



**DANISH
SHIP FINANCE**

Interim report – first half year 2015

DANISH SHIP FINANCE – HIGHLIGHTS OF THE FIRST HALF OF 2015

- The profit for the period after tax amounted to DKK 77 million compared with a profit of DKK 843 million in the first half of 2014. In 2014, the profit was impacted by a large reversal of loan impairment charges, which was not repeated in the first half of 2015.
- Earnings from lending operations before impairment for first half of 2015 were satisfactory and amounted to DKK 329 million. In 2014, earnings from lending operations were impacted by a large non-recurring fee and amounted to DKK 351 million. Adjusted for this non-recurring fee, the company recorded a moderate increase in net interest and fee income owing to the appreciation of the USD.
- Loan impairment charges in the first half of 2015 represented an expense of DKK 124 million, against an income of DKK 523 million in the first half of 2014. Measured in lending currencies (primarily USD), accumulated impairment charges (allowance account) were largely unchanged in the first half of 2015. The USD appreciation was thus the primary reason for the higher impairment charges measured in DKK. The reversal of impairment charges in 2014 was due to the full repayment of loans on which impairment charges had previously been recognised.
- The allowance account stood at 4.4% of total lending at 30 June 2015, against 6.1% at the same time last year and 4.3% at the end of 2014. Losses actually incurred remain at a low level, amounting to 0.1% of lending in the first half of 2015.
- Overall, the market value of the mortgaged ships fell by 8.3% measured in USD, driven especially by a large decline in the dry bulk segment. After impairment charges, the portfolio's weighted average loan-to-value ratio (LTV) was 65% at 30 June 2015, against 59% at 30 June 2014. Furthermore, 91% of all recorded loans after impairments is covered within 60% of the market value of the mortgaged vessels (mid-2014: 95%). In other words, the company retains a high degree of security for its loans.
- Rising interest rates and a widening of the credit spread on the company's portfolio of high-quality Danish mortgage bonds triggered a negative return on the securities portfolio of 0.7%, against a positive return of 2.3% in the first half of 2014.
- Lending rose by DKK 1.1 billion in the first half of 2015 driven by opposing effects of an appreciating USD and a net decrease in USD-denominated loans.
- The company retains a robust cash position, and there are only limited refinancing risks between issued bonds and loans disbursed as well as loan offers submitted. These moderate risks are amply covered by the company's own funds.
- The solvency (capital ratio) was 16.5% at the end of the first half of 2015, which is a small increase relative to 31 December 2014. The profit for the period has not been recognised in the company's own funds. Accordingly, the solvency ratio remains well above the individual solvency need, which under the 8+ approach was 8.5% at 30 June 2015.
- In April 2015, an amount of DKK 1,181 million was distributed as dividend to the shareholders for the financial year 2014. Of this amount, Den Danske Maritime Fond received DKK 83 million.

KEY FIGURES FOR DANISH SHIP FINANCE A/S

DKK MILLION	1st half 2015	1st half 2014	Full year 2014
Net interest income from lending operations	307	259	565
Net interest income from financing operations	134	124	255
Total net interest income	441	383	820
Net interest and fee income	464	475	934
Market value adjustments	-171	164	123
Staff costs and administrative expenses	-55	-52	-98
Loan impairment charges etc.	-124	523	1,103
Profit/loss before tax	114	1,109	2,061
Profit/loss for the period	77	843	1,568
Loans	44,331	38,899	43,347
Bonds	23,654	19,539	18,680
Equity	10,041	10,421	11,146
Total assets	73,404	65,491	69,374

RATIOS

	1st half 2015	1st half 2014	Full year 2014
Net interest and fee income, lending operations (DKKm)	329	351	679
Return on equity after tax (%)	0.7	8.3	14.8
Return on financing operations (%)	-0.7	2.3	2.8
Tier 1 capital less deductions (DKKm)	9,871	9,483	9,682
Tier 1 capital ratio	16.5	16.9	16.4
Cost/income ratio (%) *)	18.9	8.3	9.0
Equity as a % of lending	22.7	26.8	25.7
Realised losses on loans, as a % of lending	0.1	0.0	0.1
Accumulated impairment ratio	4.4	6.1	4.3
Weighted LTV ratio after impairment	65	59	59
Proportion of loans covered within 60% of market value (%)	91	95	95

*) The calculation of the cost/income ratio does not include impairment charges.

MANAGEMENT'S REVIEW

The Board of Directors of Danish Ship Finance A/S has today considered the interim report for the first half of 2015.

Danish Ship Finance presents its financial statements in accordance with the rules set out in the Danish FSA's executive order on financial reports by credit institutions and investment companies, etc. ("executive order on financial reporting").

