shares/unit trust certificates listed on NASDAQ OMX Copenhagen	255.4	445.3
Unlisted shares/unit trust certificates recognised at fair value	188.8	234.6
Total shares, etc.	**444.2**	**679.9**

Notes

Amounts in DKK million	2008	2007

Note 16 Tangible assets

	2008	2007
Office property		
Purchase price including leasehold improvements, 1 January	59.4	59.0
Leasehold improvements during year	0.0	0.4
Purchase price including leasehold improvements, 31 December	**59.4**	**59.4**
Accrued depreciation, 1 January	6.6	6.0
Depreciation during the year	0.6	0.6
Accrued depreciation, 31 December	**7.2**	**6.6**
Total office property	**52.2**	**52.8**

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.

	2008	2007
Other tangible assets		
Purchase price, 1 January	2.7	1.9
Disposals during the year	(0.7)	0.0
Additions during the year	1.0	0.8
Purchase price, 31 December	**3.0**	**2.7**
Accumulated depreciation, 1 January	1.9	1.4
Disposals during the year	(0.7)	0.0
Depreciation during the year	0.5	0.5
Accumulated depreciation, 31 December	**1.7**	**1.9**
Total other tangible assets	**1.3**	**0.8**

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

	2008	2007
Total tangible assets	**53.5**	**53.6**

Note 17 Other assets

	2008	2007
Interest receivable	1,418.8	1,013.2
Accruals related to CIRR financing	133.6	163.5
On-account corporation tax receivable	-	44.5
Deferred tax	149.0	-
Market value of derivative financial instruments	-	26.2
Miscellaneous receivables	34.5	44.4
Total other assets	**1,735.9**	**1,291.8**

Notes

Amounts in DKK million		2008	2007
Note 18	**Due to credit institutions and central banks**		
	Repo transactions	8,412.0	1,274.2
	Other creditors	16.4	59.6
	Total due to credit institutions and central banks	**8,428.4**	**1,333.8**
Note 19	**ISSUED BONDS**		
	At 1 January	64,962.3	50,039.2
	Additions in conjunction with new loans and block issues	5,524.2	24,021.3
	Amortized cost price on floaters	11.6	1.2
	Index revaluations during the year	8.7	16.1
	Ordinary redemptions	(7,987.0)	(9,115.5)
	At 31 December	**62,519.8**	**64,962.3**
	Specification of issued bonds		
	Bonds issued in DKK		
	Bullet bonds	52,355.1	57,488.2
	Index-linked loans, nominal value	91.5	255.0
	Total nominal value	**52,446.6**	**57,743.2**
	Index premium	126.2	334.9
	Total issued bonds in DKK	**52,572.8**	**58,078.1**
	Bonds issued in foreign currency		
	Amortising CIRR bonds, at year-end exchange rates	9,947.0	6,884.2
	Total issued bonds in foreign currency	**9,947.0**	**6,884.2**
	Total issued bonds	**62,519.8**	**64,962.3**

Notes

Amounts in DKK million	2008	2007

Note 20 Other liabilities

	2008	2007
Interest payable	1,429.8	1,141.3
Income tax payable	201.3	-
Market value of derivative financial instruments	118.2	-
Deferred tax	-	30.7
Provision guarantees, etc.	40.0	0.1
Miscellaneous liabilities	15.0	14.5
Total other liabilities	**1,804.3**	**1,186.6**

Note 21 Deferred tax

	2008	2007
Deferred tax, 1 January	30.7	14.2
Estimated deferred tax on the profit for the year	(179.7)	18.0
Adjustment due to lowering of corporation tax rate to 25 %	-	(1.5)
At 31 December	**(149.0)**	**30.7**

Note 22 Capital and reserves

	2008	2007
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	202.7	500.8
Total capital and reserves	**8,879.1**	**9,177.2**
of which proposed dividend, cf. allocation of profit	5.6	335.2

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

Notes

Note 23 Solvency

Amounts in DKK million	2008	2007
Tier 1 capital		
Share capital	333.3	333.3
Tied-up reserve capital	8,343.1	8,343.1
Profit brought forward	202.7	500.8
Total Tier 1 capital	**8,879.1**	**9,177.2**
Deductions in Tier 1 capital		
Proposed dividends	5.6	335.2
Additional straining relative to the Executive Order on a Ship Finance Institute	280.2	38.2
Total deductions in Tier 1 capital	**285.8**	**373.4**
Tier 1 capital less deductions	**8,593.3**	**8,803.8**
Capital base	**8,593.3**	**8,803.8**
Weighted items not included in the trading portfolio	52,032.1	42,069.1
Weighted off-balance sheet items	6,024.5	6,158.2
Weighted items with counterparty risk outside the trading portfolio	582.9	629.9
Weighted items with market risk, etc.	6,794.5	8,808.9
Weighted items with operational risk	717.0	-
Total weighted items	**66,151.0**	**57,666.1**
Tier 1 capital less deductions as a percentage of total risk-weighted items	**13.0**	**15.3**
Solvency ratio pursuant to the Executive Order on a Ship Finance Institute (Minimum requirement fixed at 10%)	**13.0**	**15.3**
Weighted items with market risk, etc. consist of		
Items with position risk: Debt instruments	5,418.9	7,367.0
Items with position risk: Shares	454.1	1,019.9
Total currency position	921.5	422.0
Total weighted items with market risk, etc.	**6,794.5**	**8,808.9**

