FIH Annual Rapport 2011

CVR-NO. 17029312

FIH ERHVERVSBANK

Content

The FIH Group (FIH) consist of FIH Erhvervsbank A/S and the wholly-owned subsidiaries FIH PARTNERS A/S, FIH Leasing og Finans A/S, FIH Realkredit A/S and FIH Kapital Bank A/S.

Governing text
The annual report has been translated from Danish. The Danish text shall govern for all purposes and prevail in case of any discrepancy with the English version.

I. Financial highlights

	FIH Group				
(DKK million)	**2011**	2010	2009	2008	2007
INCOME STATEMENT					
Net interest and fee income	**889.9**	**1,393.1**	**1,435.6**	**1,510.0**	**1,384.9**
Market value adjustments	-670.6	1,639.0	510.7	-53.5	510.0
Other operating income	69.4	84.2	108.6	95.6	85.9
Profit on net financials	**288.7**	**3,116.3**	**2,054.9**	**1,552.1**	**1,980.8**
Staff costs and administrative expenses	512.7	607.5	665.4	726.8	700.3
Depreciation	40.2	25.6	30.3	58.3	37.7
Other operating expenses	9.9	244.2	321.6	82.3	3.4
Loan impairment charges and receivables, etc.	992.3	1,922.6	1,177.0	494.4	-19.4
Profit on investments in group enterprises and associates	0.3	-0.1	-8.4	17.6	17.4
Profit before taxation	**-1,266.1**	**316.3**	**-147.8**	**207.9**	**1,276.2**
Taxation	-88.0	-208.3	-159.3	23.9	152.9
Net profit for the year	**-1,178.1**	**524.6**	**11.5**	**184.0**	**1,123.3**
Allocation of net profit:					
FIH's shareholders	-1,178.1	524.6	10.4	184.1	1,094.5
Minority interests	0.0	0.0	1.1	-0.1	28.8
SELECTED BALANCE SHEET ITEMS					
Loans	**42,833**	**57,994**	**64,134**	**72,615**	**75,015**
Equity	**7,166**	**8,334**	**7,820**	**7,809**	**7,777**
Total assets	**84,157**	**109,338**	**130,356**	**122,125**	**113,357**
Capital base	**10,132**	**11,778**	**11,799**	**10,467**	**10,528**
FINANCIAL RATIOS*					
Solvency ratio, per cent	17.8	15.4	13.8	11.9	11.5
Core capital ratio, per cent	15.6	13.3	11.4	8.8	8.4
Return on equity before taxation	-16.3	3.9	-1.9	2.7	17.6
Return on equity after taxation	-15.2	6.5	0.1	2.4	15.5
Income/cost ratio	0.19	1.11	0.93	1.15	2.77
Interest rate risk	0.7	1.6	2.7	0.1	4.0
Foreign exchange position	0.7	1.4	1.1	4.8	9.0
Foreign exchange risk	0.0	0.0	0.0	0.1	0.1
Loans as a percentage of deposits	7.4	8.1	3.2	2.3	7.1
Gearing of loans	6.0	7.0	8.2	9.3	9.6
Growth in loans for the year, per cent	-26.1	-9.6	-11.7	-3.2	11.0
Excess cover relative to statutory liquidity requirements	109.8	71.4	80.5	10.4	36.7
Total amount of large exposures	36.0	66.1	70.8	157.4	155.7
Impairment ratio	2.1	3.1	1.7	0.7	0.0
Capital base relative to minimum capital adequacy requirement	272.6	316.0	317.1	281.0	282.4

* Calculated in accordance with the guidelines of the Danish Financial Supervisory Authority, cf page 79.

II. Preface

2011 was an exciting but challenging year for FIH, our customers and the financial sector as a whole.

The year started with a change of ownership in FIH. At the same time, there was a predominantly positive sentiment in Danish as well as international economy at the beginning of 2011. During the year, however, a number of events left their significant mark and overall, 2011 was a turbulent and challenging year in domestic as well as international banking.

Debt problems, particularly in a number of southern European countries, as well as the euro zone situation have impacted the financial agenda. In addition, the situation for Danish banks was influenced by the events related to Amagerbanken and Fjordbank Mors, whose transistion to Finansiel Stabilitet attracted international attention. The rising improvement in the Danish corporate sector has also abated since the summer of 2011.

NEGATIVE RESULTS BUT SATISFACTORY UNDERLYING DEVELOPMENT IN THE BUSINESS UNITS

In 2011, FIH generated a net loss after taxation of DKK -1,178 million. The result was affected by the following material non-recurring elements:

- The value of the Axcel III fund (mainly due to Pandora A/S (Pandora)) fall by DKK 829 million.
- Negative market value adjustments due to the discontinuation of non-continuing activities of DKK 82 million, including a major share portfolio and certain loans.
- Restructuring costs of DKK 20 million.
- Impairment charges on certain intangible assets related to internal projects of DKK 18 million.

Moreover, impairment charges on loans amount to DKK 992 million. Impairment charges on loans are generally part of banking activities, but this year's impairment charges are found to be comparatively high relative to the Bank's loan balance and high in a historical perspective.

Apart from the above, the development in all three business units was satisfactory. Hence, profit before impairment charges and taxation, excluding the Axcel III fund, was DKK 555 million, which is slightly higher than the most recently announced expectations. We find that the results are satisfactory, considering the market conditions, but at the same time, we recognise that they do not live up to what is expected from a financial institution of our size in a "normal" year.

At the end of 2011, FIH's equity amounted to DKK 7,166 million, resulting in a strong solvency of 17.8 per cent. Also, liquidity is solid, totalling DKK 16.2 billion at the end of 2011.

FIH IN 2011

The year took off with a pleasant event as FIH's new ownership consisting of ATP, PFA, Folksam and C.P. Dyvig formally fell into place, and Bjarne Graven Larsen took office as co-CEO with Henrik Sjøgreen. This means that we reached an important milestone, creating clarity in terms of ownership and executive management.

The bank's primary focus in 2011 was to address the refinancing challenges FIH is facing in the years to come as the government-guaranteed bond issues expire.

In the 2010 annual report, we introduced a new business strategy. For the past year, we have focused on executing this strategy and at the same time making the required adjustments in step with the results we have achieved and the changes in the world surrounding us.

The strategy involves an active reduction of the loan balance. In 2011, FIH reduced its loans by DKK 15 billion, corresponding to 26 per cent. At the same time, the demand for loans from Danish enterprises has been limited. As a consequence, a lower activity level is expected in FIH going forward. In May, it was therefore decided to reduce the cost base which meant reducing the number of employees, and approx. 35 employees were given notice.

We have succeeded with many strategy elements in 2011, and the refinancing challenge is being solved according to plan. Throughout the year, we have done everything that we found was necessary and responsible, and we will continue this work in 2012 so that FIH will retain a strong foundation after the refinancing of government-guaranteed bond issues.

As the excutive management team in the only unadulterated corporate bank in Denmark, we find that we are responsible for ensuring that FIH can handle existing as well as new challenges. In our opinion, our new business strategy and our daily work ensures that FIH will be an important player in the Danish financial sector in the long term as well as today.

Bjarne Graven Larsen
Co-CEO

Henrik Sjøgreen
Co-CEO

III. Ownership and strategy

On 6 January 2011, FIH's new ownership comprising ATP, PFA, Folksam and C.P. Dyvig formally fell into place, and at the same time, Bjarne Graven Larsen took office as co-CEO. The new owners of FIH represent three of the leading Scandinavian institutional investors and each has in-depth advance knowledge of FIH.

Together with a number of executive employees, the Executive Board in FIH, Henrik Sjøgreen and Bjarne Graven Larsen, have invested in FIH Holding A/S, the joint holding company for the owners behind FIH. The Executive Board and the executive employees together own 2.3 per cent of the share capital in FIH Holding A/S. Bjarne Graven Larsen and Henrik Sjøgreen each own 0.5 per cent of the shares in the company.

After the clarification of the ownership, the new Board of Directors adopted a new strategy which was introduced in the 2010 annual report. The strategy implies:

- A reduction of FIH's refinancing requirement.
- A reduction of FIH's risk profile.

The above will lead to a smaller, but stronger FIH where small and medium-sized Danish corporate customers are in focus. Furthermore, FIH will continue its focus on the Bank's advisory services.

REFINANCING REQUIREMENT

At the beginning of 2011 FIH adopted and announced a strategy which will reduce the refinancing requirement to less than DKK 15 billion without drawing on the liquidity facility provided by ATP (the ATP facility) and without using the loan facility introduced by Danmarks Nationalbank (the Danish central bank) in the autumn of 2011 (the Danish central bank facility).

The announced business strategy is based on the following central elements:

- A reduction of loans to DKK 29 billion at year-end 2013.
- An increase in deposits to DKK 15 billion at year-end 2013.
- Release of further liquidity through reduction of other assets (amongst other shareholdings and corporate bonds) as well as a general reduction of the balance sheet which will reduce the regulatory liquidity requirement.

Given the negative atmosphere in the international capital markets in the summer of 2011, FIH's management has decided to adjust its business strategy to ensure that the refinancing requirement is reduced even further compared to the strategy previously announced. The refinancing requirement in the adjusted strategy will be reduced to less than DKK 10 billion and may thus expectedly be covered by the liquidity facilities (described in detail on page 26), including the ATP facility.

The refinancing requirement can be further reduced by accelerating the business strategy, e.g. by reducing the loan balance even further, for example by restricting new loans, avoiding to expand existing loans and selling parts of the loan balance.

The purpose of the strategy is to ensure that FIH will retain a strong foundation after the government-guaranteed bond issues expire.

For a description of FIH's refinancing strategy, reference is made to section VI, "Liquidity and funding".

RISK PROFILE

Furthermore, FIH aims at reducing the Bank's risk profile. This will, amongst other things, be done by discontinuing the business segments Private Equity and Property Finance. At the same time, the Bank intends to considerably increase Corporate Banking's share of the loan balance by the end of 2013. The period until year-end 2013 will see temporary fluctuations in the individual segments' share of the loan balance, reflecting the fact that loans are reduced at different paces in the various banking segments.

The risk is furthermore reduced by lowering the share of large exposures. The sum of large exposures in per cent of the capital base was reduced from 66.1 per cent at year-end 2010 to 36.0 per cent at year-end 2011 and is thus significantly lower than the maximum of 800 per cent permitted under the Danish Financial Business Act (*lov om finansiel virksomhed*) and the Supervisory Diamond target of a maximum of 125 per cent.


FIH

IV. Net profit for the year

FIH Group

(DKK million)	2011	2010	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Net interest income	758.5	1.203.1	165.9	216.6	163.7	212.3
Net fee income	131.4	190.0	38.8	27.8	30.4	34.4
Net interest and fee income	**889.9**	**1.393.1**	**204.7**	**244.4**	**194.1**	**246.7**
Market value adjustemnets excluding Axcel III	158.0	354.7	-99.5	44.3	76.0	137.2
Other operation income	69.4	84.2	17.0	16.9	17.0	18.5
Profit on net financials excluding Axcel III	**1,117.3**	**1,832.0**	**122.2**	**305.6**	**287.1**	**402.4**
Ordinay expenses	514.6	633.1	111.9	113.0	141.7	148.0
Other expenses	48.2	244.2	3.0	-1.4	40.4	6.2
Profit on net financials excluding Axcel III and taxation	**554.5**	**954.7**	**7.3**	**194.0**	**105.0**	**248.2**
Market value adjustments on Axcel III	-828.6	1.284.3	64.9	-446.6	-315.2	-131.7
Loan impairment charges	992.3	1.922.6	435.0	205.4	180.6	171.3
Profit from investments in associates and group enterprises	0.3	-0.1	0.3	0.0	0.0	0.0
Profit before taxation	**-1,266.1**	**316.3**	**-362.5**	**-458.0**	**-390.8**	**-54.8**
Taxation	-88.0	-208.3	-77.3	-4.0	-29.9	23.2
Net profit for the year	**-1,178.1**	**524.6**	**-285.2**	**-454.0**	**-360.9**	**-78.0**
FINANCIAL RATIOS*						
Solvency ratio, per cent	17.8	15.4	17.8	16.8	16.2	15.9
Core capital ratio, per cent	15.6	13.3	15.6	14.9	14.5	14.3
Individual solvency requirement, per cent	12.3	9.9	12.3	10.5	10.2	10.2
Return on equity before taxation p.a.	-16.3	3.9	-16.3	-15.3	-11.0	-2.6
Return on equity after taxation p.a.	-15.2	6.5	-15.2	-15.1	-10.8	-3.8
Cost/income ratio excluding Axcel III	0.46	0.35	0.92	0.37	0.49	0.37
Total amount of large exposures	36.0	66.1	36.0	54.0	38.7	60.8

* Calculated in accordance with the guidelines of the Danish Financial Supervisory Authority, cf acc ounting policies.

The FIH Group's profit before impairment charges and taxation, excluding the Axcel III fund, for 2011 was DKK 554.5 million (2010: DKK 954.7 million), which is slightly higher than the most recently announced expectations of around DKK 500 million. This primarily reflects higher earnings in Markets in Q4 2011 than expected. Net profit before taxation, excluding the Axcel III fund, was DKK -437.5 million (2010: DKK -968.0 million), while net profit for the year, including taxation and the Axcel III fund, amounted to DKK -1,178.1 million (2010: DKK 524.6 million). Equity amounted to DKK 7,166 million, and the capital base to DKK 10,132 million.

The sections below cover the most material income statement and balance sheet items.

NET INTEREST INCOME

Net interest income was DKK 758.5 million, down DKK 444.6 million on 2010, primarily due to the following factors:

- Lower interest income, e.g. due to a reduction in the loan balance and the bond portfolio.
- Increased funding costs.
- A fall in the general interest rate level.

Interest income totalled DKK 2,819.0 million in 2011 (2010: DKK 3,142.4 million). This fall may be attributed to, e.g., reduced interest income from loans due to, among other factors, the strong reduction of the loan balance of DKK 15,161 million, but also a fall in the general interest rate level. Hence, interest income from loans fell to DKK 2,138.8 million in 2011 (2010: DKK 2,255.8 million). Another factor is a fall in interest income from bonds to DKK 580.9 million (2010: DKK 848.2 million), e.g. due to a lower interest rate level, but also a lower average bond portfolio in 2011 than in 2010.

Interest expenses increased by DKK 121.2 million to 2,060.5 million (2010: DKK 1,939.3 million), of which interest expenses on bond issues increased by DKK 187.5 million as compared to 2010. Apart from Commercial Papers, FIH did not issue any new bonds in 2011, but paid full commission for all 12 months on the government-guaranteed bonds. In 2010, FIH only paid full commission in Q4 2010 – after the expiry of Bank Package I. A fall in the deposit balance of DKK 1,367 million led to a fall in interest expenses of DKK 30.2 million as compared to 2010.

In March 2011 FIH repaid subordinated debt of EUR 100 million. Despite this, interest expenses on subordinated debt fell by DKK 4.8 million in 2011 as compared to 2010 and now totals DKK 271.1 million.

(DKK million)	**2011**	2010
Net interest and fee income		
Interest income		
Due from credit institutions and central banks	35.6	63.1
Loans and other receivables	2,138.8	2,255.8
Bonds	580.9	848.2
Total derivative financial instruments	63.5	-29.0
Other interest income	0.2	4.3
Total interest income	**2,819.0**	**3,142.4**
Interest expenses		
Credit institutions and central banks	272.5	302.1
Deposits and other debt	149.1	179.3
Bonds issued	1,367.7	1,180.2
Subordinated debt	271.1	275.9
Other interest expenses	0.1	1.8
Total interest expenses	**2,060.5**	**1,939.3**
Net interest income	**758.5**	**1,203.1**

FIH's average interest rate margin fell from 1.4 per cent to 0.8 per cent. As can be seen from the table below, the interest rate on the average interest-bearing assets was constant throughout 2011. On the other hand, interest expenses on the average interest-bearing liabilities and equity increased from 2.0 per cent in 2010 to 2.6 per cent in 2011, which reflects the increased funding costs. FIH attempted to compensate for this by raising the lending rate to its customers which is reflected in an increase in the average lending rate from 3.7 per cent in 2010 to 3.9 per cent in 2011. The increase is only 0.2 per cent, as the general interest rate level in Denmark fell at the same time.

(DKK million)	2011	2010
Average interest-bearing assets and liabilities		
Interest-bearing assets	83,970	92,143
Interest-bearing liabilities	79,074	96,531
Interest margins etc.		
Total interest income/interest-bearing assets	3.4 %	3.4 %
Total interest expenses/interest-bearing liabilities	2.6 %	2.0 %
Average interest margin	0.8 %	1.4 %
Net interest income/interest-bearing assets	1.1 %	1.5 %
Loans – average interest		
Interest income on loans	2,139	2,256
Average loan balance before impairment	55,422	60,429
Average interest rate on loans	**3.9 %**	**3.7 %**

NET FEE INCOME

In 2011, fee and commission income fell by DKK 62.0 million, totalling DKK 175.7 million. The falling fee income was primarily caused by a fall in income in Corporate Finance to DKK 87.6 million (2010: DKK 132.9 million) as the economic climate makes it more time-consuming and more difficult to execute transactions.

(DKK million)	2011	2010
Net fee income		
Fee income from Corporate Finance	87.6	132.9
Other fees etc.	88.1	104.8
Fee and commission income	**175.7**	**237.7**
Fees and commissions paid	44.3	47.7
Net fee income	**131.4**	**190.0**

MARKET VALUE ADJUSTMENTS

Market value adjustments, excluding the Axcel III fund, totalled DKK 158.0 million, which is DKK 196.7 million lower than in 2010.

(DKK million)	2011	2010
Market value adjustments		
Loan hedge	13.1	23.4
Funding hedge	-6.2	9.5
Investment properties, including hedging	-18.8	4.3
Mortgage credit loans, including hedging	-2.0	2.8
Bonds and other derivatives	100.5	261.2
Repurchase of bonds issued and subordinated debt	66.9	15.7
Share options	3.5	6.9
Foreign exchange	-40.2	-16.4
Shares, excluding the Axcel III fund	122.7	47.3
Discontinuation of non-continuing activities	-81.5	0.0
Total market value adjustments, excluding the Axcel III fund	**158.0**	**354.7**
Market value adjustment of the Axcel III fund	-828.6	1,284.3
Total market value adjustments	**-670.6**	**1,639.0**

Market value adjustments of bonds and other derivatives totalled DKK 100.5 million (2010: DKK 261.2 million) and thus fell by DKK 160.7 million. This development was partly attributable to a lower average bond portfolio, partly to the volatile financial markets. Results for the year were also impacted by a loss of DKK 16.8 million on a financial instrument following the transfer of Amagerbanken to the Financial Stability Company.

In 2011, FIH repurchased own issued bonds at a total of DKK 1,411 million (2010: DKK 834 million), resulting in income under market value adjustments of DKK 66.9 million (2010: DKK 15.7 million). Buy-backs were only made in bond series maturing before 2014.

Market value adjustments of shares, excluding the Axcel III fund, were DKK 122.7 million (2010: DKK 47.3 million), primarily due to an increasing value of the underlying portfolio companies in the private equity funds in which FIH has invested.

Investment properties (operating leasing) are fair value-adjusted by DKK -18.8 million. Part of the value adjustment is equivalent to the repayment portion of the lease payment recognised under the item "Other operating income".

As part of its strategy, FIH disinvest non-continuing activities in Q4 2011, including a major share portfolio and certain non-profitable loans, resulting in a negative market value adjustment of DKK 81.5 million.

Market value adjustment of the Axcel III fund, which e.g. holds a large stake in Pandora, amounted to DKK -828.6 million in 2011 (2010: DKK 1,284.3 million). This reflects a sharp drop in the share price of Pandora from DKK 336.0 per share as at 31 December 2010 to DKK 54.0 as at 31 December 2011. In Q3 2011, in particular, the share price decreased significantly on account of Pandora's downward revision of profit expectations for the year. However, the share price increased slightly in the course of Q4 2011. FIH has applied the closing price of Pandora as at 31 December 2011 in the Bank's income statement.

OTHER OPERATING INCOME

In 2011, other operating income totalled DKK 69.4 million (2010: DKK 84.2 million). Rental income from investment properties (operating leases) is the largest item under other operating income. In 2011, the balance sheet item investment properties fell by DKK 67.1 million, resulting in lower rental income.

COSTS

Ordinary costs fell by DKK 118.5 million to DKK 514.6 million in 2011, corresponding to a fall of 18.7 per cent. The primary cause of this fall was a reduction in the number of employees and in performance-related payroll costs. The average number of employees in 2011 was reduced to 341 (full-time positions) against 355 in 2010, and at the end of the year, the number of employees was 317.

Other costs fell by DKK 196.0 million, primarily because Bank Package I expired at the end of September 2010, leading to a reduction in FIH's related expenses of DKK 244.2 million in 2011 as compared to 2010. On the other hand, restructuring costs and impairment charges on intangible assets affected 2011 negatively by DKK 38.3 million. In 2011, other operating costs totalled DKK 9.9 million, comprising, e.g., costs in connection with the Guarantee Fund for Depositors and Investors of DKK 4.1 million.

(DKK million)	**2011**	2010
Costs		
Ordinary costs		
Staff and administrative expenses, excluding restructuring costs	492.7	607.5
Depreciation and amortisation	21.9	25.6
Ordinary costs	**514.6**	**633.1**
Impairment charges on intangible assets	18.3	0.0
Restructuring costs	20.0	0.0
Other operating costs	9.9	244.2
Other costs	**48.2**	**244.2**
Total costs	**562.8**	**877.3**

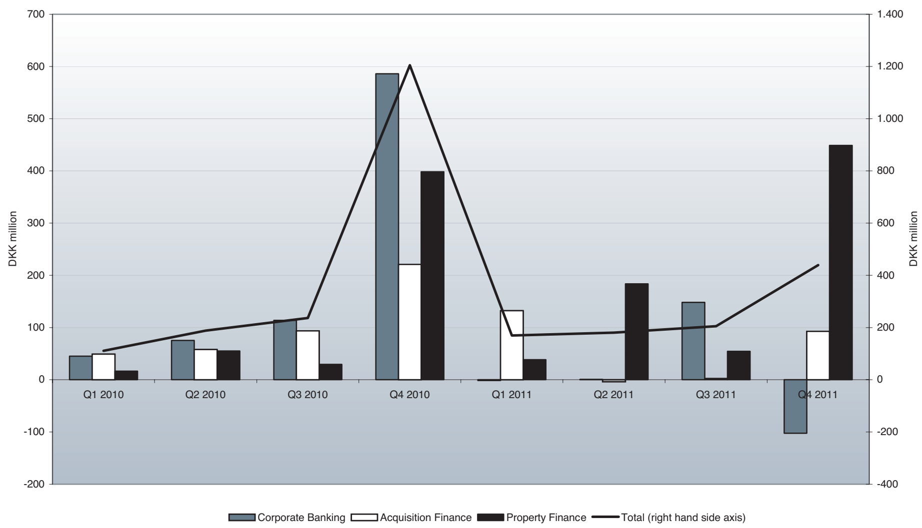
IMPAIRMENT CHARGES

In 2011, FIH's impairment charges totalled DKK 992.3 million, including reversed impairment charges in connection with the Private Contingency Association of DKK 2.3 million. This is significantly lower than in 2010, when impairment charges amounted to DKK 1,922.6 million, including DKK 181.4 million to the Private Contingency Association.

However, the level of impairment charges was higher than expected at the beginning of the year. This was primarily driven by the negative development in the property market, as property prices continued to fall and thererfore it was necessary to increase impairment charges for several Property Finance commitments. In addition to this, loan impairment charges were made on a few commitments in Acquisition Finance and to a minor extent new and increased impairment charges on a wide range of Corporate Banking commitments, primarily initiated by the deteriorating economic conditions in the second half of 2011. The majority of the impairment charges recognised in the income statement were found in the Property Finance business segment with 73 per cent of total impairment charges in 2011 while impairment charges in Acquisition Finance and Corporate Banking amount total 22 per cent and 5 per cent respectively.

The chart below shows the development in impairment charges over the last eight quarters in FIH's banking business segments, i.e. excluding impairment charges related to the Private Contingency Association.

Impairment charges in Banking broken down by business segments



Impairment charges in business segments in Q4 2011 are stated including the transfer of three commitments, including total impairment charges of DKK 223.6 million from Corporate Banking to Property Finance.

It should be noted that in December 2011, FIH transferred three commitments internally from Corporate Banking to Property Finance. Transferring the three commitments meant transferring impairment charges of DKK 223.6 million from Corporate Banking to Property Finance in Q4 2011.

The development in impairment charges generally reflects the current socio-economic tendencies. In Property Finance, low liquidity in the Danish property market and limited financing opportunities have caused prices for most commercial property types to fall. In the German property market, financing opportunities and liquidity remain good and prices generally stable. For enterprises, it is still mainly small and some medium-sized enterprises which focus only on the domestic market that are striving to balance operations.

Individual impairment charges totalled DKK 1,226.2 million in 2011, and about 60 per cent of these are increases in existing impairment charges (measured in terms of amounts of money). The majority, by far, of these increases come from one Acquisition Finance commitment and four Property Finance commitments, two of which have been previously handled by Corporate Finance, cf. above. For the four Property Finance commitments, the increase in impairment charges was caused by falling collateral values, mainly related to the property market.

Collective impairment charges fell by a total of DKK 199.7 million in 2011, amounting to DKK 297.1 million at year-end 2011, which is considered high for the sector.

The fall in collective impairment charges was caused by a reduction in the management's estimate of DKK 355.0 million. The management estimate was reduced for several reasons. Firstly, FIH improved its model for determining impairment charges, increasing model impairment charges by DKK 154.7 million, which has been deducted from the management's estimate. Secondly, individual impairment has been performed for a number of the segments causing a significant increase in provisions for the management's estimate at year-end 2010.

At year-end 2011, the total impairment balance was DKK 2,621 million, corresponding to 5.6 per cent of total loans before impairment charges (2010: 3.6 per cent). The impairment balance comprises DKK 599 million for Corporate Banking, DKK 447 million for Acquisition Finance and DKK 1,575 million for Property Finance.

TAX

In 2011, tax income was DKK 88.0 million, whereas in 2010, this income totalled DKK 208.3 million. The effective tax rate for 2011 was 6.9 per cent, based on negative results before tax.

BALANCE SHEET

In 2011, total loans fell by DKK 15,161 million or 26 per cent, totalling DKK 42,833 million at year-end 2011. The loan balance decreased for all banking segments, Acquisition Finance accounting for the largest relative reduction. The fall in the loan balance in 2011 is in line with the Bank's business strategy, and the loan balance is expected to be reduced even further in 2012 for all business segments as the strategy is executed.

(DKK million)	**2011**	2010
Balance sheet		
Cash and cash equivalents	3,981	3,726
Loans	42,833	57,994
Bonds	21,568	32,337
Shares and investments in associates and group enterprises	927	2,406
Other assets	14,848	12,875
Total assets	**84,157**	**109,338**
Deposits and other payables	6,120	7,487
Issued bonds and amounts due to credit institutions	53,033	77,372
Provisions for liabilities	63	438
Other liabilities and equity	13,968	11,241
Subordinated debt	3,807	4,466
Total equity	7,166	8,334
Total liabilities and equity	**84,157**	**109,338**

Bond holdings amounted to DKK 21,568 million at year-end 2011 (year-end 2010: DKK 32,337 million). This fall partly reflects a general reduction in the trading portfolio in the Banks' Markets unit and partly the use of bonds for prepayment of debt. The bond portfolio then comprises highly rated liquid assets used in the treasury portfolio, liquidity management and the Bank's Markets unit.

Holdings of shares and investments in associates totalled DKK 927 million at year-end 2011 (year-end 2010: DKK 2,406 million). This fall reflects a negative market value adjustment of the Axcel III fund and the sale of parts of the portfolio of unlisted shares.

Other assets, at DKK 14,848 million (year-end 2010: DKK 12,875 million), consist primarily of the market value of derivative financial instruments, totalling DKK 13,040 million at year-end 2011. Other liabilities and equity, at DKK 13,968 million (year-end 2010: DKK 11,241 million), consist primarily of the market value of derivative financial instruments, totalling DKK 11,127 million at year-end 2011.

Deposits fell by DKK 1,367 million in 2011, reflecting a fall in deposits from institutional investors. However, deposits in FIH's web bank for private customers and small enterprises (FIH Direct Bank) developed very positively in 2011, totalling DKK 5,007 million at year-end 2011, an increase of DKK 2,735 million as compared to year-end 2010. At the same time, the number of customers in FIH Direct Bank increased from 6,230 at the beginning of 2011 to 13,585.

Subordinated debt amounted to DKK 3,807 million – a reduction of DKK 659 million on the figure at the beginning of the year. The primary reason for this fall is that in March 2011, FIH repaid subordinated debt of EUR 100 million. The development in subordinated debt also reflects market value adjustments of DKK 87 million.

Upon the recognition of the results for the year, equity amounted to DKK 7,166 million at the end of 2011. No dividend is paid for 2011.

SOLVENCY RATIO

FIH aims at maintaining a solvency ratio that is significantly higher than the regulatory requirements to ensure that the Bank will be able to continue its activities, even under unfavourable economic conditions. Despite the negative results for the year, FIH's solvency increased to 17.8 per cent at year-end 2011 (from 15.4 per cent at year-end 2010), primarily due to a reduction in risk-weighted assets. FIH's own solvency requirement analysis shows a solvency requirement of 12.3 per cent against 9.9 per cent at the end of 2010. The excess solvency cover of 5.5 percentage points, the same level as at year-end 2010, remains in compliance with the objective of a high solvency ratio.

LIQUIDITY

FIH's liquidity was strong throughout 2011, contributing, among other things, to the redemption of bonds issued with an individual government guarantee at a value of approx. DKK 6.8 billion in the second half of 2011. Despite these redemptions, the excess liquidity cover amounted to 109.8 per cent at year-end 2011. Also, FIH's liquidity reserve is ensured up to DKK 10 billion with the ATP facility. At year-end 2011, FIH had not drawn on this facility.

RESULTS FOR Q4 2011

In Q4 2011, the profit before impairment charges and taxation, excluding the Axcel III fund, amounted to DKK 7.3 million (Q3 2011: DKK 194.0 million). The fall reflects, among other factors, the discontinuation of non-continuing activities (shares and certain loans), which rendered a loss of DKK 81.5 million under market value adjustments. Furthermore, net interest income fell by DKK 50.7 million as compared to Q3, e.g. due to the reduction of the balance sheet total over the year. Also, non-recurring earnings under interest income were lower in Q4 2011 than in the preceding quarters.

Costs totalled DKK 114.9 million, which is at the same level as Q3 2011 but considerably lower than Q1 and Q2 2011.

As opposed to the preceding quarters of the year, the market value adjustment of the Axcel III fund had a positive impact on Q4 2011, totalling DKK 64.9 million (Q3 2011: DKK -446.6 million). On the other hand, impairment charges were significantly higher than in the preceding quarters at DKK 435.0 million (Q3 2011: DKK 205.4 million). Q4 generated a loss, including the Axcel III fund and after taxation of DKK -285.2 million (Q3 2011: DKK -454.0 million).

UNCERTAINTY RELATING TO RECOGNITION AND MEASUREMENT

Estimates are used in recognition and measurement of certain assets and liabilities and equity in the income statement and the balance sheet and, accordingly, the valuation may be uncertain. Such estimates are performed by FIH's management in accordance with FIH's accounting policies and based on generally accepted valuation models, historical experience and assumptions considered to be realistic and reasonable by the management. The most significant estimates relate to:

- Impairment charges on loans and other receivables.
- Provisions for losses on guarantees.
- Determination of fair values of financial instruments that are not traded in active markets, including unlisted shares.
- Deferred tax assets.

The determination of impairment charges on loans and receivables involves significant estimates in the quantification of the risk that the debtor will not be able to meet his payment obligations, in full or in part. The determination of provisions for losses on guarantees involves uncertainty in the assessment of the risk that the guarantee will be realised in full or in part.

Impairment charges, including provisions for losses on guarantees, will continue to be significantly affected by economic trends. Growth and profitability have been under pressure in a number of industries and in a number of markets which has affected the Bank's customers. Moreover, the general financing conditions remain difficult, and activity in the property market is generally low. Besides the Banks' customers' earnings, the measurement of commitments depends, e.g., on the valuation of collateral. The valuation of the Bank's collateral depends extensively on the management's estimate of required rates of return in the property market. The management's estimate of property fair values is based on the property's application, location, rental level, rental conditions, state of maintenance, special characteristics, local development plans etc.

Where the Bank has provided funding or otherwise participates in lending with other funding sources, renegotiation, restructuring etc. will have to be conducted in consultation with these other funding sources and this affects the measurement of commitments. This could result in some uncertainty in renegotiation situations – especially if the customer is facing financial difficulties.

In the determination of the fair value of financial instruments that are not traded in active markets, including unlisted shares, estimates are involved in the calculation. Fair values are determined on the basis of generally accepted valuation methods as well as input variables in the form of yield curves, volatility curves, spreads etc. The valuation models discount future cash flows and measure option elements, if any. The valuation models are subject to a certain amount of model risk.