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

Income statement

The profit for the period after tax amounted to DKK 77 million compared with a profit of DKK 843 million in the first half of 2014.

Net earnings from lending operations including fees fell in the first half of 2015 to DKK 329 million from DKK 351 million in the first half of 2014. The decline was due to lower total fee income, which was primarily ascribable to a non-recurring fee in the first half of 2014 in connection with significant loan prepayments. There was an increase in the average exchange rate of the USD relative to DKK in the first half of 2015, positively affecting interest and fee income.

Interest and dividend from financing operations rose to DKK 134 million in the first half of 2015 from DKK 124 million in the first half of 2014.

Net interest and fee income fell to DKK 464 million from DKK 475 million in the first half of 2014.

Market value adjustments of securities and foreign exchange for the period amounted to an expense of DKK 171 million compared with an income of DKK 164 million in the first half of 2014. At 30 June 2015, the securities portfolio consists primarily of Danish mortgage bonds, while a small proportion has been invested in Danish government bonds. Higher interest rates and a wider credit spread on mortgage bonds were the reasons for the negative market value adjustment of the securities portfolio.

The option-adjusted duration – calculated according to the company's calculation model – of the portfolio of bonds and fixed-income instruments rose from 0.5 year at the end of 2014 to 1.5 years at 30 June 2015.

Staff costs and administrative expenses amounted to DKK 55 million in the first half of 2015 compared with DKK 52 million in the year-earlier period. The average number of employees was 67 during the first half of 2015, which is an increase of 6 employees relative to 2014. Developments in staff resources primarily reflect a strengthening of the company's department for Customer Relations.

Loan impairment charges for the first half of 2015 amounted to a expense of DKK 124 million compared with an income of DKK 523 million in the same period of last year.

The company wrote off losses on loans in the amount of DKK 45 million in the first half of 2015.

In the first half of 2015, the individual impairment charges were reduced by DKK 10 million, while collective charges rose by DKK 102 million.

Tax on the profit for the period represents an expense of DKK 37 million against an expense of DKK 266 million in the first half of 2014.

Balance sheet and capital structure

Total assets amounted to DKK 73,404 million at 30 June 2015, compared with DKK 69,374 million at 31 December 2014.

In the first half of 2015, total lending rose by DKK 984 million from DKK 43,347 million at 31 December 2014 to DKK 44,331 million at 30 June 2015, or an increase of 2.3%. During the first half of 2015, there was an inflow of new loans of DKK 2,360 million and ordinary and extraordinary loan instalments of DKK 4,778 million.

As a result of the inflow of new loans, accumulated impairment charges (the allowance account) rose from DKK 1,974 million at year-end 2014 to DKK 2,066 million at 30 June 2015.

Total impairment charges made up 4.4% of total loans and guarantees as compared with 6.1% at 30 June 2014 and 4.3% at 31 December 2014. Any impairment is calculated on the basis of an assessment of the financial standing of the shipowner and a conservative assessment of the estimated value of the mortgaged vessels in a weak market if they are sold within a period of six months.

Issued bonds increased by DKK 4,236 million, from DKK 45,077 million at 31 December 2014 to DKK 49,313 million at 30 June 2015. As part of its efforts to retain strong liquidity resources, Danish Ship Finance regularly issues bonds in advance of the expected cash outflow resulting from new loans. This approach makes the company financially strong to short-term fluctuations in the capital market. During the first half of 2015, Danish Ship Finance issued bonds for DKK 6.8 billion (nominal value). Expiry and buybacks of bonds amounted to DKK 3.6 billion. The effect is an increase of the liquidity resources and the average maturity of outstanding bonds.

The bond portfolio amounted to DKK 23,654 million, against DKK 18,680 million at 31 December 2014. The bond portfolio can primarily be attributed to the company's equity and allowance account. The remaining part of the bond portfolio can be attributed to the repurchase of bonds and the investment of proceeds from issued bonds, which have not yet been disbursed as already granted or expected loans.

After giving effect to the retained profit for the period after tax, the company's equity amounted to DKK 10,041 million as compared with DKK 11,146 million at 31 December 2014. An amount of DKK 1,181 million was distributed as dividend to the shareholders in accordance with the profit allocation in the annual report for 2014, which was adopted at the annual general meeting in April 2015.

Danish Ship Finance is subject to the capital adequacy rules of the Capital Requirements Regulation (CRR). At 30 June 2015, the capital ratio was calculated at 16.5%, which is a small increase of 0.1 of a percentage point relative to 31 December 2014. The profit for the period has not been recognised in the company's own funds.

