



FIH Annual Report 2012

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FIH | ERHVERVSBANK



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The FIH Group (FIH) consists 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)	2012	2011*	2010*	2009*	2008*
Continued operations:					
Net interest income from lending activities	374.9	507.9	696.2	706.3	1,025.9
Net fee income etc.	203.8	174.7	235.1	166.1	219.2
Net trading income	312.0	235.3	400.4	436.4	282.8
Other operating income	-27.4	-79.3	253.4	340.4	-278.9
Total income	863.3	838.6	1,585.1	1,649.2	1,249.0
Ordinary expenses	500.3	514.6	633.1	620.8	785.3
Ordinary profit/loss	363.0	324.0	952.0	1,028.4	463.7
Other expenses	55.8	48.2	244.2	396.6	82.3
Net profit bef. impairment charges etc. and tax	307.2	275.8	707.8	631.8	381.4
Loan impairment charges etc.	1,337.2	266.5	1,423.0	1,028.5	391.8
Net profit before tax	-1,030.0	9.3	-715.2	-396.7	-10.4
Tax	-23.1	2.2	-178.3	-98.7	2.2
Net profit, continued operations	-1,006.9	7.1	-536.9	-298.0	-12.6
Discontinued operations:					
Net profit, discontinued operations	-530.5	-1,185.2	1,061.5	309.5	196.6
Total:					
Net profit for the year after tax, total	-1,537.4	-1,178.1	524.6	11.5	184.0
Allocation of net profit:					
FIH's shareholders	-1,537.4	-1,178.1	524.6	10.4	184.1
Minority interests	0.0	0.0	0.0	1.1	-0.1
SELECTED BALANCE SHEET ITEMS					
Loans	16,166	42,833	57,994	64,134	72,615
Equity	5,477	7,166	8,334	7,820	7,809
Total assets	60,757	84,157	109,338	130,356	122,125
Capital base	6,332	10,132	11,778	11,799	10,467
FINANCIAL RATIOS*					
Total Capital Ratio, per cent	21.2	17.8	15.4	13.8	11.9
Tier 1 Capital Ratio, per cent	18.2	15.6	13.3	11.4	8.8
Return on equity before taxation	-24.7	-16.3	3.9	-1.9	2.7
Return on equity after taxation	-24.3	-15.2	6.5	0.1	2.4
Income/cost ratio	0.28	0.19	1.11	0.93	1.15
Interest rate risk	0.8	0.7	1.6	2.7	0.1
Foreign exchange position	1.2	0.7	1.4	1.1	4.8
Foreign exchange risk	0.0	0.0	0.0	0.0	0.1
Loans as a percentage of deposits	2.3	7.4	8.1	3.2	2.3
Gearing of loans	5.6	6.0	7.0	8.2	9.3
Growth in loans for the year, per cent	-29.0	-26.1	-9.6	-11.7	-3.2
Excess cover relative to statutory liq. requirements	106.7	109.8	71.4	80.5	10.4
Total amount of large exposures	74.2	36.0	66.1	70.8	157.4
Impairment ratio	4.7	2.1	3.1	1.7	0.7
Capital base rel. to min. capital adequacy requirement	169.8	272.6	316.0	317.1	281.0

* Comparative figures are adjusted to the split between continued and discontinued operations as described on page 10.

** Calculated in accordance with the guidelines of the Danish Financial Supervisory Authority, set out on page 69.

Financial ratios are calculated based on total results, i.e. both continued and discontinued operations.

II. Preface

FIH: DEPOSIT-BASED FINANCING TO THE DANISH CORPORATE SECTOR

2012 marked a turning point for FIH: The Bank completed the first phase of its new strategy, which was initiated in connection with the change of ownership in the beginning of 2011.

In 2012, the overriding focus area was to ensure sufficient liquidity to repay the DKK 52 billion in government-guaranteed bonds and hybrid core capital that FIH issued in 2009 and 2010. This task has now been completed. This means that FIH is once again ready to run the Bank with a more forward-looking view, including increasing its focus on lending to the core segment: small and medium-sized Danish enterprises.

In 2012, FIH repaid debt and cancelled government guarantees of more than DKK 22 billion with repayment of hybrid core capital accounting for DKK 2 billion. Despite the significant repayments, FIH's liquidity is so strong that already at year-end 2012, without including the ATP facility, FIH's liquidity is sufficient to comply with statutory liquidity requirements after repayment of the remaining DKK 21.3 billion in government-guaranteed bonds that mature in 2013.

At the same time, FIH has strengthened its total capital considerably in 2012. Accordingly, at year-end 2012, the total capital ratio had increased to 21.2 per cent against 17.8 per cent at year-end 2011. The strengthened total capital provides a strong basis for the Bank's future operations.

The successful completion of the first phase in the strategy plan was driven by two factors. Firstly, loans have been reduced by 72 per cent since the beginning of 2011 (from DKK 58.0 billion at year-end 2010 to DKK 16.2 billion at year-end 2012). Secondly, deposits in FIH Direct Bank increased by 400 per cent in the same period (from DKK 2.3 billion at year-end 2010 to DKK 11.2 billion at year-end 2012). This means that by the end of 2012, FIH's most significant funding source is deposits from retail customers and small corporate customers, which is markedly different from earlier when FIH was primarily capital market-financed.

Investment property finance is no longer a business area in FIH following the sale of the remaining loans in this area to the Financial Stability Company. The transaction, which was published at the beginning of March and completed at the beginning of July 2012, meant that the Financial Stability Company purchased loans at a value of DKK 15.4 billion. The completion of this transaction was important in relation to FIH's ability to continue to offer loans to small and medium-sized enterprises in Denmark. Also, lending to Private Equity-owned companies to finance acquisitions have been reduced markedly over the past two years, and the remaining loans are expected to be continuously reduced.

In the future, the Bank will focus on loans to Danish enterprises. Lending to large and often very credit-worthy enterprises have, however, been significantly reduced for the past two years, as FIH has found it difficult to obtain profitability in this segment. Therefore, small and medium-sized Danish enterprises constitute the future core segment in FIH's lending activities.

The growth in deposits in FIH Direct Bank means that at year-end 2012, 69 per cent of FIH's loan balance was financed by loans from retail customers and small corporate customers. At the beginning of 2011, this share was a mere 4 per cent. FIH expects to continue to increase the deposit-financed share of the loan balance, meaning that in the years to come, FIH will not depend on the use of capital markets to issue bonds. Accordingly, over 80 per cent of the loans are expected to be financed by deposits in FIH Direct Bank at year-end 2013, and this figure is increased to over 100 per cent if FIH's other deposits are included.

Based on its strong liquidity and total capital, by maintaining a low cost base and focusing on the core segment in its lending activities, the Bank has created a strong basis for developing its activities and creating satisfactory profitability in the years to come.

Based on the current three business units, Banking, Markets and Corporate Finance, FIH wants to target its efforts and strive to deliver value-creating financing solutions and financial advice to the Danish corporate sector.

2012: SATISFACTORY DEVELOPMENT IN THE PROFIT BEFORE LOAN IMPAIRMENT CHARGES

In 2012, FIH obtained a profit before loan impairment charges etc. and tax from continued operations of DKK 307 million, an increase of DKK 31 million compared to 2011. Accordingly, the development in FIH's three continued business areas has been satisfactory, and at the same time, costs fell in June when the Bank adjusted its costs to a lower activity level and approx. 35 employees were made redundant, corresponding to about 10 per cent of the Bank's staff.

However, FIH was negatively affected by the challenging market conditions for both customers and the financial sector in 2012, which led to markedly higher loan impairment charges than expected. Hence, loan impairment charges totalled DKK 1,337 million, contributing to a total negative profit after tax of DKK 1,007 million.

For discontinued operations, the profit after tax was DKK -530 million. These results were brought about by a downward adjustment of DKK -766 million of the deficit absorbing loan which arose in connection with the transaction with the Financial Stability Company as well as a positive value adjustment of FIH's share portfolio of DKK 254 million, primarily from FIH's indirect exposure to Pandora A/S.

Accordingly, the net profit for the year 2012 is DKK -1,537 million, which is unsatisfactory.



Bjarne Graven Larsen
Direktør

Henrik Sjøgreen
Direktør





III. Net profit for the year

FIH Group

(DKK million)	2012	2011*	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Continued operations:						
Net interest income from lending activities	374.9	507.9	81.1	91.7	102.2	99.9
Net fee income etc.	203.8	174.7	71.5	47.4	57.5	27.4
Net trading income	312.0	235.3	87.1	31.5	45.0	148.4
Profit/loss from the liquidity portfolio	111.6	56.1	26.8	14.2	19.1	51.5
Other operating income	-139.0	-135.4	-88.4	-48.9	31.9	-33.6
Total income	863.3	838.6	178.1	135.9	255.7	293.6
Ordinary expenses	500.3	514.6	131.2	117.2	133.2	118.7
Ordinary profit/loss	363.0	324.0	46.9	18.7	122.5	174.9
Other expenses	55.8	48.2	2.6	8.1	42.0	3.1
Net profit bef. impairment charges etc. and tax	307.2	275.8	44.3	10.6	80.5	171.8
Loan impairment charges etc.	1,337.2	266.5	547.8	544.8	70.0	174.6
Net profit before tax	-1,030.0	9.3	-503.5	-534.2	10.5	-2.8
Tax	-23.1	2.2	10.1	-34.8	2.5	-0.9
Net profit, continued operations	-1,006.9	7.1	-513.6	-499.4	8.0	-1.9
Discontinued operations:						
Net profit, discontinued operations	-530.5	-1,185.2	-128.2	-193.0	-25.0	-184.3
Total:						
Net profit for the year after tax, total	-1,537.4	-1,178.1	-641.8	-692.4	-17.0	-186.2
FINANCIAL RATIOS*						
Total capital ratio, per cent	21.2	17.8	21.2	18.5	19.5	18.0
Tier 1 Capital Ratio, per cent	18.2	15.6	18.2	15.9	17.6	16.3
Capital Adequacy Ratio, per cent	14.0	12.3	14.0	14.3	12.6	12.0
Return on equity before tax p.a.	-24.7	-16.3	-24.7	-14.0	-3.8	-3.5
Return on equity after tax p.a.	-24.3	-15.2	-24.3	-13.5	-2.9	-2.6
Total amount of large exposures	74.2	36.0	74.2	87.4	46.6	35.1

* Comparative figures are adjusted to the split between continued and discontinued operations as described on page 10.