Tax losses which can be carried forward are included if it is considered probable that these losses can be nettet against profit within a foreseeable number of years. Inclusion of a deferred tax asset therefore requires the managements's assessment of the probability and size of future profit in the companies subject to joint taxation.

The accounting estimates used are described in detail under accounting policies and in note 2. Otherwise, no material uncertainties have affected recognition and measurement in the annual report.

EVENTS AFTER THE BALANCE SHEET DATE

No special events have occurred after the balance sheet date that would affect FIH or the financial performance for 2011.

UNUSUAL CIRCOMSTANCES

Management believes, that in addition to the already described circomstances in the annual report, no other circomstances have affected the financial results.

ACCOUNTING POLICIES

FIH's accounting policies are consistent with those applied for 2010.

V. Prospects for 2012

The uncertainty in the euro zone continued at the beginning of 2012 and is expected to continue throughout the year. Despite EU's recently adopted financial charter, which has been favourable received in the financial markets, uncertainty in the euro zone is expected to have a number of consequences, including a slow socio-economic development, a low interest rate level and related volatility in the financial markets. The extent and length of the ongoing financial crisis remain uncertain, and this is also expected to affect FIH in 2012 and to hamper normalisation of the funding markets for Danish banks, including FIH.

In 2012, FIH's focus will continue to be on reducing its loan balance, particularly in the Property Finance segment which is not a continuing segment. In the other banking segments, focus will be on improving customer relations profitability. Despite increased interest rate margins, interest income on loans is expected to fall as compared to 2011 as a consequence of an expectedly highly reduced loan balance.

Market value adjustments are expected to be markedly better in 2012, as 2011 was characterised by large negative market value adjustments in connection with FIH's indirect ownership of Pandora. As at 31 December 2011, FIH's exposure to Pandora amounted to DKK 211 million. As mentioned above, the Private Equity business segment is being discontinued in FIH.

Moreover, FIH will focus on retaining a low cost base in 2012.

The impairment requirement is closely related to the economic climate and as this is surrounded by uncertainty, the impairment requirement for individual as well as collective impairment charges will remain uncertain for FIH. However, impairment charges are expected to be at a lower level in 2012 as compared to 2011.

The Bank expects to maintain a high solvency level and adequate liquidity throughout 2012. Due to FIH's long-term funding situation, this will continue to be a focus area in future, and FIH will therefore continue to work on increasing its deposits, using structures in which funding is obtained based on collateral in the form of the Bank's assets in addition to the reduction of the loan balance mentioned above. For further details, see section VI, "Liquidity and funding".

VI. Liquidity and funding

2011 was a difficult year for raising financing in the capital markets. The financing costs in the international debt markets increased throughout the year and even the most solid banks saw periods in which market funding was not accessible.

For Danish banks, the situation intensified even further due to the events surrounding the bankruptcies of Amagerbanken and Fjordbank Mors which attracted domestic as well as international attention. The winding-up of these two banks under Bank Package III meant losses to senior lenders, and the strength of the systemic support to Danish banks was questioned. Despite the adoption of Bank Package IV and the winding-up of Max Bank under this, in which no unsecured debt investors suffered losses, investors and rating agencies remain uncertain as to the systemic support in Denmark as losses for senior lenders to Danish banks are still possible.

FIH's most significant challenge in 2011 was to address debt maturing in 2012 and 2013 and to create a long-term and sustainable funding base. In light of the market development and FIH's current credit rating, liquidity and funding, including repayment of debt falling due in the years to come will remain the most significant challenges for the Bank in 2012. Accordingly, its main focus will still be on addressing the refinancing requirement arising in Q1 and Q2 2013.

For a description of FIH's organisational anchoring of liquidity and funding, liquidity management, liquidity risks etc., see the report "Risk Management in FIH 2011", available for download on www.fih.com/Financials/Risk+Reports.

LIQUIDITY

The following sections describe FIH's liquidity for the coming 12 months. A description of the funding situation beyond 12 months is in the "Funding situation" section from p. 28.

Liquidity position

At year-end 2011, FIH's liquidity, calculated in accordance with the Danish Financial Business Act, totalled DKK 16.2 billion, equivalent to an excess cover of 109.8 per cent relative to the regulatory requirements (year-end 2010: 71.4 per cent), which is considered a high level.. Liquidity is calculated exclusive of the ATP facility.

During the year, FIH chose to spend a portion of its excess liquidity on redeeming government-guaranteed bonds maturing in 2013 worth approx. DKK 6.8 billion.

Investment of liquidity

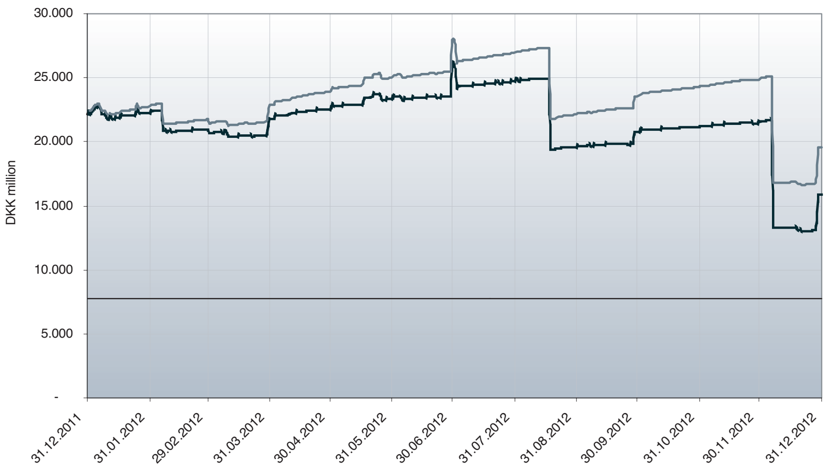
Excess liquidity is invested in, e.g., bonds that function as a liquidity buffer. The objective for this portfolio is to optimise the return, considering a limited risk. The bonds are invested relative to the expected liquidity situation and sufficiently high bond liquidity. At year-end 2011, the portfolio was invested mainly in Danish government and mortgage bonds with at least one credit rating of "AA" or higher. Moreover, at the end of 2011, the portfolio has minor positions in German AAA-rated government bonds and Swedish AAA-rated mortgage bonds (bostädsobligationer). The German and Swedish bonds amounted to about one per cent of the total portfolio. The Bank has not invested in bonds from issuers in countries outside Denmark, Germany and Sweden.

Liquidity projection
FIH's liquidity projection factors in all the Bank's known liabilities and all payments from assets and liabilities. The liquidity projection for the next 12 months can be seen in the figure below which illustrates two scenarios for the liquidity development:
- Scenario a. (black curve): Expected liquidity under the strategy.
- Scenario b. (dotted curve): Alternative liquidity projection.

Scenario a. (black curve) illustrates the expected liquidity development in line with FIH's execution of its business strategy with an expected reduced loan balance and an increased volume of deposits. Scenario b. (dotted curve) illustrates a more conservative development in loans as well as deposits with a slower reduction of loans than expected in FIH's strategy and with the volume of deposits maintained at the current level. For both scenarios, the ATP facility is included with DKK 5.9 billion, while the following is excluded:
- Market funding planned but not executed.
- Unused elements of the cash resources.

Furthermore, the regulatory liquidity requirement is constant throughout the period, even though a reduction of the Bank's balance sheet total is expected to reduce this requirement.

Projection of liquidity and liquidity requirement over the next 12 months (DKK million)



Scenarios
Scenario a. (black curve): Expected liquidity under the strategy
- Continued reduction of the loan balance.
- Increase in the volume of deposits.
- All other debt falls due on maturity.

Scenario b. (dotted curve): Alternative liquidity projection
- Reduction of the loan balance lower than expected.
- Volume of deposits maintained.
- All other debt falls due on maturity.

Narrow curve: regulatory liquidity requirement according to section 152 at year-end 2011 (kept constant at beginning-of-year level).

As a consequence of FIH's business structure, the Bank's future cash-flows are characterised by a high degree of predictability. The Bank has a relatively low share of current accounts and other short-term financing. Unpredictable cash flows thus primarily derive from:
- Whether loans are extended upon maturity.
- The extent to which ordinary repayments from the loans are repaid in time.
- Collateral positions in the event of market value adjustments of derivative positions.

The most significant assumptions, and, hence, potential uncertainties, in the liquidity projections, relate to the Bank's expectations relative to the development in the loan balance and the volume of deposits.

At the beginning of 2012, FIH's liquidity is strong, and the liquidity projections in scenario a. as well as in the alternative scenario b. show that FIH has sufficient liquidity for all known payments 12 months ahead (i.e. 2012) and that, viewed in isolation, there is no need for supplementary funding for the coming year.

However, debt maturing in 2012 and 2013 will, all other things being equal, have a considerable negative impact on the liquidity situation, and until maturity in Q1 and Q2 2013, FIH needs to raise new funding or alternatively draw on its cash resources, cf. the sections on cash resources and the refinancing strategy below.

Cash resources

Despite a relatively predictable liquidity projection, FIH wishes to maintain solid cash resources relative to its payment obligations.

The cash resources are mainly:

a) The ATP facility.
b) Government-guaranteed bonds issued but not sold.

Also, FIH has explored the possibility of using the loan facility with Danmarks Nationalbank, allowing banks to borrow against assets with a good credit quality.

The ATP facility

A material element of the cash resources is a considerable cash amount of up to DKK 10 billion available through the ATP facility, which remains undrawn at year-end 2011. The maximum draw on the ATP facility is, amongst other, limited by the size of the loan balance in FIH Kapital Bank A/S. At year-end 2011, the possible liquidity draw on the ATP facility was DKK 5.9 billion.

The ATP facility

Cash resources provided by ATP through the subsidiary FIH Kapital Bank A/S.

FIH Kapital Bank A/S:

- Established in 2007.
- Maintain a banking licence.

The ATP facility:

- Renegotiated and renewed in 2011.
- Based on a binding credit approval of up to DKK 10 billion.
- Fully operational.
- The undrawn part is not included in the regulatory liquidity.
- Applies until the beginning of 2014.

Structural description:

- The structure is based on securitisation techniques which exclude external credit rating, tranching and issuing as bonds.
- The loan portfolio is dynamic, and new loans can be added or approved by Kapital Bank itself.
- FIH Erhvervsbank A/S acts as administrator under a formal agreement.
- The creditor is protected by covenants in the agreement without direct access to underlying assets and collaterals.

It should be noted that loans granted by FIH Kapital Bank A/S cannot be used under the Danish central bank facility. It is being considered whether FIH will profit the most by using the ATP facility in FIH Kapital Bank A/S or the Danish central bank facility in FIH Erhvervsbank A/S, which is the reason why the loan balance in FIH Kapital Bank A/S does not meet the requirements to allow for the maximum drawing of DKK 10 billion on the ATP-facility.

The existing agreement with ATP is in force until the beginning of 2014 and, hence, after the repayment of the government-guaranteed bonds with the longest maturity has been made in July 2013.

Government-guaranteed bonds issued but not sold

Bonds issued but not sold are two government-guaranteed bond series of DKK 2 billion and EUR 185 million, both maturing in July 2013. Upon issue, the bonds were not sold on the market, but were instead included in FIH's cash resources, providing ongoing flexibility in the planning and handling of liquidity.

The Danish central bank facility

In October 2011, Danmarks Nationalbank set up a facility that makes it possible to borrow against assets with a good credit quality pledged at Danmarks Nationalbank. In December 2011, the maturity was extended from six months to 36 months.

While FIH sees this as a positive step, the Bank does not consider loans from Danmarks Nationalbank to be a lasting source of funding. FIH has examined the conditions for using the Danish central bank facility, including the assets that could be used. At the end of 2011, FIH had a loan basis of DKK 6.4 billion that could be used in the Danish central bank facility. The borrowing value is calculated at DKK 4.2 billion and comprises the loan basis less a haircut of 25 per cent and a margin of 10 per cent.

The loan basis complies with the criteria set up by Danmarks Nationalbank for loans that can be borrowed against, which means that the following are not included:

- Loans in FIH Kapital Bank A/S.
- Loans in other currencies than DKK and EUR.
- Loans where the debtor is residing outside Denmark.
- Loans in Acquisition Finance are typically not included, as they are subject to negative pledge clauses.

Mid-December 2011, FIH’s external auditors submitted a statement declaring that they find that formal requirements and procedures for using the Danish central bank facility had been complied with. As stated in the contractual basis for this facility, the statement only applies to the day it is signed. If FIH wishes to use the facility in future, FIH expects that it can be commissioned at a very short notice, as the Bank has established an internal set-up for this agreement. At present, FIH has not applied to the Danmarks Nationalbank to use the facility.

If FIH chooses to use the Danish central bank facility, it may be included in the regulatory liquidity.

The extent of financing via the ATP facility and the Danish central bank facility at any given time will depend on the composition of the volume of assets and, hence, the development in the book of loans as well as the use of assets as collateral for other activities, including the bond programme mentioned in the refinancing strategy with collateral secured on the loan portfolio (see p. 30).

FUNDING SITUATION

Credit rating

In 2011, the international credit rating agency Moody's Investor Services (Moody's) reconsidered its outlook on the Danish economy, the systematic support to Danish banks and FIH's specific circumstances.

Rating events for FIH in 2011

Date	Long -term	Outlook	Reason
Start of 2011	Baa3	Review for possible downgrade	Rating review initiated in June 2010 and extended due to change of ownership.
16.2.2011	Ba1	Review for possible downgrade	Downgrade due to negative view of Danish economy and Amagerbanken's collapse through Bank Package III, which meant that Moody's *"...changed our assumption on systemic support to 'low' for Denmark, the lowest category within our systemic support framework."*
13.6.2011	Ba2	Negative	In May 2011, Moody's chose to downgrade six Danish banks. FIH was not downgraded but was still on "review for possible downgrade". After the Danish ATP Act was adopted, the ongoing review was concluded, and the Bank's long-term rating was downgraded. *"Parental support*" was included positively by one rating notch.
8.8.2011	Ba2	Review for possible downgrade	Review initiated after expected losses on FIH's investment in the Axcel III fund. Moody's is concerned, e.g., about the impact of these losses on FIH's capitalisation.
7.10.2011	B1	Negative	Moody's review from August 2011 is concluded with a two-notch downgrade.

The most recent downgrade of FIH's credit rating in October 2011 from Moody's was motivated by expectations of weaker capitalisation due to FIH's investment in the Axcel III fund. Moreover, the downgrade was motivated by arguments such as the refinancing of the government-guaranteed bond issues, credit quality and exposure against the property sector as well as a negative view of Danish economy and Danish financial institutions in general.

Moody's credit rating of FIH at year-end 2011.

Rating category	Rating	Outlook
Senior unsecured	B1	Negative
Subordinated debt	B3	Negative
Government-guaranteed notes	Aaa	Stable
Commercial Papers	Non-Prime	-
Bank Financial Strength Rating (BFSR)	E+	Negative

Combination of funding sources

FIH focuses more than previously on term deposits from private customers and small enterprises, and the volume more than doubled in 2011, now at 6 per cent of the total funding (year-end 2010: 2 per cent).

As can be seen in the table below, Medium Term Notes (MTN) constitute an increased share of funding. This does not indicate new bond issues in 2011 but, among other things, a reduction of other funding sources at the end of the year, including repo transactions.

Combination of funding sources

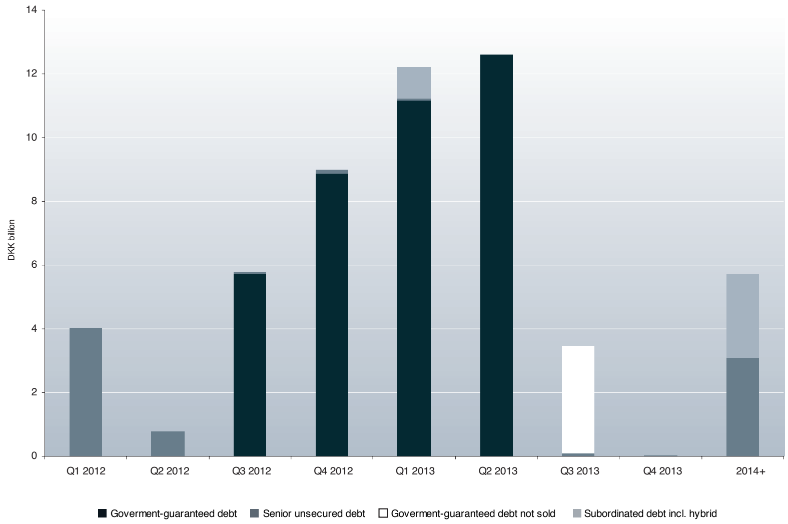
Funding sources by type (per cent)	**2011**	2010	2009
Central banks	0	0	13
Repo transactions	9	26	10
Deposits from other banks	1	1	1
Corporate accounts	1	2	1
Special-term deposits – institutional investors	2	4	14
Special-term deposits – private customers	6	2	2
Commercial papers	0	0	5
Drawn under credit facilities	0	0	0
Medium Term Notes	61	45	34
Other bonds issued	1	2	4
Bank loans	4	4	5
Subordinated debt	5	5	4
Equity	10	9	7

Debt profile
FIH has senior unsecured debt with an original maturity of one year or more at a value of DKK 47.9 billion, maturing in 2012 and 2013 of which government-guaranteed bonds constitute DKK 41.7 billion. The government-guaranteed bonds mature in the period from Q3 2012 up to and including Q3 2013.

The figure below illustrates the Bank's debt at the end of 2011. Subordinated debt falls due on final maturity. Hybrid core capital is perpetual but is included in the figure with maturity in the category 2014+.

The group "Government-guaranteed debt not sold" comprises two government-guaranteed bond series of DKK 2 billion and EUR 185 million, both maturing in July 2013. Upon issue, these bonds were not sold in the market but were instead included in FIH's cash resources.

Medium-term and long-term market debt (nominal values in DKK billion)



The figure shows medium-term and long-term market debt with an original maturity of one year or more. The debt is calculated as the nominal value in DKK based on Danmarks Nationalbank's official exchange rates at end-December 2011.

REFINANCING

Refinancing requirement

FIH's new strategy with a first phase covering 2011 to 2013 was presented in the annual report for 2010. This strategy is described in detail below along with an overview of the results obtained in 2011.

A central element of the first phase of the announced business strategy is to address the future repayment of outstanding debt. The bank's refinancing requirement in the years to come is, however, significantly lower than the liabilities which are maturing in the same period.

The implementation of the previously announced strategy will reduce the refinancing requirement to less than DKK 15 billion. The refinancing requirement is stated without drawing on the liquidity facility provided by ATP (the ATP facility) until January 2014 and without using the loan facility introduced by Danmarks Nationalbank in the autumn of 2011 (the Danish central bank facility).

The announced business strategy is based on the following central elements:

a) A reduction of loans including investment properties from DKK 59 billion at year-end 2010 to DKK 29 billion at year-end 2013.
b) An increase in deposits from DKK 7.5 billion at year-end 2010 to DKK 15 billion at year-end 2013.
c) Provided that the business strategy is implemented as planned, reduced loans and a reduction in the balance sheet total will reduce the regulatory liquidity requirement. Furthermore, until 2013 liquidity will be generated through the sale of shareholdings and corporate bonds. The factors stated in c) will expectedly release liquidity of up to DKK 10 billion for the repayment of debt until year-end 2013.

The most significant assumptions, and, hence, potential uncertainties, in the calculation of the refinancing requirement relate to the Bank's expectations for the development of its loan balance and its volume of deposits and the related effect on surplus liquidity and liquidity requirements.

Refinancing strategy

In the current market and with the current rating, the issue of unsecured bonds is not a parameter in the refinancing strategy.

In recent years, the international debt markets have preferred bonds secured on assets. FIH therefore strives to establish funding structures based on collateral in the Bank's assets as the primary source to cover the refinancing requirement. More specifically, the Bank endeavours to create an independent bond programme similar to mortgage credit in which bonds are issued secured on a part of the loan portfolio. The assets could be loans on the Bank's balance sheet mortgaged on real property, but other asset segments are looked into. The extent of financing through the use of the loan portfolio depends on the composition of the assets and, hence, the development in the book of loans, as well as on the use of the assets as collateral in other activities such as the ATP facility and the Danish central bank facility.

Execution of the strategy in 2011

The bank's primary focus in 2011 was to address the refinancing challenge faced by FIH in the years to come as the government-guaranteed bond issues expire. Overall, the 2011 strategy was executed as planned.

a) Reduction of loans

In 2011, FIH reduced its loans, including investment properties, by DKK 15 billion (corresponding to 26 per cent) and, according, reduced its loans from DKK 59 billion at the beginning of the year to DKK 44 billion at the end of the year. The reduction of the Bank's loans is proceeding as planned and in all the Bank's main banking segments:

I. Loans in Corporate Banking fell by 22 per cent in 2011, primarily as a consequence of a lower demand, and therefore, ordinary loan repayments and an increased focus on profitability in existing customer relations resulted in a reduction in this segment's loan balance. In addition, a few large and unprofitable commitments were sold or reduced, which will also be a focus point in 2012.

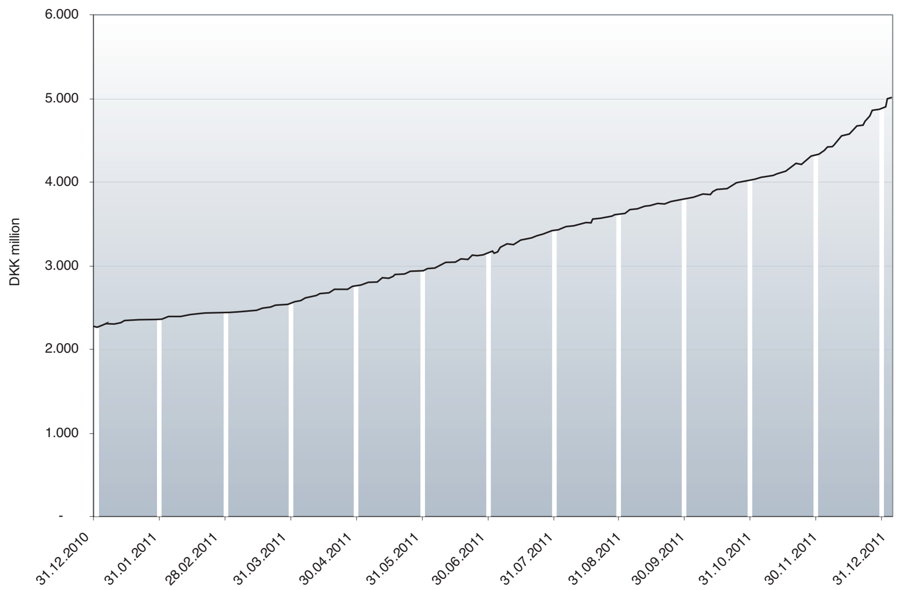
II. Acquisition Finance reduced its loans by 37 per cent in 2011, primarily as a consequence of private equity funds having sold the underlying portfolio companies, primarily to industrial buyers. This development is expected to continue in 2012, leading to a further loan balance reduction.

III. Property Finance is non-continuing business segment in FIH, and loans in this segment are being settled at a pace allowed by the loan agreements. In 2011, the loan balance fell by 26 per cent. 2012 will see an even stronger focus on reducing the loan balance in accordance with the business strategy.

b) Increase in deposits

Deposits fell by DKK 1.4 billion, from DKK 7.5 billion to DKK 6.1 billion as compared to year-end 2010. However, this decrease covers two opposite factors, as deposits from private customers and small enterprises in FIH's web bank (FIH Direct Bank) have been increasing throughout the year and more than doubled in 2011, whereas deposits from institutional investors fell and now comprise a smaller share of total deposits. Consequently, the development in FIH Direct Bank was in line with expectations, whereas there was limited focus on deposits from institutional investors. Increasing deposits from private customers and small enterprises will remain in focus in 2012.

Development in deposits in FIH Direct Bank 2011



c) Liquidity released from other items
In 2011, FIH's balance sheet was reduced by DKK 25 billion, leading to a reduction in the regulatory liquidity requirement from DKK 10.4 billion at year-end 2010 to DKK 7.7 billion at year-end 2011. In addition, there is a total net inflow of DKK 1.5 billion from, e.g., sold shareholdings and corporate bonds.

Capital market financing
In 2011, FIH did not raise financing in the capital markets, but strived to set up funding sources that are less dependent on FIH's credit rating and for which FIH provides the Bank's assets as collateral as the basis for alternative funding structures. This work is expected to continue in 2012.

Ongoing adjustment of the strategy
FIH's management continuously assesses whether the strategy should be adjusted to the general economic development and financing opportunities in the capital markets.

Given the difficult conditions for raising financing from the capital markets and a national and international economic climate characterised by major challenges, FIH's management decided to adjust its business strategy to ensure that the refinancing requirement is reduced even further as compared to the strategy previously announced. The refinancing requirement will then be reduced to less than DKK 10 billion and may expectedly be covered by the cash resources, including the ATP facility.

The refinancing requirement will be further reduced by accelerating the business strategy, e.g. by reducing the loan balance even further, for example by restricting new loans, avoiding to expand existing loans and selling parts of the loan balance.

VII. FIH's business

FIH's primary customer focus is corporate customers with a balance sheet that exceeds DKK 10 million. The customers are served by three business segments:

Banking: which comprises three sub-segments:
- Corporate Banking: Financial solutions to the Danish corporate sector.
- Acquisition Finance: Integrated financing solutions for Nordic private equity funds and industrial buyers in connection with mergers and acquisitions.
- Property Finance: Capital and advisory services for property investors in connection with property purchases. Property Finance is not a continuing business segment in FIH.

Markets: Provides financial advisory services for large and medium-sized companies relating e.g. to risk management, liability management and capital structure. Markets is also responsible for handling trading and customer-oriented activities in the interest rate, foreign exchange and securities markets. Markets comprises:
- Financial Solutions: Advisory services and the operation of customer deposit activities (FIH Direct Bank).
- Trading: Trading in interest rate and foreign exchange products as well as a proprietary trading mandate.
- Treasury: Management of FIH's treasury portfolio and handling of money market activities.

Corporate Finance: Financial advisory services on mergers and acquisitions, privatisations and capital injections etc.

The segments Private Equity (where the Bank's investments in assets are placed) and Other activities (Treasury, Group management and other) are also reporting segments.

Each segment is described in detail on the following pages.

CORPORATE BANKING

Income statement

(DKK million)	2011	2010
Income*	**285.0**	**477.6**
Operating costs	163.7	176.5
Impairment charges on loans and receivables etc.	45.0	820.4
Profit on investments	0.0	0.0
Profit before taxation	**76.3**	**-519.3**
Taxation	19.1	-129.7
Net profit for the year	**57.2**	**-389.6**
Loans	21,454	28,326

* Income comprises net interest and fee income, market value adjustments and other operating income.
At the beginning of October 2011, a customer commitment with related income in Q4 2011 was transferred from Acquisition Finance to Corporate Banking. In December 2011, three customer commitments with related income were transferred from Corporate Banking to Property Finance. These transfers led to a total reduction in loans of DKK 660 million, net interest income of DKK 3.1 million and impairment charges of DKK 223.6 million. Comparative figures for 2010 have not been restated accordingly.

The business segment

Corporate Banking offers financing solutions and financial advisory services to Danish corporate customers. Customer focus is on small and medium-sized Danish enterprises but the spectrum of customers is wide and ranges from small owner-managed enterprises to large industrial groups in Denmark. Customers are served from five regional offices with local presence providing optimum conditions for developing strong relations with the enterprises.

Market development

The market conditions for Danish business enterprises gradually developed negatively during 2011. The beginning of the year was generally characterised by positive tendencies, but this changed after the summer due to the European crisis and the resulting growing uncertainty.

This uncertainty led to renewed focus on optimisation and streamlining of individual enterprises, and experience shows that the largest and internationally oriented enterprises have generally had better preconditions than smaller home market-oriented enterprises.

In 2011, the demand for financing was modest.

Activities

Corporate Banking focused its efforts on increasing profitability in existing customer relations and, combined with the enterprises' ordinary loan repayments and limited demand for new financing, this led to a reduction of the loan balance. This reduction was primarily seen among the largest and unprofitable customers.

Net profit for the year

The profit after taxation in Corporate Banking amounted to DKK 57.2 million, an increase of DKK 446.8 million as compared to 2010. This increase primarily reflects lower impairment charges in 2011 than in 2010, whereas income fell due to increased funding costs and a lower loan balance.

ACQUISITION FINANCE

Income statement

(DKK million)	2011	2010
Income*	**265.4**	**390.0**
Operating costs	29.3	28.8
Impairment charges on loans and receivables etc.	223.9	421.2
Profit on investments	0.0	0.0
Profit before taxation	**12.2**	**-60.0**
Taxation	3.0	-15.0
Net profit for the year	**9.2**	**-45.0**
Loans	5,844	10,697

* Income comprises net interest and fee income, market value adjustments and other operating income.

At the beginning of October 2011, a customer commitment with related income in Q4 2011 was transferred from Acquisition Finance to Corporate Banking. This transfer led to a total reduction in loans of DKK 910 million and DKK 6.3 million under net interest income. Comparative figures for 2010 have not been restated accordingly.

The business segment
Acquisition Finance provides financing solutions for ownership changes in the Nordic market, including corporate acquisitions by private equity funds, refinancing of investments, and management buy-ins and buy-outs.

Market development
2011 was characterised by continued low activity in the M&A market. For the first six months, activity was at the same level as in 2010, whereas the second half of 2011 saw lower activity than in 2010.

Transactions completed in 2011 involved an overweight of strategic and industrial buyers as compared to financial buyers.

Activities
In accordance with FIH's business strategy, Acquisition Finance in 2011 focused its efforts on the existing loan portfolio and participated only very selectively in new transactions.

The loan balance was considerably reduced following a number of successful exits to primarily strategic and industrial buyers, underlining the overall loan portfolio credit quality.

Due to the generally very difficult market conditions, particularly in the second half of 2011, some customers in the portfolio were unable to meet the financial covenants, resulting in renegotiation and restructuring of these commitments. In 2011, Acquisition Finance therefore had to make a few write-downs for impairment.

Net profit for the year
The profit after tax in Acquisition Finance amounted to DKK 9.2 million, an increase of DKK 54.2 million as compared to 2010. This increase primarily reflects lower impairment charges in 2011 than in 2010.

PROPERTY FINANCE

Income statement

(DKK million)	2011	2010
Income*	**230.5**	**214.8**
Operating costs	64.2	61.8
Impairment charges on loans and receivables etc.	725.7	499.6
Profit on investments	0.0	0.0
Profit before taxation	**-559.4**	**-346.6**
Taxation	-138.2	-86.5
Net profit for the year	**-421.2**	**-260.1**
Loans	15,162	18,389

* Income comprises net interest and fee income, market value adjustments and other operating income.
In December 2011, three customer commitments with related income were transferred from Corporate Banking to Property Finance. This transfer led to a total reduction in loans of DKK 1,570 million, net interest income of DKK 9.4 million and impairment charges of DKK 223.6 million. Comparative figures for 2010 have not been restated accordingly.

The business segment

Property Finance is a non-continuing business segment in FIH.

The existing loan portfolio relates to Danish property investors' portfolio of commercial and residential rental properties. The properties are located primarily in Denmark (approx. 50 per cent of the portfolio) and Germany (approx. 40 per cent of the portfolio) and Sweden and other countries (approx. 10 per cent of the portfolio).

One of Property Finance's main rules was to primarily provide financing against a first mortgage in the financed properties. Moreover, the majority of the loans in this business segment have historically been based on short-term credit approvals. These business principles have proven important in connection with the current discontinuation of this business segment.

Market development

2011 was a difficult year for the Danish property market with a large supply of commercial properties, a limited number of buyers and limited financing opportunities, leading to low activity in general.

However, the demand for prime-location residential and office properties in Copenhagen and Aarhus was healthy. The German and Swedish property markets were characterised by a more positive market activity with several potential buyers and satisfactory financing opportunities.

Activities

As a non-continuing business segment, Property Finance entered into a dialogue with existing customers in 2011, discussing firstly a discontinuation of the cooperation and secondly measures to reduce risk in the relevant commitments.

Net profit for the year

The loss after tax in Property Finance amounted to DKK -421.2 million, a fall of DKK 161.1 million as compared to 2010. This increase reflects higher impairment charges in 2011 than in 2010.

MARKETS

Income statement

(DKK million)	2011	2010
Income*	**235.3**	**400.4**
Operating costs	149.5	210.1
Impairment charges on loans and receivables etc.	0.0	0.0
Profit on investments	0.0	0.0
Profit before taxation	**85.8**	**190.3**
Taxation	21.2	47.5
Net profit for the year	**64.6**	**142.8**

* Income comprises net interest and fee income and market value adjustments.

The business segment
Markets is responsible for FIH's financial market activities and for handling trading and customer-oriented activities in the interest rate, foreign exchange and securities markets. Markets is also responsible for FIH's market risk and liquidity management. Markets is divided into Financial Solutions, Trading and Treasury. For reporting purposes, Treasury is part of Other activities.