The adequate own funds calculated in accordance with the credit reservation approach (the 8+ approach) amounted to DKK 5.1 billion at 30 June 2015, corresponding to an internally calculated solvency need of 8.5%. This gives the company a capital need buffer of 8.0 percentage points, corresponding to DKK 4.8 billion, at the end of June 2015.

Impact of USD on income statement, balance sheet and capital structure

The exchange rate of the USD against DKK rose from 612.14 at 31 December 2014 to 666.76 at 30 June 2015, equal to an appreciation of 8.9%. The average USD/DKK exchange rate for the six-month period was approximately 663 as compared with approximately 544 in the year-earlier period.

Movements in the exchange rate, other things being equal, had a positive impact on net interest and fee income of DKK 61 million based on average exchange rates, and a negative impact on impairment charges of DKK 153 million because of USD appreciation from year-end 2014 to mid-2015. The profit after tax was reduced by DKK 70 million from the increase in the exchange rate.

Events after the balance sheet date

In the period until publication of the interim report, no material events have occurred that affect the financial statements.

The shipping market and competition

Freight rates improved in certain segments, especially tankers and container feeders, whereas other segments continue to face unacceptably low rates. Especially the dry bulk segment struggled. The offshore market is also facing a soft patch owing to the plunging oil prices. Across the segments, the order book as a percentage of the operating fleet still amounts to just under 20%, which is somewhat high given the fact that recent years' spate of deliveries has reduced the average age of the global fleet. Consequently, there are now fewer vessels left to scrap when rates are low. While some segments are currently experiencing decent rates, a generally low level of rates is expected to become the norm in the short and medium term. The company retains its strategy of focusing on reputable shipowners with a good financial standing.

Competition in the market remained fairly unchanged relative to the past few years. There is still an ample supply of loan capital for reputable shipowners, but the fact that a number of large ship financing players have withdrawn from the market leads to new business opportunities. The export credit institutions of Asia remain visible when it comes to financing newbuildings from the various countries.

Outlook for the second half of 2015

A small increase in lending is expected for the second half of 2015 and the average loan portfolio margin to be more or less unchanged.

Profit for the year is projected to be lower than in 2014, when the financial performance was affected by the reversal of impairment charges. The USD appreciation has a negative effect on the financial performance in the short term, pointing to a significantly lower profit for 2015 than the all-time high profit achieved in 2014. Danish Ship Finance cannot provide more specific financial guidance given the potential impacts from market value adjustments and fluctuations in the exchange rate of the USD.

The company only publishes full-year and half-year reports as it is believed that more frequent reports would not affect the pricing of the bonds issued.

STATEMENT BY THE MANAGEMENT BOARD AND THE BOARD OF DIRECTORS

The Board of Directors and the Management Board have today considered and adopted the interim report for the period 1 January – 30 June 2015 for Danish Ship Finance A/S (Danmarks Skibskredit A/S).

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

In our opinion, the interim financial statements give a true and fair view of the company’s assets and liabilities and financial position at 30 June 2015 and of the results of the company’s operations for the period 1 January – 30 June 2015.

In our opinion, the management's review includes a fair review of developments in activities and financial position of the company and fairly describes significant risk and uncertainty factors that may affect the company.

Copenhagen, 25 August 2015

MANAGEMENT BOARD

Erik I. Lassen

Per Schnack

BOARD OF DIRECTORS

Peter Lybecker
Chairman

Jesper T. Lok
Deputy Chairman

Fatiha Benali

Jenny N. Braat

Marcus F. Christensen

Jan B. Kjærviik

Christopher Rex

Glenn Söderholm

Henrik R. Søggaard

INCOME STATEMENT

NOTE	DKK MILLION	1ST HALF 2015	1ST HALF 2014	YEAR 2014
3	Interest income	1,022	1,003	2,061
4	Interest expenses	-581	-620	-1,241
	Net interest income	441	383	820
	Dividends on shares, etc.	0	0	0
	Fee and commission income	22	92	114
	Fees and commissions paid	-	-	-
	Net interest and fee income	464	475	934
5	Market value adjustments	-171	164	123
	Staff costs and administrative expenses	-55	-52	-98
	Depreciation and impairment of property, plant and equipment	-1	-1	-1
8	Loan impairment charges etc.	-124	523	1,103
	Profit/loss before tax	114	1,109	2,061
	Tax	-37	-266	-493
	Profit/loss for the period	77	843	1,568
	Other income	-	-	-
	Total income for the period	77	843	1,568