** Calculated in accordance with the guidelines of the Danish Financial Supervisory Authority, set out on page 69. Financial ratios are calculated based on total results, i.e. both continued and discontinued operations.

The FIH Group's profit before loan impairment charges and tax for continued operations for 2012 was DKK 307.2 million (2011: DKK 275.8 million). Profit on net financials for continued operations for 2012 was DKK 863.3 million (2011: DKK 838.6 million), which is in line with the most recently announced expectations of around DKK 850 million. Profit after tax for continued operations was DKK -1,006.9 million (2011: DKK 7.1 million), whereas profit after tax for discontinued operations was DKK -530.5 million (2011: DKK -1,185.2 million).

During 2012, FIH reported its financial performance split by continued and discontinued operations; discontinued operations consisting of assets related to the transaction with the Financial Stability Company as well as FIH's portfolio of private equities, which is expected to be divested in 2013. Continued operations comprise the three business units Banking, Markets and Corporate Finance.

The most significant items in the income statement and the balance sheet for continued operations are specified below.

NET INTEREST INCOME FROM LENDING ACTIVITIES

Net interest income from lending activities totalled DKK 374.9 million in 2012 (2011: DKK 507.9 million). The lower net interest income is primarily attributable to a lower loan balance.

NET FEE INCOME ETC.

Net fee income comprises fee income in Corporate Finance and in Banking and totalled DKK 203.8 million in 2012 (2011: DKK 174.7 million).

The increase in is primarily attributable to earnings in Corporate Finance which increased earnings by DKK 34.0 million in 2012.

NET TRADING INCOME

Net trading income comprises income from the Bank's financial market activities, including trading and customer-oriented activities in the interest rate, foreign exchange and securities markets.

In 2012, net trading income totalled DKK 312.0 million (2011: DKK 235.3 million).

PROFIT FROM THE LIQUIDITY PORTFOLIO

Profit from the liquidity portfolio comprises income from the Bank's liquidity portfolio and totalled DKK 111.6 million in 2012 (2011: DKK 56.1 million).

The liquidity portfolio is invested in very low risk liquid securities. The investments are made to ensure diversification of the portfolio. The profit from the liquidity portfolio was positively affected by the falling interest rates in 2012.

OTHER OPERATING INCOME

Other operating income comprises the Bank's other areas, including fees for the administration of the loan portfolio sold to the Financial Stability Company and the money market activities in Treasury. Other operating income was DKK -139.0 million in 2012, representing a fall of DKK 3.6 million as compared to 2011. The fall is, among other factors, attributable to FIH's accumulated temporary excess liquidity in 2012 which will be used to repay government-guaranteed bonds in 2013. At present, the excess liquidity cannot be invested at a satisfactory return relative to the Bank's funding costs.

EXPENSES

Ordinary expenses totalled DKK 500.3 million in 2012, representing a fall of DKK 14.3 million compared to 2011. Ordinary expenses in the Corporate Finance business unit increased significantly in 2012 following markedly higher income in this business area. Adjusted for the costs in Corporate Finance, the fall in ordinary expenses in the rest of the Bank is DKK 41.5 million.

In 2012, the average number of full-time employees was reduced to 283 (stated as full-time equivalents) against 341 in 2011. The number of employees was 257 at the end of the year.

Other costs increased by DKK 7.6 million as compared to 2011. In 2012, restructuring costs had a negative impact of DKK 40.5 million (2011: DKK 20.0 million). Other operating expenses, comprising e.g. costs in connection with the Guarantee Fund for Depositors and Investors, totalled DKK 15.3 million in 2012 (2011: DKK 9.9 million).

(DKK million)	2012	2011
Expenses		
Staff and administrative expenses excluding restructuring costs	485.5	492.7
Depreciation	14.8	21.9
Total ordinary expenses	500.3	514.6
Impairment charges on intangible assets	0.0	18.3
Restructuring costs	40.5	20.0
Other operating expenses	15.3	9.9
Other expenses	55.8	48.2
Total expenses	556.1	562.8

As part of the transaction with the Financial Stability Company, FIH has agreed to manage the loan portfolio on behalf of the Financial Stability Company, and, accordingly, FIH continues to incur expenses related to the divested business area. Adjusted for these costs, ordinary costs will come to approx. DKK 440 million in 2012.

LOAN IMPAIRMENT CHARGES

In 2012, FIH's loan impairment charges totalled DKK 1,337.2 million (2011: DKK 266.5 million).

The loan impairment charges can be broken down as follows:

(DKK million)	2012	2011
Individual loan impairment charges	1,009.4	421.7
Collective loan impairment charges	258.5	-137.4
Market value adjustments, interest etc. *	69.3	-15.5
The Private Contingency Association	0.0	-2.3
Total loan impairment charges	1,337.2	266.5

* Of which loan impairment charges on customer derivatives amount to DKK 61.1 million in 2012 (2011: DKK 14.8 million). These are included as market value adjustments in the income statement on page 54, stated according to the Danish Executive Order on the Presentation of Financial Statements by Credit Institutions and Investment Firms, etc. (Executive Order on the Presentation of Financial Statements).

The level of loan impairment charges is significantly higher than expected at the beginning of 2012. Approx. 70 per cent of the individual loan impairment charges are attributable to the former business area Acquisition Finance. The high loan impairment charges show that a few major cases in Acquisition Finance have performed negatively, and that the financial conditions for a significant part of the Danish corporate sector are still challenging. Enterprises without substantial export volumes and enterprises focusing on private consumption and construction are still facing particularly difficult conditions.

Furthermore, the management judgement under collective loan impairment charges in Q4 2012 has increased by DKK 300 million in response to the deteriorating customer quality resulting from events that have already occurred but have not yet been registered.

The total loan impairment balance (including provisions for losses on guarantees) of DKK 2,037 million totals 11.2 per cent of total loans before loan impairment charges.

In Q2 2012, the Danish Financial Supervisory Authority issued new guidelines for loan impairment. For FIH, the new guidelines implied an increase in loan impairment charges in the range of DKK 50-75 million at the transition time.

NET PROFIT FOR THE YEAR – DISCONTINUED OPERATIONS

The net profit for the year of discontinued operations before as well as after tax totalled DKK 530.5 million in 2012. The profit is affected by a negative value adjustment of the deficit absorbing loan of DKK 765.8 million and negative net interest and fee income of DKK 27.8 million. Furthermore, FIH's share portfolio has seen positive market value adjustments of DKK 254.2 million. Of these, DKK 301.8 million are attributable to FIH's indirect exposure to Pandora A/S through the Axcel III fund.

TAX

In 2012, tax amounted to income of DKK 23.1 million whereas in 2011, tax constituted expenses of DKK 2.2 million. The effective tax rate for 2012 is 1.4 per cent, based on a negative financial profit before tax. The reason for the low effective tax rate is that FIH did not capitalise its tax losses to a significant degree in 2012.



BALANCE SHEET

In accordance with the FIH business strategy, the balance sheet total fell by DKK 23,400 million in 2012.

(DKK million)	2012	2011
Balance sheet		
Cash in hand	2,277	3,981
Loans	16,166	42,833
Bonds	17,030	21,568
Shares and associates	0	927
Other assets	10,122	14,848
Discontinued operations	15,162	0
Total assets	60,757	84,157
Dues to credit institutions	4,176	9,862
Deposits and other debt	14,045	6,120
Bonds issued	23,314	43,171
Other liabilities	11,780	13,968
Provisions for liabilities	135	63
Subordinated debt	1,830	3,807
Total equity	5,477	7,166
Discontinued operations	-	-
Total liabilities	60,757	84,157

In 2012, loans fell by DKK 26,667 million or 62.3 per cent, totalling DKK 16,166 million at year-end 2012 (year-end 2011: DKK 42,833). The fall in the loan balance was primarily attributable to the divestment of loans related to investment properties to the Financial Stability Company (approx. DKK 15.4 billion), whereas other reductions were primarily caused by the reduction of loans to large customers where, in FIH's assessment, satisfactory profitability is not achievable, and loans in the former business area Acquisition Finance.

Bond holdings amounted to DKK 17,030 million at year-end 2012 (year-end 2011: DKK 21,568 million). This fall was brought about by a reduction in the trading portfolio in the Bank's Markets department.

Other assets totalled DKK 10,122 million (year-end 2011: DKK 14,848 million) and consist primarily of the market value of derivative financial instruments, totalling DKK 8,536 million at the end of 2012. Other liabilities and equity totalled DKK 11,780 million (year-end 2011: DKK 13,968 million) and consist primarily of the market value of derivative financial instruments, totalling DKK 10,231 million at the end of 2012. During the period under review, FIH has reallocated several derivatives portfolios, reflected in a decline in positive as well as negative market values, while the risk profile is unchanged.

Deposits increased by DKK 7,925 million in 2012, in essence due to a very positive development in FIH Direct Bank and, consequently, deposits from retail customers and small corporate customers. These deposits increased by DKK 6,152 million, totalling DKK 11,159 million at the end of 2012. The number of customers in FIH Direct Bank totalled about 30,000 at year-end 2012 against approx. 14,000 at the beginning of the year.

Subordinated debt amounted to DKK 1,830 million – down DKK 1,977 million relative to the beginning of the year. The reason for this decrease is that in July 2012, FIH repaid hybrid core capital of DKK 1.9 billion in connection with the Financial Stability Company transaction.

After recognition of the net profit for the year, equity totalled DKK 5,477 million at year-end 2012. No dividend will be paid for 2012.

TOTAL CAPITAL

In 2012, FIH strengthened its total capital significantly, increasing the total capital ratio to 21.2 per cent (end-2011: 17.8 per cent). This strengthening is a consequence of the reduction in risk-weighted assets. FIH's adequate capital requirement analysis shows a capital requirement of 14.0 per cent against 12.3 per cent at year-end 2011. Accordingly, the excess capital has increased, amounting to 7.2 percentage points, up 1.7 percentage points on year-end 2011.