Financial Solutions undertakes customer advisory services and trading activities. Advisory services and trading activities are focused on hedging the customers' financial risks within credit, liquidity, interest rate and foreign exchange risk.

The partnership between Banking and Financial Solutions on the provision of risk advisory services to the Bank's customers is of great significance not only to the customers' perception of FIH as a financial partner but also in terms of maintaining satisfactory customer profitability. This type of advisory service offers considerable potential when it comes to existing customers.

Trading is responsible for all pricing in trading with interest rate and foreign exchange products mainly targeting Financial Solutions and has a mandate to trade in the Bank's own short-term holdings.

Treasury is partly responsible for the management of FIH's treasury portfolio (Treasury Portfolio), and partly responsible for handling the Bank's money market activities (Money Market).

Investments in FIH's treasury portfolio are made within the framework determined by FIH's management. The objective of the framework is to ensure diversification of the portfolio; the framework also reflects that the aim of the treasury portfolio is to achieve the best possible absolute return at a low risk. In the investment of the funds, the liquidity and funding strategy is taken into account.

Money Market is responsible for optimising FIH's interest rate, cash and foreign exchange flows and for pricing of funding to the Bank's other business segments.

Market development
2011 was a year of major fluctuations in the markets spurred by fear, firstly of a global recession and then of the dissolution of the euro zone. The crisis in the euro zone has been a dominant theme since August 2011, and the political handling of euro zone problems combined with continued rumours have made the markets unusually volatile. The interest rate and foreign exchange markets have been particularly volatile. As one of the consequences,

enterprises have, in the same way as banks, experienced increasingly difficult financing conditions, and combined with a generally lower level of activity, this has put pressure on the customers' earnings.

Activities

The continued macro-economic uncertainty led to increasing financial complexity, which increased the need for advisory services and hedging of the customers' financial risks. This led to a high level of activity in Financial Solutions despite a reduced loan balance in FIH.

In addition to the sale of advisory services to FIH's customers, Trading generated significant earnings, fuelled by a combination of flow and position earnings from other FIH activity areas.

Net profit for the year

Net profit for the year in 2011 for Markets amounted to DKK 64.6 million, down DKK 78.2 million on 2010, mainly due to lower income as a consequence of the volatile financial markets in late summer 2011.

CORPORATE FINANCE

Income statement

(DKK million)	2011	2010
Income	**88.8**	**134.1**
Operating costs	63.0	92.6
Impairment charges on loans and receivables etc.	0.0	0.0
Profit on investments	0.0	0.0
Profit before taxation	**25.8**	**41.5**
Taxation	6.3	10.8
Net profit for the year	**19.5**	**30.7**

The business segment
Corporate Finance provides financial advisory services on mergers and acquisitions (M&A), IPOs, privatisations and capital injections. The subsidiary FIH PARTNERS A/S is in charge of FIH's Corporate Finance activities.

Market development
The Nordic market for M&A transactions was affected by the increasing financial turbulence in 2011. Despite of this, FIH PARTNERS had a busy year with a satisfactory inflow of new mandates. The Bank thus expanded its position as market leader, and an already strong pipeline was strengthened even further.

However, due to the financial turbulence, it has become more difficult or more time-consuming to execute transactions. This also affected FIH PARTNERS and is the most significant cause of the falling revenue as compared to 2010.

Activities
In 2011, FIH PARTNERS A/S provided advisory services in relation to the following transactions:

- FLS's acquisition of Essa in Australia.
- The sale of Superfos to RPC.
- Monberg & Thorsen in connection with the sale of Dyrup to the American PPG Industries.
- Glud & Marstrand in connection with the sale to Envasas Universales de Mexico.
- Torm in connection with the refinancing of selected shares of the company's interest-bearing debt.
- Dong Energy in connection with the sale of 50 per cent of the wind farm Anholt Vindmøllepark to PensionDanmark and PKA.
- EAC (ØK) in connection with the acquisition of the British company Interdean.
- LD Invest Equity in connection with the sale of Bisca to the Norwegian Scandza.

Net profit for the year
The net profit for the year in Corporate Finance was DKK 19.5 million (2010: DKK 30.7 million).

PRIVATE EQUITY

Income statement

(DKK million)	2011	2010
Income excluding market value adjustment of the Axcel III fund	**60.0**	**33.2**
Market value adjustment of the Axcel III fund	**-828.6**	**1,284.3**
Total income	**-768.6**	**1,317.5**
Operating costs	3.1	2.3
Impairment charges on loans and receivables etc.	0.0	0.0
Profit on investments	0.3	-0.1
Profit before taxation	**-771.4**	**1,315.1**
Taxation	34.2	40.7
Net profit for the year	**-805.6**	**1,274.4**
Shares and investments in associates and group enterprises	927	2,406

The business segment
FIH previously made long-term investments in unlisted shares, including private equity funds, in the Private Equity business segment. As part of FIH's strategy it has been decided to discontinue this business segment, meaning that a wide range of FIH's unlisted shareholdings were sold in 2011.

Due to the discontinuation of this business segment, a number of minor shareholdings have been sold on an ongoing basis, whereas a large portfolio was sold in Q4 2011. FIH has sold shareholdings at a total value of more than DKK 465 million (measured as on-balance sheet value). In 2012, FIH will continue its attempt to sell the remaining holdings, provided that a satisfactory price can be obtained.

Net profit for the year
The loss before tax in Private Equity amounted to DKK -805.6 million in 2011 (2010: DKK 1,274.4 million). The 2010 and 2011 profit was markedly affected by the development in the value of Pandora. The negative market value adjustment of Pandora alone was DKK -828.6 million in 2011 (2010: DKK 1,284.3 million). FIH indirectly owns Pandora shares through its co-ownership of the Axcel III fund.

With FIH's indirect exposure in the Pandora share, a one percentage point change in the share results in a market value adjustment of around DKK 3.8 million. As at 31 December 2011, FIH's exposure to Pandora amounted to approx. DKK 211 million.

Other than Pandora, the year generally saw a positive development in FIH's shareholdings. However, the sale of a major portfolio of shares in Q4 2011 led to realisation of the added value, which has taken place in 2011 on these shareholdings.

In 2011, the total net cash flow from the share portfolio was DKK 757 million (2010: DKK 727 million).

OTHER ACTIVITIES

Income statement

(DKK million)	2011	2010
Income*	**-47.7**	**181.9**
Operating costs	90.0	305.2
Impairment charges on loans and receivables etc.	-2.3	181.4
Profit on investments	0.0	0.0
Profit before taxation	**-135.4**	**-304.7**
Taxation	-33.6	-76.1
Net profit for the year	**-101.8**	**-228.6**

* Income comprises net interest and fee income, market value adjustments and other operating income.

The business segment Other activities comprises all of FIH's other activities, including Treasury, which manages the Bank's treasury portfolio (Treasury Portfolio) and money market activities (Money Market). Money Market includes, e.g., the Bank's funding costs, including payment of commission on the state guarantee on issued bonds. The cost of Bank Package I and for the restructuring in May 2011 of DKK 20.0 million are also placed in Other activities under operating costs.

TREASURY PORTFOLIO
FIH's liquidity, managed by Treasury, is invested in the treasury portfolio and consists of bonds with low risk and high liquidity – all but exclusively Danish government and mortgage bonds. Most of the bonds in the treasury portfolio can be pledged as collateral with Danmarks Nationalbank.

MONEY MARKET
Money Market is responsible for optimising FIH's interest rate, cash and foreign exchange flows and for pricing of funding to the Bank's other business areas. The price of funding from the capital markets has increased in connection with the financial crisis, reflected in higher funding costs for FIH, e.g. for participation in the bank packages, commission payments on the state guarantee for bonds issued amounting to DKK 433.8 million in 2011.

Net profit for the year
The net loss for 2011 for Other activities totalled DKK -101.8 million, up DKK 126.8 million on 2010.

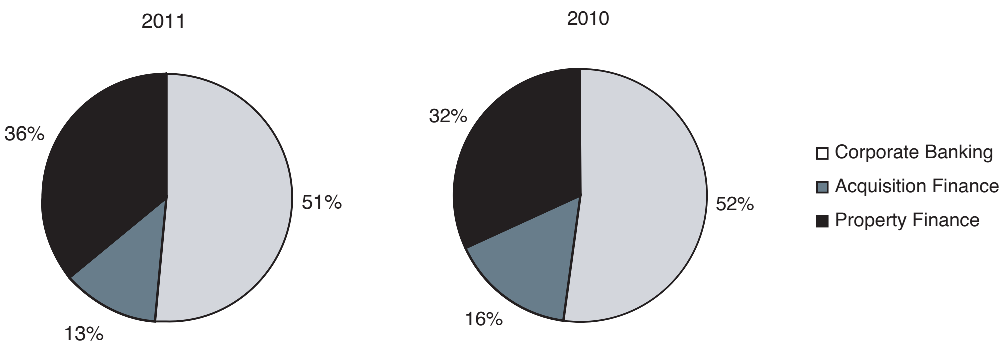
VIII. Credit risk and other types of risk

DESCRIPTION OF FIH'S CREDIT EXPOSURES

Prior to taking on a credit exposure, FIH conducts a thorough analysis of risk and profitability, based on in-depth knowledge and analysis of the customer in question, and a thorough assessment of the financing request.

The following sections examine the distribution of FIH's credit commitments, the concentration of risk in terms of loan size and industry sector distribution and the handling of the credit commitments, including rating models, hedging using collateral and impairment charges.

Distribution on business segments



In 2010, the Danish Financial Supervisory Authority introduced the "Supervisory Diamond", which identifies a number of special risk areas for banks and providing a limit value for property estate exposures of no more than 25 per cent of the total credit exposure. According to the Danish Financial Supervisory Authority's definition, FIH's property exposures amount to 38 per cent at the end of 2011 (year-end 2010: 32 percent). In 2011, the property exposure was reduced by DKK 5,128 million to DKK 16,138 million, whereas the percentage share increased due to a comparatively higher reduction of commitments in the other segments. The property exposure will be even further reduced in the coming years due to FIH's business strategy. At the same time, the property exposure's share of the total credit exposure is expected to fall in the years to come.

Concentration risks

The average exposure size in FIH is DKK 24.6 million (defined as customer groups), which is a fall of 11 per cent as compared to 2010.

Average exposure sizes etc.

31 December 2011	Total	Corporate Banking	Acquisition Finance	Property Finance
Average group exposures (DKK million)	24.6	15.7	61.7	60.7
Average rating	5	5	6	4
Number of groups	2,374	1,907	122	345
31 December 2010				
Average group exposures (DKK million)	27.7	18.1	88.0	54.4
Average rating	6	6	6	5
Number of groups	2,721	2,143	155	423

The largest average group exposures are found in Acquisition Finance, which naturally reflects that this is the typical segment for financing transactions with large, well-run enterprises with further development potential. Also, FIH has a significant share of its customers' total debt in this business segment. It is followed by Property Finance which involves financing of properties or portfolios of properties for which FIH typically has all the financing and, hence, a first mortgage in the properties. The lowest average concentration of commitments is found in Corporate Banking. This reflects FIH's commitments in a significant share of small and medium-sized Danish enterprises that do not require the same amount of financing as the other segments' customers.

Another indication of concentration risk is the industry distribution of FIH's largest credit exposures.

The industry distribution of FIH's 20 largest commitments (measured by groups)

	2011		**2010**	
Industry	DKK million	per cent	DKK million	per cent
Building and construction	961	5.8 %	887	4.8 %
Real estate	6,713	40.7 %	7,482	40.2 %
Trading	0	0.0 %	2,107	11.3 %
Industry and mineral extraction	5,779	35.1 %	5,004	26.9 %
Information and communications	868	5.3 %	870	4.7 %
Public authorities	0	0.0 %	669	3.6 %
Transport. hotels and restaurants	2,163	13.1 %	1,588	8.5 %
Total	**16,484**	100.0 %	**18,607**	100.0 %
Average size of the 20 largest commitments	824.2	-	930.4	-
The 20 largest commitments' share of the total credit exposure	28.2 %	-	24.7 %	-

Under the Danish Financial Business Act, the sum of commitments accounting for 10 per cent or more of the capital base may not exceed 800 per cent of the capital base. FIH has set a significantly lower internal limit, i.e. the sum of these commitments may not exceed 100 per cent of the capital base, and during recent years, FIH has targeted its efforts at reducing these commitments. At year-end 2011, the sum of large exposures totalled 36.0 per cent of the capital base (2010: 66.1 per cent).

The Supervisory Diamond stipulates that the sum of large exposures should be less than 125 per cent of the capital base, and this target has consequently been achieved.

A further reduction of large exposures is part of FIH's business strategy, and in the long term, FIH aims at reducing the sum of large exposures accounting for 10 per cent or more of the capital base to 0.

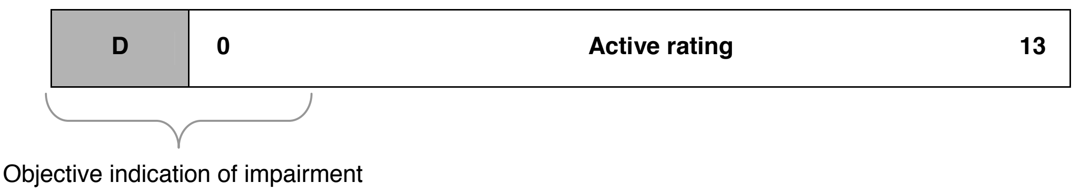
CREDIT RISKS

The quality of FIH's credit exposures
At year-end 2011, FIH's loans after impairment charges total DKK 42,833 million (DKK 45,394 million before impairment charges), and, in accordance with the Bank's strategy, have been reduced by DKK 15,161 million, corresponding to 26.1 per cent since year-end 2010. As illustrated by the chart below, the loan balance is broken down into three categories:

I. Loans with active ratings (rating classes 0-13), DKK 39,753 million before impairment charges at year-end 2011.
II. Default-registered loans (rating class D), DKK 5,641 million before impairment charges at year-end 2011.
III. Loans registered with an objective indication of impairment, DKK 9,172 million before impairment charges at year-end 2011.

The sum of categories I and II is FIH's total loans before impairment charges. Category III (loans registered with an objective indication of impairment – OII) comprises loans from categories I and II. Such loans for which no need for impairment has been found made up DKK 3,531 million. Loans registered with an objective indication of impairment and with a need for impairment are all placed in rating class D, which totalled DKK 5,641 million before impairment charges.

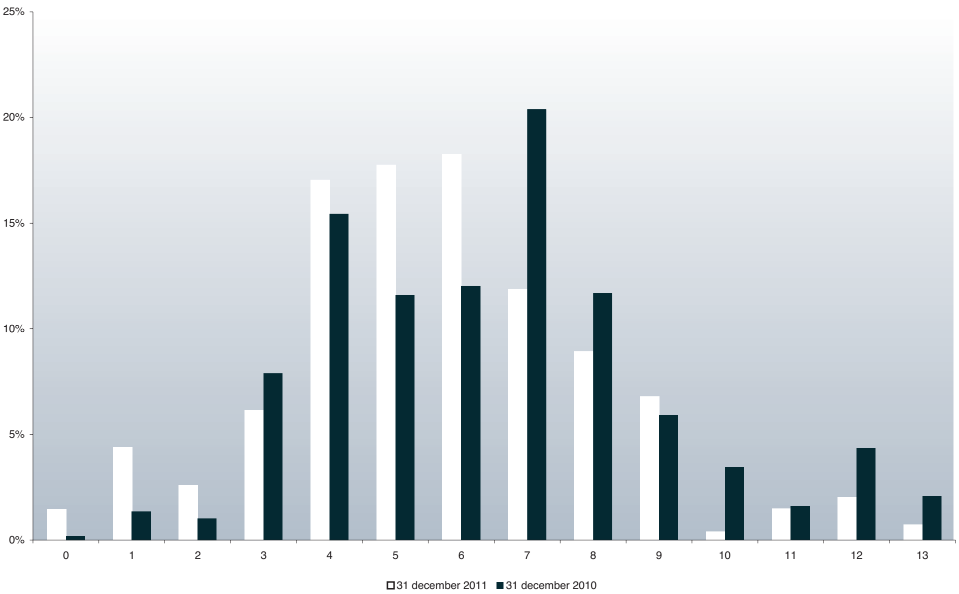
Distribution of FIH's credit exposures by rating classes



For an elaboration on default-registered loans and loans registered with an objective indication of impairment, see the section "Loans registered with an objective indication of impairment" on page 48.

Rating models are integral elements of FIH's credit processing process. For all customers, the rating models calculate the probability that, within the next 12 months, the customer will be unable to meet its financial obligations towards FIH as they fall due (probability of default) in accordance with the capital adequacy rules (the Basel II rules). The probability is expressed in terms of the customer's rating, determined on a scale from 0 to 12. A rating of 0 indicates a high probability of default, while a rating of 12 indicates a very low probability of default. Credit commitments to public sector entities are rated 13. All ratings are approved centrally by FIH's credit department. Hence, an active rating means that the customer meets its payment obligations to FIH and settles the debt in accordance with the terms and conditions agreed.

Distribution of FIH's credit exposures by active rating classes



Credit exposures comprise outstanding debt in individual commitments, including repayments fallen due, the market value of OTC transactions and guarantees for mortgage credit loans.

During 2011, the average probability of default on FIH's credit exposures with active ratings increased from 1.93 per cent at the beginning of the year to 3.29 per cent at the end of 2011. The increase is attributable to several factors. Firstly, the ongoing reduction of commitments has a negative impact on the probability of default, as a large share of the reduction relates to customers with above-average ratings. Secondly, Property Finance customers are rated according to a new model, leading to a lower rating for Property Finance customers. And finally, customer ratings have generally fallen as a consequence of the economic conditions.

The arrears ratio (outstanding amounts 10 banking days after their due date) for non-defaulted loans was stable around 0.1 per thousand in 2011.

The quality of credit exposures should not be assessed in isolation based on the rating distribution, as this distribution allows only for the probability of default and fails to take into account whether the exposure in question has been secured, in full or in part, by collateral – or in other words: how much will be lost in case of default. As a significant portion of FIH's lending is secured by first mortgages or pledges on the customers' assets, and as FIH's loan terms provide the opportunity for renegotiating loan terms and for securing collateral in case of deterioration of the customer's credit quality, FIH's weak commitments are generally well secured.

The table below shows the share of credit exposures and the average secured part for each rating class. The value of the collateral is calculated on the basis of a current market value less a security margin – a haircut. FIH applies a haircut in the range of 25-50 per cent on the vast majority of asset classes, depending on the underlying asset. In the statement of collateral values, FIH quantifies only certain types of collateral. Thus, the value of charges that are subject to high volatility, such as floating charges and guarantees/sureties, is generally not included. Moreover, certain legal structures in which FIH is the only creditor are generally not assigned any collateral value either. For commitments with an objective indication of impairment, the current value of collateral is used, established on the basis of the disposal scenario less expenses related to lay days etc. For commitments registered with an objective indication of impairment, the collateral value is thus equivalent to the value on which the calculation of impairment charges is based. The table shows that FIH is best protected in Property Finance and in the lowest rating classes and that the secured part generally falls as debtor credit quality increases. Loans in Acquisition Finance are primarily collateralised by assets that are not attributed any value in FIH's credit systems, such as financial covenants and collateral in private equities.

Credit exposures and average secured part broken down by rating classes

31 December 2011 (per cent)

Total FIH Banking			Corporate Banking	Acquisition Finance	Property Finance
Rating	**Credit exposures**	**Average secured part less haircut**	**Average secured part less haircut**	**Average secured part less haircut**	**Average secured part less haircut**
0	1 %	90 %	81 %	0 %	91 %
1	4 %	91 %	88 %	100 %	91 %
2	3 %	77 %	80 %	0 %	75 %
3	6 %	77 %	65 %	65 %	91 %
4	17 %	61 %	70 %	0 %	60 %
5	18 %	65 %	70 %	0 %	82 %
6	18 %	51 %	54 %	3 %	80 %
7	12 %	39 %	38 %	3 %	80 %
8	9 %	27 %	38 %	2 %	65 %
9	7 %	37 %	32 %	0 %	71 %
10	0 %	68 %	67 %	0 %	81 %
11	2 %	11 %	9 %	0 %	71 %
12	2 %	3 %	3 %	0 %	0 %
13	1 %	2 %	2 %	0 %	0 %
Total	100 %	53 %	49 %	6 %	78 %

Loans registered with an objective indication of impairment

Of the total loan balance of DKK 45,394 million before impairment charges, loans registered with an objective indication of impairment (OII) account for DKK 9,172 million. These loans are objectively impaired in accordance with the definition in the Danish Executive Order on the Presentation of Financial Statements by Credit Institutions and Investment Firms, etc. (*bekendtgørelse om finansielle rapporter for kreditinstitutter og fondsmæglerselskaber m.fl.*).

For all loans registered with an objective indication of impairment, FIH calculates the need for impairment for the individual loan facilities. The calculation is based on a conservative market valuation of the collateral, from which selling and lay-day costs are deducted. In these cases, the market valuation takes into account whether the asset in question is expected to be realised, e.g. on the open market or subject to a compulsory sale scenario. Furthermore, a conservative estimate is made of possible dividends. As shown by the table below, the outcome of an assessment of the need for impairment charges on loans may also be that no basis is found for effecting impairment charges, in which case the loan will retain its active rating.

If there is a need for individual impairment, the loan will be default-registered and transferred to rating class D (corresponding to the customer's non-performing loans, cf. the definition in the Executive Order on Capital Adequacy (*bekendtgørelse om kapitaldækning*)). Rating class D is divided into two sub-classes: one for loans for which interest is still calculated and paid and for which the customer meets its payment obligations to FIH (rating class D+) and one for loans where e.g. a bankruptcy petition has been filed, a bankruptcy order has been issued against the customer, the customer has been granted similar creditor protection or FIH has suspended accrual of interest (rating class D-).

The table below shows the breakdown of loans registered with an objective indication of impairment before loan impairment charges.

Composition of loans with OII before impairment charges

Total FIH Banking			Corporate Banking	Acquisition Finance	Property Finance
(DKK million)	**31 Dec. 2011**	31 Dec. 2010	31 Dec. 2011	31 Dec. 2011	31 Dec. 2011
OII loans					
OII – not default-registered loans	3,531	3,442	516	220	2,795
OII – default-registered loans	5,641	5,342	1,452	820	3,369
Of which rating class D+	3,905	3,882	797	495	2,613
Of which individually written down for impairment by	*1,379*	*1,113*	*251*	*151*	*977*
Of which rating class D-	1,736	1,460	655	325	756
Of which individually written down for impairment by	*902*	*543*	*243*	*246*	*413*
Of rating class D-, non-performing loans total	*1,673*	*1,293*	*623*	*325*	*725*
Total OII	**9,172**	8,784	**1,968**	**1,040**	**6,164**

Collective impairment charges on loans total DKK 280 million at year-end 2011 and are not included in the table. The impairment charges in the table are also shown excluding guarantee provisions totalling DKK 59 million at year-end 2011.

The table shows a modest increase of DKK 388 million to DKK 9,172 million in the OII-registered loans since the end of 2010, which is set off by an increase in individual impairment charges of DKK 625 to DKK 2,281 million by the end of 2011 (year-end 2010: DKK 1,656 million). In addition, default-registered loans increased slightly by DKK 299 million from year-end 2010 to DKK 5,641 million at year-end 2011. Also, non-performing loans increased to DKK 1,673 million (year-end 2010: DKK 1,293 million). The increase in default-registered as well as non-performing loans is attributable to a single large commitment in Property Finance.

FIH's decision to make Property Finance a non-continuing business segment and the subsequent faster reduction of property exposures may in some cases have led to an increase in OII-registered loans.

Property Finance accounts for a relatively large share of the total portfolio of loans registered with an objective indication of impairment (67.2 per cent), reflecting the current situation in the market for investment properties. However, Property Finance's share of rating class D- only accounts for 43.5 per cent, the reason being that despite the financial challenges faced by these customers, vacancy rates are relatively low and the customers are still able to meet their obligations to FIH. Moreover, the sum of loans registered with an objective indication of impairment in Property Finance should be viewed in the light of the collateral values in this segment.

Impairment charges

Impairment charges totalled DKK 992.3 million in 2011 (2010: DKK 1,922.6 million), and the impairment balance was DKK 2,621 million at year-end 2011 (year-end 2010: DKK 2,582 million). Adjustment of previous provisions for losses on the guarantee to the Private Contingency Association is included in the impairment charges for the year with an income of DKK 2.3 million (2010: a cost of DKK 181.4 million).

Despite the impairment charges being almost halved in 2011, they are still high and higher than expected for the year. The level of impairment charges in 2011 mainly reflects property prices that continue to fall but also to a minor degree the deteriorating economic conditions for the Danish corporate sector and, accordingly, the customers' quality and the value of FIH's collateral have decreased during the year.

Impairment charges broken down by banking segments

2011 (DKK million)	Total	Corporate Banking	Acquisition Finance	Property Finance
Individual impairment charges	1,226.2	200.3	221.4	804.5
Collective impairment charges	-199.7	-138.3	0.9	-62.3
Market value adjustments, interest etc.	-31.9	-17.0	1.6	-16.5
Total impairment charges	994.6	45.0	223.9	725.7

The table does not include impairment charges in connection with the Private Contingency Association (a reversal of DKK 2.3 million in 2011). In December 2011, FIH transferred three commitments internally from Corporate Banking to Property Finance. Transferring the three commitments meant transferring impairment charges of DKK 223.6 million from Corporate Banking to Property Finance in Q4 2011.

Corporate Banking is the largest business segment in FIH and, at the same time, has the lowest impairment charges in terms of amounts of money and relatively. Individual impairment charges accounted for DKK 200.3 million of total impairment charges of DKK 45.0 million, while collective impairment charges were reversed by DKK 138.3 million. Market value adjustments and interest income from claims written down for impairment totalled DKK -17.0 million. Individual impairment charges cover a number of commitments, partly due to lower customer credit quality, and partly due to a lower valuation of the underlying collateral.

Impairment charges for Acquisition Finance amounted to DKK 223.9 million, individual impairment charges accounting for DKK 221.4 million and collective impairment charges accounting for DKK 0.9 million. Market value adjustments and interest income from claims subject to impairment make up the rest of the impairment charges. A few commitments related to the construction industry and private consumption still have trouble overcoming the economic crisis. The lion's share of impairment charges is carried by two commitments.

Impairment charges for the year amounted to DKK 725.7 million in Property Finance (of which DKK 223.6 million from commitments transferred from Corporate Banking with individual impairment charges accounting for DKK 804.5 million and collective impairment charges accounting for DKK -62.3 million. Market value adjustments and interest income from claims subject to impairment made up the rest of the impairment charges corresponding to DKK -16.5 million. Impairment charges in Property Finance are divided between approx. 10 commitments with high impairment charges, the lion's share of which is increased impairment charges.

At the beginning of 2011, FIH expected the Property Finance segment to face additional challenges. This proved to be correct during the year. Liquidity in the property market was particularly low. The market has seen only few able buyers, and financing opportunities were reduced even further at the same time as the price of financing increased.

This led to lower property prices. At the same time, strategic measures from FIH as well as other financial institutions put pressure on the property companies. The combination of falling prices and several distressed property companies generated increased impairment charges. The management finds that commercial property prices are about to stabilise and this is reflected in FIH's impairment charges and solvency requirement.

The total impairment balance of DKK 2,621 million account for a total of 5.6 per cent of total loans and is distributed between Corporate Banking, accounting for DKK 599 million, Acquisition Finance, accounting for DKK 447 million, and Property Finance, accounting for DKK 1,575 million.

OTHER RISK TYPES – MARKET RISK

Market risk is the risk of loss of market value arising from movements in financial markets (interest rate, foreign exchange, equity and commodity risks etc.). Through its business activities, FIH naturally incurs a number of market risks.

Limits for the various types of market risks are determined at the overall level by FIH's Rules of Procedure for the Board of Directors, the Board of Directors' instructions to the Executive Board and, furthermore, through instructions endorsed by the Executive Board, and risk is continuously managed and reported in accordance with these rules and instructions.

Approach to market risk

In general, FIH wishes to assume only limited risk within the areas of listed shares and foreign exchange (except EUR). FIH does not want to assume commodity risk.

FIH's objective is that market risk should be in line with or lower than that of comparable banks. For further details on market risk, see Note 38.

Value-at-Risk

With Value-at-Risk (VaR), a portfolio approach is adopted in the calculation of market risk on financial assets. This means that allowance is made not only for the standard deviation, but also for the inter-correlation of assets. Using VaR, it is thus possible to summarise, in a single figure expressed in DKK, the total risk for FIH's balance sheet. The market risk of FIH's total balance sheet (including the market risk not included in the trading portfolio), determined as VaR (calculated on the basis of historical simulation at a one-day horizon and 99-per-cent probability), of interest rate, foreign exchange and equity risks, was DKK 26 million at year-end 2011 (year-end 2010: DKK 11 million). VaR was stable throughout 2011 within the framework of DKK 50 million set up by FIH for VaR.

Interest rate risk

Interest rate risk is the risk of loss arising from changes in market rates. Interest rate risk is managed through changes in the composition of the bond portfolio and through positions in financial instruments. Due to FIH's business model, interest rate risk is the market risk element of the greatest importance to FIH and is, consequently, monitored closely. Interest rate risk, calculated using the method of accounting of the Danish Financial Supervisory Authority, is the risk arising from a one percentage point parallel rise in the interest rate level of all currencies, amounting to DKK -59 million at year-end 2011 (year-end 2010: DKK -166 million). The value of DKK -59 million is thus well within the framework from DKK -500 million to DKK 500 million determined by FIH for interest rate risk.

Foreign exchange risk

Foreign exchange risk is the risk of loss arising from adverse changes in exchange rates. Most of FIH's funding is raised in foreign currency, which is subsequently swapped into the currency in which the loan is granted. Accordingly, the exchange rate risk is modest. In general, FIH wishes to assume only limited risk within the area of foreign exchange (except EUR).

The exchange rate risk is managed *inter alia* on the basis of VaR targets and limits on open positions in individual currencies and a limit on the total foreign exchange position. FIH's foreign exchange risk, based on the VaR for foreign exchange (calculated parametrically at a one-day horizon and 99-per-cent probability) was DKK 0 million at year-end 2011 (year-end 2010: DKK 1 million).

Equity risk
Equity risk is the risk of loss arising from fluctuations in equity prices. FIH previously invested in unlisted shares in the Private Equity segment, which – in compliance with the Bank's business strategy – is being discontinued.

In general, FIH wishes to assume no risk within the area of listed shares, but through its investment in the Axcel III fund, it has become indirectly exposed to developments in the price of Pandora shares. At year-end 2011, FIH's share portfolio etc. totalled DKK 927 million (year-end 2010: DKK 2,406 million), the value of the Pandora shares accounting for DKK 211 million (year-end 2010: DKK 1,116 million). As described under the Private Equity business segment, a one percentage point change in the Pandora share results in a market value adjustment of about DKK 3.8 million in FIH. At year-end 2011, FIH has no direct exposure to listed shares.

Further information about credit and market risks
For further information about FIH's credit and market risks and risk management, see "Risk Management in FIH 2011", available at www.fih.com/Financials/Risk+Reports.

OTHER RISK TYPES – LIQUIDITY RISK

Liquidity risk is the risk of loss arising from excessive increases in FIH's funding costs or, ultimately, the risk that FIH does not have sufficient financial resources to meet its payment obligations when they fall due. Based on statutory requirements, the Board of Directors has formulated a liquidity policy, establishing the framework for FIH's short-term net liquidity requirement. In its liquidity policy, FIH has opted *inter alia* to raise the 10 per cent requirement for total liabilities and guarantee commitments to 15 per cent.

At year-end 2011, FIH's liquidity amounted to DKK 16.2 billion, corresponding to an excess cover of 109.8 per cent relative to the regulatory requirements, and thus complies with statutory as well as FIH's own requirements.

Most of FIH's future cash flows can be determined with reasonable certainty as the volume of FIH's irrevocable credit approvals is limited and the volume of demand deposits received is also limited. Instead, FIH has an ongoing refinancing requirement from maturing market-based funding and fixed-term deposits. This is reflected in FIH's choice of methods and limits for liquidity risks. On a daily basis, FIH performs liquidity stress tests and defines scenarios for liquidity under various assumptions for developments in assets and liabilities. All projections are based on known cash flows at the end of the previous business day, with the addition of possible cash flows depending on the scenario/stress test.

FIH's liquidity, managed by Treasury, is invested in FIH's treasury portfolio and consists of bonds with low risk and high liquidity – all but exclusively Danish government and mortgage bonds. Most of the bonds in the treasury portfolio can essentially be pledged as collateral with Danmarks Nationalbank.

OTHER RISKS

- The Danish Financial Supervisory Authority has notified changes to the impairment rules. As the rules had not been published at the time of the presentation of the financial statements, FIH does not know the effect of the changed rules on the Group's results and balance sheet total.