BALANCE SHEET

NOTE	DKK MILLION	AT 30 JUNE 2015	AT 30 JUNE 2014	AT 31 DECEMBER 2014
	ASSETS			
	Due from credit institutions	3,507	4,395	5,409
6, 7	Loans at amortised cost	44,331	38,899	43,347
	Bonds at fair value	23,654	19,539	18,680
	Shares, etc.	18	4	9
	Land and buildings			
	Domicile property	64	64	64
	Other tangible assets	8	9	9
	Current tax assets	78	-	-
	Deferred tax assets	45	41	82
9	Other assets	1,699	2,540	1,774
	Total assets	73,404	65,491	69,374
	LIABILITIES AND EQUITY			
	Liabilities			
	Due to credit institutions	9,071	7,585	8,604
10	Issued bonds at amortised cost	49,313	45,244	45,077
	Current tax liabilities	-	60	60
	Other liabilities	4,979	2,181	4,487
	Total liabilities	63,363	55,070	58,228
11	Equity			
	Share capital	333	333	333
	Tied-up reserve capital	8,343	8,343	8,343
	Revaluation reserves	10	10	10
	Profit brought forward	1,279	892	1,279
	Retained profit	77	843	1,181
	Total equity	10,041	10,421	11,146
	Total liabilities and equity	73,404	65,491	69,374
	Off-balance sheet items			
13	Contingent liabilities	324	398	386
14	Other binding agreements	3,336	4,888	4,940
	Total off-balance sheet items	3,660	5,286	5,326

STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Tied-up reserve capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2014	333	8,343	902	405	9,983
Dividends distributed	-	-	-	-405	-405
Profit/loss for the period	-	-	387	1,181	1,568
Equity at 31 December 2014	333	8,343	1,289	1,181	11,146
Dividends distributed	-	-	-	-1,181	-1,181
Profit/loss for the period	-	-	77	-	77
Equity at 30 June 2015	333	8,343	1,366	-	10,041

LIST OF NOTES

- 1 ACCOUNTING POLICIES
- 2 KEY FIGURES AND RATIOS
- 3 INTEREST INCOME
- 4 INTEREST EXPENSES
- 5 MARKET VALUE ADJUSTMENTS
- 6 LOANS AT AMORTISED COST. DEVELOPMENTS DURING THE YEAR
- 7 LOANS AT AMORTISED COST. SPECIFICATION OF LOANS AT THE END OF THE PERIOD
- 8 IMPAIRMENT CHARGES
- 9 CSA COLLATERAL
- 10 ISSUED BONDS AT AMORTISED COST
- 11 EQUITY
- 12 CAPITAL ADEQUACY
- 13 CONTINGENT LIABILITY
- 14 OTHER BINDING AGREEMENTS
- 15 RELATED PARTIES
- 16 EXCHANGE RATE RISK AND USE OF DERIVATIVES AT 30 JUNE 2015
- 17 MARKET RISK SENSITIVITY
- 18 CREDIT RISK
- 19 SUPPLEMENTARY NOTES WITHOUT REFERENCE

NOTE 1 ACCOUNTING POLICIES

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

The interim financial statements are presented in Danish kroner (DKK) and in millions unless stated otherwise.

The accounting policies are unchanged from the policies applied in the financial statements for 2014. The annual report for 2014 contains a more detailed description of the accounting policies applied, including the definitions of the ratios used, which are calculated in accordance with the definitions in the executive order on financial reporting.

The measurement of certain assets and liabilities requires management estimates. The most significant estimates made by management in connection with recognition and measurement of these assets and liabilities and the most significant judgment uncertainty related thereto is the same in preparation of the half-year report for 2015 as in the preparation of the annual report for 2014.

	KEY FIGURES AND RATIOS DKK MILLION	1ST HALF 2015	1ST HALF 2014	YEAR 2014
NOTE 2	Net interest income from lending operations	307	259	565
	Net interest income from financing operations	134	124	255
	Total net interest income	441	383	820
	Net interest and fee income	464	475	934
	Market value adjustments	-171	164	123
	Staff costs and administrative expenses	-55	-52	-98
	Impairment charges on loans and receivables, etc.	-124	523	1,103
	Profit/loss before tax	114	1,109	2,061
	Profit/loss for the period	77	843	1,568
	Loans	44,331	38,899	43,347
	Bonds	23,654	19,539	18,680
	Equity	10,041	10,421	11,146
	Total assets	73,404	65,491	69,374