LIQUIDITY

Throughout 2012, FIH's liquidity has been strong and made it possible for FIH to redeem and cancel bonds issued with an individual government guarantee at a total of approx. DKK 22 billion in 2012. Despite such redemptions, the excess liquidity totalled DKK 6.1 billion or 106.7 per cent at year-end 2012. This liquidity does not include the loan of DKK 13.4 billion granted by FIH to the Financial Stability Company in connection with the transaction at the beginning of July 2012.

For further information on FIH's liquidity, reference is made to Section V Liquidity and Funding on page 19.

RESULTS FOR Q4 2012

For Q4 2012, the profit before loan impairment charges and taxation for continued operations totalled DKK 44.3 million (Q3 2012: DKK 10.6 million). This increase was primarily brought about by an increase in the net fee income etc. of DKK 24.1 million and an increase in net trading income of DKK 55.6 million. On the other hand, other income fell by DKK 39.5 million, among other factors because FIH has found that, on a number of items, there was no longer any basis for maintaining future accruals on such items. This will have a positive impact on FIH's results in future.

Costs total DKK 133.8 million which is at the same level as in Q3 2012, whereas loan impairment charges increased by DKK 3.0 million as compared to Q3 2012.

OTHER INFORMATION

At the end of June 2012, FIH received a provisional approval from the European Commission of government grants relating to the demerger and divestment of loans related to investment properties and related financial instruments. The final approval depends on, e.g., the submission of a detailed restructuring plan within six months of the provisional approval. FIH submitted a restructuring plan to the European Commission on 21 December 2012. The European Commission is expected to make its final decision in this matter in 2013.

EVENTS AFTER THE BALANCE SHEET DATE

No special events have occurred after the balance sheet date that affect FIH or the financial performance for 2012.

UNUSUAL CIRCUMSTANCES

The management finds that no unusual events have occurred other than the matters already described in the annual report that have affected the net profit for the year.





UNCERTAINTY RELATING TO RECOGNITION AND MEASUREMENT

Estimates are used in recognition and measurement of certain assets and liabilities in the income statement and balance sheet and, accordingly, the valuation may contain elements of uncertainty. Such estimates are performed by the Bank's management in accordance with the Bank'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.
- Valuation of the deficit absorbing loan.
- Provisions for losses on guarantees.
- Determination of fair values of financial instruments.
- Deferred tax assets.

Significant estimates are involved in the determination of impairment charges on loans and receivables in connection with the quantification of the risk that the debtor will not be able to meet his future 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 used in full or in part.

The determination of the fair value of the deficit absorbing loan to FS Property Finance A/S is based on expectations of developments in the company's performance, and, accordingly, involves significant estimates, including estimates of loan impairment charges. FS Property Finance A/S is a company which was recently formed by the Financial Stability Company and which, on 2 July 2012, acquired FIH's portfolio of loans and customer derivatives related to investment properties.

Loan 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, affecting the Bank's customers. In addition, general financing conditions are still difficult, and activity on the real estate market is generally low. In addition to customer earnings, the measurement of facilities depends, e.g., on the valuation of collateral. The valuation of the Bank's collateral depends widely on the management's estimate of required rates of return in the real estate 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 a number of other funding sources, and this affects the measurement of the facility. This could result in some uncertainty in renegotiation situations – especially if the customer is facing financial difficulties.

The determination of the fair value of financial instruments that are not traded in active markets, including private equities, involves estimates. 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. These models are subject to a certain amount of model risk.

Tax loss carryforwards are recognised if it is probable that such losses can be used in the set-off against profit within 3-5 years. Inclusion of a deferred tax asset therefore requires the management's assessment of the probability and size of future profits in the companies subject to joint taxation.

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

ACCOUNTING POLICIES

FIH's accounting policies are consistent with those applied for 2011. In Q3 2012, an amount of DKK 1.5 billion was reclassified from "amounts due to credit institutions" to "deposits and other debt", as the counterparty is not assessed to fall within the definition of a credit institution. For further information, see page 62.

IV. Prospects for 2013

In 2012, the Danish economic trends were weak following, among other factors, a turbulent year on the financial markets and a general slowdown in the global economy. 2013 is expected to see increasing economic stability; however, at the current level.

For 2013, FIH expects a further balance sheet reduction following the repayment of government-guaranteed bonds and a continued reduction of lending outside the core segment.

Due to the low balance sheet total, FIH's income from continued operations is expected to be lower than in 2012. This is relevant for income from lending activities as well as net trading income and profit from the liquidity portfolio. The latter is furthermore negatively affected by the general reduction in the Bank's risk lines to compensate for the lower balance sheet total. Lower risk for the Bank also means lower, but less fluctuating income.

At the same time, costs are expected to decrease, resulting in an expected profit before loan impairment charges etc. and tax at the same level as in 2012 (2012: DKK 307.2 million).

Loan impairment charges are expected to be markedly lower than in 2012.

Overall, FIH expects to see positive results from continued operations in 2013. However, the above expectations still involve some uncertainty, and a more negative economic development will have a negative impact on FIH in 2013.

In 2013, FIH will maintain an adequate excess cover relative to the statutory liquidity requirements and at the same time expects an increase in the excess capital over the year.



V. Liquidity and funding

In 2012, FIH reached one of its most significant milestones: refinancing of government-guaranteed bonds. This was ensured via the transaction with the Financial Stability Company, the reduction of lending in continued operations and the growth in deposits. In 2011 and 2012, FIH repaid or cancelled DKK 27.3 million of the government-guaranteed bonds issued by FIH in 2009 and 2010. Already at year-end 2012, FIH has sufficient liquidity to comply with the statutory liquidity requirement after having repaid all government-guaranteed bonds.

LIQUIDITY

At year-end 2012, FIH's liquidity, calculated in accordance with the Danish Financial Business Act, totalled DKK 11.8 billion, equivalent to excess cover of 106.7 per cent relative to the statutory requirements (end-2011: 109.8 per cent). This is higher than expected at the beginning of the year. Liquidity is determined without recognising the loan of DKK 13.4 billion that FIH granted the Financial Stability Company and which is repaid at the same time as the redemption of the government-guaranteed bonds.

Liquidity is considered to be high and has been accumulated for the purpose of repaying government-guaranteed debt. Given that, at present, FIH's liquidity cannot be invested at a satisfactory return relative to the Bank's funding costs, the excess liquidity has a negative impact on FIH's financial performance.

FIH has drawn DKK 3.0 billion on Danmarks Nationalbank's (central bank's) three-year liquidity facility. FIH has drawn on the facility in order to increase the proportion of funding with a maturity of more than one year. The amount drawn has been invested in cash. The Danmarks Nationalbank facility is recognised in liquidity even without drawing on it.

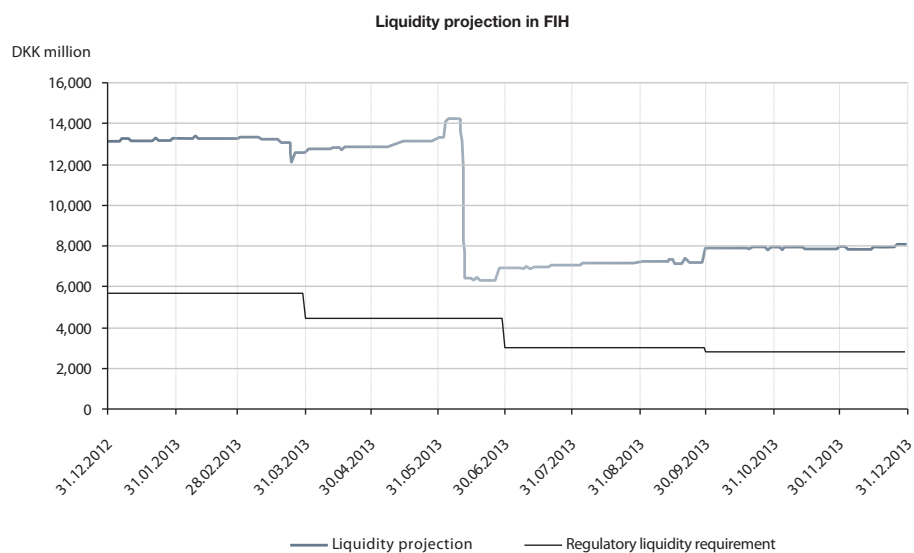
In addition, FIH has cash resources comprising the ATP facility of approx. DKK 1.3 billion which has not been drawn at the end of 2012. The facility expires in February 2014.

Investment of liquidity

Excess liquidity is invested primarily in bonds, serving as a liquidity buffer. The bond portfolio objective is to optimise returns, but with a limited level of risk and high liquidity. At the end of 2012, the portfolio is invested primarily in Danish mortgage bonds with a credit rating of "AA" or higher. At the end of 2012, only bond issuers from Denmark have been targeted for investment. Most of the bonds in the liquidity portfolio can be used as collateral with Danmarks Nationalbank.

Liquidity projection

FIH's liquidity projection detailed below illustrates the expected liquidity development in step with the implementation of the FIH business strategy, the assumption being that the loan balance is reduced even further, and the deposit volume is maintained. The decrease in mid-2013 is attributable to the repayment of the remaining government-guaranteed bonds. The liquidity projection includes the ATP facility at approx. DKK 1.3 billion. The statutory liquidity requirement has been estimated on the basis of the expected reduction of the Bank's balance sheet for the next 12 months.



Pro forma liquidity as of 31 December 2012

If FIH calculated the balance sheet at the end of 2012 adjusted for the repayment of the loan from the transaction with the Financial Stability Company and the repayment of the remaining government-guaranteed bonds, FIH would already at year-end 2012 have sufficient liquidity to comply with the statutory requirement after having redeemed the government-guaranteed bonds, without including the ATP facility, cf. the table below.