- In 2010, the Basel Committee prepared a new set of recommendations for banks (*Basel III: A global regulatory framework for more resilient banks and banking systems*), which defines new capital and liquidity standards (the Basel III recommendations*).* FIH expects more regulation and supervision in the coming years. FIH does not expect the coming regulatory measures or the existing Basel III recommendations to have negative impacts on the implementation of the Bank's business strategy or to impact the Bank's current business model. Although increasing capital requirements from the authorities are expected to reduce FIH's capital buffer, FIH is fully able to meet the new capital adequacy rules with a comfortable margin to the statutory requirements. The new liquidity standards will most likely present a bigger challenge for many financial institutions than the new capital standards. FIH has particular focus on the two new liquidity standards, Liquidity Coverage (LCR) and Net Stable Funding Ratio (NSFR). LCR is a short-term liquidity target (30 days), whereas NSFR has a medium-term to long-term horizon. In the second half of 2011, FIH reported both ratios to the authorities. At the end of 2011, FIH complied with the new liquidity standards.

- As described above, meeting FIH's financing requirement requires that FIH will also in future be able to execute its business strategy according to plan.

THE SUPERVISORY DIAMOND

In the summer of 2010, the Danish Financial Supervisory Authority introduced the Supervisory Diamond for banks, stipulating a number of special risk areas and providing limit values for banks, effective from the end of 2012. The Supervisory Diamond risk areas are:

- Total amount of large exposures.
- Growth in loans
- Property exposure.
- Liquidity cover.
- Funding ratio..

Until the end of 2012, the Danish Financial Supervisory Authority will use the Supervisory Diamond as a tool in its supervisory dialogue with the institutions. From 2013, the Danish Financial Supervisory Authority will automatically supervise the five limit values.

Supervisory Diamond status

	Limit	FIH Group 31 December 2011	FIH Group 31 December 2010
Total amount of large exposures	< 125 % of capital base	36 %	66 %
Growth in loans	< 20 %	Negative	Negative
Property exposure	< 25 %	38 %	32 %
Liquidity cover	> 50 %	110 %	71 %
Funding ratio	< 100 %	99 %	90 %

At year-end 2011, FIH complied with four of the five targets stated above.

In December 2011, the Danish Financial Supervisory Authority adjusted its funding ratio indicator so that it is possible to include draws on loans in Danmarks Nationalbank. However, maturity must be at least one year. At year-end 2011, FIH had not used the Danish central bank facility and the adjustment of the milestone was therefore unimportant when calculating the limit value. Most likely, FIH will not comply with the funding ratio at the end of Q1 2012.

IX. Solvens requirement and capital position

FIH wishes to maintain a solvency ratio which is significant higher than the regulatory requirements enabling FIH to absorb significant, unexpected losses.

The Bank's capital planning strategy reflects the current economic situation. FIH's focus is on:

- Maximum consolidation of the net profit for the year after tax.
- Optimisation of risk-weighted items considering FIH's strategy and the economic conditions.

In 2011, FIH increased its core capital ratio to 15.6 per cent (year-end 2010: 13.3 per cent). The solvency ratio also increased to 17.8 per cent (year-end 2010: 15.4 per cent). The increases in the core capital and solvency ratios in 2011 were driven by a decline in risk-weighted assets.

Composition of FIH's capital

Capital position in FIH Group (DKK million)	31 December 2011	31 December 2010
Capital base		
Share capital	513	513
Transferred	0	531
Reserves	0	0
Retained earnings	6,651	7,288
Core capital	**7,164**	**8,332**
Statutory deductions in core capital:		
Deferred capitalised tax assets	-120	-33
Intangible assets	-15	-42
Core tier 1 capital after deductions	**7,029**	**8,257**
Difference between valuation of trading portfolio	-35	0
Hybrid core capital in accordance with the Financial Business Act, section 129(2)	1,900	1,900
Total tier 1 capital incl. hybrid core capital	**8,894**	**10,157**
Supplementary capital		
Revaluation reserve property	1	1
Subordinated debt	1,731	2,426
Statutory deductions	-494	-806
Supplementary capital that may be included in the calculation of the solvency ratio	1,238	1,620
Capital base after deductions	**10,132**	**11,778**
Minimum capital requirement		
Risk-weighted assets for credit risk including collective loan impairment charges, standard approach	47,825	64,907
Risk-weighted assets for market risk, standard approach	6,146	8,763
Risk-weighted assets for operational risk, basic indicator approach	3,079	2,862
Total risk-weighted assets (RWA)	57,050	76,532
Capital requirement under pillar I	**4,564**	**6,123**

Capital position in FIH Group

(DKK million)	30 December 2011	31 December 2010
Solvency requirement		
Capital requirement for credit risk, internal model	5,384	6,423
Capital requirement for market risk, internal model	754	446
Capital requirement for operational risk, internal model	274	355
Capital requirement for other risks, internal model	624	368
Capital requirement under pillar II	**7,036**	**7,592**
Individual solvency requirement (per cent)	12.3	9.9
Core tier 1 capital ratio (excl. hybrid core capital - per cent)	12.4	10.8
Core tier 1 capital ratio (per cent)	15.6	13.3
Solvency ratio (per cent)	17.8	15.4

Supplementary capital before deductions

(DKK million)	Maturity	Debt
Var. % EUR	26-03-2013	989
4,80 % JPY	31-03-2032	742
Total		1,731

Supplementary capital is stated at nominal value in the solvency statement.

CAPITAL BASE

The capital base is calculated in accordance with Part 10 of the Danish Financial Business Act, using the standard approach.

ADEQUATE CAPITAL BASE

The capital requirement of the Bank's risk profile for the next 12 months must be evaluated by FIH's management on an ongoing basis. As the basis for calculation of the individual solvency requirement, during the past nine years FIH has been using an advanced model to calculate economic capital. In addition, a few estimated elements are used, which are evaluated by FIH's management and which are not based on actual economic models.

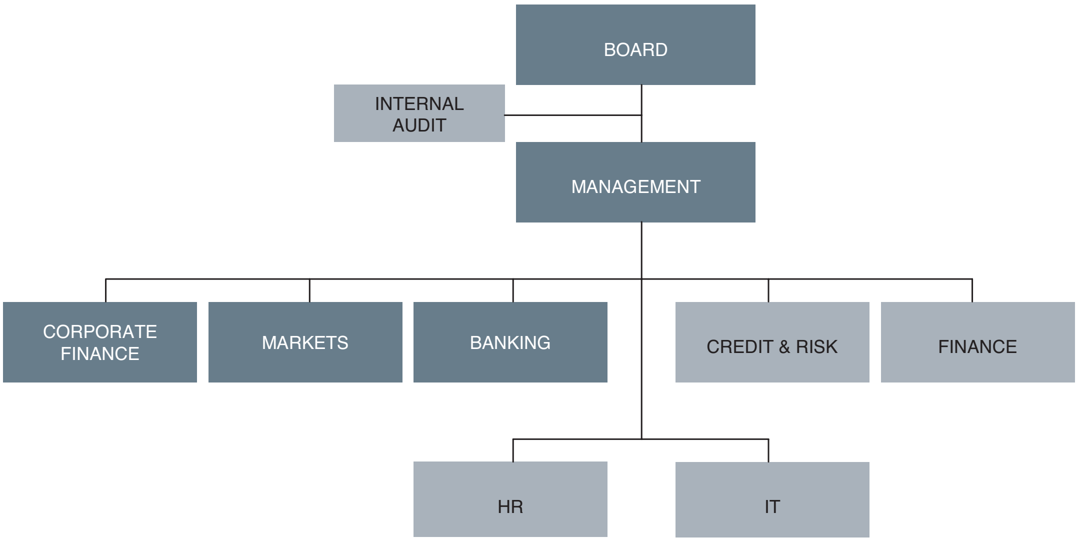
The result of FIH's own solvency requirement analysis shows a solvency requirement of 12.3 per cent against 9.9 per cent at the end of 2010. The difference between the solvency ratio and the individual solvency requirement set by the management is known as the capital buffer, totalling 5.5 percentage points, or DKK 3.1 billion, at the end of 2011 (year-end 2010: 5.5 percentage points).

FIH's individually calculated solvency requirement (the adequate capital base) is thus much lower than the actual current level. This reflects a deliberate strategy on the part of FIH to be a well-consolidated bank at all times. Under the law, in addition to calculating the individual solvency requirement, FIH is also obliged to publish the solvency requirement and its calculation elements. Reference is made to the report "Risk Management in FIH 2011" for a detailed description of the elements of calculation of the solvency requirement. The report is available on www.fih.com/Financials/Risk+Reports.

X. Organisation and corporate governance

FIH was founded in 1958 as Finansieringsinstituttet for Industri og Håndværk (*Finance for Danish Industry*). Since its inception, the Bank has focused on providing financial solutions to the Danish corporate sector. In 2003, FIH A/S changed its name to FIH Erhvervsbank A/S, thus cementing its position as a specialised adviser to the Danish corporate sector.

In 2008, FIH started offering high-interest deposits to retail customers. At the end of 2011, FIH's total loans amounted to DKK 42,833 million, and total deposits amounted to DKK 6,120 million.



THE ORGANISATION

FIH's organisation comprises three business segments: Banking, Markets and Corporate Finance. Banking consists of three sub-segments: 1) Corporate Banking, which is responsible for FIH's lending activities; 2) Acquisition Finance, providing structured financing for mergers and acquisitions in the Scandinavian market and 3) Property Finance, providing capital and advisory services to property investors. Property Finance is a non-continuing business segment.

Markets is responsible for FIH's financial market activities and thus for handling trading and customer-oriented activities in the interest rate, foreign exchange and securities markets.

Corporate Finance (FIH PARTNERS) provides financial advisory services on mergers and acquisitions, privatisations, capital injections etc.

Each of the business segments and their results are described in detail in section VII, "FIH's business".

The three business segments are served by several staff functions, including Credit and Risk, which is responsible for FIH's risk management, and Finance, which is responsible for preparing financial statements, internal and external reporting and funding and investor relations.

CORPORATE GOVERNANCE

FIH's top management comprises the Board of Directors and the Executive Board. In January 2011, former Chief Investment Officer of ATP, Bjarne Graven Larsen, took office as co-

CEO of FIH, sharing the function with Henrik Sjøgreen, CEO since 2009. Accordingly, FIH's Executive Board comprises two co-CEOs.

The Board of Directors

FIH's Board of Directors has nine members, three of whom have been appointed by FIH's employees.

Hans Skov Christensen has been the chairman of the Board of Directors since 2004. In connection with the change of ownership, a number of representatives of the new owners joined the Board of Directors in January 2011, namely Henrik Heideby (vice-chairman), Christian Dyvig, Daniel Eriksson, Lars Rohde and Henrik Gade Jepsen.

In February 2011, FIH elected the members of the Board of Directors among the Bank's employees. In this connection, Randi Holm Franke was re-elected, whereas Lene Foged Nothlevsen and Jacob Baggers Willemoes replaced Jørgen Bruun-Toft and Per Erlandsen Brun as members elected by the employees. The new members elected by the employees joined the Board of Directors on 15 March 2011. For information on the Board of Directors' managerial offices, see p. 115.

The Board of Directors' responsibilities

The Board of Directors and the Executive Board are responsible for corporate governance at FIH. The Board of Directors provides the guidelines for the Executive Board's day-to-day management of the Bank, including the determination of credit policy and overall guidelines for lending and handling of customer relations. The Board of Directors is also responsible for ensuring and checking that the Bank operates in accordance with the Danish Companies Act (*aktieselskabsloven*), the Danish Financial Statements Act (*årsregnskabsloven*), the Danish Bookkeeping Act (*bogføringsloven*), the Danish Financial Business Act (*lov om finansiel virksomhed*) and other relevant legislation and regulation.

A total of 14 Board meetings were held in 2011, including three in writing and one initial board meeting. For 2012, eight Board meetings have been planned, including one initial meeting.

In 2011, the Board of Directors decided to carry out a self-assessment of the Board's work. The self-assessment will be carried out for the first time in 2012 and then once a year. The procedure will be determined in detail prior to the first assessment.

The management structure reflects general Danish company requirements, financial legislation and recommendations from the Committee on Corporate Governance. FIH publishes a separate Corporate Governance Policy, including FIH's status in relation to all recommendations from the Committee on Corporate Governance. FIH's Corporate Governance report is available www.fih.com/About/Corporate+Governance.

The Board of Directors' competence profiles

Hans Skov Christensen (chairman)

Experience and competences relating to the management of considerable financial and international enterprises. Hans Skov Christensen has, *inter alia*, been CEO at the Confederation of Danish Industry, chairman of Banedanmark and a member of BusinessEurope's Executive Committee for a number of years.

Henrik Heideby (vice-chairman)

Experience and competences relating to the management of considerable financial and international enterprises. Henrik Heideby is CEO at PFA Pension and has experience from the board of directors of, among others, IC Companys and the trade organisation Forsikring og Pension (the Danish Insurance Association). Moreover, Henrik Heideby has qualifications and experience from previous accounting positions.

Christian Dyvig

Experience and competences relating to the management of considerable financial and international enterprises. Christian Dyvig has, *inter alia*, been chairman of the boards of directors at Falck A/S and Kompan A/S and is today CEO at Lundbeckfonden (the Lundbeck Foundation). Christian Dyvig has qualifications and experience from previous accounting positions.

Daniel Eriksson

Experience and competences relating to the management of considerable financial and international enterprises. Daniel Eriksson is Product Manager at Folksam and was previously a strategic consultant at Accenture.

Henrik Gade Jepsen

Experience and competences relating to the management of considerable financial and international enterprises. Henrik Gade Jepsen is Chief Investment Officer at ATP and has previously had positions with Realkredit Danmark, Danmarks Nationalbank and the International Monetary Fund.

Lars Rohde

Experience and competences relating to the management of considerable financial and international enterprises. Lars Rohde is CEO at ATP and has experience from the boards of directors at, *inter alia*, the Copenhagen Stock Exchange and the Association of Danish Mortgage Banks. Moreover, Lars Rohde has qualifications and experience from previous accounting positions.

The Audit Committee

In 2011, FIH's Audit Committee comprised the entire Board of Directors. FIH's Board of Directors has decided that in future, the Audit Committee will comprise Henrik Heideby (chairman), Henrik Gade Jepsen and Christian Dyvig. In 2012 the members of the Audit Committee elected by the employees will be represented by Lene Foged Nothlevsen and will be replaced on an annual basis. Henrik Heideby has been appointed chairman of FIH's Audit Committee and has the required professional qualifications as stated in Section 5 of the Executive Order on Audit Committees in Enterprises and Groups (*bekendtgørelse om revisionsudvalg i virksomheder og koncerner*) under the supervision of the Danish Financial Supervisory Authority. The reasons for appointing Henrik Heideby as an independent member with accounting qualifications include: Henrik Heideby has a Bachelor of Commerce degree in Management Accounting and has been the chairman of IC Companys' audit committee since April 2009. For further information on the members of the Audit Committee, see the above competence profile, the section on "Board of Directors" on p. 115 and www.fih.com/About/Board/Audit+Committee.

REMUNERATION POLICY

In accordance with the financial legislation and the recommendations from the Committee on Corporate Governance, FIH's Board of Directors adopted a remuneration policy for FIH. The purpose of the remuneration policy is to:

- Be in accordance with and support a healthy and efficient risk management.
- Be in accordance with FIH's business strategy, values and long-term objectives.
- Ensure that the total variable remuneration that FIH is obliged to pay does not erode the enterprise's possibility of strengthening its capital base.

- Ensure market-conform and competitive remuneration.

The remuneration policy determines a cap on the variable pay elements of members of the Board of Directors, the Executive Board and employees whose activities have a significant impact on the company's risk profile. At FIH, this involves approx. 18 employees in addition to the members of the Board of Directors and the Executive Board. For detailed information on remuneration at FIH, see Note 8 and FIH's remuneration policy on www.fih.dk/Top/Om+FIH/Vores+profil/Bestyrelse (only avaible in Danish).

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

FIH has prepared a corporate social responsibility statement. The statement is available on www.fih.com/About/Corporate+Social+Responsibility.

IMPORTANT INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS IN CONNECTION WITH THE PRESENTATION OF FINANCIAL STATEMENTS

The Board of Directors and the Executive Board have overall responsibility for FIH's control and risk management in connection with the presentation of financial statements, including compliance with relevant legislation and other regulation in relation to the presentation of financial statements. The Group's internal controls and risk management systems are mainly designed to ensure efficient management of the Group's business and activities and the associated risks.

Control environment

The Board of Directors and the Executive Board determine and approve overall policies, procedures and controls in important areas in connection with the presentation of the financial statements process.

The Executive Board continually monitors compliance with relevant legislation and other rules and provisions in relation to the presentation of financial statements and regularly reports on this to the Board of Directors. The internal control system comprises clearly defined organisational roles and areas of responsibility, reporting requirements and approval procedures.

FIH's Audit Committee continuously monitors the presentation of financial statements process, the effectiveness of the Group's internal control systems, internal audit and risk systems. The Committee meets according to a timetable of meetings and makes active decisions relating to the Group's accounting policies, including methods for loan impairment.

Risk assessment

The Board of Directors and the Executive Board assess the risks of the Group, including risks affecting the presentation of financial statements process, on an ongoing basis.

Control activities

The planning of the Group's control activities is based on the risk assessment. The objective is partly to ensure compliance with the objectives, policies, procedures etc. approved by the Board of Directors and the Executive Board and partly to ensure that any errors and omissions are prevented, discovered and corrected in time. The control activities include both manual and physical controls, such as general IT controls and automatic application controls.

The Board of Directors and the Executive Board have established formal group reporting procedures, which comprise monthly reporting of actual financial results and ongoing budget follow-up. Reporting is done on the basis of established procedures for reconciliations and analyses of data to ensure reliable and effective reporting of accounting data on an ongoing basis.

Additional analyses and control activities are conducted in connection with the preparation of financial statements to ensure that the financial statements are presented in accordance with the applicable accounting rules described in accounting policies in the annual report.

FIH COMPANIES

The FIH Group comprises FIH Erhvervsbank A/S and four wholly-owned subsidiaries.

FIH Realkredit A/S

Total loans in FIH Realkredit amounted to DKK 215 million at the end of 2011. The company did not issue new mortgage bonds in 2011.

FIH Kapital Bank A/S

The company is financed by the parent company FIH Erhvervsbank A/S and has been granted a DKK 10 billion loan facility by ATP. FIH Kapital Bank A/S has been established with a separate Executive Board and a Board of Directors comprising three representatives from FIH as well as one representative appointed by ATP.

FIH PARTNERS A/S

The company is in charge of the activities of FIH Corporate Finance.

FIH Leasing og Finans A/S

The company issues guarantees to FIH in connection with loans.

MERGER

The FIH Group previously comprised another two companies, namely FIH Finance A/S and FIH Aztec Holding Aps. Effective from 1 January 2011, these two companies have been merged with the parent company FIH Erhvervsbank A/S for administrative purposes. Comparative figures for the parent company FIH Erhvervsbank A/S have therefore been restated accordingly in the notes to the annual report.

SHAREHOLDER INFORMATION

FIH Holding A/S owns 99.99 per cent of the shares in FIH Erhvervsbank A/S. The remaining shares are owned by FIH Erhvervsbank itself.

FIH Holding is the holding company behind the owners of FIH Erhvervsbank.

Ownership and voting rights in FIH Holding A/S as at 31 December 2011

Navn	Ownership in per cent	Voting rights in per cent
The Danish Labour Market Supplementary Pension Fund (ATP)	48.8	50.0
PF I A/S	48.8	50.0
Executive Board and executive employees at FIH Erhvervsbank	2.3	0.0
FIH Holding A/S	0.1	0.0
Total	100.0	100.0

Income statement and comprehensive income 2011

(DKK million)	Note	FIH Group 2011	FIH Group 2010	FIH Erhvervsbank A/S 2011	FIH Erhvervsbank A/S 2010
INCOME STATEMENT					
Interest income	4	**2,819.0**	3,142.4	**2,586.2**	2,869.5
Interest expenses	5	**2,060.5**	1,939.3	**2,045.0**	1,922.7
Net interest income		**758.5**	1,203.1	**541.2**	946.8
Dividends from shares etc.		**0.1**	0.1	**0.1**	0.1
Fee and commission income	6	**175.6**	237.6	**84.2**	102.6
Fees and commissions paid	6	**44.3**	47.7	**16.6**	23.2
Net interest and fee income		**889.9**	1,393.1	**608.9**	1,026.3
Market value adjustments	7	**-670.6**	1,639.0	**-656.7**	1,638.2
Other operating income		**69.4**	84.2	**128.5**	148.3
Staff costs and administrative expenses	8, 9	**512.7**	607.5	**457.7**	522.0
Depreciation, amortisation and impairment charges; property, plant and equipment as well as intangible assets	20, 22	**40.2**	25.6	**40.0**	25.2
Other operating costs		**9.9**	244.2	**9.7**	204.7
Impairment charges on loans and receivables etc.		**992.3**	1,922.6	**1,021.2**	1,794.7
Profit from investments in associates and group enterprises	11	**0.3**	-0.1	**137.5**	40.9
Profit before taxation		**-1,266.1**	316.3	**-1,310.4**	307.1
Taxation	12	**-88.0**	-208.3	**-133.2**	-217.9
Net profit for the year		**-1,178.1**	524.6	**-1,177.2**	525.0
Total comprehensive income					
Net profit for the year		**-1,178.1**	524.6	**-1,177.2**	525.0
Total other comprehensive income		**0.0**	0.0	**0.0**	0.0
Total comprehensive income		**-1,178.1**	524.6	**-1,177.2**	525.0
Allocation of total comprehensive income					
Reserve according to the equity method		**0.0**	0.0	**137.2**	40.9
Dividend for the year		**0.0**	0.0	**0.0**	0.0
Profit/loss carried forward		**-1,178.1**	524.6	**-1,314.4**	484.1
Comprehensive income allocated		**-1,178.1**	524.6	**-1,177.2**	525.0

Balance sheet 31 December 2011

		FIH Group		FIH Erhvervsbank A/S	
(DKK million)	Note	**2011**	2010	**2011**	2010
ASSETS					
Cash in hand and demand deposits with central banks		**38.3**	90.1	**38.3**	90.1
Debt instruments eligible for refinancing with central banks		**2,374.9**	1,499.8	**2,374.9**	1,499.8
Due from credit institutions and central banks	13	**1,567.9**	2,135.9	**9,064.8**	13,116.4
Loans and other receivables at fair value	14, 16	**215.1**	333.2	**0.0**	0.0
Loans and other receivables at amortised cost	14, 15	**42,617.4**	57,660.4	**33,827.5**	46,902.2
Bonds at fair value	17	**21,567.5**	32,337.4	**20,970.3**	30,524.8
Shares etc.	18	**882.9**	2,361.3	**882.7**	2,361.1
Investments in associates	19	**43.9**	44.3	**43.9**	44.4
Investments in group enterprises	19	**0.0**	0.0	**3,004.8**	2,868.6
Intangible assets	20	**15.3**	42.0	**15.3**	42.0
Land and buildings:					
Investment properties	21	**775.5**	842.6	**775.5**	842.6
Owner-occupied properties	22	**2.2**	4.0	**2.2**	4.0
Other tangible assets	22	**5.8**	14.8	**5.7**	14.7
Current tax assets		**0.0**	0.1	**32.9**	38.6
Deferred tax assets	28	**120.1**	33.3	**128.6**	34.9
Other assets	23	**13,858.9**	11,832.5	**13,920.2**	11,661.1
Prepayments		**71.4**	106.5	**30.4**	106.4
Total assets		**84,157.1**	109,338.2	**85,118.0**	110,151.7

Balance sheet 31 December 2011

(DKK million)	Note	FIH Group 2011	FIH Group 2010	FIH Erhvervsbank A/S 2011	FIH Erhvervsbank A/S 2010
LIABILITIES AND EQUITY					
Debt					
Due to credit institutions and central banks	24	**9,861.6**	30,457.0	**10,251.3**	31,105.1
Deposits and other debt	25	**6,119.5**	7,486.9	**6,754.9**	8,036.4
Bonds issued at fair value	16, 26	**211.4**	292.9	**0.0**	0.0
Bonds issued at amortised cost	26	**42,959.8**	46,622.0	**42,959.8**	46,622.0
Current tax assets		**0.2**	0.0	**0.0**	0.0
Other liabilities	27	**13,963.9**	11,238.2	**13,883.4**	10,967.9
Accruals and deferred income		**4.4**	3.4	**3.8**	2.6
Total debt		**73,120.8**	96,100.4	**73,853.2**	96,734.0
Provisions for commitments:	28				
Provisions for pensions and similar commitments		**4,0**	4.0	**4.0**	4.0
Provisions for losses on guarantees		**59.3**	434.0	**65.4**	392.4
Total provisions for liabilities		**63.3**	438.0	**69.4**	396.4
Subordinated debt	29	**3,806.9**	4,465.7	**3,806.9**	4,465.7
Equity	30				
Share capital		**513.6**	513.6	**513.6**	513.6
Revaluation reserve, property		**1.4**	1.4	**1.4**	1.4
Net revaluation reserve according to the equity method		**0.0**	0.0	**823.3**	686.1
Other reserves		**0.0**	0.0	**0.0**	0.0
Retained earnings		**6,651.1**	7,819.1	**6,050.2**	7,354.5
Shareholders' equity interest		**7,166.1**	8,334.1	**7,388.5**	8,555.6
Total equity		**7,166.1**	8,334.1	**7,388.5**	8,555.6
Total liabilities and equity		**84,157.1**	109,338.2	**85,118.0**	110,151.7
Off-balance sheet items	31				
Contingent liabilities		**1,835.4**	2,503.3	**1,960.6**	2,858.7
Other contingent liabilities		**2,074.9**	4,490.4	**7,017.4**	5,159.0
Total off-balance sheet items		**3,910.3**	6,993.7	**8,978.0**	8,017.7

Statement of changes in equity 2011 – FIH Group

Statement of changes in equity (DKK million)	**FIH Group 2011**	**2010**
Equity, beginning of year	**8,334.1**	**7,819.6**
Net profit for the year	-1,178.1	524.6
Total comprehensive income	-1,178.1	524.6
Distributed dividend	0.0	0.0
Provision for purchases of treasury shares	10.1	-10.1
Total changes in equity	-1,168.0	514.5
Total equity, end of year	**7,166.1**	**8,334.1**

Specification of changes in equity

(DKK million)	**Share capital**	**Revaluation reserve, property**	**Other reserves**	**Retained earnings**	**Total equity**
Total equity, 1.1.2010	**513.6**	**1.4**	**10.0**	**7,294.6**	**7,819.6**
Net profit for the year	-	-	-	524.6	524.6
Proposed dividend for the year	-	-	-	-	-
Distributed dividend for the year	-	-	-	-	-
Revaluation for the year, property	-	-	-	-	-
Other additions/disposals, transferred to retained earnings	-	-	-10.0	10.0	-
Provision for repurchases of treasury shares	-	-	-	-10.1	-10.1
Total equity, 31.12.2010	**513.6**	**1.4**	**0.0**	**7,819.1**	**8,334.1**
Net profit for the year	-	-	-	-1,178.1	-1,178.1
Proposed dividend for the year	-	-	-	-	-
Distributed dividend for the year	-	-	-	-	-
Revaluation for the year, properties	-	-	-	-	-
Carried back for repurchases of treasury shares	-	-	-	10.1	10.1
Total equity, 31.12.2011	**513.6**	**1.4**	**0.0**	**6,651.1**	**7,166.1**

Statement of changes in equity 2011 – FIH Erhvervsbank A/S

Statement of changes in equity (DKK million)	FIH Erhvervsbank A/S 2011	2010
Shareholders' equity, beginning of year	**8,555.6**	**8,040.7**
Net profit for the year	-1,177.2	525.0
Total comprehensive income	-1,177.2	525.0
Distributed dividend	0.0	0.0
Provision for purchases of treasury shares	10.1	-10.1
Total changes in equity	-1,167.1	514.9
Total equity, end of year	**7,388.5**	**8,555.6**

Specification of changes in equity

(DKK million)	Share capital	Revaluation reserve, property	Net revaluation according to the equity method	Retained earnings	Total equity
Total equity, 1.1.2010	**513.6**	**1.4**	**645.2**	**6,880.5**	**8,040.7**
Net profit for the year	-	-	40.9	484.1	525.0
Proposed dividend for the year	-	-	-	-	-
Distributed dividend for the year	-	-	-	-	-
Revaluation for the year, properties	-	-	-	-	-
Provision for repurchases of treasury shares	-	-	-	-10.1	-10.1
Total equity, 31.12.2010	**513.6**	**1.4**	**686.1**	**7,354.5**	**8,555.6**
Net profit for the year	-	-	137.2	-1,314.4	-1,177.2
Proposed dividend for the year	-	-	-	-	-
Distributed dividend for the year	-	-	-	-	-
Revaluation for the year, properties	-	-	-	-	-
Provision for repurchases of treasury shares	-	-	-	10.1	10.1
Total equity, 31.12.2011	**513.6**	**1.4**	**823.3**	**6,050.2**	**7,388.5**

Cash flow statement 2011

(DKK million)	FIH Group 2011	2010
Cash flow from operating activities		
Interest received	2,721.0	3,725.3
Interest paid	-2,392.3	-2,487.6
Fees received and paid	131.3	190.0
Expenses paid	-921.9	-745.3
Other operating income	69.5	84.1
Received on claims previously written off	2.6	3.4
Loans disbursed	-8,127.6	-13,312.9
Repayments on loans	22,353.7	18,601.8
Change in bond holding	12,998.6	19,065.8
Securities, purchase	-203.9	-137.3
Securities, sale	959.7	864.6
Dividends from shares and equity investments	0.0	0
Taxes paid	1.6	41.1
Total	27,592.3	25,892.8
Cash flow from investing activities		
Net investment, property, plant and equipment as well as intangible assets	57.7	223.3
Sundry assets	1,879.9	701.3
Total	1,937.6	924.6
Cash flow from financing activities		
New bond loans	499.8	61,598.9
Repayments on bond loans	-4,586.9	-65,100.8
Change in bank debt	-20,989.2	-4,488.7
Change in short-term funding	-1,371.5	-13,466.2
New subordinated debt	0.0	0.0
Repayment on subordinated debt	-745.7	0.0
Sundry liabilities and equity	-2,487.3	-4,932.1
Total	-29,680.8	-26,388.9
Total cash flow	-150.9	428.5
Cash and cash equivalents, beginning of year	3,725.7	3,805.0
Value adjustments of cash	406.3	-507.8
Cash and cash equivalents, end of year	3,981.1	3,725.7
Cash and cash equivalents, end of year		
Cash in hand and demand deposits with central banks	38.3	90.1
Bill eligible for refinancing in central banks	2,374.9	1,499.8
Due from credit institutions and central banks	1,567.9	2,135.9
Bonds with maturities under 3 months	0.0	0.0
Cash and cash equivalents, end of year	3,981.1	3,725.7

Income statement per quarter

	FIH Group							
	2011				2010			
(DKK million)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Interest income	657.4	740.0	681.5	740.1	749.9	795.5	812.6	784.4
Interest expenses	491.5	523.4	517.8	527.8	567.9	471.5	456.2	443.7
Net interest income	**165.9**	**216.6**	**163.7**	**212.3**	**182.0**	**324.0**	**356.4**	**340.7**
Dividends from shares etc.	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0
Fee and commission income	57.4	47.5	32.6	38.1	68.6	65.7	72.1	31.2
Fees and commissions paid	18.6	19.7	2.3	3.7	21.1	5.4	12.7	8.5
Net interest and fee income	**204.7**	**244.4**	**194.1**	**246.7**	**229.5**	**384.4**	**415.8**	**363.4**
Market value adjustments	-34.6	-402.3	-239.2	5.5	886.3	324.8	121.7	306.2
Other operating income	17.0	16.9	17.0	18.5	18.2	19.0	26.4	20.6
Staff costs and administrative expenses	104.9	107.5	157.1	143.2	151.3	144.0	164.5	147.6
Depreciation, amortisation and impairment charges; property, plant and equipment as well as intangible assets	5.7	5.5	24.2	4.8	7.3	6.9	6.8	4.7
Other operating costs	4.3	-1.4	0.8	6.2	0.0	81.4	81.4	81.4
Impairment charges on loans and receivables etc.	435.0	205.4	180.6	171.3	1,205.0	368.2	188.5	160.9
Profit on investments in associates and group enterprises	0.3	0.0	0.0	0.0	-1.0	2.7	-0.6	-1.2
Profit before taxation	**-362.5**	**-458.0**	**-390.8**	**-54.8**	**-230.6**	**130.4**	**122.1**	**294.4**
Taxation	-77.3	-4.0	-29.9	23.2	-253.3	-68.2	19.3	93.9
Net profit for the year	**-285.2**	**-454.0**	**-360.9**	**-78.0**	**22.7**	**198.6**	**102.8**	**200.5**
Allocation of net profit for the year								
FIH's shareholders	-285.2	-454.0	-360.9	-78.0	22.7	198.6	102.8	200.5

Summary of notes

Supplementary note

Note 1 – Accounting policies

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU. The consolidated financial statements are also presented in accordance with the additional Danish disclosure requirements of Nasdaq OMX Copenhagen for annual reports of financial institutions with listed debt instruments and the IFRS Executive Order on financial institutions issued under the Danish Financial Business Act (*lov om finansiel virksomhed*).