Notes

Amounts in DKK million	2008	2007

Note 24 Guarantee commitments

In the ordinary course of its lending operations, Danish Ship Finance has undertaken guarantee commitments of	458.8	380.2
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	59.5	57.1
Payment guarantee provided to the Danish Securities Centre	3.2	3.7
Guarantees provided to the Danish Securities Centre	1.5	1.7
Total guarantee commitments	**523.0**	**442.7**

Note 25 Other commitments

As a normal part of its lending operations, DSF has undertaken obligations in connection with unutilised drawing rights on loans with revolving credit facilities in the amount of	1,123.7	1,444.5

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 newbuildings.

Notes

Amounts in DKK million	2008	2007

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:	1,105.3	1,530.0
Danmarks Nationalbank	48,599.6	38,548.5
Banks		
Swap agreements have been made with the following parties to hedge the interest rate exposure on loans and issued bonds:		
Debtors	654.9	444.1
Banks	58,299.2	49,867.1
Matching swap agreements have been made with debtors and banks as follows:		
Debtors	-	2.3
Banks	-	2.3
Swap agreements, for which financial risks are not fully hedged, have been made with the following parties:		
Banks	4,387.2	1,738.4
Forward currency agreements		
Forward currency sales	132.1	11.3
Forward interest rate and currency agreements		
Forward interest rate and currency agreements concluded to hedge interest rate and exchange rate risk have been made with the following parties:		
Banks	1,955.8	394.5
Forward securities transactions		
Buying	-	-
Selling	751.8	830.0

Notes

Note 28 Market values of outstanding derivative financial instruments as at 31 December 2008

Amounts in DKK million	Positive	Negative
Swap agreements		
Swap agreements have been made with the following parties to hedge the exchange rate exposure on loans:		
Danmarks Nationalbank	205.5	
Banks	3,738.2	741.9
Swap agreements have been made with the following parties to hedge the interest rate exposure on loans:		
Debtors	17.6	113.3
Banks	458.6	2,640.0
Swap agreements, for which financial risks are not fully hedged, have been made with the following parties:		
Banks	41.3	166.8
Forward currency agreements		
Forward currency sales	3.3	-
Forward interest rate and currency agreements		
Forward interest rate and currency agreements concluded to hedge interest rate and exchange rate risk have been made with the following parties:		
Banks	-	47.9
Forward securities transactions		
Buying	-	-
Selling	0.1	29.3
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%	205.5	
Counterparty with risk weight of 20%	1,122.9	
Counterparty with risk weight of 100%	17.6	
Value of total counterparty risk calculated according to the market valuation method for counterparty risk		
Counterparty with risk weight of 0%	205.5	
Counterparty with risk weight of 20%	4,241.5	
Counterparty with risk weight of 100%	17.6	

Notes

Note 29 Exchange rate risk and use of derivative financial instruments at 31 December 2008

The total unhedged foreign currency position at 31 December, translated at year-end exchange rates into DKK amounts to DKK 533.4 mio. (DKK 339.9 million at 31 December 2007).

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	42,777.7	4,803.3	**47,581.0**	1,544.8	49,125.8
Foreign exchange adjustment at hedge price				2,810.2	2,810.2
Provision for loans				(892.4)	(892.4)
Loans as per the balance sheet					**51,043.6**
Due from credit institutions and central banks	1,069.9	186.6	**1,256.5**	246.7	1,503.2
Bond portfolios	0.0	3,456.8	**3,456.8**	23,394.4	26,851.2
Interest receivable, etc.	311.4	121.2	**432.6**	1,004.0	1,436.6
Other assets	0.0	15.5	**15.5**	781.5	797.0
Total assets as per the balance sheet	**44,159.0**	**8,583.4**	**52,742.4**	**28,889.2**	**81,631.6**
Issued bonds at year-end exchange rates	(9,947.0)	0.0	**(9,947.0)**	(52,572.8)	(62,519.8)
Foreign exchange adjustment at hedge price				0.0	0.0
Issued bonds as per the balance sheet					**(62,519.8)**
Due to banks	0.0	(0.1)	**(0.1)**	(8,428.3)	(8,428.4)
Interest payable	(338.4)	(150.3)	**(488.7)**	(941.1)	(1,429.8)
Other creditors				(374.5)	(374.5)
Total capital and reserves				(8,879.1)	(8,879.1)
Total liabilities as per the balance sheet	**(10,285.4)**	**(150.4)**	**(10,435.8)**	**(71,195.8)**	**(81,631.6)**
Derivative financial instruments – debtors	1,232.9	(1,830.3)	**3,063.2**		
Derivative financial instruments – creditors	(35,224.8)	(9,611.6)	**(44,836.4)**		
Total net position (translated into DKK)	**(118.3)**	**651.7**	**533.4**		

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