(DKK billion)	2012	Repayment to the Danish State	Proforma 2012
Cash in hand	2.3		2.3
Loans	16.2		16.2
Bonds	17.0	-7.9	9.1
Other assets	10.1		10.1
Discontinued operations	15.2	-13.4	1.8
Total assets	60.8		39.5
Due to credit institutions	4.2		4.2
Deposits and other debt	14.0		14.0
Bonds issued	25.1	-21.3	3.8
Other liabilities	12.0		12.0
Total equity	5.5		5.5
Total liabilities	60.8		39.5
Total liquidity excluding the ATP facility	11.8		4.1
Excess liquidity excluding the ATP facility (section 152 in the financial business act)	6.4		0.5



FUNDING SITUATION

For the past two years, FIH has fundamentally changed the composition of its funding. At year-end 2012, FIH's most significant future funding source is deposits from retail customers and small corporate customers, which is markedly different from earlier when FIH was primarily capital market-financed.

FIH expects to continue to increase the deposit-financed share of the loan balance, meaning that in the years to come, FIH will not depend on the use of capital markets to issue bonds. Accordingly, over 80 per cent of the loans are expected to be financed by deposits in FIH Direct Bank at year-end 2013.

The Bank is very focused on ensuring that deposits in FIH Direct Bank are a stable funding source. Its strategy contains several elements. First of all, it strives to spread the deposits on many small customers. Secondly, a longer average term is desired for deposits than is normally requested by a bank. And thirdly, the Bank pursues an active interest rate policy, regularly adjusting its rates to ensure the requested deposit volume and to ensure that FIH comes across as an attractive bank to this customer segment.

Credit rating

FIH is credit rated by the international credit rating agency Moody's Investor Services (Moody's). FIH's current rating is set out in the table below.

Moody's credit rating of FIH at year-end 2012

Rating category	Rating	Outlook
Senior unsecured	B1	Negative
Subordinated debt	Caa1	Negative
Government guaranteed notes	Aaa	Stable
Commercial Papers	Non-prime	-
Bank Financial Strength Rating (BFSR)	E+	Negative

In 2012, FIH's subordinated debt was downgraded from B3 to Caa1 when FIH's parental uplift was changed to systemic uplift. This led to a downgrading of FIH's rating, as Moody's does not attach the same weight to systemic uplift as to parental uplift. No other rating events occurred in 2012.

Combination of funding sources

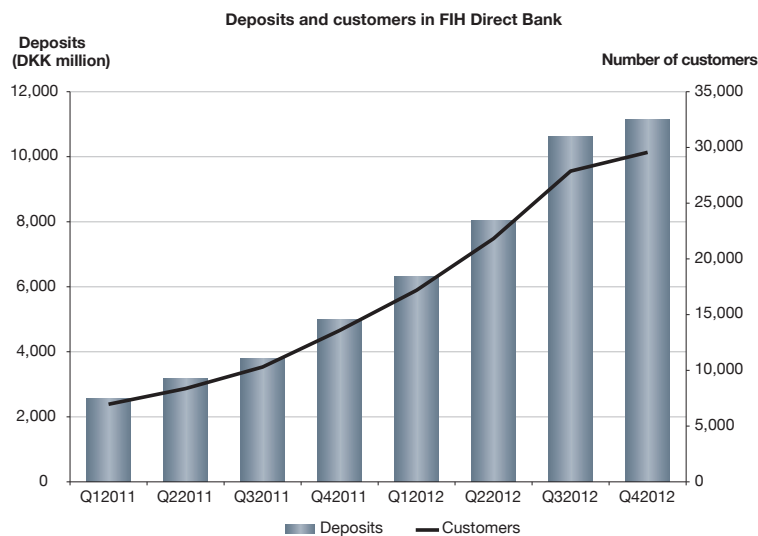
The following table shows the combination of FIH's funding sources:

Funding sources by type (per cent)	2012	2011	2010
Central banks	6	0	0
Repo transactions	2	9	26
Deposits from other banks	1	1	1
Other deposits	6	1	2
Deposits from FIH Direct Bank	23	8	6
Medium Term Notes (MTN)	47	61	45
Other bonds issued	0	1	2
Bank loans	0	4	4
Subordinated debt	4	5	5
Equity	11	10	9

As illustrated by the table, Medium Term Notes and deposits in FIH Direct Bank are FIH's largest source of funding. In 2013, a significant part of FIH's Medium Term Notes mature, and deposits are therefore expected to be the largest funding source in future. In 2012, FIH has had a keen focus on increasing deposits from retail customers and small enterprises in FIH Direct Bank. The efforts have paid off in the form of a significant increase in deposits, described in more detail below.

DEPOSITS

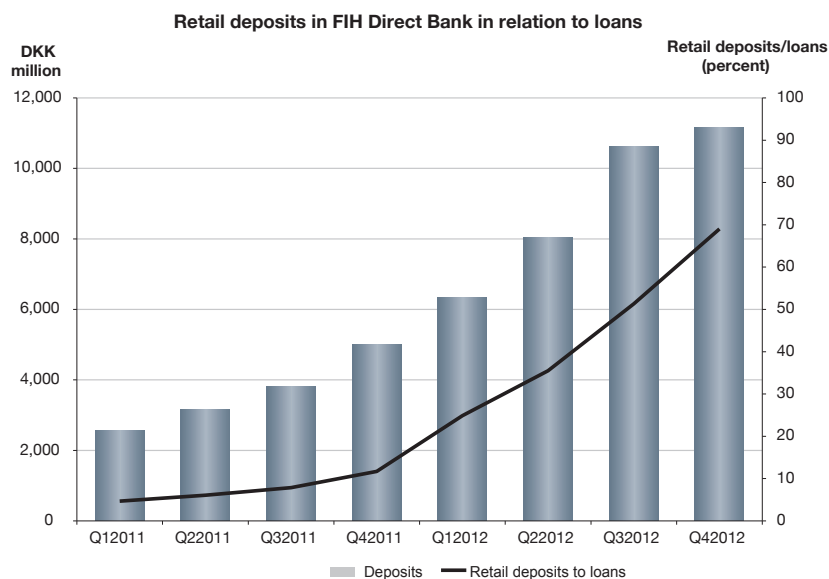
In 2012, deposits from retail customers and small enterprises in FIH Direct Bank increased by DKK 6,152 million to a total of DKK 11,159 million at end-2012. This is equivalent to an increase of 123 per cent, which is considered highly satisfactory. In the same period, the number of customers in FIH Direct Bank rose by about 16,000 to approx. 30,000. The chart below illustrates the quarterly growth in deposits over the last two years:



At the end of September 2012, FIH chose to lower its interest rates in FIH Direct Bank, which led to a lower growth rate in the number of new deposits and customers in the Bank.

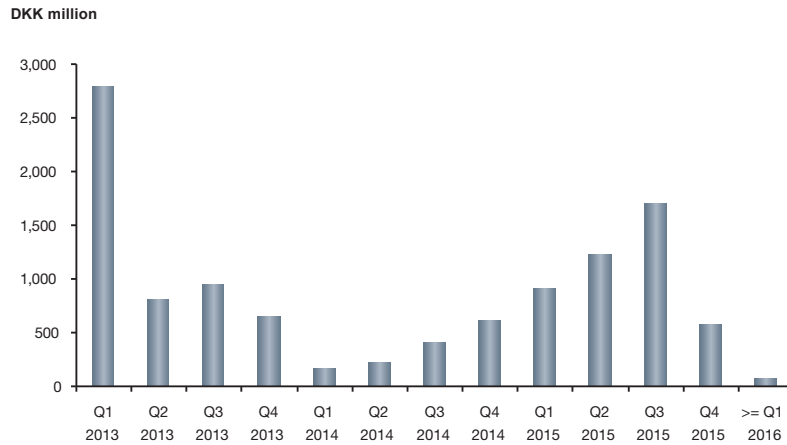
Apart from deposits in FIH Direct Bank, FIH holds other deposits of DKK 2.9 billion comprising deposits from enterprises and institutional investors and deposits on bond-like terms with a long maturity.

Accordingly, deposits in FIH Direct Bank relative to loans (after loan impairment charges) have increased from 4 per cent at year-end 2010 to 69 per cent at year-end 2012 which can be seen in the figure below. This ratio increases from 69 per cent to 87 per cent if other deposits are included. The planned further reduction in the loan balance in 2013 will increase the share of deposits in FIH Direct Bank relative to loans at an expected level of around 80 per cent. If other deposits are also included, over 100 per cent of FIH's loans after loan impairment charges will be financed by deposits.



At the end of 2012, the maturity distribution of deposits is as follows: deposits worth DKK 4.5 billion have a maturity exceeding two years. Deposits worth approx. DKK 2.8 billion will mature in the coming quarter, day-to-day deposits accounting for about DKK 0.7 billion. At the end of Q3 2012, deposits with a maturity exceeding two years totalled DKK 4.3 billion, whereas deposits corresponding to DKK 2.5 billion matured in Q4 2012. This means that FIH has maintained these funds and has furthermore expanded its deposit base. This development shows that FIH's focus on attracting deposits with a maturity exceeding three months has been successful. In addition, FIH's ratio of on-demand deposits to total deposits is significantly lower than that of the average Danish bank. At the end of 2012, the average deposit in Direct Bank was DKK 0.378 million (2011: DKK 0.369 million).

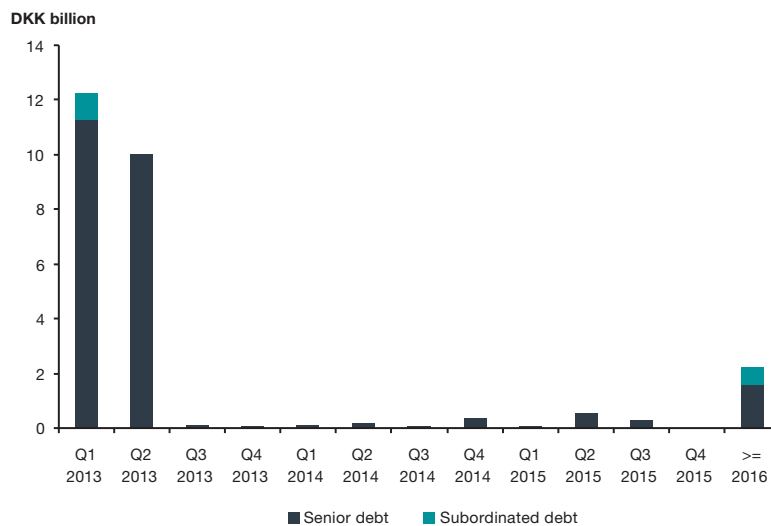
The following chart illustrates the maturity profile of deposits in FIH Direct Bank.