The annual report of the parent company - FIH Erhvervsbank A/S - is presented in accordance with the Danish Financial Business Act, including the Executive Order on the Presentation of Financial Statements by Credit Institutions and Investment Firms etc. (the Executive Order on the Presentation of Financial Statements). The rules applied by FIH for recognition and measurement in the parent company comply with IFRS - except for measurement of group enterprises and associates at equity value according to FSA's Executive Order on the Presentation of Financial Statements where IFRS prescribes measurement at cost or fair value.

The annual report is also presented in accordance with the additional Danish disclosure requirements of Nasdaq OMX Copenhagen for financial institutions with listed debt instruments and the Danish Financial Business Act.

The accounting policies applied are consistent with those of 2010.

Merger
With retrospective effect from 1 January 2011 and according to the pooling of interests method, FIH Erhvervsbank A/S merged with its subsidiary FIH Finance A/S and its subsidiary FIH Aztec Holding ApS. FIH Erhvervsbank A/S is the continuing company. As a consequence of the merger, comparative figures (2010) for FIH Erhvervsbank A/S have been restated, reducing the total assets in FIH Erhvervsbank A/S by DKK 519.3 million and reducing the profit/loss for the year by DKK 15.1 million. The equity in FIH Erhvervsbank A/S increased by DKK 5.6 million. The merger did not affect the consolidated financial statement. The list of ratios in Note 33 was restated accordingly.

Measurement and recognition
Assets are recognised in the balance sheet when, as a result of a previous event, it is probable that future economic benefits will flow to FIH; that the value of the assets can be measured reliably; and that the assets are under FIH's control. Liabilities are recognised in the balance sheet when, as a result of a previous event, FIH has a legal or constructive obligation and it is probable that future economic benefits will flow from FIH and the value of the liability can be measured reliably. When assets and liabilities are recognised and measured, allowance is made for predictable losses and risks materialising before the annual report is presented and proving or disproving conditions existing at the balance sheet date.

Financial instruments are recognised at the time of trading.

Recognition of financial assets and liabilities is initially recorded on the trade date and ceases on the trade date when the right to receive/surrender cash flows from the financial asset or liability has expired, or if it has been transferred, and the Group has also essentially transferred all risks and returns related to the ownership.

Determination of fair values
The fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The determination of fair values is divided into three levels:

Level 1 (quoted market prices)
The fair value of financial instruments in active markets is determined at the closing price on the balance sheet date or, if there is no such date, another published price that must be assumed to be the best matching price.

Level 2 (valuation based on observable inputs)
For financial instruments, which are valued at level 2, the fair value is determined using generally accepted valuation techniques, which in all essentials are based on observable, current interest rates and volatilities obtained from price providers such as Bloomberg and Reuters.

Level 3 (valuation based on unobservable inputs)
Level 3 comprises partly financial instruments, which are valued on the basis of observable market data as at level 2 but where also inputs are used which are not directly observable and which have a significant effect on the valuation.

In addition, level 3 comprises financial instruments whose fair value is determined either based on price indications from external qualified sources or based on accepted valuation methods using accounting data, expectations for the future (budgets) and multiples.

Hedge accounting
The FIH Group applies the rules for hedge accounting of fair values of loans and funding (IAS 39). The interest rate exposure is hedged, calculated based on the basic rate on loans and funding, using derivatives. The hedged interest rate exposure calculated on the basis of the basic rate is restated at fair value, and the change in value is recognised in the income statement under market value adjustments.

Like all other derivatives, derivatives used for hedging interest rate risks are measured at fair value. The change in value is also recognised in the income statement under market value adjustments.

Financial products
On initial recognition, financial assets and liabilities are classified in one of the following categories: trading portfolio, financial assets/ liabilities at fair value or loans and receivables. Financial assets/liabilities are classified as "trading portfolio" if they were acquired with a view to creating a short-term gain through short-term fluctuations in exchange rates or through earnings from trading margins, or if they form part of portfolios with this pattern.

Financial assets/liabilities at fair value (investment assets/liabilities) are products that do not meet the classification criteria for "trading portfolio", but are measured at fair value on initial recognition. After initial recognition, they are measured at fair value using the fair value option set out in IAS 39. The objective is to reduce or eliminate measurement inconsistencies. Derivative financial instruments are always classified as "trading portfolio", unless they are used for hedge accounting.

Repurchase/reverse repurchase transactions
Securities sold as part of a repurchase transaction (repo) remain in the balance sheet, under the balance sheet item of the security, e.g. bonds, and the operating profit of the security is recognised under interest rates and market value adjustment in the usual manner. Amounts received under repurchase transactions are recognised as due to credit institutions or deposits. Amounts paid are recognised as loans or amounts due from credit institutions. The return of repurchase and reverse repurchase transactions is recognised under interest income from credit institutions, loans and deposits, respectively.

Foreign currency translation
The consolidated financial statements are presented in Danish kroner, the functional currency of FIH Erhvervsbank A/S. On initial recognition, transactions in currencies other than the Group's functional currency are translated at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies as well as non-monetary assets and liabilities that are revalued at fair value are translated at the rate of the balance sheet date. All foreign exchange adjustments are recognised in the income statement. Non-monetary assets and liabilities in foreign currencies that are not remeasured at fair value are translated at the exchange rates at the date of the transaction.

Consolidated financial statements
The consolidated financial statements comprise FIH Erhvervsbank A/S and the subsidiaries controlled by the parent company. The parent company is considered to control a subsidiary when, directly or indirectly, it holds more than 50 per cent of the voting rights or it otherwise controls or actually exercises significant influence over the subsidiary.

The consolidated financial statements are prepared by combining items of a uniform nature and subsequently eliminating intercompany income and expense items, gains and losses, internal share holdings and intercompany balances, including guarantees. The financial statements used for consolidation are revised in accordance with the Group's accounting policies.

Segment information
Segment information is reported for business areas representing the Group's operating segment format. The segmental disclosures comply with the Group's risks and internal financial management and are calculated using the same principles as the consolidated financial statements.

The segment profit and assets comprise items that may be directly attributed to the individual segment or allocated to the individual segment on a reliable basis. Other activities primarily comprise the Group's administrative functions, investing activities, income taxes etc.

Overhead costs, including costs related to staff functions, administrative and back-office functions, are allocated to the business segments based on an assessment of the business generating capacity of the individual segment. Segment assets comprise assets directly related to the operations of the segment, including loans, bonds etc. In FIH's internal cash management, liabilities are not allocated to individual segments; they are managed collectively. Individual business areas are managed based on margin earnings on assets. Accordingly, liabilities are not allocated between business areas and, similarly, net interest is calculated only per business area. All transactions between segments are conducted at arm's length or on a cost recovery basis.

INCOME STATEMENT

Interest
Interest income and interest expenses relating to interest-bearing financial instruments at amortised cost are recognised in the income statement using the effective interest method based on the cost of the financial instrument. Interest includes amortisation of fees and commissions - which is an integral part of the effective yield of a financial instrument - and amortisation of any additional difference between cost and redemption price.

Interest income and interest expenses also include interest on financial instruments measured at fair value.

Interest income on loans that are fully or partly written down are recognised as income at an amount equivalent to the effective interest rate of the loan written down.

Dividends on shares etc.
Dividends on equity investments are recognised when the right to dividends has been finally acquired. This is typically at the time of the annual general meeting's approval of the distribution from the company in question. This does not, however, apply to investments in associates, which are measured under the equity method.

Fees paid and received
Fees and commissions that are part of the current interest and capital repayments are recognised over the life of the loan. Other fees are recognised in the income statement at the date of the transaction.

Market value adjustments
Market value adjustments comprise unrealised and realised market value adjustments from fair value adjustments on bonds, shares, financial instruments and hedged loans and funding as well as foreign exchange adjustments on these and other financial instruments.

Other operating income
Other operating income and expenses comprise income and expenses of a secondary nature to the Group's main activities, including lease payments under operating leases as well as gains and losses on the sale of property, plant and equipment and intangible assets.

Other operating costs
Other operating costs include the guarantee commission to the Private Contingency Association.

Staff costs and administrative expenses
Staff costs comprise wages and salaries as well as social security costs, pensions etc. to FIH's staff. Anniversary bonuses and severance pay are recognised on an ongoing basis, allowance being made for the expected probability that the employees will retire from their positions before the time of payment.

Share options
Option plans are measured at the time of allocation of the options and are recognised in the income statement as staff costs over the vesting period. At each balance sheet date until the time of exercise, cash-based plans are re-measured and value adjustments are recognised in the income statement under market value adjustments. Depending on the characteristics of the plan, provisions are made for amounts recognised in the income statement or the amounts are recognised under equity.

Taxation
The tax for the year, comprising the current tax for the year and changes in deferred tax, is recognised in the income statement at the share attributable to the net profit/loss for the year and directly under equity at the share attributable to items directly under equity.

Moreover, tax relating to prior years is recognised in the income statement at the share attributable to income statement items and under equity at the share attributable to items directly under equity.

FIH Erhvervsbank A/S is jointly taxed with its Danish consolidated companies. The tax effect of the joint taxation with the subsidiaries is allocated to profit- and loss-making companies in proportion to their taxable income. The jointly-taxed companies form part of the tax prepayment scheme.

BALANCE SHEET

Cash in hand and demand deposits
On initial recognition, cash in hand and demand deposits with central banks are measured at fair value and subsequently at amortised cost.

Debt instruments eligible for refinancing with central banks
Debt instruments eligible for refinancing with central banks are measured at fair value on initial recognition and subsequently at amortised cost.

Due from credit institutions and central banks
Amounts due from credit institutions and central banks include amounts due from other credit institutions, time deposits in central banks and reverse repurchase transactions, i.e. purchase of securities where an agreement is made to sell them back at a later time and where the counterparty is a credit institution or a central bank. On initial recognition, amounts due from credit institutions and central banks are measured at fair value and subsequently at amortised cost.

Loans and other receivables at amortised cost
Loans comprise bank loans and assets held under finance leases. On initial recognition, loans are measured at fair value less establishment fee etc. They are subsequently measured at amortised cost applying the effective-interest method less impairment charges incurred but not yet realised. The change between the recognised value and the amortised value is recognised under interest income.

For fixed-rate loans that are subject to hedge accounting and where the interest rate exposure is hedged by derivatives, the amortised cost is supplemented by the fair value of the hedged interest rate exposure. Fair value changes are recognised in the income statement under market value adjustments cf. the section on hedge accounting.

Impairment is recorded for individually assessed loans and collectively assessed loans.

Individually assessed loans:
FIH conducts an individual review of all significant loans, as well as a qualified random sample of other loans. The objective is to assess whether events have occurred that may negatively impact the value of the loan asset, causing FIH to no longer expect to recover the full carrying amount of the loan. In case of objective evidence of impairment of the loan, impairment is recorded equivalent to the difference between the carrying amount of the loan and the present value of expected future payments, proceeds from collateral and, possibly, dividends. Expected future payments on loans subject to individual impairment are prepared based on a specific assessment of the financial position of the individual enterprise and the collateral etc., provided for the loan.

For individually assessed loans, objective evidence of impairment is deemed to exist if one or more of the following events have occurred:

1. The borrower is facing significant financial difficulties.
2. The borrower is in breach of contract, e.g. by failing to meet his payment obligations in terms of interest and principal on the loan.
3. FIH has given the borrower more lenient terms that would not have been considered, had it not been for the borrower's financial difficulties.
4. The borrower is likely to go bankrupt or be subject to other types of financial reconstruction.

Collectively assessed loans:
Collectively assessed loans comprise all loans, with the exception of loans with objective evidence of impairment that have been written down based on an individual assessment and loans that are monitored and price-adjusted on an ongoing basis in accordance with risks and developments.

Groups of loans that share similar characteristics in terms of credit risk must be assessed collectively. FIH records collective impairment of loans using the rating model and based on the Bank's rating system.

Under the rating model, collective impairment can be attributed to the migration of loans to lower rating classes - and thus to cash flow deterioration. Therefore, each rating category from D (default) to 13 represents a rating class.

The model for collective impairment is based on a change in PD (probability of default) and LGD (loss given default), the current carrying amount of the group of loans being compared with the expected discounted cash flow. If the value of the expected discounted cash flow is lower than the carrying amount, the difference is written down. FIH applies the gross concept for collective impairment. Expected future payments on loans subject to collective impairment are prepared based on the historical loss factor.

Where the model for collective impairment applies concepts and numbers from the Basel II complex, these concepts and numbers have been adjusted to comply with IFRS. Thus,"expected loss" has been adjusted to "incurred loss". The determination of collective impairment has no IBNR element (incurred but not recorded); this is believed to be in compliance with the guidelines issued by the Danish Financial Supervisory Authority.

Impairment charges on all loans are entered in a separate impairment account, which is offset against loans. In the income statement, impairment charges for the period are recognised in Impairment charges on loans and receivables etc.... Loans are written off when the usual collection procedures have been completed and, based on an individual assessment, the value of the loss can be reliably determined. For loans that are inevitably uncollectible, but where the final loss has yet to be determined, the amount written off is equivalent to the loss that can be reliably determined.

Mortgage loans and mortgage bonds issued at fair value
Loans granted under Danish mortgage credit legislation are financed by issued listed mortgage bonds subject to identical conditions. These loans may be redeemed at a price of 100 or by returning the underlying bonds. On initial recognition, mortgage loans and mortgage bonds issued are measured at fair value (market price). Mortgage loans are subsequently measured at fair value. The measurement at fair value is based partly on the value of the bonds issued and partly on an adjustment for the credit risk based on the need for impairment charges.

Mortgage bonds issued are subsequently also measured at fair value. Bonds drawn are measured at the present value of future payments.

In general, mortgage loans and mortgage bonds issued are to be measured at amortised cost. However, use of amortised cost will result in a timing difference in the recognition of gains and losses. This timing inconsistency is avoided by measurement at fair value of both the mortgage loan and the related mortgage bonds with reference to the fair value option, cf. IAS 39.

Bonds and shares
Bonds and shares are divided into a trading portfolio and an investment portfolio. The objective of the trading portfolio is purchase and sale with a short-term investment horizon. The trading portfolio comprises FIH Capital Markets' holdings. The investment portfolio comprises holdings the purpose of which is investment of funds and long-term investment.

On initial recognition, bonds and shares are measured at fair value, which is cost less transaction costs. The trading portfolios are subsequently measured at fair value.

On initial recognition, the investment portfolio is measured at fair value, which is cost less transaction costs. The investment portfolios are subsequently measured at fair value using the fair value option of IAS 39, as the investment portfolios are managed and assessed on an ongoing basis based on fair values in accordance with a documented investment strategy.

Bonds and shares traded in active markets are subsequently measured at fair value. The fair value is stated at the closing price of the relevant market at the balance sheet date or - if this price is not available - at another published price which must be assumed to correspond to this price.

The fair value of securities, for which there is no active market, is subsequently measured using generally accepted valuation models and techniques.

As far as interest rate instruments are concerned, these valuation models comprise discounting of future cash flows, allowance being made for factors that may impact the value, such as credit risks. Embedded option elements, if any, are measured using generally accepted option models, including market parameters of significance to measurement.

Private equities are primarily measured based on two methods. One method uses price indications provided by external sources believed to be knowledgeable about the value of the private equities. The other method is generally accepted valuation models, based on financial data, future expectations (budgets) and multiples.

Investments in associates
Investments in associates comprise shares and other equity holdings in enterprises in which the Group holds a minimum of 20 per cent and a maximum of 50 per cent of the voting rights and at the same time exercises significant influence over the enterprise's operational and financial management. For investments planned through holding structures, the significant influence is assessed in relation to the enterprise ultimately acquired.

On initial recognition, investments in associates are measured at cost. Subsequently, investments in associates are measured under the equity method. The proportionate share of the companies' profits or losses, adjusted for goodwill impairment, if any, and unrealised intercompany gains and losses, is included in the item "Profit/loss on investments in associates and group enterprises".

Investments in group enterprises
Investments in group enterprises comprise shares and other equity holdings in enterprises in which the Group holds more than 50 per cent of the voting rights or otherwise controls the enterprise.

On initial recognition, investments in group enterprises are measured at cost. Subsequently, they are measured under the equity method. The proportionate share of the enterprises' profits or losses, adjusted for goodwill impairment, if any, and unrealised intercompany gains and losses, is included in the item "Profit/loss on investments in associates and group enterprises".

Intangible assets

Development projects
Development projects include internally developed projects that are expected to generate future financial benefits - in part as a result of expected resource-saving initiatives and in part in the form of higher net earnings.

On initial recognition, development projects are measured at cost, comprising costs directly attributable to the development project. Development projects are subsequently measured at cost less accumulated amortisation. Completed development projects are amortised on a straight-line basis over their estimated useful lives, usually a period of 3 to 5 years.

An impairment test is conducted for each development project. If the carrying amount of the development project exceeds the calculated present value, the project is written down. The present value/the recoverable amount is based on a value-in-use calculation, determined using expected net cash flows based on 3-5 year budgets for individual projects. The 3-month Cibor rate is used as the discount factor.

Depreciation, amortisation and impairment charges for the period are recognised in the income statement under Depreciation, amortisation and impairment charges for property, plant and equipment as well as intangible assets.

Expenses related to the maintenance of development projects, including primarily staff costs, are charged to the income statement on a continuing basis.

Investment properties
Investment properties consist of properties owned by FIH Erhvervsbank A/S which are leased under operating leases. On initial recognition, investment properties are measured at cost. Subsequently, they are measured at fair value. The fair value of investment properties is determined based on discounted expected contractual future cash flows with the addition of the expected fair value of the property at the termination of the relevant cash flows.

The credit quality of the tenants is assessed on an ongoing basis and if the tenants' ability to pay deteriorates, the fair value is adjusted accordingly. In order to assess the expected fair value of the property at the termination of the relevant cash flows, the Group's valuers make a specific assessment of the property value at least once a year based on the property's location, type and application, as well as leasehold improvements and state of maintenance.

Changes to fair value are recognised under market value adjustments, whereas lease payments received are recognised under other operating income.

Other property, plant and equipment, including owner-occupied properties
Other property, plant and equipment comprise operating equipment, owner-occupied properties and vehicles and are recognised at cost, including costs directly related to the acquisition and costs related to the preparation of the asset until the time at which it is ready for use.

Other property, plant and equipment are subsequently measured at cost less depreciation. Depreciation is provided on a straight-line basis over the estimated useful economic lives of the assets, not exceeding four years, however. Individual assets of insignificant value, as well as computer software, are fully depreciated in the year of acquisition.

Owner-occupied properties are properties used by the Group. Owner-occupied properties are recognised at cost, including improvement expenses, and are subsequently measured at the revalued amount, equivalent to the fair value at the balance sheet date.

Other assets
Other assets include, e.g., interest receivable and commission, unsettled transactions and the positive fair value of derivative financial instruments.

Derivative financial instruments
On initial recognition, derivative financial instruments are measured at fair value, usually equivalent to the contribution paid or received. After initial recognition, derivative financial instruments are measured at fair value at the balance sheet date.

Changes in the fair value of derivative financial instruments are recognised in the income statement.

For derivative financial instruments that are traded in active markets, the fair value is stated at the closing price of the relevant market at the balance sheet date or – if this price is not available – at another published price which must be assumed to correspond to this price.

For derivative financial instruments, for which there is no active market, fair value is determined using generally accepted valuation models and techniques.

Prepayments, assets
Prepayments are recognised and measured at cost. Prepayments recognised under assets comprise mainly prepaid salaries and fees.

Due to credit institutions and central banks
Amounts due to credit institutions comprise amounts due to other credit institutions and central banks as well as repurchase agreements. On initial recognition, amounts due to credit institutions and deposits are measured at fair value and subsequently at amortised cost.

Deposits and other payables
Deposits and other payables comprise payables to private individuals and companies that are not credit institutions. On initial recognition, deposits and other payables are measured at fair value and subsequentlyat amortised cost.

Bonds issued at fair value
Bonds issued at fair value comprise mortgage bonds issued which, on initial recognition, are measured at cost and subsequently at fair value, cf. the section on mortgage loans and issued mortgage credit bonds at fair value.

Bonds issued at amortised cost
Bonds issued at amortised cost comprise the Group's bonds issued except for mortgage bonds issued. On initial recognition, bonds issued are recognised at fair value; subsequently they are measured at amortised cost. Amortised cost is supplemented by the fair value of the hedged interest rate exposure for the bonds issued that are included in hedge accounting.

Holdings of own bonds issued are set off against the liability item in question; similarly, interest income on own holdings is set off against interest expenses. The capital gain realised on the repurchase is recognised under market value adjustments on bonds (assets).

Embedded financial instruments
FIH holds financial instruments with embedded derivatives. Where the economic characteristics and risks of the derivative are not closely related to the bond issued, the derivative is separated out and measured at fair value, while the bond issued is measured at amortised cost. The embedded instrument is recognised in the balance sheet under bonds issued.

Other liabilities
Other liabilities include interest payable, fee and commission income, unsettled transactions and the negative fair value of derivative financial instruments.

Deferred income, liabilities
Deferred income is recognised and measured at cost. Deferred income under liabilities comprises mainly accrued prepaid interest.

Provisions for liabilities
Provisions for liabilities are recognised when - as a result of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation, and it is probable that FIH will have to forego economic benefits to pay the liability. Provisions are recognized at the management's best estimate of the amount at which the liability is expected to be payable.

In the measurement of provisions, expenses incurred in the settlement of the liability are discounted. A discount rate is used which reflects the general level of interest rates in the market, with the addition of the specific risks estimated to be attached to the provisions in question.

Provisions for pensions and similar liabilities
Provisions for defined benefit pension plans are made on the basis of an actuarial assessment.

In addition, FIH has entered into defined contribution pension plans with most of its employees. Under defined contribution plans, fixed contributions are paid into an independent pension fund. FIH has no obligation to pay further contributions. Contributions payable are recognised in the balance sheet as a debt liability.

Current and deferred tax
Current tax liabilities, respectively current tax receivables, are recognised in the balance sheet at an amount stated as calculated tax on the taxable income for the year adjusted for prepaid tax.

Deferred tax is measured under the balance sheet liability method as all temporary differences between the carrying amount and the tax base of assets and liabilities. Where the calculation of the tax base can be made according to different taxation rules, deferred tax is measured based on the management's intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are recognised in the balance sheet at the expected realisable value of the assets, either by set-off against deferred tax liabilities or as net assets.

Deferred tax is measured on the basis of the tax rules that will be effective when the deferred tax is expected to crystallise as current tax based on the legislation at the balance sheet date. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Provisions for losses on guarantees
Provisions are made for losses on guarantees in case of an objective indication that the customer is unable to meet his financial obligations under the guarantee. However, provisions for losses on guarantees are not recognised at an amount below the commission received under the guarantee and accrued over the guarantee period.

Provisions for losses on guarantees include guarantee obligations to the Private Contingency Association. These provisions are determined based on a specific assessment of the expected loss as well as FIH's portion of the loss.

Subordinated debt
Subordinated debt is debt in the form of subordinate loan capital which is, on initial recognition, recognised at fair value and subsequently at amortised cost.

Equity

Share capital
Share capital is classified as equity when there is no obligation to transfer cash or other assets.

Revaluation reserve
The revaluation reserve relates to revaluation of property, plant and equipment less deferred tax on the revaluation. The revaluation reserve is dissolved when the assets are sold or retired.

Share option plan
Expenses recognised under the share option programme under equity include expenses related to employee shares as well as expenses related to share options.

Other reserves
Other reserves include market value adjustments of investments in group enterprises and associates. Other reserves are reduced by dividend distributions to the parent company and adjusted by other changes in equity in group enterprises and associates.

Minority interests
Minority interests correspond to the carrying amount of the proportion of the net assets of group enterprises that are not owned by FIH Erhvervsbank A/S.

Off-balance sheet items
This item comprises guarantees issued and indemnities, irrevocable credit commitments and similar liabilities that are not recognised in the balance sheet. Guarantees are measured at nominal value less provisions for losses. Provisions for losses are recognised under "impairment charges on loans and receivables etc." in the income statement and "provisions for losses on guarantees" in the balance sheet.

Cash flow statement
The cash flow statement shows the Group's cash flows, broken down on cash flows from operating activities, investing activities and financing activities for the year, changes in cash and cash equivalents for the year and cash and cash equivalents at the beginning and end of the year. Cash flows are presented according to the direct method.

Cash flows from operating activities
Cash flows from operating activities are stated as profit before tax adjusted for non-cash operating items, changes in working capital, interest paid and income tax paid.

Cash flows from investing activities
Cash flows from investing activities comprise payments related to the purchase and sale of activities, the purchase and sale of intangible assets, property, plant and equipment and other long-term assets, as well as the purchase and sale of securities not included in cash and cash equivalents.

Cash flows from financing activities
Cash flows from financing activities comprise changes in the size or composition of the share capital and expenses related thereto, as well as the raising of loans, payments on interest-bearing debt, the purchase and sale of own shares and payment of dividends to shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and demand deposits with central banks, debt instruments eligible for refinancing with central banks, amounts due from credit institutions and central banks, and liquid bonds with a maturity of less than three months.

Standards and interpretations that have not yet become effective
All standards and interpretations issued and approved by the EU on the date of approval of the annual report have been implemented. IFRS 8 has been implemented early as from 2007.

The International Accounting Standards Board (IASB) has issued a number of amendments to International Accounting Standards, and the International Financial Reporting Interpretations Committee (IFRIC) has issued a number of interpretations which are not yet effective. Below, the standards and interpretations that are expected to have an impact on the Group's financial reporting are listed. Other standards and interpretations that are not yet effective are not expected to have a material impact on the Group's financial reporting.

IFRS 9 Financial Instruments

IFRS 9 is the outcome of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement. In November 2009, the IASB issued IFRS 9 Financial Instruments (2009), covering only classification and measurement of financial assets. IFRS 9 Financial Instruments (2009) was issued. These standards have been expanded to include new requirements for classification and measurement of financial liabilities and a number of requirements covering derecognition . IFRS 9 is expected to be extended to include new rules for impairment and hedge accounting.

The provisions will be effective for financial periods beginning on or after 1 January 2015, with earlier application permitted. This standard has not yet been adopted for use in the EU.

At present, it remains to be seen whether the European Commission will endorse the amendments before the effective date of the new IFRS 9 Financial Instruments as issued by the IASB. Previously, the Commission has announced that it will not take a position on whether to endorse IFRS 9 (2010) in the EU until IFRS 9 has been finalised, and finalisation depends on the incorporation of updated provisions on hedge accounting.

According to IFRS 9, financial assets shall be classified on the basis of the entity's business model and the contractual terms of the assets. Assets held in order to collect contractual cash flows, representing payment of principal and interest, shall be measured at amortised cost. Other assets shall be measured at fair value with recognition of value adjustment in the income statement. However, fair value adjustment of shares may be recognised in other comprehensive income and, in certain circumstances, the entity may opt for fair value adjustment of loans etc.

As far as financial liabilities are concerned, IFRS 9 introduces two significant amendments relative to IAS 39. These amendments are related to the fair value option and specific derivatives linked to unquoted equity investments. According to IFRS 9, the amount of change in the fair value that is attributable to changes in the credit risk of a liability designated at "Fair value through profit or loss" shall be recognised in other comprehensive income. Where this results in an accounting inconsistency (or mismatch), the fair value option may be applied to the effect that the full amount of change in the fair value may be recognised in the profit or loss. Other than that, virtually all other classification and measurement provisions for financial liabilities as stated in IAS 39 have been retained.

It is assessed that, in its current form, IFRS 9 will not have any material impact on the measurement of the Group's financial assets and liabilities as far as amendments in categories are concerned. However, large parts of the new standard are yet to be completed, including provisions for impairment, hedge accounting and derecognition, Depending on future decisions, these may have material impact on recognition as well as measurement.

The Danish Finanacial Supervisory Authority's definions of key ratios
The following definitions are used when calculation key ratios:

Solvency ratio, per cent	Capital base divided by risk weighted assets
Core capital ratio, per cent	Core capital after deductions divided by risk weighted assets
Return on equity before taxation	Profit before taxation divided by average equity
Return on equity after taxation	Profit after taxation divided by average equity
Income/cost ratio	Income divided by costs
Interest rate risk	Interest rate risk divided by core capital after deductions
Foreign exchange position	Exchange rate indicator 1 divided by core capital after deductions
Foreign exchange risk	Exchange rate indicator 2 divided by core capital after deductions
Loans as a percentage of deposits	Loans plus loan impairment charges divided by deposits
Gearing of loans	Loans plus loan impairment charges divided by equity
Growth in loans, per cent	Growth in loans from beginning of the year to the end of the year
Excess cover relative to statutory liquidity requirements	Excess cover according to section 152 of the Danish Financial Business Act
Total amount of large exposures	Total amount of large exposures divided by capital base
Impairment ratio for the year	Loan impairment charges for the year divided by guarantees plus loan impairment chareges
Capital base relative to minimum capital adequacy requirement	Capital base divided by minimum capital requirements

Note 2 – Accounting estimates, assumptions and uncertainties

Calculation of the carrying amount of certain assets and liabilities involves an estimate of how future events will affect the value of these assets and liabilities. The most significant estimates relate to impairment charges on loans, provisions for losses on guaranties and calculation of fair values of financial instruments.

Estimates made are based on assumptions believed by the management to be reasonable, but which are uncertain. In addition, FIH is subject to risks and uncertainties that may cause actual results to deviate from the estimates. The accounting estimates made are assessed on an ongoing basis and are adjusted to reflect new information. Where possible, the accounting estimates in the financial statements are verified against the estimates of others e.g. by comparing market values, spreads etc., received from counterparties and other external parties.

Iimpairment charges on loans and receivables etc.
Significant estimates are involved in the calculation of impairment charges on loans and receivables in connection with the quantification of the risk that the debtor is unable to meet his future obligations in full or in part. In the event that it is assessed that the debtor will be unable to meet his future obligations, the calculation of future actual payments, including the realisation value of collateral security, dividends etc., is subject to uncertainty and is, to a significant extent, based on estimates.

Provisions for losses on guarantees
In the determination of provisions for losses on guarantees, uncertainty is attached to the assessment of the risk that the guarantee will be exercised and the financial impact thereof.

Calculation of fair value
The calculation of the fair value of financial instruments which are not traded in an active market, involves an estimate. The fair value is calculated based on recognised valuation models and input variables in the form of yield curves, volatility curves etc. The valuation models discount future cash flows and measure option elements, if any. Some amount of model risk is attached to these models.

Private equities are primarily measured based on two methods. One method uses price indications provided by external sources believed to be knowledgeable about the value of the private equities. The other method is generally accepted valuation models, based on financial data, future expectations (budgets) and multiples.

Deferede tax assets

Unutilised tax losses in the Group will be utilised as the companies subject to joint taxation acquire tax losses. The capitalised losses are expected to be utilised within a foreseeable number of years. Tax losses which can be carried forward and which are not expected to be utilised within the next 3 to 5 years are not included. Inclusion of a deferred tax asset therefore requires the managements's assessment of the probability and size of future profit in the companies subject to joint taxation.

Notes

Note 3 – Segment information

Segment financial information based on the primary activities of the FIH Group is presented below.

2011 (DKK million)	Corporate Banking	Property Finance	Acquisition Finance	Markets	Corporate Finance	Private Equity	Other activities	Group total
Income statement								
Net interest and fee income	**330.0**	**264.0**	**222.9**	**74.0**	**88.8**	**-45.4**	**-44.4**	**889.9**
Market value adjustments	**-53.0**	**-0.1**	**7.6**	**161.3**	**0.0**	**-723.2**	**-63.2**	**-670.6**
Other operating income	**8.0**	**1.5**	**0.0**	**0.0**	**0.0**	**0.0**	**59.9**	**69.4**
Salaries*	**46.5**	**7.7**	**16.1**	**48.4**	**60.6**	**0.4**	**9.7**	**189.4**
Other operating costs	**112.7**	**20.4**	**45.2**	**93.5**	**2.4**	**1.5**	**79.4**	**355.1**
Amortisation and impairment charges, intangible assets	**4.5**	**1.2**	**2.9**	**7.6**	**0.0**	**1.2**	**0.9**	**18.3**
Impairment charges and losses on loans and other receivables etc.	**45.0**	**223.9**	**725.7**	**0.0**	**0.0**	**0.0**	**-2.3**	**992.3**
Profit/loss on equity investments	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**	**0.0**	**0.3**
Profit before taxation	**76.3**	**12.2**	**-559.4**	**85.8**	**25.8**	**-771.4**	**-135.4**	**-1,266.1**
Tax	**19.1**	**3.0**	**-138.2**	**21.2**	**6.3**	**34.2**	**-33.6**	**-88.0**
Net profit for the year	**57.2**	**9.2**	**-421.2**	**64.6**	**19.5**	**-805.6**	**-101.8**	**-1,178.1**
Balance sheet								
Loans	**21,453.7**	**5,844.3**	**15,162.3**	**0.0**	**0.0**	**0.0**	**372.2**	**42,832.5**
Bonds	**0.0**	**0.0**	**0.0**	**10,499.2**	**0.0**	**0.0**	**11,068.3**	**21,567.5**
Shares	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**882.9**	**0.0**	**882.9**
Investments in associates	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**43.9**	**0.0**	**43.9**
Other assets etc.	**731.7**	**43.8**	**0.0**	**10,491.6**	**0.0**	**0.0**	**7,563.2**	**18,830.3**
Total assets	**22,185.4**	**5,888.1**	**15,162.3**	**20,990.8**	**0.0**	**926.8**	**19,003.7**	**84,157.1**

Segmental financial statements are prepared on the basis of the margins etc., recognised for individual business areas. Accordingly, no intercompany interest rates are allocated between segments and no liabilities are allocated.