	RATIOS	1ST HALF 2015	1ST HALF 2014	YEAR 2014
	Solvency ratio	16.5	16.9	16.4
	Tier 1 capital ratio	16.5	16.9	16.4
	Return on equity before tax (%)	1.1	10.9	19.5
	Return on equity after tax (%)	0.7	8.3	14.8
	Income/cost ratio (DKK) *)	1.6	-1.4	-1.1
	Income/cost ratio (ex. impairment charges)	5.3	12.1	10.6
	Foreign exchange position (%)	8.1	10.6	8.5
	Gearing of loans	4.4	3.7	3.9
	Growth in lending for the period (%)	2.3	-8.2	2.3
	Impairment ratio for the period	0.3	-1.3	-2.4
	Accumulated impairment ratio	4.4	6.1	4.3
	Rate of return on assets (%) **)	0.1	1.3	2.3

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

*) In accordance with the instructions, the cost/income ratio must be calculated including loan impairment charges.

The list of key figures also includes a cost/income ratio in which the impairment charges are not included.

***) The rate of return on assets is calculated as profit/loss for the year/total assets.

	DKK MILLION	1ST HALF 2015	1ST HALF 2014	YEAR 2014
NOTE 3	INTEREST INCOME			
	Due from credit institutions	73	9	18
	Loans and other receivables	713	632	1,327
	Bonds	212	235	464
	Other interest income	-	-	0
	Derivatives			
	Interest rate contracts	25	127	252
	Foreign exchange contracts	-1	0	1
	Total interest income	1,022	1,003	2,061
	Of this amount, income from genuine purchase and resale transactions recognised in:			
	Due from credit institutions	68	0	0
NOTE 4	INTEREST EXPENSES	1ST HALF 2015	1ST HALF 2014	YEAR 2014
	Credit institutions	-53	-	0
	Issued bonds	-439	-517	-1,045
	Other interest expenses	-90	-103	-196
	Total interest expenses	-581	-620	-1,241
	Of this amount, interest expenses on genuine sale and repurchase transactions recognised in:			
	Due to credit institutions	-52	-	-

	DKK MILLION	1ST HALF 2015	1ST HALF 2014	YEAR 2014
NOTE 5	MARKET VALUE ADJUSTMENTS			
	Market value adjustment of bonds	-587	335	316
	Market value adjustment of shares	18	1	10
	Exchange rate adjustments	25	6	24
	Market value adjustment of financial instruments	373	-178	-226
	Total market value adjustments	-171	164	123
NOTE 6	LOANS AT AMORTISED COST	AT 30 JUNE 2015	AT 30 JUNE 2014	AT 31 DECEMBER 2014
	At 1 January	43,347	42,383	42,383
	Additions	2,360	3,149	8,440
	Ordinary repayments and redemptions	-3,512	-2,560	-5,174
	Extraordinary prepayments	-929	-4,668	-7,431
	Net change concerning revolving credit facilities	-337	-187	-4
	Exchange adjustment of loans	3,486	284	4,066
	Change in amortised cost for the year	52	-5	-30
	Depreciation, amortisation and impairment for the year	-137	503	1,097
	At the end of the period	44,331	38,899	43,347

DKK MILLION	AT 30 JUNE 2015	AT 30 JUNE 2014	AT 31 DECEMBER 2014
NOTE 7			
LOANS AT AMORTISED COST			
Gross loans at exchange rates at the balance sheet date	46,397	41,467	45,321
Loan impairment charges	-2,066	-2,568	-1,974
Total loans	44,331	38,899	43,347
Total loans broken down by due date:			
Up to 3 months	1,802	1,655	1,624
From 3 months to 1 year	5,462	5,185	5,772
From 1 to 5 years	29,898	26,104	28,391
Over 5 years	7,170	5,955	7,560
Total loans	44,331	38,899	43,347
Total loans			
Loans at fair value	44,717	39,370	43,889
Loans at amortised cost	44,331	38,899	43,347
Loans at fair value is an approximation based on amortised cost with the addition of the value of fixed-rate loans.			
Loans subject to individual impairment charges			
Value of loans with objective evidence of impairment			
Loans for which respite and more lenient repayment terms have been granted	3,059	4,496	3,047
Impairment charges	-1,191	-1,694	-1,214
Total loans for which respite and more lenient repayment terms have been granted	1,868	2,802	1,833
Other loans with objective evidence of impairment	820	981	901
Impairment charges	-163	-183	-150
Total other loans with objective evidence of impairment	657	798	751
Total loans subject to individual impairment charges	2,525	3,600	2,584

Reference is made to note 18 setting out LTV ranges for the entire loan portfolio and for loans subject to individual impairment charges.