Debt profile

FIH has senior debt with an original maturity of 1 year or more of a nominal amount of DKK 22.5 billion maturing in H1 2013. Government-guaranteed bonds account for DKK 21.3 billion of this amount, DKK 13.4 billion of which is paid through the loan granted as part of the transaction with the Financial Stability Company.

Debt profile in the coming quarters



The chart shows medium-term and long-term market debt with an original maturity of 1 year or more. The central bank facility of DKK 3 billion is not included. The debt has been calculated as the nominal value in Danish kroner, based on Danmarks Nationalbank's official exchange rates at end-December 2012.



VI. FIH's business

Based on the current three business units, FIH wants to target its efforts and strive to deliver value-creating financing solutions and financial advice to the Danish corporate sector:

Banking: Provides loans and delivers financial solutions primarily to Danish small and medium-sized enterprises.

Markets: Provides financial advisory services to Danish enterprises e.g. on risk management, liability management and capital structure. Markets is also responsible for trading and customer-oriented activities in the interest rate, foreign exchange and securities markets. Markets is comprised of:

- Financial Solutions: Customer-oriented advisory and trading activities with derivatives to hedge particularly interest rate and foreign exchange risk.
- Trading: Trading in interest rate and foreign exchange products.
- Treasury Portfolio: Management of FIH's liquidity portfolio.

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

In addition, reporting comprises the business area Other activities which includes Treasury (handling of money market activities) and other activities, including administrative fees from FS Property Finance A/S in relation to the management and administration of the divested business area.

All segments are described in detail on the following pages.

BANKING

Income statement

(DKK million)	2012	2011
Income*	467.7	550.3
Operating costs	190.8	257.2
Loan impairment charges etc.	1,337.2	268.8
Net profit before tax	-1,060.3	24.3

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

The business area

Banking provides financing solutions and financial advisory services to primarily small and medium-sized Danish enterprises. The financial advisory services are provided in cooperation with the other business units in FIH.

Market development and activities

The enterprises' investments have been limited in 2012, and the effects of the financial crisis have caused enterprises to replace short-term bank debt by long-term mortgage financing. These circumstances have led to a limited demand for new loans from FIH's customers.

FIH's loan balance can be broken down into three types of enterprises: SMEs (small and medium enterprises), Large Corporates and Private Equity-owned enterprises (the former business area Acquisition Finance). At year-end 2012, loans to SMEs and Large Corporates totalled approx. 72 per cent of the total loans of DKK 16,133 million in Banking, whereas the remaining loans were extended to Private Equity-owned enterprises.

In relation to SME customers, the most significant activities comprised maintenance and expansion of the individual customer's relations through a close dialogue on relevant financial solutions, the provision of satisfactory customer profitability and conclusion of new, profitable transactions. Furthermore, FIH has focused, in its business strategy, on reducing facilities with Large Corporates customers, if FIH has estimated that it has been impossible to achieve satisfactory customer profitability.

FIH expects to reduce loans to Private Equity-owned enterprises on a continuously basis.

Net profit for the year

Profit before tax in Banking totals DKK -1,060.3 million, down DKK 1,084.6 million relative to 2011. The negative profit before tax is attributable to a high level of loan impairment charges in 2012.

MARKETS

Income statement

(DKK million)	2012	2011
Net trading income	312.0	235.3
Profit/loss from the liquidity portfolio	111.6	56.1
Operating costs	164.9	165.5
Net profit before tax	258.7	125.9

The business area

Markets is responsible for the Bank'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 Portfolio.

Financial Solutions is responsible for customer advisory services and trading activities. Advisory and trading activities focus on hedging of customers' financial risks within credit, liquidity, interest rate and foreign exchange risks.

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 pricing of trading in interest rate and foreign exchange products mainly targeting Financial Solutions and is authorised to undertake trading in FIH's short-term holdings.

Treasury Portfolio is responsible for managing of FIH's liquidity portfolio.

Market development

2012 was another difficult year for the global economy. While southern European countries bear the main brunt of slow economic growth, more resilient northern European economies are feeling the strain too and are becoming increasingly dependent on exports to non-eurozone markets.

However, European financial markets strengthened in the autumn of 2012 on the announcement by the European Central Bank (ECB) that it was prepared to buy government bonds from troubled eurozone countries. This announcement was one of the primary underlying factors of a marked reduction in financial market volatility, especially in foreign exchange and interest rate markets.

Activities

In 2012, Financial Solutions was impacted by lower turnover following the reduction in FIH's customer base and by the effects of low interest rates since the spring of 2012. This reduced the need for interest rate liability management, but also increased the need for foreign exchange hedging. Furthermore, the focus of Financial Solutions in 2012 has been on the development of products that are less dependent on FIH's existing customer base. This development is to ensure increased profitability in 2013 onwards.

In addition to sale of advisory services to FIH's customers, Trading generated significant earnings.

Net profit for the year

Markets' net profit for the year 2012 is DKK 258.7 million, an increase of DKK 132.8 million on 2011.



CORPORATE FINANCE

Income statement

(DKK million)	2012	2011
Income*	122.8	88.8
Operating costs	90.2	63.0
Net profit before tax	32.6	25.8

* Income comprises net interest and fee income.

The business area

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

Market development and activities

In the period, FIH PARTNERS has provided advisory services related e.g. to the following transactions:

- Advisory services to Skandinavisk Holding and KFI on the conclusion of an agreement with NorgesGruppen on a new ownership structure for Dagrofa.
- Advisory services to Ambu in connection with the acquisition of King Systems, USA.
- Advisory services to the owners of Royal Copenhagen in connection with the sale to Fiskars.
- Advisory services to the owners of the Tiger concept stores in connection with the sale of 70 per cent of the shares to EQT.
- Bang & Olufsen in connection with a targeted issue of new shares, as well as the conclusion of strategic partnerships with the Chinese distribution company Sparkle Roll and the private equity fund A CAPITAL.
- Sjøelsø in the refinancing of the company's interest-bearing debt of EUR 500 million.
- FLS in connection with the acquisition of Ludowici in Australia.
- Dong Energy in connection with the sale of 50 per cent of Borkum Riffgrund 1 to KIRKBI and the Oticon Foundation.
- NKT in connection with the sale of NKT Flexibles.
- Monberg & Thorsen in connection with the sale of Dyrup to PPG Industries, USA.
- Dong Energy in connection with the sale of 50 per cent of the Anholt wind farm to PensionDanmark and PKA.

FIH PARTNERS is the leading player on the market for corporate finance services in Denmark. In 2012, FIH PARTNERS thus successfully helped a number of customers conclude significant transactions, forming the basis for its market-leading position. This has generated healthy revenue and earnings in 2012. Moreover, FIH PARTNERS has recorded a satisfactory addition of new mandates, and the pipeline remains strong.

Net profit for the year

The profit for the year before tax for 2012 totals DKK 32.6 million (2011: DKK 25.8 million).

OTHER ACTIVITIES

Income Statement

(DKK millin)	2012	2011
Income*	-150.8	-91.9
Operating costs	110.2	77.1
Loan impairment charges etc.	0.0	-2.3
Net profit before tax	-261.0	-166.7

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

The "Other activities" business segment comprises all of FIH's other activities, including Treasury, which manages the Bank's Treasury activities. Treasury comprises e.g. FIH's funding costs, including commission payments on the government guarantee for bonds issued. Expenses related to FIH's restructuring in 2012 and 2011 are also part of Other activities (under operating costs) and are expensed to the business segment, as are expenses and income relating to FIH's administration agreement with The Financial Stability Company.

Treasury 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. Until the redemption of government-guaranteed bonds in June 2013, Treasury will be negatively impacted by significant excess liquidity, which cannot currently be invested at a satisfactory return relative to the Bank's funding costs. In addition, Treasury was affected by several non-recurring events in 2012, including:

- Repurchase of bonds which is reflected in a market value adjustment loss during the period, but will result in lower interest expenses in future.
- Charging to the income statement of items, as FIH has found that there was no longer any basis for maintaining future accruals of the such items.

Net profit for the year

Other activities' net profit for 2012 totals DKK -261.0 million, a decrease of 94.3 million on 2011.



VII. 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 exposures, the concentration of risk in terms of loan size and industry distribution and the handling of the credit exposures, including rating models, hedging of collateral and loan impairment charges.

In this section, comparative figures as at 31 December 2011 have been restated in accordance with the demerger of loans related to investment properties.

Concentration risks

Throughout 2012, FIH has performed a deliberate reduction of the loan balance primary among loans where FIH has not been able to obtain satisfactory profitability. This has primarily been effected in a dialogue with the customers and in mutual understanding. As a consequence, the balance sheet total has been reduced with an overweight among the largest and best-rated exposures. The result is a falling average portfolio rating, while the average group exposure and the number of groups have also been reduced.

Average exposures etc.

	2012	2011
Average group exposures (DKK million)	15.5	18.7
Average rating	4.4	5.5
Average probability of default	2.24	2.03
Number of groups	1,804	2,122

Under the Danish Financial Business Act, the sum of exposures 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, where the sum of these commitments may not exceed 100 per cent of the capital base, and during recent years FIH has been making targeted efforts to reduce these exposures. Despite these efforts, the sum of large exposures amounted to 74.2 per cent of the capital base at year-end 2012 (2011: 36.0 per cent). The increase is partly attributable to a decrease in the capital base, which means that several exposures have been classified as "large exposures" and at the same time are given higher weight, and partly as the deficit absorbing loan from the Financial Stability Company transaction is classified as a large exposure. The deficit absorbing loan accounts for approx. 14 percentage points of the total amount of large exposures.

The long-term aim is to reduce the sum of large exposures to 0, as it has been decided that the maximum size of new exposures will be in the region of DKK 250 million per exposure.

Another indication of concentration risk is the industry distribution of FIH's loans.