Net interest and fee income in "Other activities" consist of net interest and fee income in Treasury Portfolio and Money Market (money market activities). Commission payments on the state guarantee for bond issues (under interest expenses) of DKK 433.8 million in 2011 are also placed here as are fees paid on borrowing facilities.

Adjustment of the provision regarding the Private Contingency Association reduced impairment charges in 2011 by DKK 2.3 million.

At the beginning of October 2011 a credit commitment and related earnings was transferred from Acquisition Finance to Corporate Banking. In December 2011, three credit commitments including related earnings were transferred from Corporate Banking to Property Finance.

*Only mentions staff costs in the above-mentioned segments.

The geographical distribution includes the FIH Group's total interest income excluding derivative financial instruments, which amounted to DKK 63.5 million in 2011.

Geographical distribution	Denmark	Sweden	Germany	Great Britain	Other	Total
Interest income	**2,461.6**	**166.6**	**41.4**	**31.8**	**54.1**	**2,755.5**

Note 3 - continued

2010 (DKK million)	Corporate Banking	Property Finance	Acquisition Finance	Markets	Corporate Finance	Private Equity	Other activities	Group total
Income statement								
Net interest and fee income	407.8	389.5	210.4	34.7	134.1	-34.6	251.2	1,393.1
Market value adjustments	60.0	0.0	3.3	365.7	0.0	1.352.1	-142.1	1,639.0
Other operating income	9.8	0.5	1.1	0.0	0.0	0.0	72.8	84.2
Salaries*	51.1	8.2	15.7	106.7	54.4	0.4	14.4	250.9
Other operating costs	125.4	20.6	46.1	103.4	38.2	1.9	290.8	626.4
Amortisation and impairment charges, intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges and losses on loans and other receivables etc.	820.4	421.2	499.6	0.0	0.0	0.0	181.4	1,922.6
Profit/loss on equity investments	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
Profit before taxation	-519.3	-60.0	-346.6	190.3	41.5	1.315.1	-304.7	316.3
Tax	-129.7	-15.0	-86.5	47.5	10.8	40.7	-76.1	-208.3
Net profit for the year	-389.6	-45.0	-260.1	142.8	30.7	1.274.4	-228.6	524.6
Balance sheet								
Loans	28,326.0	10,696.8	18,388.8	0.0	0.0	0.0	582.0	57,993.6
Bonds	1,013.8	0.0	0.0	16,326.9	0.0	0.0	14,996.7	32,337.4
Shares	0.0	0.0	0.0	0.0	0.0	2,361.3	0.0	2,361.3
Investments in associates	0.0	0.0	0.0	0.0	0.0	44.3	0.0	44.3
Other assets etc.	683.1	77.8	81.7	7,816.0	0.0	0.0	7,943.0	16,601.6
Total assets	30,022.9	10,774.6	18,470.5	24,142.9	0.0	2,405.6	23,521.7	109,338.2

Segmental financial statements are prepared on the basis of the margins etc., recognised for individual business areas. Accordingly, no intercompany interest rates are allocated between segments and no liabilities are allocated.

Net interest and fee income in “Other activities" consist of net interest and fee income in Treasury Portfolio (the Bank's own portfolio) and Money Market (money market activities). Commission payments on the state guarantee for bond issues (under interest expenses) of DKK 191.7 million in 2010 are also placed here as are fees paid on borrowing facilities.

The costs of Bank Package I are expensed under “Other activities", amounting to DKK 244 million under operating costs and DKK 181 million under impairment charges, respectively.

*Only mentions staff costs in the above mentioned segments.

The geographical distribution includes the FIH Group’s total interest income excluding derivative financial instruments, which amounted to DKK -29.0 million in 2010.

Geographical distribution	Denmark	Sweden	Germany	Great Britain	Other	Total
Interest income	2,931.0	126.0	40.6	20.7	53.1	3,171.4

(DKK million)	FIH Group 2011	2010	FIH Erhvervsbank A/S 2011	2010
Note 4 – Interest income				
Due from credit institutions and central banks	**17.3**	49.2	**231.0**	217.7
Reverse repurchase transactions related to credit institutions and central banks	**18.3**	13.9	**18.3**	13.9
Loans and other receivables	**2,134.7**	2,248.5	**1,682.7**	1,778.2
Contributions	**3.5**	5.0	**0.0**	0.0
Reverse repurchase transactions	**0.6**	2.3	**0.6**	2.3
Bonds	**580.9**	848.2	**547.0**	809.6
Total derivative financial instruments	**63.5**	-29.0	**106.4**	44.1
Other interest income	**0.2**	4.3	**0.2**	3.7
Total interest income	**2,819.0**	3,142.4	**2,586.2**	2,869.5
Derivative financial instruments				
Currency contracts	**-15.0**	5.7	**-15.0**	5.7
Interest rate contracts	**78.5**	-34.7	**121.4**	38.4
Total	**63.5**	-29.0	**106.4**	44.1
Note 5 – Interest expenses				
Due to credit institutions and central banks	**97.0**	163.0	**98.8**	164.0
Repurchase transactions (repos) related to credit institutions and central banks	**175.5**	139.1	**175.5**	139.1
Other repurchase transactions (repos)	**8.3**	0.6	**8.3**	0.6
Deposits and other debt	**140.8**	178.7	**136.5**	181.5
Bonds issued	**1,367.7**	1,180.2	**1,354.7**	1,160.0
Subordinated debt	**271.1**	275.9	**271.1**	275.9
Other interest expenses	**0.1**	1.8	**0.1**	1.6
Total interest expenses	**2,060.5**	1,939.3	**2,045.0**	1,922.7
Note 6 – Fees and commissions				
Fee and commission income				
Securities trading and safe custody accounts	**0.5**	0.1	**0.5**	0.1
Loan application fees	**17.1**	36.3	**13.6**	33.7
Guarantee commission	**3.3**	5.6	**3.8**	6.3
Other fees and commissions	**154.7**	195.6	**66.3**	62.5
Total fee and commission income	**175.6**	237.6	**84.2**	102.6
Fees and commissions paid				
Guarantee commission	**0.0**	0.0	**6.3**	4.8
Other fees and commissions	**44.3**	47.7	**10.3**	18.4
Total fees and commissions paid	**44.3**	47.7	**16.6**	23.2
Note 7 – Market value adjustments				
Mortgage loans	**-3.5**	2.1	**0.0**	0.0
Other loans and receivables at amortised cost, hedging	**97.3**	13.5	**89.2**	24.7
Bonds	**-132.7**	-557.0	**-128.7**	-563.5
Shares etc.	**-721.1**	1,331.6	**-721.1**	1,332.5
Investment properties	**-15.1**	4.5	**-15.1**	4.5
Foreign currency	**-40.2**	-16.4	**-39.5**	-14.2
Derivative financial instruments	**244.1**	851.5	**249.0**	857.2
Derivative financial instruments used for hedging	**220.6**	265.8	**224.0**	251.6
Other assets	**-79.7**	-12.9	**-72.6**	-10.2
Bonds issued	**69.0**	2.1	**69.0**	2.1
Bonds issued – mortgage credit bonds	**1.6**	0.7	**0.0**	0.0
Bonds issued – hedged	**-310.9**	-246.5	**-310.9**	-246.5
Total market value adjustments	**-670.6**	1,639.0	**-656.7**	1,638.2

(DKK million)	FIH Group 2011	2010	FIH Erhvervsbank A/S 2011	2010
Note 7 - continued				
Derivative financial instruments:				
Currency contracts	**129.9**	-91.5	**130.0**	-91.4
Interest rate contracts	**334.8**	1,208.8	**343.0**	1,200.2
Total	**464.7**	1,117.3	**473.0**	1,108.8
Market value adjustment of shares:				
Unrealised market value adjustment	**-773.4**	1,110.5	**-773.4**	1,111.4
Realised market value adjustment	**52.3**	221.1	**52.3**	221.1
Total	**-721.1**	1,331.6	**-721.1**	1,332.5
Note 8 – Staff costs and administrative expenses				
Salaries and remuneration of Board of Directors and Executive Board				
Board of Directors	**4.0**	4.1	**4.0**	4.1
Executive Board	**10.3**	6.2	**9.8**	5.9
Total salaries and remuneration of Board of Directors and Executive Board	**14.3**	10.3	**13.8**	10.0
Staff costs				
Salaries	**263.4**	337.1	**221.8**	267.3
Defined benefit plans	**0.6**	0.6	**0.6**	0.6
Defined contribution plans	**21.7**	22.7	**21.3**	22.1
Social security costs	**31.9**	31.2	**27.0**	25.6
Share-based payments*	**0.0**	7.1	**0.0**	7.1
Total staff costs	**317.6**	398.7	**270.7**	322.7
Other administrative expenses	**180.8**	198.5	**173.2**	189.3
Total staff costs and administrative expenses	**512.7**	607.5	**457.7**	522.0
Average number of employees converted into full-time employment	**340.9**	355.0	**322.2**	325.2

*These payments relate to FIH's overall share and option plan, totalling DKK 0 million (2010: DKK 7.4 million). This figure includes share-based income for the executive board and other employees.

Remuneration of Board of Directors, Executive Board and employees with significant influence on the company's risk profile

Board of Directors				
Remuneration	**4.0**	4.1	4.0	4.1
Total fixed remuneration	**4.0**	4.1	4.1	4.1
Number of board members	**9**	9	9	9

The Board of Directors in FIH Erhvervsbank A/S only receives fixed remuneration and, therefore, bonus paid, bonus provided and share-based remuneration total DKK 0 in the same way as the total variable remuneration totals DKK 0.

Four new Board members joined FIH's Board of Directors on 6 January 2011, whereas two new members elected by the employees joined on 15 March 2011. Remuneration of the outgoing members of the Board of Directors is included in the amount stated above but is not included in the overview on page 115.

Executive Board				
Salaries	**9.4**	4.4	**8.9**	4.1
Pensions	**0.6**	0.6	**0.6**	0.6
Total fixed remuneration	**10.0**	5.0	**9.5**	4.7
Bonus provision	**0.0**	0.7	**0.0**	0.7
Share-based payments	**0.0**	0.2	**0.0**	0.2
Variable remuneration	**0.0**	0.9	**0.0**	0.9
Other payments	**0.3**	0.3	**0.3**	0.3
Total remuneration	**10.3**	6.2	**9.8**	5.9
Number of members of the Executive Board	**2**	1	**2**	1

Note 8 – continued

(DKK million)	FIH Group 2011	FIH Group 2010	FIH Erhvervsbank A/S 2011	FIH Erhvervsbank A/S 2010
Other employees with significant influence on the company's risk profile (Risk Takers)				
Salaries	**24.3**	16.7	**23.7**	16.1
Pensions	**2.1**	1.8	**2.1**	1.8
Total fixed remuneration	**26.4**	18.5	**25.8**	17.9
Bonus	**0.0**	23.5	**0.0**	23.5
Bonus provision	**0.0**	9.2	**0.0**	9.1
Share-based payments	**0.0**	0.3	**0.0**	0.3
Total variable remuneration	**0.0**	33.0	**0.0**	32.9
Other payments	**1.6**	1.4	**1.6**	1.4
Total remuneration	**28.0**	52.9	**27.4**	52.2
Number of employees with significant influence on the company's risk profile (Risk Takers)	**18**	17	**17**	16

Other payments consist of costs relating to cars, internet, phone, newspapers etc.

Non-deductible cost

According to the Danish Act on Capital Injections it is a condition that the credit institution, while receiving the capital contribution, is not allowed to deduct more than half of the remuneration of the individual executive director in the tax accounts. In 2011 this deduction amounted to DKK 5.4 million. The amount is identical in the FIH Group and in FIH Erhvervsbank A/S.

Severance terms for the Executive Board

There is a reciprocal notice period of 12 months. In the event of severance initiated by the Bank, the member of the Executive Board is entitled to receive severance pay equivalent to up to 24 months' salary.

Share and option plans

Employee shares

In February 2005, FIH launched a share plan for all employees. The shares were allocated in proportion to salaries and were held in trust until and including 2010. FIH Holding A/S bought all employee shares in 2011.

Option plans

Plan 1

In 2004, FIH Erhvervsbank A/S launched a share option plan for a broad group of employees. The entire plan 1 has been terminated.

Plan 2

A supplementary plan was launched in 2006 for employees subsequently hired by the Group. Options under this plan were allocated over a three-year period and may be exercised during the years 2010-2012. In 2010, an amount of DKK 6.9 million was recognised in the income statement, while an amount of DKK 0.0 million was recognised under liabilities in the balance sheet.

Following the sale of the shares in FIH Erhvervsbank A/S to the new consortium at the beginning of 2011, programme 2 was terminated.

Loans to Board of Directors and Executive Board

No loans etc. have been granted to the Executive Board or the Board of Directors.

(DKK million)	FIH Group 2011	2010	FIH Erhvervsbank A/S 2011	2010
Note 9 – Audit fee				
Total fees to accounting firms appointed by the annual general meeting to perform the statutory audit	**3.6**	5.1	**3.1**	4.4
Fee for other services than audit	**0.9**	1.5	**0.9**	1.5
Fee for other assurance engagements	**0.8**	0.9	**0.8**	0.9
Fee for tax advisory services	**0.2**	0.7	**0.2**	0.7
Note 10 – Total impairment charges on loans and receivables etc.				
Loans	**935.3**	1,729.7	**979.1**	1.631.1
Guarantees and commitments	**59.3**	11.5	**44.2**	11.5
The Private Contingency Association	**-2.3**	181.4	**-2.1**	152.1
Total impairment charges on loans and receivables etc.	**992.3**	1,922.6	**1,021.2**	1,794.7
Note 11 – Profit/loss on investments in associates and group enterprises				
Profit/loss on investments in associates	**0.3**	-0.1	**0.3**	-0.1
Profit/loss on investments in group enterprises	**-**	-	**137.2**	41.0
Total profit/loss on investments in associates and group enterprises	**0.3**	-0.1	**137.5**	40.9
Note 12 – Taxation				
Estimated tax charge on the profit for the year	**0.0**	0.0	**-32.8**	-36.6
Deferred taxes (Note 28)	**-100.5**	-230.6	**-112.9**	-206.3
Tax prior years	**12.5**	22.3	**12.5**	25.0
Total taxation	**-88.0**	-208.3	**-133.2**	-217.9
Effective tax rate:				
Rate of corporation tax in Denmark, pct.	**25.0**	25.0	**25.0**	25.0
Non-taxable income and non-deductible expenses etc., pct.	**4.7**	-97.9	**7.2**	-102.4
Tax assets not recognised, pct.	**-21.8**	0.0	**-21.0**	0.0
Tax on the net profit for the year, pct.	**7.9**	-72.9	**11.2**	-77.4
Readjustment of tax for previous years, pct.	**-1.0**	7.0	**-1.0**	6.4
Effective tax rate	**6.9**	-65.9	**10.2**	-71.0
Note 13 – Due from credit institutions and central banks				
Due from credit institutions	**1,567.9**	1,715.3	**9,064.8**	12,695.8
Reverse repurchase transactions	**0.0**	420.6	**0.0**	420.6
Total amount due from credit institutions and central banks	**1,567.9**	2,135.9	**9,064.8**	13,116.4
Specified by time to maturity:				
On demand	**1,443.7**	1,477.0	**1,392.0**	1,408.8
Up to and including 3 months	**0.0**	435.2	**5,938.7**	10,483.9
Over 3 months and up to and including 1 year	**49.9**	149.2	**49.9**	149.2
Over 1 year and up to and including 5 years	**74.3**	74.5	**1,684.2**	74.5
Over 5 years	**0.0**	0.0	**0.0**	1,000.0
Total	**1,567.9**	2,135.9	**9,064.8**	13,116.4

(DKK million)	FIH Group 2011	2010	FIH Erhvervsbank A/S 2011	2010
Note 14 – Loans and other receivables				
Loans and other receivables at fair value	**215.1**	333.2	**0.0**	0.0
Loans and other receivables at amortised cost	**42,617.4**	57,660.4	**33,827.5**	46,902.2
Total loans	**42,832.5**	57,993.6	**33,827.5**	46,902.2
FIH loans	**43,411.0**	56,636.2	**34,510.7**	45,890.8
Production loans	**30.5**	25.0	**30.5**	25.0
Subordinated loan capital	**599.2**	739.8	**573.2**	555.3
Leases, properties	**871.9**	1,966.5	**871.9**	1,966.5
Leases, machinery and equipment	**266.1**	441.2	**266.1**	441.2
Mortgage loans	**215.1**	333.2	**0.0**	0.0
	45,393.8	60,141.9	**36,252.4**	48,878.8
Impairment charges on loans, end of year	**2,561.3**	2,148.3	**2,424.9**	2,005.2
Total loans	**42,832.5**	57,993.6	**33,827.5**	46,902.2
Specified by time to maturity:				
On demand	**44.9**	27.5	**44.9**	27.5
Up to and including 3 months	**2,599.8**	1,434.2	**2,286.4**	1,236.9
Over 3 months and up to and including 1 year	**7,147.2**	8,583.1	**5,721.7**	7,259.8
Over 1 year and up to and including 5 years	**18,060.2**	25,808.3	**13,943.0**	19,193.8
Over 5 years	**14,980.4**	22,140.5	**11,831.5**	19,184.2
Total	**42,832.5**	57,993.6	**33,827.5**	46,902.2
Gross investment in finance leases				
Finance leases under loans comprises property leases and operating equipment leases with terms of between 1 and 40 years.				
Up to and including 1 year	**193.1**	281.1	**193.1**	281.1
Over 1 year and up to and including 5 years	**498.7**	764.9	**498.7**	764.9
Over 5 years	**764.9**	1,964.7	**764.9**	1,964.7
Total	**1,456.7**	3,010.7	**1,456.7**	3,010.7
Unearned interest income	**328.2**	610.2	**328.2**	610.2
Total present value	**1,128.5**	2,400.5	**1,128.5**	2,400.5
The present value matures as follows:				
Up to and including 1 year	**144.4**	138.6	**144.4**	138.6
Over 1 year and up to and including 5 years	**360.5**	599.1	**360.5**	599.1
Over 5 years	**623.6**	1,662.8	**623.6**	1,662.8
Total	**1,128.5**	2,400.5	**1,128.5**	2,400.5
Recognised interest income from assets held under finance leases	**65.0**	72.8	**65.0**	72.6
Impairment charges on assets held under finance leases	**9.5**	7.2	**9.5**	7.2

(DKK million)	FIH Group 2011	2010	FIH Erhvervsbank A/S 2011	2010
Note 15 – Impairment charges on loans and other receivables etc.				
Accumulated impairment charges etc.				
Loans, individual impairment charges				
Impairment charges, beginning of year	**1,656.1**	829.0	**1,576.8**	715.7
Reversal of previous impairment charges	**239.2**	126.0	**213.7**	107.6
Impairment charges during the period	**1,405.0**	1,424.0	**1,362.0**	1,389.0
Losses recorded	**540.9**	470.9	**533.5**	420.3
Individual impairment charges, end of year	**2,281.0**	1,656.1	**2,191.6**	1,576.8
Loans, collective impairment charges				
Impairment charges, beginning of year	**492.2**	54.1	**399.8**	47.9
Impairment charges during the period	**-211.9**	438.1	**-166.5**	351.9
Collective impairment charges, end of year	**280.3**	492.2	**233.3**	399.8
Loans, total impairment charges				
Impairment charges, beginning of year	**2,148.3**	883.1	**1,976.6**	763.6
Reversal of previous impairment charges	**239.2**	126.0	**213.7**	107.6
Impairment charges during the period	**1,193.1**	1,862.1	**1,195.5**	1,740.9
Losses recorded	**540.9**	470.9	**533.5**	420.3
Total impairment charges, end of year	**2,561.3**	2,148.3	**2,424.9**	1,976.6
Total loans for which an objective indication for impairment has occurred before impairment charges	**9,171.6**	8,784.4	**7,797.7**	7,244.2
Total loans for which an objective indication for impairment has occurred after impairment charges	**6,890.6**	7,128.3	**5,606.1**	5,667.4
Accumulated impairment charges on loans, as a percentage of loans, end of year	**5.6 %**	3.6 %	**6.7 %**	4.0 %
Losses and impairment charges on loans as a percentage of loans, end of year	**2.0 %**	2.9 %	**2.6 %**	3.1 %
Net losses recorded, as a percentage of the impairment balance, beginning of year	**25.0 %**	53.1 %	**26.5 %**	67.4 %
Outstanding debt on loans that have been individually impaired	**6,245.2**	5,093.2	**5,766.3**	4,180.4
Note 16 – Loans and other receivables at fair value				
Mortgage loans				
Nominal value	**201.0**	318.8	**0.0**	0.0
Adjustment of the interest rate risk to fair value	**14.1**	14.4	**0.0**	0.0
Credit risk adjustment	**0.0**	0.0	**0.0**	0.0
Total	**215.1**	333.2	**0.0**	0.0
Mortgage bonds issued				
Nominal value	**204.1**	289.2	**0.0**	0.0
Fair-value adjustment, fund of current loans	**11.3**	12.8	**0.0**	0.0
Holding of own mortgage bonds	**-4.0**	-9.1	**0.0**	0.0
Total	**211.4**	292.9	**0.0**	0.0

The portion of the fair value change that is attributable to the credit risk of bonds issued amounts to DKK 0.0 in 2011 (2010: DKK 0.0). Due to illiquidity in trading of the Company's bonds issued, the method of accounting is not based on a comparison of the level of interest rates of Danish government bonds or other Danish mortgage companies. Instead the method of accounting is based on a comparison of the change in ratings for comparable mortgage companies.

(DKK million)	2011	2010	2011	2010
Note 17 – Bonds at fair value				
Own mortgage bonds	**0.0**	0.0	**4.0**	9.1
Other mortgage bonds	**21,292.5**	30,349.4	**20,691.3**	28,527.7
Other bonds	**275.0**	1,988.0	**275.0**	1,988.0
Total bonds at fair value	**21,567.5**	32,337.4	**20,970.3**	30,524.8
Of which listed bonds	**21,567.5**	32,052.4	**20,970.3**	29,951.4
Bonds mature as follows:				
Up to 1 year	**14,175.3**	21,377.5	**14,079.3**	20,464.9
More than 1 year	**7,392.2**	10,959.9	**6,891.0**	10,059.9
Total	**21,567.5**	32,337.4	**20,970.3**	30,524.8
Note 18 – Shares etc.				
Listed shares	**0.0**	0.0	**0.0**	0.0
Unlisted shares	**882.9**	2,361.3	**882.7**	2,361.1
Total shares etc.	**882.9**	2,361.3	**882.7**	2,361.1
Note 19 – Investments				
Associates				
Cost, beginning of year	**52.7**	56.0	**52.7**	56.0
Additions	**98.9**	17.8	**98.9**	17.8
Disposals	**99.1**	21.1	**99.1**	21.1
Cost, end of year	**52.5**	52.7	**52.5**	52.7
Revaluation and impairment charges, beginning of year	**-8.4**	10.0	**-8.4**	10.0
Net profit	**-0.3**	-0.1	**-0.3**	-0.1
Dividend	**0.0**	0.0	**0.0**	0.0
Other addition/disposals	**0.1**	-18.3	**0.1**	-18.3
Revaluation and impairment charges, end of year	**-8.6**	-8.4	**-8.6**	-8.4
Carrying amount, end of year	**43.9**	44.3	**43.9**	44.3
Group enterprises				
Cost, beginning of year	**-**	-	**2,927.3**	2,927.3
Additions	**-**	-	**0.0**	0.0
Disposals	**-**	-	**0.0**	0.0
Cost, end of year	**-**	-	**2,927.3**	2,927.3
Revaluation and impairment charges, beginning of year	**-**	-	**-58.7**	-98.5
Net profit	**-**	-	**137.2**	40.9
Dividend	**-**	-	**0.0**	0.0
Other additions/disposals	**-**	-	**-1.0**	-1.1
Revaluation and impairment charges, end of year	**-**	-	**77.5**	-58.7
Carrying amount, end of year	**-**	-	**3,004.8**	2,868.6
Of which credit institutions	**-**	-	**2,163.6**	2,049.8

The Group's investments in group enterprises and associates are shown in Note 43.

(DKK million)	FIH Group 2011	2010	FIH Erhvervsbank A/S 2011	2010
Note 20 – Intangible assets	Development projects		Development projects	
Cost, beginning of year	**130.2**	108.0	**130.2**	108.0
Additions	**4.7**	22.2	**4.7**	22.2
Disposals	**0.0**	0.0	**0.0**	0.0
Cost, end of year	**134.9**	130.2	**134.9**	130.2
Amortisation and impairment charges, beginning of year	**88.2**	77.1	**88.2**	77.1
Impairment charges for the year	**18.3**	0.0	**18.3**	0.0
Amortisation for the year	**13.1**	11.1	**13.1**	11.1
Amortisation and impairment charges, end of year	**119.6**	88.2	**119.6**	88.2
Carrying amount, end of year	**15.3**	42.0	**15.3**	42.0
Of which development projects in progress	**0.0**	30.9	**0.0**	30.9

2011 saw impairment charges of DKK 18.3 million relating to research and development projects where the basis for cost savings and increased earnings changed significant and therefore no longer can be capitalized.

(DKK million)	FIH Group 2011	2010	FIH Erhvervsbank A/S 2011	2010
Note 21 – Land and buildings				
Investment properties				
Fair value, beginning of year	**842.6**	1.063.5	**842.6**	1,063.5
Exchange rate adjustments	**-0.5**	0.6	**-0.5**	0.6
Additions	**28.0**	8.9	**28.0**	8.9
Disposals	**79.0**	234.6	**79.0**	234.6
The year's adjustments at fair value	**-15.6**	4.2	**-15.6**	4.2
Fair value, end of year	**775.5**	842.6	**775.5**	842.6
Lease income for the year	**67.2**	71.7	**67.2**	71.7
Specified by time to maturity for the minimum payment				
Up to and including 1 year	**6.7**	25.7	**6.7**	25.7
Over 1 year and up to and including 5 years	**155.5**	128.2	**155.5**	128.2
Over 5 years	**241.4**	390.3	**241.4**	390.3
Total	**403.6**	544.2	**403.6**	544.2

Investment properties consist of properties owned by FIH Erhvervsbank A/S, which are leased under operating leases.

Investment properties are recognised at fair value. Property appraisers have been involved in the fair value determination of investment properties.

All operating costs are for the expense of the lessee.

The maturity distribution illustrates the minimum payment until the expiration of the contract.

Note 22 – Other tangible fixed assets

(DKK million) 2011	FIH Group Owner-occupied properties	FIH Group Equipment	FIH Erhvervsbank A/S Owner-occupied properties	FIH Erhvervsbank A/S Equipment
Cost, beginning of year	**2.7**	**57.9**	**2.7**	**57.3**
Additions	**0.0**	**3.7**	**0.0**	**3.6**
Disposals	**1.8**	**11.6**	**1.8**	**11.5**
Cost, end of year	**0.9**	**50.0**	**0.9**	**49.4**
Revaluation, beginning of year	**1.3**	**0.0**	**1.3**	**0.0**
Revaluation for the year	**0.0**	**0.0**	**0.0**	**0.0**
Revaluation, end of year	**1.3**	**0.0**	**1.3**	**0.0**
Depreciation and impairment charges, beginning of year	**0.0**	**43.1**	**0.0**	**42.6**
Depreciation for the year	**0.0**	**4.6**	**0.0**	**4.5**
Reversal of depreciation and impairment charges	**0.0**	**3.5**	**0.0**	**3.4**
Depreciation and impairment charges, end of year	**0.0**	**44.2**	**0.0**	**43.7**
Carrying amount, end of year	**2.2**	**5.8**	**2.2**	**5.7**
The year's write-off on equipment	**0.0**	**4.2**	**0.0**	**4.0**

(DKK million) 2010				
Total cost, beginning of year	2.7	57.6	2.7	57.1
Additions	0.0	2.6	0.0	2.6
Disposals	0.0	2.3	0.0	2.4
Total cost, end of year	2.7	57.9	2.7	57.3
Revaluation, beginning of year	1.3	0.0	1.3	0.0
Revaluation for the year	0.0	0.0	0.0	0.0
Revaluation, end of year	1.3	0.0	1.3	0.0
Depreciation and impairment charges, beginning of year	0.0	37.6	0.0	37.3
Depreciation for the year	0.0	7.8	0.0	7.7
Reversal of depreciation and impairment charges	0.0	2.3	0.0	2.4
Depreciation and impairment charges, end of year	0.0	43.1	0.0	42.6
Carrying amount, end of year	4.0	14.8	4.0	14.7
The year's immediate depreciation on equipment	0.0	6.7	0.0	6.4

No external sources have been involved in the measurement of the fair value of owner-occupied properties.

Note 23 – Other assets

(DKK million)	FIH Group **2011**	FIH Group 2010	FIH Erhvervsbank A/S **2011**	FIH Erhvervsbank A/S 2010
Interest and commissions receivable	**552.8**	808.7	**523.4**	758.3
Positive market value of derivative financial instruments etc.	**13,039.5**	9,394.5	**13,143.8**	9,381.2
Unsettled transactions	**156.4**	1,565.4	**156.3**	1,486.4
Other assets	**110.2**	63.9	**96.7**	35.2
Total other assets	**13,858.9**	11,832.5	**13,920.2**	11,661.1
Specified by time to maturity:				
Up to 1 year	**2,821.1**	3,897.9	**2,783.8**	3,737.6
More than 1 year	**11,037.8**	7,934.6	**11,136.4**	7,923.5
Total	**13,858.9**	11,832.5	**13,920.2**	11,661.1

(DKK million)	FIH Group 2011	2010	FIH Erhvervsbank A/S 2011	2010
Note 24 – Due to credit institutions and central banks				
Due to credit institutions	**3,937.3**	4,985.8	**4,327.0**	5,633.9
Repurchase transactions (repos)	**5,924.3**	25,471.2	**5,924.3**	25,471.2
Total amount due to credit institutions and central banks	**9,861.6**	30,457.0	**10,251.3**	31,105.1
Specified by time to maturity:				
On demand	**853.7**	981.2	**3,835.8**	1,629.3
Up to and including 3 months	**5,135.1**	25,993.1	**4,322.8**	25,993.1
Over 3 months and up to and including 1 year	**1,981.3**	810.5	**2,067.7**	810.5
Over 1 year and up to and including 5 years	**78.8**	1,183.3	**25.0**	1,183.3
Over 5 years	**1,812.7**	1,488.9	**0.0**	1,488.9
Total	**9,861.6**	30,457.0	**10,251.3**	31,105.1
Note 25 – Deposits and other debt				
On demand	**938.3**	1,680.4	**1,573.7**	2,229.9
Time deposits	**5,181.2**	5,806.5	**5,181.2**	5,806.5
Total deposits and other debt	**6,119.5**	7,486.9	**6,754.9**	8,036.4
Specified by time to maturity:				
On demand	**938.2**	1,680.4	**1,573.6**	2,229.9
Up to and including 3 months	**3,033.2**	3,861.1	**3,033.2**	3,861.1
Over 3 months and up to and including 1 year	**1,127.5**	1,295.5	**1,127.5**	1,295.5
Over 1 year and up to and including 5 years	**1,020.6**	649.9	**1,020.6**	649.9
Over 5 years	**0.0**	0.0	**0.0**	0.0
Total	**6,119.5**	7,486.9	**6,754.9**	8,036.4
Note 26 – Bonds issued				
Bonds issued at fair value				
Bonds issued at fair value, beginning of period	**292.9**	472.8	**0.0**	0.0
Redemptions	**79.9**	179.2	**0.0**	0.0
Market value adjustments	**-1.6**	-0.7	**0.0**	0.0
Bonds issued at fair value, end of period	**211.4**	292.9	**0.0**	0.0
Bonds issued at amortised costs				
Bonds issued at amortised cost, beginning of period	**46,622.0**	48,723.8	**46,622.0**	48,723.8
New issues	**444.5**	61,166.5	**444.5**	61,166.5
Repurchases	**1,410.6**	834.0	**1,410.6**	834.0
Redemptions	**3,158.1**	64,104.3	**3,158.1**	64,104.3
Market value adjustments	**462.0**	1,670.0	**462.0**	1,670.0
Bonds issued at amortised costs, end of period	**42,959.8**	46,622.0	**42,959.8**	46,622.0
Total bonds issued	**43,171.2**	**46,914.9**	**42,959.8**	**46,622.0**
Specified by time to maturity:				
Up to and including 3 months	**1,587.2**	954.8	**1,587.2**	954.8
Over 3 months and up to and including 1 year	**15,575.1**	1,979.1	**15,575.1**	1,979.1
Over 1 year and up to and including 5 years	**25,518.3**	43,981.0	**25,516.7**	43,688.1
Over 5 years	**490.6**	0.0	**280.8**	0.0
Total	**43,171.2**	46,914.9	**42,959.8**	46,622.0

FIH repurchased own issues totalling DKK 1,410.6 million in 2011 (834.0 million in 2010). These repurchase generated income under market value adjustments of DKK 66.9 million (15.7 million in 2010).