DKK MILLION	AT 30 JUNE 2015	AT 30 JUNE 2014	AT 31 DECEMBER 2014
NOTE 8	IMPAIRMENT CHARGES		
The following impairment charges were made on receivables			
Individual impairment charges	1,354	1,877	1,364
Impairment charges with a collective component	712	691	610
Total impairment charges	2,066	2,568	1,974
As a percentage of loans and impairment charges and guarantee commitments			
Individual impairment charges	2.9	4.5	3.0
Impairment charges with a collective component	1.5	1.6	1.3
Total impairment charges	4.4	6.1	4.3
Distribution of impairment charges			
Amount set off against loans	2,066	2,568	1,974
Provisions made for other liabilities	-	-	-
Total impairment charges	2,066	2,568	1,974
Movements in impairment charges			
At 1 January	1,974	3,071	3,071
Additions	301	154	327
Reversal of impairment charges from previous years	-164	-657	-1,393
Losses covered by impairment charges from previous years	-45	-	-32
Total impairment charges	2,066	2,568	1,974
Losses on and impairment charges on receivables			
New impairment charges	-301	-154	-327
Reversed impairment charges	164	657	1,393
Reclassification of interest	13	20	37
Received on claims previously written off	0	0	0
Total losses on and impairment charges on receivables	-124	523	1,103

NOTE 9 **CSA COLLATERAL**

Danish Ship Finance had at 30 June 2015 received DKK 433 million (DKK 356 million 31 December 2014) as collateral for trades concluded under CSA agreements.

The bonds received have been recognised in the balance sheet so that they reduce the positive market value under derivative financial instruments by the market value of the bonds on the balance sheet date, and the portfolio of bonds at fair value is increased correspondingly by the market value hereof.

DKK MILLION	AT 30 JUNE 2015	AT 30 JUNE 2014	AT 31 DECEMBER 2014
NOTE 10 ISSUED BONDS AT AMORTISED COST			
At 1 January	45,077	48,657	48,657
Additions in conjunction with block issues	6,895	24	2,994
Amortisation of cost	-30	113	-221
Adjustment for hedge accounting	-53	144	666
Exchange rate adjustment	519	51	710
Own bonds	508	-744	-863
Ordinary and extraordinary redemptions	-3,603	-3,001	-6,867
At the end of the period	49,313	45,244	45,077
Specification of issued bonds			
Bonds issued in DKK			
Bullet bonds	43,252	39,347	39,291
Amortising CIRR bonds	912	1,028	970
Total Danish bonds	44,164	40,375	40,261
Bonds issued in foreign currency			
Amortising CIRR bonds, at year-end exchange rates	5,611	5,712	5,778
Total bonds issued in foreign currency	5,611	5,712	5,778
Own bonds	-462	-843	-962
Total issued bonds	49,313	45,244	45,077
Broken down by term to maturity			
Up to 3 months	-	-	1,310
From 3 months to 1 year	3,742	2,129	4,537
From 1 to 5 years	30,561	27,282	20,030
Over 5 years	15,472	16,676	20,162
Issued bonds, total before setting off against portfolio of own bonds	49,775	46,087	46,039
Own bonds	-462	-843	-962
Total issued bonds	49,313	45,244	45,077

	DKK MILLION	AT 30 JUNE 2015	AT 30 JUNE 2014	AT 31 DECEMBER 2014
NOTE 11	EQUITY			
	Share capital			
	A shares	300	300	300
	B shares	33	33	33
	Total share capital	333	333	333
	Tied-up reserve capital	8,343	8,343	8,343
	Revaluation reserves	10	10	10
	Profit brought forward	1,279	892	1,279
	Retained profit	77	843	-
	Dividend proposed for the financial year	-	-	1,181
	Total equity	10,041	10,421	11,146

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

DKK MILLION	AT 30 JUNE 2015	AT 30 JUNE 2014	AT 31 DECEMBER 2014
NOTE 12 CAPITAL ADEQUACY			
Tier 1 capital			
Share capital	333	333	333
Tied-up reserve capital	8,343	8,343	8,343
Retained earnings	1,279	892	2,460
Revaluation reserves	10	10	10
Retained profit	77	843	-
Total tier 1 capital	10,041	10,421	11,146
Deductions in Tier 1 capital			
Proposed dividend	-	-	1,181
Retained profit	77	843	-
Additional straining relative to the Executive Order on a Ship Finance Institute	60	94	85
Prudent valuation pursuant to article 105 of CRR	34	-	198
Total deductions in tier 1 capital	170	937	1,464
Tier 1 capital less deductions	9,871	9,483	9,682
Own funds less deductions	9,871	9,483	9,682
Weighted items			
Weighted items not included in the trading portfolio	46,462	41,281	45,405
Weighted off-balance sheet items	1,990	2,838	2,858
Weighted items involving counterparty risk outside the trading portfolio	1,954	1,889	1,356
Weighted items involving market risk	7,493	8,387	7,382
Weighted items involving operational risk	1,884	1,692	1,884
Total weighted items	59,782	56,087	58,883
Tier 1 capital less deductions as a percentage of total risk-weighted items	16.5	16.9	16.4
Solvency ratio	16.5	16.9	16.4
Weighted items with market risk, consist of			
Items with position risk: Debt instruments	6,656	7,372	6,541
Items with position risk: Shares	35	8	17
Total currency position	802	1,007	824
Total weighted items with market risk	7,493	8,387	7,382