The table below shows the industry distribution of FIH's loans (excluding guarantees) before loan impairment charges in continued operations

Industry	2012		2011	
	DKK million	Per cent	DKK million	Per cent
Industry and mineral extraction	6,044	37 %	12,288	44 %
Trading	3,543	22 %	5,061	18 %
Building and construction	383	2 %	489	2 %
Transport, hotels and restaurants	2,597	16 %	4,201	15 %
Finance and insurance	409	3 %	677	2 %
Real estate	901	6 %	1,351	5 %
Information and communication	314	2 %	392	1 %
Other industries	1,975	12 %	3,211	13 %
Total	16,166	100 %	27,670	100 %

FIH's largest exposures are generally found within industry and mineral extraction and trading. The real estate exposure amounts to 6 per cent in the continued operations after the Financial Stability Company transaction.

CREDIT RISKS

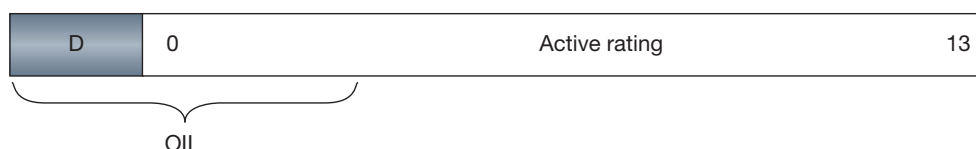
The quality of FIH's credit exposures

At the end of 2012, FIH's loans after loan impairment charges total DKK 16,166 million (DKK 18,203 million before loan impairment charges), and, in accordance with the Bank's strategy, have been reduced by DKK 26,667 million since year-end 2011, corresponding to 62 per cent. 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 14,219 million before loan impairment charges at year-end 2012.
- II. Default-registered loans (rating class D), DKK 3,984 million before loan impairment charges at year-end 2012.
- III. Loans registered with an objective indication of impairment (OII), DKK 4,489 million before loan impairment charges at year-end 2012.

The sum of categories I and II is FIH's total loans before loan impairment charges. Category III (OII loans) comprises loans from categories I and II. Such loans, for which no need for loan impairment charges has been found, make up DKK 505 million. OII loans with a need for loan impairment charges are all placed in rating class D.

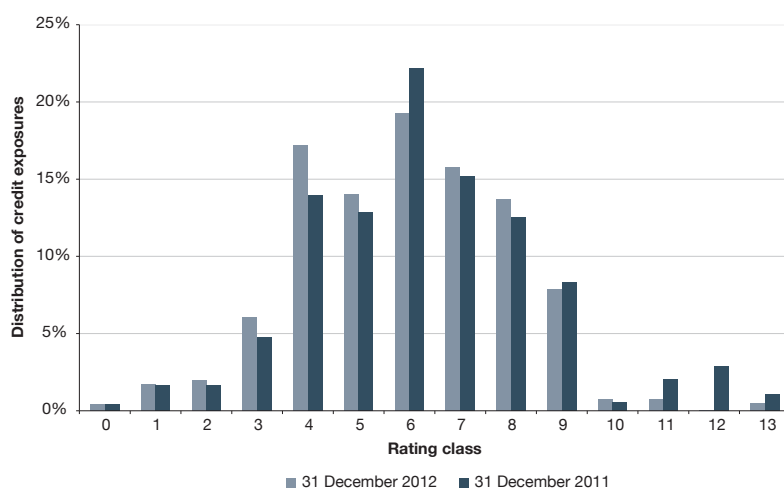
FIH's credit exposures broken down by rating classes.



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 37.

Rating models are integral elements of FIH's credit processing process, rating customers on a scale from 0-13. A rating of 0 indicates a very high probability of default, and a rating of 13 indicates a very low probability of default.

FIH's credit exposures broken down by active rating classes.



As a consequence of, e.g., the reduction in highly rated customers, the average probability of default on FIH's credit exposures in 2012 increased from 2.03 per cent at the beginning of the year to 2.24 per cent at year-end 2012. However, the increase is also attributable to a fall in the customers' average rating due to the general market trends.

The quality of the credit exposures should not be assessed on a case-by-case basis based on the rating distribution, as this only includes the probability of default and not whether the relevant exposure is fully or partly secured by collateral. A significant portion of FIH's lending is secured by first priority pledges on the customers' assets. At year-end 2012, FIH has secured an average of 53 per cent of its exposures by collateral in which the value has been assessed according to a significant haircut of 25-50 per cent. This is an increase compared to 2011 when the average collateral was 43 per cent. The increase in collateral should be viewed in the light of the fall in the average rating, as both these elements are impacted by repayments of large loans with a high creditworthiness (high rating) but low security cover.

Credit exposures and the average secured part broken down by rating classes.

Total FIH Banking					
2012			2011		
Rating	Credit exposures	Average secured part less haircut	Rating	Credit exposures	Average secured part less haircut
0	< 1 %	89 %	0	< 1 %	78 %
1	2 %	94 %	1	1 %	86 %
2	2 %	85 %	2	1 %	81 %
3	6 %	71 %	3	4 %	65 %
4	17 %	65 %	4	12 %	63 %
5	14 %	70 %	5	12 %	48 %
6	18 %	55 %	6	20 %	46 %
7	16 %	39 %	7	14 %	35 %
8	14 %	25 %	8	11 %	27 %
9	8 %	45 %	9	7 %	32 %
10	1 %	21 %	10	< 1 %	68 %
11	1 %	53 %	11	2 %	9 %
12	< 1 %	91 %	12	3 %	3 %
13	1 %	6 %	13	1 %	2 %
Total	100 %	53 %	Total	100 %	43 %

In general, FIH's best cover is found in the lowest rating classes.

Loans registered with an objective indication of impairment

Of the total loan balance of DKK 18,203 million before loan impairment charges, loans registered with an objective indication of impairment (OII) account for DKK 4,489 million.

Loans with an individual indication of impairment will be default-marked (rating class D). 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-).

The composition of OII loans before impairment charges

Total FIH Banking		
(DKK million)	2012	2011
OIU loans:		
OII: Non-default registered loans	505	737
OII: Default registered loans	3,984	2,308
Of which rating class D+	3,099	1,319
Of which individually written down for impairment by	1,040	402
Of which rating class D-	885	989
Of which individually written down for impairment by	498	489
Of rating class D-, non-performing loans total	885	948
Total OII	4,489	3,045

Collective impairment charges on loans total DKK 378 million at year-end 2012 and are not included in the table. The impairment charges in the table are also shown excluding guarantee provisions totalling DKK 121 million at year-end 2012.

The table shows an increase in the OII-marked loans of DKK 1,444 million to DKK 4,489 million since the end of 2011, but a decrease in the lowest class, D-, by DKK 104 million to DKK 885 million.

Most of the increase in OII-marked loans was brought about by a few large exposures within the former business area Acquisition Finance.

The individually impaired share of the defaulted loans still amounts to 39 per cent in the period.

Loan impairment charges

Total loan impairment charges (including provisions for losses on guarantees) amounted to DKK 1,337.2 million in 2012 (2011: DKK 266.5 million), and the loan impairment balance totalled 2,037 million at year-end 2012 (year-end 2011: DKK 1,077 million).

Distribution of loan impairment charges (continued operations)

(DKK million)	2012	2011
Individual loan impairment charges	1,009.4	421.7
Collective loan impairment charges	258.5	-137.4
Market value adjustments, interest etc. *	69.3	-15.5
The Private Contingency Association	0.0	-2.3
Total loan impairment charges	1,337.2	266.5

* Of which loan impairment charges on customer derivatives amounted to DKK 61.1 million in 2012 (2011: DKK 14.8 million). These are included as market value adjustments in the income statement on page 54, stated according to the Danish Executive Order on the Presentation of Financial Statements by Credit Institutions and Investment Firms, etc. (Executive Order on the Presentation of Financial Statements).

This means that the loan impairment charges have increased considerably in continued operations in 2012 and are higher than expected at the beginning of 2012. Approx. 70 per cent of the individual loan impairment charges are attributable to the former business area Acquisition Finance. Accordingly, the high loan impairment charges reflect the negative performance by a few larges cases in Acquisition Finance, but also the challenging market conditions in 2012, particularly for enterprises without substantial export volumes and for enterprises focusing on construction and private consumption. These enterprises have found it difficult to generate satisfactory earnings. The large internationally minded enterprises have a wider market coverage and better possibilities of optimising their production apparatus and have therefore not faced the same challenges.

The total loan impairment balance of DKK 2,037 million amount to 11.2 per cent of total loans before loan impairment charges.

OTHER RISK TYPES – MARKET RISK

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

In 2012, FIH chose to reduce its market risk framework. This is done to ensure that the framework reflects the current business activities and due to the continued reduction of the balance sheet. The risk framework reduction has led to a fall in the actual risk. The overall market risk framework expressed in Value-at-Risk has consequently been reduced by 30 per cent, and selected risk areas have seen even further reductions.

Approach to market risk

FIH's approach to market risk is a low to moderate market risk for the Group as such. FIH generally wants to assume a low foreign exchange risk and a moderate interest rate risk, but no commodity risk. FIH aims at a market risk at the same level or lower than that of comparable banks. For further details on market risk, see note 39.

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 for the inter-correlation of assets. The market risk of the Bank's total balance sheet (including the market risk not included in the trading portfolio), determined as VaR at a one-day horizon and 99 per cent probability, was DKK 17 million at year-end 2012 (year-end 2011: DKK 26 million).

Interest rate risk

Interest rate risk is the risk of loss arising from changes in market rates. Due to FIH's business model, interest rate risk is the market risk element of the greatest importance to FIH and, consequently, like other risk types, interest rate risk is 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 -43 million at year-end 2012 (year-end 2011: DKK -59 million).

Foreign exchange risk

Foreign exchange risk is the risk of loss arising from adverse changes in exchange rates. 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 at a one-day horizon and 99 per cent probability, was DKK 0 million at year-end 2012 (year-end 2011: DKK 0 million).

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 2012" on www.fih.com/Financials/Risk+Reports.

OTHER RISK TYPES – EQUITY RISK

Equity risk is the risk of loss arising from fluctuations in equity prices. FIH previously invested in private equities in the Private Equity segment, which – in compliance with the Bank's business strategy – is being wound up. FIH does not want to assume any equity risk in listed shares.