New issues and redemptions include Commercial Papers, which are short-term issues of, typically, three months.

Embedded financial instruments at a total value of DKK 192.4 million have been recognised under bonds issued. The value of derivatives that have been separated out is DKK 0.5 million, measured at fair value. The redemption value of bonds issued totals DKK 204.1 million.

(DKK million)	FIH Group 2011	2010	FIH Erhvervsbank A/S 2011	2010
Note 27 – Other liabilities				
Interest and commissions payable	**349.5**	688.9	**307.6**	617.4
Negative market value of derivative financial instruments etc.	**11,126.7**	7,530.7	**11,154.8**	7,548.0
Unsettled transactions	**2,356.8**	2,821.2	**2,314.5**	2,642.4
Other liabilities	**130.9**	197.4	**106.5**	160.1
Total other liabilities	**13,963.9**	11,238.2	**13,883.4**	10,967.9
Specified by time to maturity:				
Up to 1 year	**4,247.9**	4,694.8	**4,140.1**	4,526.4
More than 1 year	**9,716.0**	6,543.4	**9,743.3**	6,441.5
Total	**13,963.9**	11,238.2	**13,883.4**	10,967.9
Note 28 – Provisions				
Provisions for pensions and similar liabilities				
Defined benefit plans				
Recognised actuarial losses	**0.6**	1.2	**0.6**	1.2
Total amounts expensed under pensions	**0.6**	1.2	**0.6**	1.2
Provisions, beginning of year	**4.0**	3.4	**4.0**	3.4
Pension benefits paid	**0.6**	0.6	**0.6**	0.6
Recognised actuarial value adjustments	**0.6**	1.2	**0.6**	1.2
Present value of provisions for defined benefit plans	**4.0**	4.0	**4.0**	4.0

Provisions for defined benefit plans in respect of a former member of the Executive Board. The plan is unhedged. The calculation has been performed by an external actuary.

(DKK million)	FIH Group 2011	2010	FIH Erhvervsbank A/S 2011	2010
Provisions for deferred taxes				
Deferred taxes, beginning of year	**-33.3**	172.6	**-34.9**	141.0
Deferred tax of the net profit for the year	**-100.5**	-230.6	**-112.9**	-206.3
Adjustment of prior-year estimated tax charge	**13.7**	24.7	**19.2**	30.4
Deferred taxes, end of year	**-120.1**	-33.3	**-128.6**	-34.9
Deferred taxes are included in the balance sheet as follows				
Deferred tax assets	**-120.1**	-33.3	**-128.6**	-34.9
Deferred taxes cover				
Loans	**178.8**	272.3	**170.9**	269.3
Shares and equity investments	**-0.7**	25.2	**-0.5**	25.4
Intangible assets	**4.2**	11.3	**3.8**	10.5
Property, plant and equipment	**-1.8**	-0.8	**-1.8**	-0.7
Bonds issued	**1.9**	2.5	**1.9**	2.5
Other liabilities	**1.4**	3.2	**1.0**	5.0
Tax loss carryforwards	**-303.9**	-347.0	**-303.9**	-346.9
Total deferred taxes	**-120.1**	-33.3	**-128.6**	-34.9

Deferred taxes will be offset as the underlying assets and liabilities are realised.

Unutilised tax losses in the Group will be utilised as the companies subject to joint taxation acquire tax losses. The capitalised losses are expected to be utilised within a foreseeable number of years. Tax losses to be carried forward that are not expected to be used within 3-5 years are not included. The tax base amounts to DKK 275 million.

(DKK million)	FIH Group 2011	2010	FIH Erhvervsbank A/S 2011	2010
Note 28 - continued				
Provisions for losses on guarantees				
Provisions for losses on guarantees, beginning of year	**434.0**	252.6	**392.4**	254.3
Provisions for the year	**59.3**	181.4	**56.7**	163.5
Provisions applied for the year	**431.7**	0.0	**369.2**	25.4
Unused provisions, written-back	**2.3**	0.0	**14.5**	0.0
Provisions for losses on guarantees, end of year	**59.3**	434.0	**65.4**	392.4

Of total provisions for losses on guarantees of DKK 59.3 million at the end of 2011 individual provisions amount to DKK 42.5 million while collective provisions amount to DKK 16.8 million.

At the end of 2010, provision for losses regarding The Private Contingency Association amounted to DKK 434.0 million for the FIH Group (FIH Erhvervsbank A/S: DKK 363.9 million). In 2011, a loss of DKK 431.7 million was recognised (FIH Erhvervsbank A/S DKK 363.8) and provisions of DKK 2.3 million (FIH Erhvervsbank A/S: DKK 2.1 million) was reversed.

Note 29 – Subordinated debt					
Subordinated debt, beginning of year		**4,465.7**	4,299.4	**4,465.7**	4,299.4
New issues		**0.0**	0.0	**0.0**	0.0
Repurchases		**0.0**	0.0	**0.0**	0.0
Redemptions		**745.8**	0.0	**745.8**	0.0
Market value adjustments		**87.0**	166.3	**87.0**	166.3
Subordinated debt, end of year		**3,806.9**	4,465.7	**3,806.9**	4,465.7
Subordinated debt - maturity profile					
Tier 1					
11.15 % DKK 1.9 billion	perpetual	**1,914.6**	1,926.8	**1,914.6**	1,926.8
Tier 2					
4.80 % JPY 10 billion	maturity 31.03.2032	**904.7**	803.3	**904.7**	803.3
Var. % EUR 133 million	maturity 26.03.2013	**987.6**	990.2	**987.6**	990.2
Var. % EUR 100 million	maturity 22.03.2011	**0.0**	745.4	**0.0**	745.4
Total subordinated debt		**3,806.9**	4,465.7	**3,806.9**	4,465.7
Subordinated debt that may be included in the calculation of the capital base		**3,137.8**	3,520.1	**3,137.8**	3,520.1

FIH has not repurchased own subordinated debt in 2010 or 2011.

Costs of raising and redeeming subordinated debt during the financial year were DKK 0.0 million

Note 30 – Equity				
Share capital				
Number of shares of DKK 20 each	**-**	-	**25.678.625**	25,678,625
Share capital, beginning of year	**-**	-	**513,6**	513.6
Share capital, end of year	**-**	-	**513,6**	513.6
No shares have special rights attached and there have been no movements in share capital in the past five years.				
Own shares				
Holding of own shares, beginning of year, number of shares	**-**	-	**2.476**	2,476
Holding of own shares, end of year, number of shares	**-**	-	**2.476**	2,476
Carrying amount, end of year, DKK 1,000	**-**	-	**0**	0
Nominal value, end of year, DKK 1,000	**-**	-	**50**	50
Percentage of shareholding	**-**	-	**0 %**	0 %

(DKK million)	FIH Group 2011	2010	FIH Erhvervsbank A/S 2011	2010
Note 31 – Off-balance sheet items				
Contingent liabilities				
Financial guarantees	**168.9**	217.9	**168.9**	412.5
Guarantees against losses for mortgage loans	**1,664.4**	2,172.5	**1,789.7**	2,333.4
Other contingent liabilities	**2.1**	112.9	**2.0**	112.8
Total contingent liabilities	**1,835.4**	2,503.3	**1,960.6**	2,858.7
Of which concerning subsidiaries	**-**	-	**125.2**	355.5
Specified by time to maturity:				
Up to and including 3 months	**0.0**	0.1	**0.0**	0.1
Over 3 months and up to and including 1 year	**319.0**	24.8	**318.9**	24.8
Over 1 year and up to and including 5 years	**125.6**	322.3	**250.9**	322.3
Over 5 years	**1,390.8**	2,156.1	**1,390.8**	2,511.5
Total	**1,835.4**	2,503.3	**1,960.6**	2,858.7
Other contingent liabilities				
Irrevocable loan commitments	**1,740.9**	3,797.4	**2,612.3**	5,105.3
Other liabilities	**334.0**	693.0	**4,405.1**	53.7
Total other contingent liabilities	**2,074.9**	4,490.4	**7,017.4**	5,159.0
Specified by time to maturity:				
Up to and including 3 months	**0.0**	724.0	**0.0**	724.0
Over 3 months and up to and including 1 year	**443.6**	486.2	**437.5**	345.5
Over 1 year and up to and including 5 years	**955.1**	1,902.1	**5,903.7**	2,861.4
Over 5 years	**676.2**	1,378.1	**676.2**	1,228.1
Total	**2,074.9**	4,490.4	**7,017.4**	5,159.0

In FIH Erhvervsbank A/S, unutilized committed facilities to FIH Kapital Bank A/S of DKK 1,000.0 million is recognised under "Irrevocable loan commitments" (2010: DKK 1,051.0 million) and uncommitted facilities of DKK 4,065.3 million is recognised under "Other liabilities".

Operational leasing contracts

On 31 August 2011, FIH Erhvervsbank A/S entered into a new lease concerning the property at Langelinie Allé, according to which FIH Erhvervsbank A/S rents a smaller part of the building than at year-end 2010. This lease is interminable until 30 June 2015. The rent amount will be adjusted each year using the net consumer price index of Statistics Denmark. Furthermore, FIH Erhvervsbank A/S has entered into external car lease agreements, and has incurred an obligation relating to four small business tenancies in Jylland.

Total future minimum payments during the non-callable period can be broken down as follows:

Maturity distribution:				
Up to 1 year	**32.8**	39.9	**32.8**	39.9
More than 1 year and up to and including 5 years	**111.9**	136.0	**111.9**	136.0
More than 5 years	**0.0**	71.6	**0.0**	71.6
Total	**144.7**	247.5	**144.7**	247.5
Of which sublet	**3.2**	20.7	**3.2**	20.7
Recognised rental expense in the income statement for the period	**30.7**	32.9	**30.7**	32.9

Note 31 – continued

Other contingent liabilities
FIH Erhvervsbank A/S is jointly taxed with its subsidiaries and parent company FIH Holding A/S. Current Danish income taxes are allocated among the jointly-taxed Danish companies in proportion to their taxable income. Each company under the joint taxation scheme is liable for the portion of income taxes, prepaid taxes and residual taxes, as well as surcharges and interest, relating to the portion of the income allocated to the company. If tax losses in the group companies are utilised, FIH Holding A/S is under an obligation to pay the tax value of the loss to the loss-making company. The group companies utilising the losses are under an obligation to pay an amount equivalent to the tax value of the loss utilisation to FIH Holding A/S. Upon receipt of payment for the loss utilisation, FIH Holding A/S assumes liability.

FIH Erhvervsbank A/S and the company's subsidiaries and parent company FIH Holding A/S are jointly registered for VAT. The companies subject to joint VAT registration are jointly and severally liable for the tax liability for the respective tax years for which they have been subject to joint registration.

The business volume of the FIH Erhvervsbank Group implies that the Group is a party to various lawsuits. The pending lawsuits are not expected to have material impact on the financial position of the FIH Erhvervsbank Group.

Note 32 – Assets provided as collateral
FIH Erhvervsbank A/S has deposited bonds with Danmarks Nationalbank (central bank) and VP Securities Services totalling DKK 6,259.1 million (2010: DKK 7,401.8 million) in connection with clearing and settlement.

As far as repurchase transactions are concerned, i.e. sale of securities for which an agreement is simultaneously entered into for repurchase at a later date, the securities will remain in the balance sheet and the amount received will be recognised as amounts due to credit institutions. Securities in the form of repurchase transactions are treated as assets provided as collateral for liabilities. At year-end 2011, these securities totalled DKK 5,131.6 million (2010: DKK 25,460.0 million). In addition, FIH has pledged cash and bonds as collateral for exposures totalling DKK 1,951.2 million (2010: DKK 802.9 million) in connection with the CSA Agreement.

Supplementary notes

(DKK million)	**2011**	2010	2009	2008	2007
Note 33 – Ratios					
FIH Erhvervsbank A/S					
Income statement					
Net interest and fee income	**609**	**1,026**	**1,099**	**1,141**	**1,007**
Market value adjustment	-657	1638	496	-52	506
Other operating income	129	149	164	173	155
Profit on net financials	**81**	**2,813**	**1,759**	**1,262**	**1,668**
Expenses and depreciation	508	752	911	793	660
Impairment charges on loans and receivables etc.	1,021	1,795	1,047	440	-11
Profit on investments in associates and group enterprises	138	41	35	138	170
Profit/loss before tax	**-1,310**	**307**	**-164**	**167**	**1,189**
Taxation	-133	-218	-173	-17	95
Net profit for the year	**-1,177**	**525**	**9**	**184**	**1,094**
Balance sheet					
Loans	**33,828**	**46,902**	**51,961**	**58,031**	**61,009**
Equity	**7,389**	**8,556**	**8,041**	**8,032**	**7,849**
Total assets	**85,118**	**110,152**	**131,001**	**110,882**	**113,134**
Capital base	**11,195**	**13,021**	**12,340**	**11,059**	**10,860**
Solvency ratio, per cent	20.2	17.0	15.7	14.0	12.9
Core capital ratio, per cent	17.8	14.7	12.9	10.5	9.5
Return on equity before taxation	-16.4	3.7	-2.0	2.1	16.2
Return on equity after taxation	-14.8	6.3	0.1	2.3	14.9
Income/cost ratio	0.14	1.12	0.92	1.14	2.81
Interest rate risk	0.5	1.5	2.4	-0.4	3.8
Foreign exchange position	0.6	1.3	1.1	14.3	8.4
Foreign exchange risk	0.0	0.0	0.0	0.0	0.1
Loans as a percentage of deposits	5.4	5.8	2.4	2.8	5.6
Gearing of loans	4.6	5.5	6.5	7.2	7.8
Growth in loans, per cent	-28.4	-9.7	-10.5	-4.9	-8.7
Excess cover relative to statutory liquidity requirements	94.5	49.6	123.2	37.6	18.0
Total amount of large exposures	35.4	67.1	47.0	122.5	124.4
Impairment ratio for the year	2.7	3.4	1.6	0.7	0.3
Capital base relative to minimum capital adequacy requirement	278.4	321.4	322.5	286.6	284.3

*Calculated in accordance with the guidelines of the Danish Financial Supervisory Authority, cf. accounting policies.

Note 34 – Financial assets and liabilities

	FIH Group 2011		FIH Group 2010	
(DKK million)	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash in hand and demand deposits with central banks	**38.3**	**38.3**	90.1	90.1
Debt instruments eligible for refinancing with central banks	**2,374.9**	**2,374.9**	1,499.8	1,499.8
Due from credit institutions and central banks	**1,567.9**	**1,567.0**	2,135.9	2,135.9
Loans and other receivables at fair value (fair value option)	**215.1**	**215.1**	333.2	333.2
Loans and other receivables at amortised cost	**42,617.4**	**43,205.3**	57,660.4	57,827.4
Bonds at fair value	**21,567.5**	**21,567.5**	32,337.4	32,337.4
Shares	**882.9**	**882.9**	2,361.3	2,361.3
Other assets	**13,040.0**	**13,040.0**	9,394.5	9,394.5
Total financial assets	**82,304.0**	**82,891.0**	105,812.6	105,979.6
Financial liabilities				
Due to credit institutions and central banks at amortised cost	**9,861.6**	**9,862.1**	30,457.0	30,462.2
Deposits and other debt at amortised cost	**6,119.5**	**6,119.5**	7,486.9	7,486.9
Bonds issued at fair value (fair value option)	**211.4**	**211.4**	292.9	292.9
Bonds issued at amortised cost	**42,959.8**	**42,968.1**	46,622.0	46,556.4
Other liabilities	**11,126.7**	**11,126.7**	7,631.6	7,530.7
Subordinated debt at amortised cost	**3,806.9**	**3,815.5**	4,465.7	4,476.4
Total financial liabilities	**74,085.9**	**74,103.3**	96,956.1	96,805.5
Other assets, cf. balance sheet	**13,858.9**	**-**	11,832.5	-
Of which financial assets	**13,040.0**	**-**	9,394.5	-
Other liabilities, cf. balance sheet	**13,963.9**	**-**	11,238.2	-
Of which financial liabilities	**11,126.7**	**-**	7,631.6	-

In addition, the following methods and assumptions have been applied in the determination of the fair value of the financial assets and liabilities specified in the table above:

The fair value of short-term financial assets and liabilities corresponds to the carrying amount.

In the determination of the fair value of loans and other receivables at amortised cost or fair value, adjustment has been made for the credit risk based on the need for impairment charges.

Reference is made to the section "Determination of fair values" under accounting policies.

Note 34 – continued

Financial assets and liabilities broken down by category

	FIH Group			
(DKK million)		Net market value	Interest	Fees and
2011	Carrying amount	adjustments	income/expense	commissions
Financial assets				
Trading portfolio	**22,200.4**	**9,405.6**	**1,055.5**	**-**
Investment assets at fair value	**13,290.0**	**-726.5**	**581.0**	**-**
Mortgage loans at fair value (fair value option)	**215.1**	**-3.5**	**17.3**	**-**
Loans and other receivables	**46,598.5**	**442.5**	**2,157.1**	**17.0**
Total financial assets	**82,304.0**	**9,118.1**	**3,810.9**	**17.0**
Financial liabilities				
Trading portfolio	**11,126.7**	**8,861.0**	**992.2**	**-**
Mortgage bonds issued at fair value (fair value option)	**211.4**	**-1.6**	**13.4**	**-**
Liabilities at amortised cost	**62,747.8**	**913.6**	**2,047.1**	**-**
Total financial liabilities	**74,085.9**	**9,773.0**	**3,052.7**	**-**
Other liabilities		**-15.7**	**0.3**	**114.3**
Total		**-670.6**	**758.5**	**131.3**
2010				
Financial assets				
Trading portfolio	25,721.4	6,379.1	1,026.3	-
Investment assets at fair value	18,371.8	509.3	848.2	-
Mortgage loans at fair value (fair value option)	333.2	2.1	26.0	-
Loans and other receivables	61,386.2	518.1	2,292.9	36.3
Total financial assets	105,812.6	7,408.6	4,193.4	36.3
Financial liabilities				
Trading portfolio	7,631.6	3,609.8	1,159.9	-
Mortgage bonds issued at fair value (fair value option)	292.9	-0.7	20.7	-
Liabilities at amortised cost	89,031.6	2,165.6	1,916.9	-
Total financial liabilities	96,956.1	5,774.7	3,097.5	-
Other liabilities		5.1	107.2	153.6
Total		1,639.0	1,203.1	189.9

The breakdown of financial assets and liabilities set out above has been prepared in compliance with IAS 39. Impairment charges on loans and other receivables in the amount of DKK 994.6 million (2010: 1,741.2 million) and interest related to claims written down in the amount of DKK 68.9 million (2010: DKK 33.2 million).

Note 35 – Financial assets and liabilities at fair value

	FIH Group			
	Balance	Level 1	Level 2	Level 3
(DKK million)	sheet	Quoted	Observable	Non-observable
2011	total	prices	inputs	inputs
Financial assets				
Loans and other receivables at fair value	**215.1**	**0.0**	**215.1**	**0.0**
Bonds at fair value	**21,567.5**	**21,567.5**	**0.0**	**0.0**
Shares	**882.9**	**0.0**	**0.0**	**882.9**
Other assets	**13,040.0**	**0.0**	**13,040.0**	**0.0**
Total financial assets	**35,705.5**	**21,567.5**	**13,255.1**	**882.9**
Financial liabilities				
Bonds issued at fair value	**211.4**	**211.4**	**0.0**	**0.0**
Other liabilities	**11,126.7**	**0.0**	**11,126.7**	**0.0**
Total financial liabilities	**11,338.1**	**211.4**	**11,126.7**	**0.0**

There has been no transferrals to and from levels 1 and 2

2010				
Financial assets				
Loans and other receivables at fair value	333.2	0.0	333.2	0.0
Bonds at fair value	32,337.4	31,763.9	573.5	0.0
Shares	2,361.3	0.0	0.0	2,361.3
Other assets	9,394.5	0.0	9,394.5	0.0
Total financial assets	44,426.4	31,763.9	10,301.2	2,361.3
Financial liabilities				
Bonds issued at fair value	292.9	292.9	0.0	0.0
Other liabilities	7,631.6	0.0	7,631.6	0.0
Total financial liabilities	7,924.5	292.9	7,631.6	0.0

There has been no transferrals to and from levels 1 and 2

	FIH Group	
(DKK million)	**2011**	2010
Financial assets and liabilities measured at fair value at level 3		
Financial assets measured at fair value at level 3, beginning of year	**2,361.3**	1,580.4
Additions	**203.8**	119.5
Disposals	**960.2**	694.2
Transferred to/from level 1 or 2	**0.0**	0.0
Change in fair value	**-722.0**	1,355.6
Financial assets measured at fair value at level 3, end of year	**882.9**	2,361.3

Of the change in fair value specified above, financial assets and liabilities measured at fair value at level 3 (which are still held on the balance sheet date) account for DKK -798.3 million.

The change in fair value is recognised under market value adjustments in the income statement.

Note 36 – Hedge accounting

The FIH Group applies the rules for hedge accounting of fair values. The hedging instruments used are typically interest rate swaps or interest rate and currency swaps used to hedge against changes in the fair values of, respectively, fixed-rate funding and fixed-rate loans as a result of changes in the swap rate. Only the swap rate is hedged – not credit margins etc.

Changes in the fair value of hedged instruments attributable to the interest rate risk hedged are adjusted in the carrying amount of the hedged item and recognised in the income statement. Changes in the fair value of the hedging instruments are adjusted in the positive or negative value of the derivatives in the balance sheet and the hedging instruments are also recognised in the income statement.

2011 (DKK million) ("-" denotes a liability)	Nominal value	Carrying amount/fair value	Interest rate risk	Recognised market value adjustments for the year
FIH Group				
Assets				
Loans	**-**	**5,400.7**	**-129.1**	**97.3**
Total	**-**	**5,400.7**	**-129.1**	**97.3**
Financial instruments designed to hedge interest rate risk				
Swaps	**6,674.5**	**-388.4**	**114.8**	**-84.2**
Liabilities and equity				
Due to credit institutions	**-**	**1,891.5**	**77.1**	**-407.6**
Bonds issued	**-**	**39,122.5**	**333.4**	**137.8**
Subordinated debt	**-**	**2,819.3**	**131.5**	**-41.1**
Total	**-**	**43,833.3**	**542.0**	**-310.9**
Financial instruments designed to hedge interest rate risk				
Swaps	**35,014.9**	**1,216.3**	**-438.2**	**304.8**
FIH Erhvervsbank A/S				
Assets				
Loans	**-**	**4,342.9**	**-109.1**	**89.2**
Total	**-**	**4,342.9**	**-109.1**	**89.2**
Financial instruments designed to hedge interest rate risk				
Swaps	**5,176.5**	**-388.0**	**96.5**	**-80.8**
Liabilities and equity				
Due to credit institutions	**-**	**1,891.5**	**77.1**	**-407.6**
Bonds issued	**-**	**39,122.5**	**333.4**	**137.8**
Subordinated debt	**-**	**2,819.3**	**131.5**	**-41.1**
Total	**-**	**43,833.3**	**542.0**	**-310.9**
Financial instruments designed to hedge interest rate risk				
Swaps	**35,014.9**	**1,216.3**	**-438.2**	**304.8**

Note 36 - continued

2010 (DKK million) ("-"denotes a liability)	Nominal value	Carrying amount/fair value	Interest rate risk	Recognised market value adjustments for the year
FIH Group				
Assets				
Loans	-	10,575.7	-182.8	13.5
Total	-	10,575.7	-182.8	13.5
Financial instruments designed to hedge interest rate risk				
Swaps	10,198.2	-386.5	168.0	9.8
Liabilities and equity				
Due to credit institutions	-	1,488.9	67.3	-16.6
Bonds issued	-	40,079.4	620.5	-180.4
Subordinated debt	-	2,730.0	137.3	-49.5
Total	-	44,298.3	825.1	-246.5
Financial instruments designed to hedge interest rate risk				
Swaps	35,938.9	1,155.5	-748.8	256.0
FIH Erhvervsbank A/S				
Assets				
Loans	-	8,180.9	-143.1	24.7
Total	-	8,180.9	-143.1	24.7
Financial instruments designed to hedge interest rate risk				
Swaps	7,611.6	-317.2	128.4	-4.4
Liabilities and equity				
Due to credit institutions	-	1,488.9	67.3	-16.6
Bonds issued	-	40,079.4	620.5	-180.4
Subordinated debt	-	2,730.0	137.3	-49.5
Total	-	44,298.3	825.1	-246.5
Financial instruments designed to hedge interest rate risk				
Swaps	35,938.9	1,155.5	-748.8	256.0

Note 37 – Credit risk

Maximum credit exposure

The Group's credit exposure comprises on- and off-balance sheet items subject to credit risk.

	FIH group	
(DKK million)	**2011**	2010
Total assets	**84,157**	109,338
+ Irrevocable loan commitments not disbursed	**1,741**	3,797
+ Bank/financial guarantees	**1,833**	2,390
- Investments	**927**	2,406
Maximum exposure to credit risk	**86,804**	113,119
Collateral received		
Credit exposure	**86,804**	113,119
Value of collateral	**30,738**	34,311
Total unsecured loans	**56,066**	78,808
Proportion of unsecured loans (per cent)	**65**	70

The total maximum credit exposure at the end of 2011 include Danish government bonds and Danish mortgage bonds rated "AA" or above of DKK 21,300 million.

Credit exposure concerning loan activities

Any credit exposure in FIH is based on a careful analysis of risk and profitability made on the basis of thorough knowledge and analysis of the customer concerned. FIH is thus familiar with the background and purpose of any financing task. Where possible, loans are, as a main rule, secured by adequate first priority mortgages and pledges of financed assets. Financing is basically without any credit commitment, and repayment is adapted to the nature and economic life of the investment. At the same time, FIH's loan terms usually include conditions concerning renegotiation of loan terms, collateral and price with the customer at least once a year.

All major credit exposures are granted centrally in the credit organisation or in FIH's Risk Committee. As an aid in determining loan terms, FIH uses price support tools which calculate the risk-adjusted return corresponding to the earnings after the expected risk of loss and return requirement. Monitoring and follow-up are partly portfolio-based, using FIH's credit system, and partly individual and exposure-specific, based on one or more annual credit follow-ups, depending on the size, complexity, quality and risk of the loan exposures. Monitoring is conducted by the credit organisation, reporting its findings to the Executive Board and the Board of Directors on an ongoing basis.

The credit information is updated at least once a year and at least twice a year for exposures rated in the range 0-3, both included. Exposures subject to objective indication for impairment are updated every three months. A credit follow-up is approved in accordance with FIH's hierarchy of powers. This means that more than 90 per cent of the loan exposure is approved/granted centrally in the credit organisation or in the Risk Committee. At least twice a year, FIH also performs a structured review of all significant exposures minimum two times a year.

	FIH Group		FIH Erhvervsbank A/S	
(per cent, end of year)	**2011**	2010	**2011**	2010
Loans and guarantee debtors, broken down by sector and industry				
Public sector	**2**	3	**2**	3
Business sector:				
Agriculture, hunting, forestry and fisheries	**0**	0	**0**	0
Manufacturing industries and extraction of raw materials,	**27**	28	**24**	25
Electricity, gas, water and heating utilities	**1**	1	**1**	1
Building and construction	**3**	3	**3**	2
Trade	**11**	11	**10**	9
Transport, hotels and restaurants	**8**	7	**9**	7
Information and communication	**1**	1	**1**	2
Finance and insurance	**6**	6	**7**	11
Real property	**35**	32	**37**	32
Other	**5**	7	**5**	7
Total business sector	**97**	96	**97**	96
Private customers	**1**	1	**1**	1
Total	**100**	100	**100**	100

Note 37 – continued

Quality of FIH's credit exposures

(DKK million)	FIH Group 2011	2010
Loans without impairment charges and with no arrears	**39,259.8**	51,499.4

Loans that have not been written down for impairment and for which no outstanding interest and capital repayments are registered, may be broken down as follows in accordance with the FIH rating model:

Rating	Proportion 2011	2010
D	**1.3 %**	1.3 %
0-3	**12.0 %**	9.7 %
4-6	**52.5 %**	37.1 %
7-9	**29.1 %**	41.1 %
10-13	**4.9 %**	10.1 %
In process	**0.2 %**	0.7 %
	100.0 %	100.0 %

Rating models are integral elements of FIH's credit processing. For all customers, the rating models calculate the probability that, within the next 12 months, the customer will not be able to meet his financial obligations towards FIH (the probability of default) in accordance with the capital adequacy rules (the Basel II rules). A rating of 0 indicates a high probability of default, while a rating of 12 indicates a very low probability of default. Loan exposures that are subject to public liability are rated 13. Rating class D represents exposures in default.

In general, FIH Erhvervsbank A/S demands as mentioned above that collateral security be provided in full or in part to cover credit risks undertaken. Collateral is usually provided through a direct charge on the borrower's assets, typically secured on real estate, machinery and/or other movable property. FIH also attaches importance to securing commitments using other types of collateral security, such as company mortgages, guarantees, life insurance policies etc., where considered relevant. Moreover, it is possible to reduce credit risks by set-off under the general provisions of Danish law and ISDA's set of agreements, where applicable.

Commitments are established without provision of collateral security only to customers with a high credit rating or through structures where the contractual basis ensures close ongoing monitoring and enables intervention – and ultimately acquisition – in case the customer's performance deviates significantly from the assumptions provided.

(DKK million)	FIH Group 2011	2010
Loans in arrears for which no impairment has been provided	**413.1**	3,852.5
Loans mature as follows:		
Up to and including 3 months	**2.5**	89.5
Over 3 months and up to and including 1 year	**27.3**	296.1
Over 1 year and up to and including 5 years	**226.0**	1,189.0
Over 5 years	**157.3**	2,277.9
Total	**413.1**	3,852.5
Outstanding amounts for which no impairment has been provided	**48.2**	469.3
Of which relating to the public sector	**0.0**	0.0
Age distribution of outstanding amounts:		
Up to and including 3 months	**47.0**	442.2
Over 3 months and up to and including 1 year	**1.2**	25.6
Over 1 year and up to and including 2 years	**0.0**	1.5
Over 2 years	**0.0**	0.0
Total	**48.2**	469.3

Note 37 – continued

Loans registred with an objective indication of impairment

Of the total loan balance of DKK 45,394 million before loan impairment charges, loans registered with an Objective Indication of Impairment (OII) account for DKK 9,172 million. These loans are objectively impaired in accordance with the definition in the Danish Executive Order on the Presentation of Financial Statements by Credit Institutions and Investment Firms, etc.

For all loans registered with an objective indication of impairment, FIH calculates the need for impairment for the individual loan facilities. The calculation is based on a conservative market valuation of the collateral, from which selling and lay-day costs are deducted. In these cases, the market valuation takes into account whether the asset in question is expected to be realised on the open market or subject to a compulsory sale scenario. Furthermore, a conservative estimate is made of possible dividends. The outcome of an assessment of the need for loan impairment charges may also be that no basis is found for impairment, in which case the loan will retain its active rating.

If there is a need for individual impairment, the loan will be default-registered and transferred to rating class D (corresponding to the Group's non-performing loans, cf. the definition in the Executive Order on Capital Adequacy). Rating class D is divided into two sub-classes: one for loans for which interest is still calculated and paid and for which the customer meets its payment obligations to FIH (rating class D+) and one for loans where e.g. a bankruptcy petition has been filed, a bankruptcy order issued against the customer, the customer has been granted similar creditor protection or FIH has suspended accrual of interest (rating class D-).

	FIH Group			
	2011		2010	
(DKK million)	**Outstanding debt**	**Impairment charges**	Outstanding debt	Impairment charges
Loans individually written down for impairment	**6,245.2**	**2,264.1**	5,093.2	1,680.2
Loans comprise::				
Public sector	**8.5**	**1.7**	16.0	5.9
Business sector:				
Agriculture, hunting, forestry and fisheries	**0.0**	**0.0**	0.0	0.0
Manufacturing industries and extraction of raw materials,	**678.4**	**260.8**	919.6	304.7
Electricity, gas, water and heating utilities	**0.0**	**0.0**	0.0	0.0
Building and construction	**751.0**	**312.2**	598.1	233.0
Trade	**379.0**	**167.3**	186.6	41.1
Transport, hotels, and restaurants	**79.2**	**16.5**	19.3	4.5
Information and communication	**0.0**	**0.0**	0.0	0.0
Finance and insurance	**521.2**	**330.2**	718.6	486.2
Real property	**3,187.2**	**865.4**	2,235.3	429.4
Other	**633.1**	**302.5**	342.7	157.1
Total business sector	**6,229.1**	**2,254.9**	5,020.2	1,656.0
Private customers	**7.6**	**7.5**	57.0	18.3
Total	**6,245.2**	**2,264.1**	5,093.2	1,680.2

Note 38 – Market risk

Market risk is the risk of loss of market value arising from movements in financial markets (interest rate, foreign exchange, share price and volatility risks etc.). Overall, the size of limits for various types of market risk is determined by FIH's procedure for the Board of Directors, the Board of Directors' instructions to the Executive Board and also through instructions sanctioned by the Executive Board, and activities are managed by and reported on in accordance with these instructions on an ongoing basis.