DKK MILLION		AT 30 JUNE 2015	AT 30 JUNE 2014	AT 31 DECEMBER 2014
NOTE 13	CONTINGENT LIABILITIES			
	In the ordinary course of its lending operations, Danish Ship Finance has undertaken guarantee commitments of	321	393	381
	Payment guarantee provided to the Danish Securities Centre	2	3	3
	Guarantees provided to the Danish Securities Centre	1	2	1
	Total contingent liabilities	324	398	386
NOTE 14	OTHER BINDING AGREEMENTS			
	In the ordinary course of its lending operations, Danish Ship Finance has undertaken commitments in relation to unutilised drawing rights on loans with revolving credit facilities in the amount of	103	447	413
	In the ordinary course of its lending operations, Danish Ship Finance has undertaken commitments relating to irrevocable credit commitments on other loans in the amount of	3,233	4,441	4,528
	Total other binding agreements	3,336	4,888	4,940
NOTE 15	RELATED PARTIES			
	Related parties comprise members of the company's Management Board and Board of Directors. Related parties also comprise shareholders who hold more than 20% of the shares or more than 20% of the voting rights in the company.			
	Transactions with the Management Board and Board of Directors only concern remuneration.			
	Other related-party transactions involving deposits and debt and transactions with financial instruments in the form of 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. on government participation in the financing of newbuildings.			
	The company has no related parties with a controlling influence.			

DKK MILLION

**NOTE 16 EXCHANGE RATE RISK AND USE OF DERIVATIVES
AT 30 JUNE 2015**

The total unhedged foreign currency position at 30 June 2015 exclusive of the allowance account, translated at balance date exchange rates into DKK amounts to DKK 802 million (DKK 824 million at 31 December 2014).

All amounts are translated into DKK at the balance date exchange rates.

The net position is specified as follows

	USD	OTHER CURRENCIES	TOTAL CURRENCY	DKK	TOTAL
Loans at year-end exchange rates	40,135	5,225	45,360	1,037	46,397
Loan impairment charges	-	-	-	-2,066	-2,066
Loans as per the balance sheet					44,331
Due from credit institutions	82	3	85	3,422	3,507
Bond portfolio	-	489	489	23,165	23,654
Interest receivable, etc.	223	31	255	103	358
Other assets	16	1	18	1,536	1,554
Total assets as per the balance sheet	40,457	5,749	46,206	27,198	73,404
Issued bonds at year-end exchange rates	-5,611	-	-5,611	-43,702	-49,313
Issued bonds as per the balance sheet					-49,313
Due to credit institutions	0	-319	-319	-8,752	-9,071
Interest payable	-156	-10	-166	-334	-500
Other payables	-	-	0	-4,479	-4,479
Total equity	-	-	-	-10,041	-10,041
Total liabilities as per the balance sheet	-5,767	-329	-6,095	-67,308	-73,404
Derivatives					
- receivables	2,262	5,193	7,454		
Derivatives					
- payables	-36,557	-10,206	-46,763		
Total net position	395	407	802		

(translated into DKK)

DKK MILLION	AT 30 JUNE 2015	AT 30 JUNE 2014	AT 31 DECEMBER 2014
NOTE 17 MARKET RISK SENSITIVITY			
The company is exposed to several types of market risk. To illustrate the impact or sensitivity relative to each type of risk, the table below describes the amounts by which the company's results and equity are expected to change in various, fairly likely scenarios. Also indicated is the solvency impact due to a change in the exchange rate of the USD vis-à-vis DKK.			
Interest rate risk			
An interest rate increase of 1 percentage point			
Change in profit/loss and equity	-372	-473	-42
An interest rate fall of 1 percentage point			
Change in profit/loss and equity	372	473	42
Exchange rate risk			
An appreciation of the USD exchange rate vis-à-vis DKK			
Change in profit/loss and equity	-171	-234	-133
Percentage change in solvency	-1.8	-1.8	-1.6
A depreciation of the USD exchange rate vis-à-vis DKK			
Change in profit/loss and equity	133	234	133
Percentage change in solvency	2.1	1.8	1.6
The impact on the profit/loss and equity from a change in the exchange of USD assumes a permanent change of DKK 1 for an entire financial year. The impact comprises the change in the value of ongoing net interest and fee income as well as the change in the need for impairment charges due to the change in the exchange rate of USD.			
The impact on solvency on a change in the exchange rate of USD will occur immediately after the exchange rate change, as most of the loans, guarantees and loan offers are made in that currency.			