At year-end 2012, FIH is subject to equity risk due to a portfolio of private equities of DKK 865 million. This includes FIH's indirect exposure in Pandora A/S of DKK 487 million from FIH's investment in the Axcel III fund. In 2012, FIH completed a partial sale of the equity portfolio worth more than DKK 200 million.

The remaining equity portfolio is classified as a discontinued activity, as the shareholdings have been put up for sale and are expected to be sold in 2013.

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 needs. Moreover, in its liquidity policy, FIH has opted to raise the 10 per cent statutory requirement for total liabilities and guarantee commitments to 15 per cent.

At end-2012, FIH's liquidity totals DKK 11.8 billion, equivalent to excess cover of 106.7 per cent relative to the regulatory requirements; in other words, FIH's liquidity meets both statutory requirements and FIH's own liquidity 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, as is the volume of demand deposits received. Instead, FIH has an ongoing refinancing need 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.



THE SUPERVISORY DIAMOND

In the summer of 2010, the Danish Financial Supervisory Authority introduced the Supervisory Diamond, 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:

- Sum of large exposures
- Growth in loans
- Property exposure
- Liquidity cover
- Funding ratio

Supervisory Diamond status*

	Limit	FIH Group 31 December 2012	FIH Erhvervsbank A/S 31 December 2012
Total amount of large exposures**	< 125 % of capital base	59 %	59 %
Growth in loans	< 20 %	- 29 %	-23 %
Property exposure	< 25 %	10 %	11 %
Liquidity cover	> 50 %	107 %	95 %
Funding ratio	< 100 %	130 %	108 %

* The Supervisory Diamond's limits are calculated based on total results, i.e. both continued and discontinued operations.

** Total amount of large exposures is calculated according to The Danish Financial Supervisory's guidelines (available in Danish only).

At the end of 2012, both the FIH Group and FIH Erhvervsbank A/S are in compliance with the Danish Financial Supervisory Authority's supervisory diamond for banks, with the exception of just one indicator. The funding ratio calculated for the FIH Group is 130 per cent against a maximum limit value of 100 per cent. If calculated after the repayment of the last government-guaranteed bond issues and the loan of DKK 13.4 billion in June 2013, FIH complies with the 100 per cent limit value.

Financial data table with columns for various metrics and values.

Symbol	Price	Change	Volume	Market Cap
MSFT	310.00	+5.00	100M	2.5T
GOOGL	2800.00	+20.00	50M	7.0T
AMZN	180.00	+3.00	80M	1.5T
FB	350.00	+2.00	60M	2.0T
APPL	150.00	+1.00	70M	1.2T
ORCL	45.00	+0.50	120M	0.5T
CRM	120.00	+1.50	30M	0.2T
ADBE	450.00	+4.00	20M	0.8T
INTC	35.00	-0.20	150M	0.3T
QCOM	110.00	+1.00	40M	0.4T
TXN	160.00	+0.80	10M	0.1T
IBM	160.00	+0.50	60M	0.3T
WAT	170.00	+1.20	15M	0.1T
AMD	70.00	+1.50	180M	0.1T
AVGO	520.00	+6.00	12M	0.5T
MRNA	250.00	+3.00	10M	0.1T
REGN	550.00	+5.00	5M	0.1T
VRTX	400.00	+4.00	8M	0.1T
BIIB	220.00	+2.00	7M	0.1T
CRMR	110.00	+1.00	3M	0.1T
TEVA	40.00	+0.50	100M	0.1T
ABBV	140.00	+1.50	80M	0.1T
LLY	450.00	+4.00	20M	0.1T
UNH	520.00	+5.00	15M	0.1T
CVS	60.00	+0.80	120M	0.1T
WAL	140.00	+1.20	100M	0.1T
DIS	130.00	+1.00	70M	0.1T
CMSCA	110.00	+1.00	30M	0.1T
WDC	50.00	+0.50	100M	0.1T
DELL	40.00	+0.50	150M	0.1T
HPQ	30.00	+0.30	180M	0.1T
IBM	160.00	+0.50	60M	0.3T
ORCL	45.00	+0.50	120M	0.5T
QCOM	110.00	+1.00	40M	0.4T
TXN	160.00	+0.80	10M	0.1T
IBM	160.00	+0.50	60M	0.3T
WAT	170.00	+1.20	15M	0.1T
AMD	70.00	+1.50	180M	0.1T
AVGO	520.00	+6.00	12M	0.5T
MRNA	250.00	+3.00	10M	0.1T
REGN	550.00	+5.00	5M	0.1T
VRTX	400.00	+4.00	8M	0.1T
BIIB	220.00	+2.00	7M	0.1T
CRMR	110.00	+1.00	3M	0.1T
TEVA	40.00	+0.50	100M	0.1T
ABBV	140.00	+1.50	80M	0.1T
LLY	450.00	+4.00	20M	0.1T
UNH	520.00	+5.00	15M	0.1T
CVS	60.00	+0.80	120M	0.1T
WAL	140.00	+1.20	100M	0.1T
DIS	130.00	+1.00	70M	0.1T
CMSCA	110.00	+1.00	30M	0.1T
WDC	50.00	+0.50	100M	0.1T
DELL	40.00	+0.50	150M	0.1T
HPQ	30.00	+0.30	180M	0.1T



VI. Adequate capital and capital position

In 2012, FIH increased its total capital ratio to 21.2 per cent (year-end 2011: 17.8 per cent), and at the same time, the tier 1 capital ratio has increased to 18.2 per cent (year-end 2011: 15.6 per cent). This increase is attributable to a fall in risk-weighted assets.

FIH aims to maintain a total capital that is considerably higher than the regulatory requirements to ensure that the Bank is able to resist any significant unexpected losses. This target has been achieved, as the excess capital in 2012 increased by 1.7 percentage points to 7.2 per cent.

The Bank's capital planning strategy reflects the current economic situation, and FIH focuses on reducing its risk-weighted items in consideration of FIH's strategy. The execution has been successful, as the risk-weighted assets have fallen to DKK 29.8 billion (2011: DKK 57.1 billion).

FIH's capital position comprises:

Capital position in FIH Group

(DKK million)	31 December 2012	31 December 2011
Capital base		
Share capital	513	513
Transferred	0	0
Reserves	0	0
Retained earnings	4,963	6,651
Core capital	5,476	7,164
Statutory deductions in core capital:		
Deferred capitalised tax assets	-137	-120
Intangible assets	-7	-15
Core equity tier 1 after deductions	5,332	7,029
Difference between valuation of trading portfolio	94	-35
Hybrid core capital in accordance with the Financial Business Act, section 129(2)	0	1,900
Total tier 1 capital incl. hybrid core capital	5,426	8,894
Supplementary capital:		
Revaluation reserve property	1	1
Subordinated debt (excluding hybrid core capital)	1,649	1,731
Statutory deductions	-744	-494
Supplementary capital that may be included in the calculation of the Total Capital Ratio	906	1,238
Capital base after deductions	6,332	10,132
Minimum capital requirement		
Risk-weighted assets for credit risk including collective loan impairment charges, standard approach	22,357	47,825
Risk-weighted assets for market risk, standard approach	4,714	6,146
Risk-weighted assets for operational risk, basic indicator approach	2,769	3,079
Total risk-weighted assets (RWA)	29,840	57,050
Capital requirement under pillar I	2,387	4,564

Capital position in FIH Group

(DKK million)	31 December 2012	31 December 2011
Adequate capital		
Capital requirement for credit risk, internal model	3,403	5,384
Capital requirement for market risk, internal model	428	754
Capital requirement for operational risk, internal model	222	274
Capital requirement for other risks, internal model	129	624
Capital requirement under pillar II		
Capital Adequacy Ratio (per cent)	14.0	12.3
Tier 1 Capital Ratio (excl. hybrid core capital - per cent)	17.9	12.4
Tier 1 Capital Ratio (per cent)	18.2	15.6
Total Capital Ratio (per cent)	21.2	17.8
Supplementary capital before deductions		
(DKK million)	Maturity	Debt
Var. % EUR	26.03.2013	992
4.80 % JPY	31.03.2032	657
Total		1,649

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

FIH's management regularly assesses the capital requirement of the Bank's risk profile for the next 12 months. The result of the adequate capital requirement analysis shows an adequate capital requirement of 14.0 per cent against 12.3 per cent at year-end 2011. The capital requirement has increased, e.g. as a consequence of FIH's capital reserve corresponding to the full deficit absorbing loan.

The difference between the total capital ratio and the adequate capital requirement set by the management is known as the excess capital or the capital buffer. At year-end 2012, the capital buffer is 7.2 percentage points (year-end 2011: 5.5 percentage points), equivalent to DKK 2.2 billion.

FIH's actual calculated capital base is thus much higher than the individually calculated adequate capital base. This reflects a deliberate strategy on the part of FIH to be a well-consolidated bank at all times. Reference is also made to the report "Risk Management in FIH 2012" for a detailed description of the different elements of the calculation of the adequate capital. The report is available on www.fih.com/Financials/Risk+Reports.

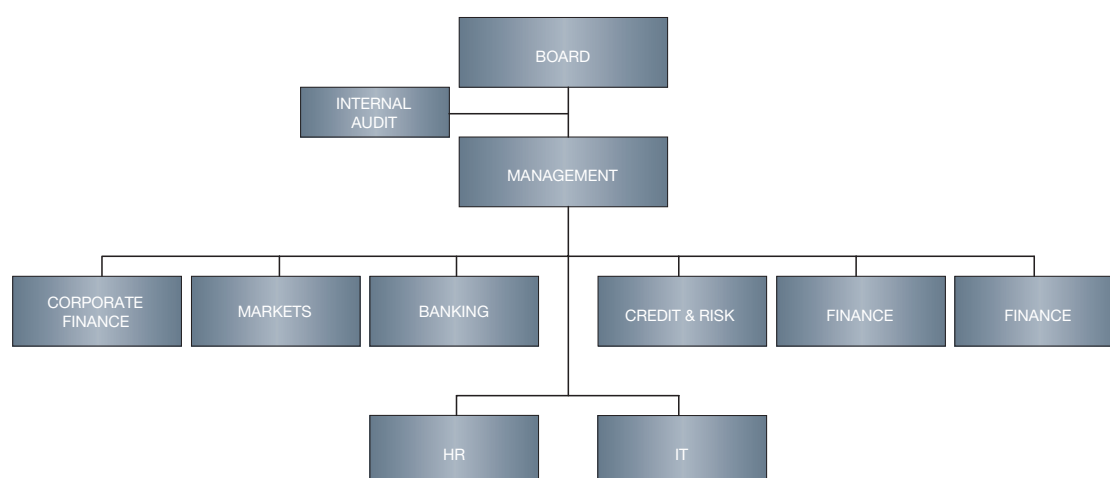


IX. Organisation and corporate governance

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.