Interest rate risk is managed through changes in the composition of the bond portfolio and through positions in financial instruments. The interest rate risk is calculated, in part, by setting a target for FIH's gains or losses in case of a one percentage point interest rate change for all maturities and, in part, by a Value-at-Risk (VaR) target. Foreign exchange risk is the risk of loss arising from adverse changes in foreign exchange rates. Most of FIH's funding is raised in foreign currency, which is subsequently swapped into the currency in which the loan is granted. Accordingly, the exchange rate risk is modest. FIH generally wishes to assume only limited foreign exchange risk (with the exception of EUR). Foreign exchange risk is managed on the basis of VaR targets and limits on open positions in individual currencies and a limit on the total foreign exchange position. Equity risk is the risk of loss arising from changes in equity prices. FIH generally wishes to assume only limited risk within listed shares.

With Value-at-Risk (VaR), a portfolio approach is adopted in the calculation of market risks for financial assets. Thus, in the calculation of asset risk, allowance is made not only for the standard deviation, but also for the inter-correlation of assets. Using VaR, it is thus possible to summarise, in a single figure expressed in DKK, the total risk of the Bank's balance sheet. FIH calculates VaR at 99 per cent probability and at a one-day horizon. Thus FIH, at 99 per cent probability, does not expect to lose more than the figure indicated by the VaR model on any given day. FIH's policy for market risk is low to moderate market risk for the Group as a whole. This means that the VaR limit for the Group may not exceed the higher absolute amount of, respectively, 0.05 per cent of the capital base, corresponding, at the end of December 2011, to a VaR figure of DKK 51 million or DKK 50 million.

FIH conducts daily back testing of the internal model for market risk to document that the internal VaR model is sufficiently robust to measure FIH's market risk. The back testing compares the model's calculated losses with actual losses, as well as with hypothetical losses in a situation in which FIH's positions are unchanged, but market prices change. The calculation of hypothetical losses does not include losses and gains from intraday trading.

	FIH Group	
(DKK million)	**2011**	2010
VaR		
Interest rate	**7.3**	10.3
Currency	**0.3**	0.9
Equity (listed shares)	**0.0**	0.0
OAS risk (Option-Adjusted Spread)	**23.2**	-
Swaption volality	**0.5**	-
Diversification effect	**-5.6**	-0.6
Total VaR	**25.7**	10.6

Total VaR at end 2011 was at DKK 25.7 million which the financial accounts and total equity could have been negatively affected by if the above mentioned risk scenario occurred by the end of 2011.

Interest rate risk		
Total interest rate risk on debt instruments etc.	**-58.9**	-165.9
Interest rate risk (according to size) broken down by currency:		
DKK	**-100.5**	-27.0
EUR	**-0.7**	-176.2
SEK	**20.9**	-14.3
NOK	**6.2**	26.3
GBP	**-1.5**	-2.6
USD	**18.7**	26.9
JPY	**0.5**	4.3
Other currencies	**-2.5**	-3.3
Total	**-58.9**	-165.9

Interest rate risk shows FIH's gains or losses, broken down by currency, in case of a one per cent parallel upward shift in the yield curve. At the end of 2011, the financial accounts and total equity would be affected by DKK 58.9 million.

Note 38 – continued

Interest rate risk distributed on balance sheet items

In the following distribution of term to maturity of assets and liabilities, the debt outstanding has been distributed by maturity in accordance with interest rate adjustment or expiry, whichever occurs first. For a number of financial instruments, early redemption is possible subject to specified terms and conditions. Early redemption will affect the maturity distribution specified below. Moreover, general default on a loan usually entails that the debt outstanding falls due for payment.

FIH Group 2011 (DKK million) Maturity distribution **Assets**	On demand	Up to and including 3 months	Over 3 months and up to and including 1 year	Over 1 year and up to and including 5 years	Over 5 years	Non-interest bearing	Total	Interest risks Total
Cash in hand and demand deposits with central banks	**38.3**	**-**	**-**	**-**	**-**	**-**	**38.3**	**0.0**
Debt instruments eligible for refinancing with central banks	**2,374.9**	**-**	**-**	**-**	**-**	**-**	**2,374.9**	**0.0**
Due from credit institutions and central banks	**1,.443.8**	**-**	**49.8**	**74.3**	**-**	**-**	**1,567.9**	**-2.5**
Loans and other receivables	**44.9**	**7,139.5**	**10,777.9**	**13,043.4**	**11,826.8**	**-**	**42,832.5**	**-249.8**
Bonds etc.	**-**	**512.0**	**13,671.9**	**6,070.1**	**1,313.5**	**-**	**21,567.5**	**-267.4**
Other assets	**-**	**494.0**	**1,439.8**	**4,042.8**	**7,994.7**	**1,804.7**	**15,776.0**	**-633.9**
Total assets	**3,901.9**	**8,145.5**	**25,939.4**	**23,230.6**	**21,135.0**	**1,804.7**	**84,157.1**	**-1,153.6**
Debt and subordinated debt								
Due to credit institutions and central banks	**3,937.4**	**3,942.9**	**1,981.3**	**-**	**-**	**-**	**9,861.6**	**319.1**
Deposits and other debt	**938.2**	**3,033.2**	**1,127.5**	**1,020.6**	**-**	**-**	**6,119.5**	**54.3**
Bonds issued etc.	**-**	**1,587.4**	**15,571.5**	**25,744.1**	**268.2**	**-**	**43,171.2**	**359.4**
Other liabilities	**-**	**767.9**	**463.7**	**2,586.6**	**7,308.5**	**2,905.2**	**14,031.9**	**227.0**
Subordinated debt	**-**	**-**	**-**	**2,902.1**	**904.8**	**-**	**3,806.9**	**134.9**
Total debt and subordinated debt	**4,875.6**	**9,331.4**	**19,144.0**	**32,253.4**	**8,481.5**	**2,905.2**	**76,991.1**	**1,094.7**

Note 38 - continued	**FIH Group**	
(DKK million)	**2011**	2010
Foreign exchange risk		
Foreign exchange risk broken down by currency	**-46.3**	-38.3
Foreign exchange risk broken down by the Bank's currencies subject to the highest foreign exchange risk:		
EUR	**-50.6**	-121.9
GBP	**1.7**	5.9
NOK	**4.1**	-9.3
SEK	**4.0**	55.5
USD	**-3.0**	33.2
JPY	**0.0**	0.9
Other currencies	**-2.5**	-2.6
Total	**-46.3**	-38.3
Total foreign exchange assets	**54,589**	63,085
Total foreign exchange liabilities	**54,195**	63,125
Exchange rate indicator 1	**12.1**	137.7
Exchange rate indicator 1 as a percentage of core capital after deductions	**0.1**	1.4
Exchange rate indicator 2	**0.47**	2.7
Exchange rate indicator 2 as a percentage of core capital after deductions	**0.0**	0.0

Indicator 1 represents the highest numerical value of currencies in which has net receivables or net debt, respectively. Indicator 2, which is calculated according to a statistical model, represents with 99 per cent probability the maximum amount that FIH risks losing on foreign exchange activities during a period of 10 days.

	FIH Group	
(DKK million)	**2011**	2010
Equity risk		
Listed shares	**0.0**	0.0
Unlisted shares (private equity)	**882.9**	2,361.3
Total	**882.9**	2,361.3

The holding of unlisted shares is exposed to the market value development in the investee companies. The largest individual exposure is to the Pandora company, which is included under unlisted shares as it is owned through an unlisted investment fund. On a one-point increase in Pandora's market price, FIH's results and equity will improve by approx. DKK 3.8 million. The remaining exposure is spread over a large number of companies. On a market value change of one per cent in the underlying companies, FIH's result and equity will be affected by approx. DKK 7 million.

Note 39 – Liquidity risk

Liquidity risk is the risk of loss given the FIH funding costs increase disproportionately or if the bank fails to fulfil its payment obligations as they fall due. Based on the legislative requirements, the Board of Directors of FIH has set out a liquidity policy which determines the framework for the short-term net liquidity requirements. In its liquidity policy, FIH has chosen to increase the statutory 10 percent requirement of total debt and guarantee commitments by 50 per cent to 15 per cent.

The group's liabilities mature as follows

FIH Group 2011 (DKK million)	**Carrying amount**	**Contractual cash flows**	Up to and including 3 months	Over 3 months and up to and including 1 year	Over 1 year and up to and including 5 years	Over 5 years
Non-derivative financial instruments						
Due to credit institutions and central banks	9,861.6	12,281.8	6,019.6	2,073.0	169.9	4,019.3
Deposits and other debt	6,119.5	6,222.0	3,991.7	1,153.6	1,076.7	0.0
Bonds issued etc.	43,171.2	44,407.4	1,795.3	16,234.9	25,632.6	744.6
Other liabilities	2,905.2	2,905.2	2,905.2	0.0	0.0	0.0
Subordinated debt	3,806.9	12,257.2	65.6	262.3	1,217.2	10,712.1
Total	65,864.4	78,073.6	14,777.4	19,723.8	28,096.4	15,476.0

Note 40 – Capital structure

The aim is to have a solvency ratio high enough to secure lending activities even during periods of weak market conditions. The regulatory requirements regarding size of capital must be complied with and furthermore FIH must be able to withstand significant and unexpected losses. This objective is achieved by maintaining a solvency ratio that is significantly higher than the regulatory requirements.

Capital structure, FIH Group

	FIH Group		**FIH Erhvervsbank A/S**	
(DKK million)	**2011**	2010	**2011**	2010
Capital requirement	**37.2**	37.3	**37.2**	37.3
Core capital after deductions	**8,894.2**	10,157.5	**9,111.7**	10,359.1
Capital base	**10,131.9**	11,777.6	**10,349.2**	11,979.2
Weighted items not included in the trading portfolio	**50,904.1**	67,768.8	**45,182.9**	62,905.8
Weighted items with market risk etc.	**6,145.9**	8,762.8	**6,099.8**	7,607.9
Total weighted items	**57,050.0**	76,531.6	**51,282.7**	70,513.7
Core capital after deductions as a percentage of total weighted items	**15,6**	13,3	**17,8**	14,7
Solvency ratio according to section 124 of the Danish Financial Business Act (The minimum statutory requirement is 8 per cent)	**17,8**	15,4	**20,2**	17,0
Core capital	**7,164.7**	8,332.8	**7,387.1**	8,548.7
Intangible assets	**-15.3**	-42.0	**-15.3**	-42.0
Deferred tax assets	**-120.1**	-33.3	**-128.6**	-47.6
Difference between valuation of trading portfolio	**-35.1**	0.0	**-31.5**	0.0
Hybrid core capital	**1,900.0**	1,900.0	**1,900.0**	1,900.0
Reduced core capital	**8,894.2**	10,157.5	**9,111.7**	10,359.1
Supplementary capital				
Revaluation reserve	**1.3**	1.3	**1.3**	1.3
Subordinated debt less deductions	**1,236.4**	1,618.8	**1,236.4**	1,618.8
Capital base	**10,131.9**	11,777.6	**10,349.4**	11,979.2

Calculated in accordance with the Executive Order issued by the Danish Financial Supervisory Authority on capital adequacy requirements for banks and specialised credit institutions.

Note 41 – Liquidity and funding

Reference is made to section VI Liquidity and funding on page 24, which should be read in full.

Note 42 – Related parties

All transactions with related parties are settled on market terms or on a cost recovery basis. In 2011, no loss on amounts receivables from related parties was realised.

The following transactions have taken place with related parties with a significant interest during the financial year:

		FIH Group		FIH Erhvervsbank A/S
(DKK million)	**2011**	2010	**2011**	2010
ATP				
Interest expenses	**9.0**	0.1	**0.0**	0.1
Fees and commissions paid	**34.0**	29.3	**0.0**	0.0
Total	**43.0**	29.4	**0.0**	0.1
Prepayments	**40.3**	0.0	**0.0**	0.0
Total assets	**40.3**	0.0	**0.0**	0.0
Deposits and other liabilities	**0.7**	1,000.0	**0.0**	1,000.0
Total liabilities	**0.7**	1,000.0	**0.0**	1,000.0

Interest expenses relate to FIH Kapitalbank's drawing under the ATP facility which has a maximum of DKK 10 billion. In 2011 the drawing had a duration of approx. three months. The above mentioned fees paid include a monthly fee for the drawing right with ATP as well as accrual of up-front fee.

FIH Holding A/S became a related party in connection with the 100 per cent ownership as of 6 January 2011. The following transactions have taken place with related parties with a controlling interest during the financial year:

		FIH Group		FIH Erhvervsbank A/S
(DKK million)	**2011**	2010	**2011**	2010
FIH Holding A/S				
Interest expenses	**0.3**	-	**0.3**	-
Staff costs and administrative expenses	**-0.4**	-	**-0.4**	-
Recognised in the financial statement	**-0.1**	-	**-0.1**	-
Total assets	**0.0**	-	**0.0**	-
Dues to credit institutions and central banks	**10.2**	-	**10.2**	-
Other liabilities	**0.4**	-	**0.4**	-
Total liabilities	**10.6**	-	**10.6**	-

At the end of 2011, total deposits of DKK 2.6 million was received from C.P. Dyvig & Co. A/S, Cruise I A/S, FCPD A/S and PF I A/S, all belonging to the owner structure above FIH Holding A/S. Total interest expenses in 2011 in the mentioned companies relates to DKK 0.0 million.

Note 42 – continued

The following transactions have taken place with associates and group enterprises:

(DKK million)	FIH Group 2011	FIH Group 2010	FIH Erhvervsbank A/S 2011	FIH Erhvervsbank A/S 2010
Group enterprises				
Interest income	-	-	195.2	168.6
Interest expenses	-	-	6.5	5.7
Fee and commission income	-	-	0.5	0.7
Fees and commissions paid	-	-	6.3	6.0
Other operating income	-	-	57.8	64.2
Recognised in the financial statement	-	-	**266.3**	**245.2**
Due from credit institutions and central banks	-	-	6,938.7	11,085.5
Bonds at fair value	-	-	4.0	9.1
Other assets	-	-	116.8	4.0
Total assets	-	-	7,059.5	11,098.6
Due to credit institutions and central banks	-	-	374.6	648.0
Deposits and other debt	-	-	635.4	549.4
Other liabilities	-	-	28.1	12.2
Provisions for losses on guarantees	-	-	6.2	28.7
Total liabilities	-	-	1,044.3	1,238.3
Off-balance sheet items	-	-	125.3	355.5

Off-balance sheet items relates to intragroup guarantees and committed facilities. FIH Leasing and Finans A/S issues guarantees to FIH Erhvervsbank A/S in connection with loans. This is cancelled out in part by a counter-guarantee issued by FIH Erhvervsbank A/S. FIH Erhvervsbank A/S also issues guarantees towards FIH Realkredit A/S in connection with loans in these companies. FIH Erhvervsbank A/S has given up a facility towards FIH Kapital Bank A/S on a total of DKK 11 billion of which DKK 1 billion is committed.

(DKK million)	FIH Group 2011	FIH Group 2010	FIH Erhvervsbank A/S 2011	FIH Erhvervsbank A/S 2010
Associates				
Interest income	**7.9**	7.4	**7.9**	7.4
Interest expenses	**0.6**	0.6	**0.6**	0.6
Market value adjustments	**10.8**	5.8	**10.8**	5.8
Recognised in the financial statement	**19.3**	13.8	**19.3**	13.8
Loans and other receivables at amortised cost	**25.8**	14.6	**25.8**	14.6
Other assets	**134.4**	98.6	**134.4**	98.6
Total assets	**0.6**	22.2	**0.6**	22.2
Deposits and other debt	**7.9**	7.4	**7.9**	7.4
Total liabilities	**0.6**	0.6	**0.6**	0.6

At the balance sheet date, no collateral security or guarantees had been provided for outstanding items. Receivables as well as debt will be settled by cash payment. In the annual report, no losses have been realised in respect of receivables from related parties. Reference is made to note 7 for information on remuneration to the Group's Executive Board and Board of Directors.

Note 43 – Group structure
Consolidated subsidiaries

(DKK million)	Activity	Ownership interest*	Assets	Liabilities	Equity	Turn-over	Profit /loss
FIH Realkredit A/S, Copenhagen	Mortgage loans	100 %	380.6	262.3	118.3	5.7	2.1
FIH Leasing og Finans A/S, Copenhagen	Leasing and financing	100 %	439.4	0.9	438.5	3.4	2.7
FIH PARTNERS A/S, Copenhagen	Investment banking	100 %	239.0	30.5	208.5	87.6	20.7
FIH Kapital Bank A/S, Copenhagen	Financing and investment	100 %	9,784.4	7,739.1	2,045.3	177.4	111.7

* There is no difference between ownership interest and voting share.

Associates

Axcel IndustriInvestor Invest A/S, Copenhagen	Holds shares in Axcel IndustriInvestor A/S and other related business hereto.	50.0 %	34.1	1.0	33.1	N/A	-0.1
DDD Holding A/S, Hoersholm	The Group's key business areas are development, production and marketing of dermatological products	41.5 %	10.3	24.4	-14.1	N/A	2.3
Grey Holding 1 A/S, Holstebro	Holds shares in Grey Holding 2 A/S.	44.0 %	2.7	0.1	2.6	N/A	0.0
Ejendomsselskabet Borgergade Parkering A/S, Vejle	Operation and development of parking facilities	30.0 %	362.7	255.3	107.4	N/A	4.8

Note 44 – Events after the balance sheet date

No special events have occurred after the balance sheet date that would affect the financial performance.

STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

The Executive Board and the Board of Directors have today presented the annual report of FIH Erhvervsbank A/S for the financial year 1 January - 31 December 2011.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU and in accordance with additional Danish disclosure requirements for annual reports of financial companies with listed debt instruments. The annual report is presented in accordance with the Danish Financial Business Act. The management commentary is prepared in accordance with the Danish Financial business act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the parent's assets and liabilities, financial position at 31 December 2011 as well as the Group's and the parent's activities and cash flows for the financial year 1 January - 31 December 2011.

In our opinion, the management commentary contains a true and fair view of the Group's and the parent's business and of their financial position as a whole together with a description of the principal risks and uncertainties that they face. We refer to note 41 (which refers to the paragraph VI in the management commentary on liquidity and funding), from which FIH's plans to refinance debt in 2012 and 2013 and related assumptions and uncertainties are evident.

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

Copenhagen, 9 February 2012

EXECUTIVE BOARD

Bjarne Graven Larsen
Managing Director and co-CEO

Henrik Sjøgreen
Managing Director and co-CEO

BOARD OF DIRECTORS

Hans Skov Christensen
Chairman

Henrik Heideby
Vice chairman

Christian Dyvig

Daniel Eriksson

Henrik Gade Jepsen

Lars Rohde

Randi Holm Franke
Board member elected by the employees

Lene Foged Nothlevsen
Board member elected by the employees

Jacob Baggers Willemoes
Board member elected by the employees

INTERNAL AUDITOR'S REPORT

To the shareholders of FIH Erhvervsbank A/S

Report on the consolidated financial statements and parent financial statements
We have audited the consolidated financial statements and parent financial statements of FIH Erhvervsbank A/S for the financial year 1 January to 31 December 2011, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the parent company as well as the cash flow statement for the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of financial companies with listed debt instruments. The financial statements of the parentc company are prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the consolidated financial statements and parent financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of financial companies with listed debt instruments and for the preparation of the financial statements of the parent company that give a true and fair view in accordance with the Danish Financial Business Act.

Internal auditor's responsibility
Our responsibility is to express an opinion on the consolidated financial statements and the financial statements of the parent company based on our audit. We have conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as Financial Groups and International Standards on Auditing. This requires that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements and the financial statements of the parent company are free from material misstatement.

The audit has been performed in accordance with the division of work agreed with the external auditor and has included an assessment of established business procedures and internal controls, including the risk management implemented by the Management, aimed at reporting processes and significant business risks. Based on an evaluation of materiality and risk, we have examined the basis of amounts and other disclosures in the consolidated financial statements and the financial statements of the parent company. Furthermore, the audit has included evaluating the appropriateness of the accounting policies applied by the Management and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements and the financial statements of the parent company.

We have participated in the audit of material and risky areas and we believe that the audit evidence 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 established business procedures and internal controls, including the risk management implemented by the Management, aimed at the Group's and the parent company's reporting processes and significant business risks are satisfactory.

In addition, in our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2011 and of its financial performance and cash flows for the financial year 1 January to 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of financial companies with listed debt instruments.

Further, in our opinion, the financial statements of the parent company give a true and fair view of the Parent Company's financial position at 31 December 2011 and of its financial performance for the financial year 1 January to 31 December 2011 in accordance with the Danish Financial Business Act.

Emphasis of matter affecting the financial statements
Without qualifying our opinion, we refer to note 41 (which refers to the paragraph VI in the management commentary on liquidity and funding), from which FIH's plans to refinance debt in 2012 and 2013 and related assumptions and uncertainties are evident, as well as to Management's statement on the annual report.

Statement on the management commentary
Pursuant to the Danish Financial Business Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the financial statements of the parent company.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and the financial statements of the Parent Company.

Copenhagen, 9 February 2012

Brian Hansen

Head of Internal Audit

INDEPENDENT AUDITORS' REPORT

To the shareholders of FIH Erhvervsbank A/S

Report on the consolidated financial statements and parent financial statements
We have audited the consolidated financial statements and parent financial statements of FIH Erhvervsbank A/S for the financial year 1 January to 31 December 2011, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as the parent. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of financial companies with listed debt instruments. The financial statements are prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of financial companies with listed debt instruments and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Business Act and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent financial statements that give a true and fair view 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the consolidated financial statements and parent financial statements.

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 consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2011, and of the results of its operations and cash flows for the financial year 1 January to 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for financial companies with listed debt instruments.

In our opinion, the parent financial statements give a true and fair view of the Company's financial position at 31 December 2011 and of the results of its operations for the financial year 1 January to 31 December 2011 in accordance with the Danish Financial Business Act.

Emphasis of matter affecting the financial statements
Without qualifying our opinion, we refer to note 41 (which refers to the paragraph VI in the management commentary on liquidity and funding), from which FIH's plans to refinance debt in 2012 and 2013 and related assumptions and uncertainties are evident, as well as to Management's statement on the annual report.

Statement on the management commentary
Pursuant to the Danish Financial Business Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 9 February 2012

Deloitte
Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen State-Authorised Public Accountant	Anders O. Gjelstrup State-Authorised Public Accountant

Board of Directors

HANS SKOV CHRISTENSEN
Chairman

Chairman
Aktieselskabet Kristeligt Dagblad
Center for Kultur- og Oplevelsesøkonomi
Danske Sømands- og Udenlandskirker

Vice chairman
Fonden Søren Kierkegaard Forskningscenter
Industriens Fond

Board Member
PFA Pension
Center for European Policy Studies (CEPS)

Joined the board
12 March 2004
Re-elected at the annual general meeting in the period 2005-2011
Term of office, 14 March 2012

Committees
The Board of Director's Credit and Risk Committee

Shareholdings in FIH Erhvervsbank A/S
None

Fee 2011: DKK 1.0 million.

HENRIK HEIDEBY
Vice chairman

CEO
PFA Holding A/S
PFA Pension

Chairman
FIH Holding A/S
PF I A/S
PFA Ejendomme A/S
PFA Invest International A/S and 7 subsidiaries
PFA Professionel Forening

Vice chairman
Forsikring og Pension
IC Companys A/S

Board Member
C.P. Dyvig & Co. A/S
PFA Brug Livet Fonden
PFA Kapitalforvaltning, fondsmæglerselskabet A/S
VP Securities A/S

Joined the board
6 January 2011
Re-elected at the annual general meeting in 2011
Term of office, 14 March 2012

Committees
Audit committee (Chairman)
Credit and risk committee (Chairman)

Shareholdings in FIH Erhvervsbank A/S
None

Fee 2011: DKK 0.6 million.

CHRISTIAN DYVIG
CEO
Lundbeckfonden
C.P. Dyvig & Co. A/S

Board Member
Cruise I A/S
FCPD A/S
FIH Holding A/S
PF I A/S
H. Lundbeck A/S

Joined the board
6 January 2011
Re-elected at the annual general meeting in 2011
Term of office, 14 March 2012

Committees
Audit committee
The Board of Director's Credit and Risk Committee

Shareholdings in FIH Erhvervsbank A/S
Christian Dyvig is the owner of C.P. Dyvig & Co. A/S which is the parent of Cruise I A/S, which indirectly owns approx. 10 % of the shares in FIH Erhvervsbank A/S

Fee 2011: DKK 0.4 million.

DANIEL ERIKSSON
Head of Products, Folksam

Member of Executive Management
Folksam Ömsesidig Liv
Folksam Ömsesidig Sak

Chairman
Aktiv Försäkringadministration
Folksam Spar
Reda Pensionsadministration

Vice chairman
Folksam Fondförsäkring

Board Member
KPA Pensionsservice

Other material duties
Ledamot i Livutskottet, Svensk Föräkring

Joined the board
6 January 2011
Re-elected at the annual general meeting in 2011
Term of office, 14 March 2012

Shareholdings in FIH Erhvervsbank A/S
None

Fee 2011: DKK 0.3 million.

HENRIK GADE JEPSEN
Chief Investment Officer, ATP

Chairman
Now Pensions Investment A/S Fondsmæglerselskab

Board Member
ATP Alternative Investments K/S
ATP Ejendomme A/S
ATP Private Equity K/S
ATP Private Equity Partners I-IV K/S
ATP Real Estate Partners I-II K/S
ATP Timberland Invest K/S
FIH Holding A/S
Strandgade 7 A/S
Via Venture Partners Fund I-II K/S

Joined the board
6 January 2011
Re-elected at the annual general meeting in 2011
Term of office, 14 March 2012

Committees
Audit committee
The Board of Director's Credit and Risk Committee

Shareholdings in FIH Erhvervsbank A/S
None

Fee 2011: DKK 0.4 million.

LARS RHODE
Chief Executive Officer, ATP

Chairman
ATP Alpha Fondsmæglerselskab A/S
ATP Pensionservice A/S
ATP-Ejendomme A/S
ATP Real Estate Partners I-II K/S
ATP Private Equity K/S
ATP Private Equity Partners K/S I-IV
VIA Venture Partners A/S
VIA Venture Partners Fond I-II K/S
ATP Timberland Invest K/S
ATP Alternative Investments K/S
Arbejdsmarkedets Tillægspensions Hjælpekasse

Board Member
Strandgade 7 A/S
FIH Holding A/S
Århus Universitet
Now: Pension Trustee Ltd.

Joined the board
6 January 2011
Re-elected at the annual general meeting in 2011
Term of office, 14 March 2012

Shareholdings in FIH Erhvervsbank A/S
None

Fee 2011: DKK 0.3 million.

RANDI HOLM FRANKE
Senior Project Manager
Elected by the employees

Joined the board
12 March 2007
Re-elected at the annual general meeting in 2011
Board members elected by the employees are elected for a 4-year period. The next election will be held in the beginning of 2015.

Election period terminates at the general meeting 2015.

Shareholdings in FIH Erhvervsbank A/S
None

Fee 2011: DKK 0.3

LENE FOGED NOTHLEVSEN
Assistant Relationship Manager
Elected by the employees

Chairman
Christian Møller Invest II ApS

Joined the board
15 March 2011
Re-elected at the annual general meeting in 2011
Board members elected by the employees are elected for a 4-year period. The next election will be held in the beginning of 2015.

Election period terminates at the general meeting 2015.

Committees
Audit committee

Shareholdings in FIH Erhvervsbank A/S
None

Fee 2011: DKK 0.2 million.

JACOB BAGGERS WILLEMOES
Webmaster
Elected by the employees

Board member
FIH Medarbejderfond

Other material duties
Shop steward at FIH Erhvervsbank A/S
Member of the Consultation Committee at FIH Erhvervsbank A/S
Member of the Safety Committee at FIH Erhvervsbank A/S

Joined the board
15 March 2011
Board members elected by the employees are elected for a 4-year period. The next election will be held in the beginning of 2015.

Election period terminates at the general meeting 2015.

Shareholding in FIH Erhvervsbank A/S
None

Fee 2011: DKK 0.2 million.

Executive Board

BJARNE GRAVEN LARSEN

Managing director and co-CEO

Under section 80(8) of the Danish Financial Business Act

Chairman

Board member
FIH Kapital Bank A/S
FIH Leasing og Finans A/S
FIH PARTNERS A/S
FIH Realkredit A/S

Other material duties
Member of Advisory Board, Børnefonden

Fee 2011, FIH Erhvervsbank A/S: DKK 4.8 million.
Fee subsidiaries 2011: DKK 0.2 million.

HENRIK SJØGREEN

Managing director and co-CEO

Under section 80(8) of the Danish Financial Business Act

Chairman
Axcel IndustriInvestor Invest A/S
FIH Kapital Bank A/S
FIH Leasing og Finans A/S
FIH PARTNERS A/S
FIH Realkredit A/S

Board member
Simon Fougner Hartmanns Familiefond

Fee 2011, FIH Erhvervsbank A/S: DKK 4.7 million.
Fee subsidiaries 2011: DKK 0.3 million.

The annual general meeting will be held on Wednesday 14 March 2012 at 5:00 p.m. at FIH's head office – Langelinie Allé 43, 2100 Copenhagen Ø

Definitions

LOANS AT AMORTISED COST	Loans and assets held under finance leases. See Accounting policies for an in-depth definition
LOANS AT FAIR VALUE	Loans granted under Danish mortgage credit legislation. See Accounting policies for an in-depth definition
OUTSTANDING DEBT RECORDED	Outstanding debt under a loan including repayments due but not including interest outstanding
CREDIT EXPOSURE/ EXPOSURE	As outstanding debt recorded including the market value of OTC contracts, guarantees for mortgage loans and interest outstanding
CREDIT COMMITMENT/ COMMITMENT	As credit exposure excluding the market value of OTC contracts but including guarantees and drawing rights and offers as well as the maximum of OTC lines
OBJECTIVE INDICATION OF IMPAIRMENT	Objective impairment of commitments according to the Danish Executive Order on the Presentation of Financial Statements. Objective impairment is considered to have occurred when at least one of the following has occurred ▪ The borrower is facing financial difficulties ▪ The borrower is in breach of contract, e.g. by failing to meet his payment obligations in terms of interest and principal on the loan ▪ FIH has given the borrower more lenient terms that would not have been considered, had it not been for the borrower's financial difficulties ▪ The borrower is likely to go bankrupt or be subject to other types of financial reconstruction
NON-PERFORMING LOANS/ NON-ACCRUAL LOANS	Loans on which FIH has suspended the ongoing interest charges on the customer's account given that the exposure is in default and interest is therefore considered to be uncollectible
DEFAULT	Default is considered to have occurred when at least one of the following conditions is met ▪ When FIH believes that it is unlikely that the debtor will pay off all of his liabilities without FIH's intervention, e.g. in the form of realisation of collateral or guarantees, if any ▪ When the debtor has been in arrears with the payment of a material credit obligation exceeding DKK 10,000
IMPAIRMENT CHARGES	If there is an Objective Indication of Impairment of a credit commitment or a group of credit commitments, these credit commitments will be written down by the difference between the carrying amount before writing down and the present value of the expected future payments from the credit commitment or the group of credit commitments less any collateral pledged.
RATING CLASS D-	Credit commitment relating to customers in bankruptcy proceedings or customers that have suspended payments, as well as non-accrual exposures (loans on which accrual of interest has been discontinued in full or in part)
RATING CLASS D+	Defaulted commitments that are not rated D-
RATING CLASS D	Collective term for rating classes D+ and D-
HEALTHY CREDIT COMMITMENT	Commitments related to customers rated 4 to 13
WEAK CREDIT COMMITMENT	Commitments related to customers rated 0 to 3, both included
SICK CREDIT COMMITMENT	Commitments related to customers rated D as FIH's default definition is assessed to have been met
PROBLEM LOAN	Same as a loan subject to Objective Indication of Impairment
COLLATERAL VALUE	Market value of recorded collateral excluding guarantees and warranties less haircuts less prior charges
SUBJECTIVE COLLATERAL VALUE	Expected net realisation proceeds of collateral
DEFAULT PROBABILITY, POINT IN TIME (PIT)	Default probability over the coming 12 months, estimated based on current economic conditions
DEFAULT PROBABILITY, THROUGH THE CYCLE (TTC)	Default probability over the coming 12 months, estimated based on data covering several economic cycles

FIH Erhvervsbank A/S
Langelinie Allé 43
2100 Copenhagen Ø
Telephone +45 72 22 50 00

fih.com