DKK MILLION	AT 30 JUNE 2015	AT 30 JUNE 2014	AT 31 DECEMBER 2014
NOTE 18 CREDIT RISK			
Total credit exposure distributed on balance sheet and off-balance sheet items			
Due from credit institutions	3,507	4,395	5,409
Loans at amortised cost	44,331	38,899	43,347
Bonds at fair value	23,654	19,539	18,680
Shares etc.	18	4	9
Derivatives	1,299	2,180	1,460
Total balance sheet items	72,809	65,017	68,905
Off-balance sheet items			
Contingent liabilities	324	398	386
Other binding agreements	3,336	4,888	4,940
Total off-balance sheet items	3,660	5,286	5,326

CREDIT RISK IN THE LOAN PORTFOLIO

Maximum credit risk without regard to collateral

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

Description of collateral

All loans are granted against collateral and, except for building loans, are granted against a first mortgage in ships, assignment in respect of the ship's primary insurances and where relevant, supplementary collateral.

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

LOAN-TO-VALUE RANGE	SHARE OF LOANS 30 JUNE 2015	SHARE OF LOANS 30 JUNE 2014	SHARE OF LOANS 31 DEC. 2014
0 - 20 %	32%	35%	36%
20 - 40 %	32%	33%	34%
40 - 60 %	27%	27%	25%
60 - 80 %	8%	5%	5%
80 - 90 %	1%	0%	0%
90 - 100 %	0%	0%	0%
Over 100 %	0%	0%	0%

Loans for shipbuilding financing is included in the "over 100%" category in the table above. No mortgage is registered on vessels during the building period, but the company receives a guarantee from the borrower, and is secured through assignment and subrogation in the building contract and subrogation in the refundment guarantee provided by the shipyard's bank. Loans for shipbuilding accounted for 0.0% of the loan portfolio at 30 June 2015 (0.1% in 2014).

It appears from the table above that 91% (95% in 2014) of the loan amounts is secured through mortgages within 60% of the most recently calculated market value of the mortgage, and 99% (100% in 2014) of the loans are within 80% of the most recently calculated market value of the mortgage.

The weighted loan-to-value ratio on the loan portfolio was 65% (59% in 2014) after impairment charges.

The market value of the ships in the loan portfolio has aggregately decreased by 0.1% since the end of December 2014 measured in DKK and declined by 8.3% in US dollars. The appreciation of the US dollar against the Euro and other major currencies has had a significant impact on the development of the portfolio's market value, which is why we have witnessed a decrease in USD but an increase in DKK.

Credit quality on loans neither subject to default or impairment

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

The credit quality of loans that are subsequently not subject to impairment or arrears, is considered strong.

Arrears

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

DKK MILLION	AT 30 JUNE 2015	AT 30 JUNE 2014	AT 31 DECEMBER 2014
-------------	--------------------	--------------------	------------------------

**NOTE 18, CREDIT RISK
CONTINUED**

Percentage distribution of loans subject to individual charges, cf. Note 8.
The distribution is made after impairment charges calculated in the LTV ranges (by nominal outstanding debt).

LOAN-TO-VALUE RANGE	SHARE OF LOANS 30 JUNE 2015	SHARE OF LOANS 30 JUNE 2014	SHARE OF LOANS 31 DEC. 2014
0 - 20 %	34%	35%	35%
20 - 40 %	33%	34%	36%
40 - 60 %	26%	26%	27%
60 - 80 %	6%	5%	2%
80 - 90 %	1%	0%	0%
90 - 100 %	0%	0%	0%
Over 100 %	0%	0%	0%

It appears from the table above that 93% (98% in 2014) of the loan amounts is secured through mortgages within 60% of the most recently market value of the mortgage, and 99% (100% in 2014) of the loans are within 80% of the most recently calculated market value of the mortgage.

The weighted loan-to-value ratio on loans subject to individual charges was 63% after impairment charges (58% in 2014).

NOTE 19 REFERENCE NOTE

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

The description of financial risks and policies for financial risk management is set out in the risk management section of the annual report for 2014, to which reference is made.