THE ORGANISATION

FIH's organisation comprises three business segments: Banking, Markets and Corporate Finance. In July 2012, FIH divested the Property Finance segment, which was a part of Banking.



In future, Banking will focus on providing financial solutions primarily to Danish small and medium-sized enterprises.

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 to customers on mergers and acquisitions, privatisations, capital injections, etc.

Each of the three business segments and their performance are described in detail in section VI "FIH's business". The three business segments are served by several staff functions, including Credit & Legal, which is responsible for FIH's risk management, and Finance, which is responsible for preparing financial statements amongst other.

CORPORATE GOVERNANCE

FIH's top management comprises the Board of Directors and the Executive Board.

The Board of Directors

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

FIH's former chairman Hans Skov Christensen resigned from FIH's Board of Directors July 1, 2012, and was replaced by Christian Dyvig A/S chairman for the Board of Directors. Henrik Heideby is deputy chairman. Other members elected by the general meeting are Daniel Eriksson and Henrik Gade Jepsen. Lars Rohde resigned from the Board of Directors on December 13, 2012 to assume the position of Governor of Danmarks Nationalbank (Danish Centralbank) on February 1, 2013. January 30, 2013 Fredrik Martinsson was elected as new member of the Board of Directors.

Board members elected by the employees are Randi Holm Franke, Lene Foged Nothlevsen and Jacob Baggers Willemoes. For information on the Board of Directors' competencies and other directorships, please see note 45.

Composition of the Executive Board

The Executive Board has two co-CEOs: Bjarne Graven Larsen and Henrik Sjøgreen.

The Board of Directors' responsibilities

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, the Danish Financial Statements Act, the Danish Bookkeeping Act, the Danish Financial Business Act and other relevant legislation and regulation.

A total of 12 board meetings were held in 2012, and seven board meetings have been scheduled for 2013.

In 2012, the Board of Directors carried out a self-assessment of its performance and an assessment of each Board member's competencies and experience. The latter assessment was submitted to the Danish Financial Supervisory Authority in October 2012. The conclusion of both assessments is that the existing Board of Directors has all of the competencies and experience needed to run an enterprise with FIH's business model.

The management structure reflects general Danish company requirements, financial legislation in the area and recommendations of the Committee on Corporate Governance. FIH publishes a separate Corporate Governance Policy, including FIH's status on compliance with the Committee on Corporate Governance's recommendations. FIH's Corporate Governance Report is available at www.fih.com/About/Corporate+Governance.

The Board of Directors' competence profiles

Christian Dyvig (Chairman)

Managing Director of the Lundbeck Foundation. Christian Dyvig is an attorney and holds an MBA and has held executive positions with the international investment bank Morgan Stanley in London and Frankfurt and with Nordic Capital, a leading Nordic private equity fund. Christian Dyvig is especially well versed in current legislation, risk management, capital markets and corporate finance, business development, strategy planning, the Danish corporate sector in general, lending, review of large exposures and understanding of financial statements.

Henrik Heideby (Deputy chairman)

CEO of PFA Pension. Henrik Heideby's former positions include those of CEO of Alfred Berg Bank A/S and CEO of FIH Erhvervsbank. With a long experience from various segments of the financial sector, Henrik Heideby has in-depth knowledge of financial regulation, capital markets, risk management, business development, strategy planning, IT security and stability, review of large exposures, understanding of financial statements, the Danish corporate sector in general and experience from the day-to-day management of several relevant financial enterprises.

Daniel Eriksson

Head of Products i Folksam Life & Non-Life Insurance. After seven years in auditing and one year in consultancy, Daniel Eriksson changed careers to the financial sector and has held management responsibility since 2001. Daniel Eriksson has achieved broad knowledge of insurance and capital markets and of Swedish and European financial sector regulation. Daniel Eriksson is especially well versed in organisational restructuring, product development, business development, strategy planning and understanding of financial statements. Furthermore, Daniel Eriksson has experience from the day-to-day management of a relevant financial enterprise.

Henrik Gade Jepsen

CIO and acting CEO of the Danish Labour Market Supplementary Pension Scheme (ATP). Henrik Gade Jepsen's previous positions include positions at Danmarks Nationalbank, The International Monetary Fund (IMF) and Realkredit Danmark. With a long experience from various segments of the financial sector, Henrik Gade Jepsen has in-depth knowledge of and experience in risk handling and capital markets, knowledge of financial regulation, business development, strategy planning, understanding of financial statements and experience from the day-to-day management of a relevant financial enterprise.

Fredrik Martinsson

CIO of Investments at ATP. Fredrik Martinsson has previously held executive positions with ATP Alpha Fondsmæglerelskab and Danske Bank. Fredrik Martinsson has competences and many years of experience in management and investment of considerable financial enterprises. This experience has given him in-depth knowledge of and experience in risk handling, capital markets, knowledge of financial regulation, business development, strategy planning, understanding of financial statements and experience with the day-to-day management of a relevant financial enterprise.

Randi Holm Franke

Senior project manager. Randi Holm Franke trained as a banker and has been employed in the financial sector since 1987. Until 2005, she was employed mainly in central credit departments. Randi Holm Franke has long experience in credit assessment of Scandinavian business enterprises and financial enterprises. Through the role as project manager, Randi Holm Franke has been in charge of credit projects and business development and has achieved knowledge of the company's IT systems and detailed knowledge of credit systems. Since her employment in FIH Erhvervsbank in 2005, Randi Holm Franke has also built a solid network in the organisation.

Lene Foged Nothlevsen

Assistant relationship manager. Lene Foged Nothlevsen trained as a banker and has since her employment with FIH Erhvervsbank in 1994 worked in various departments of Banking, achieving in-depth knowledge of and experience with the financing of small and medium-sized enterprises. In addition to close customer contact, Lene Foged Nothlevsen has experience with complex exposures and has understanding of financial statements. Finally, Lene Foged Nothlevsen focuses on employee satisfaction and on preserving the special values that make FIH an attractive place to work.

Jacob Baggers Willemoes

Webmaster. Jacob Baggers Willemoes trained as a banker and since his employment with FIH Erhvervsbank in 2001 Jacob Baggers Willemoes has performed a number of IT and marketing functions. This has given Jacob Baggers Willemoes broad knowledge of the organisation in general, including IT systems and their possibilities and limitations. Moreover, through his position as union representative as well as being a member of FIH's Safety Committee, Jacob Baggers Willemoes has achieved solid HR knowledge and is in close dialogue with employees. On the back of his representative positions, Jacob Baggers Willemoes has particular focus on the relationship between business, culture and history.

The Audit Committee

Members of the Board's Audit Committee are Henrik Heideby (Chairman), Henrik Gade Jepsen and Christian Dyvig. Board members elected by the employees take turns as members of the audit committee for one year at a time. Until the Annual General Meeting in March 2013, employees will be represented by Lene Foged Nothlevsen. She will be replaced by Jacob Baggers Willemoes. Henrik Heideby has been appointed chairman of FIH's Audit Committee. He has the required professional qualifications as stated in Section 5 of executive order on audit committees in undertakings and groups subject to the supervision of the Danish Financial Supervisory Authority. The reasons for appointing Henrik Heideby as an independent member with accounting qualifications include: Henrik Heideby holds a Bachelor of Commerce Degree in Management Accounting and has been chairman of IC Companys' Audit Committee since April 2009. For further information on the members of the Audit Committee, see the competency profiles above, the section "Board of Directors" in note 45 and www.fih.com/About/Board/Audit+Committee.

Credit and Risk Committee

Members of the Board's Credit and Risk Committee are Henrik Heideby (Chairman), Christian Dyvig and Henrik Gade Jepsen. The purpose of the Committee is to assist the Board of Directors with issues relating to credit and risk. The Committee is primarily engaged in the preparation of credit decisions, preparation of new credit lines and limits or changes to existing ones and preparation of policies and changes to existing credit and risk policies. The Committee's recommendations and drafts are to be discussed and approved by the Board of Directors.

REMUNERATION POLICY

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

- Be in accordance with and support healthy and efficient risk management.
- Be in accordance with FIH's business strategy, values and long-term objectives.
- Ensure that the total variable remuneration which 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 puts 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 FIH's risk profile. At FIH, this involves approx. 17 employees in addition to the members of the Board of Directors and the Executive Board. For detailed information on remuneration at FIH, please see note 8 and note 45 and FIH's remuneration policy at www.fih.dk/Top/Om+FIH/Vores+profil/Bestyrelse/Loenpolitik (available in Danish only).

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

FIH has prepared a corporate social responsibility statement. This statement is available at 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 responsibilities, reporting requirements and approval procedures. FIH's Audit Committee continually monitors the presentation of the 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 regularly assess the risks of the Group, including risks affecting the presentation of financial statements process.

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 inconsistencies are prevented, detected and corrected in due 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 performance and regular 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 applicable accounting rules as described in the 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 161 million at end-2012. The company did not issue new mortgage bonds in 2012.

FIH KAPITAL BANK A/S

The company is financed by the parent company FIH Erhvervsbank A/S, but has also been granted a credit 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 Erhvervsbank A/S in connection with loans.



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 A/S itself. FIH Holding A/S is the holding company behind the owners of FIH Erhvervsbank A/S.

Ownership and voting rights behind the owners of FIH Holding A/S as of December 31 2012

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

* PF I A/S is the holding company for PFA Pension's, Folksam ömsesidig livsforsikring/Folksam ömsesidig sakforsikring's og C.P. Dyvig's ownership of FIH Holding A/S. There are other holding companies above PF I A/S, but generally speaking the shares and voting rights are distributed with 40 per cent to PFA Pension, 40 per cent to Folksam ömsesidig livsforsikring/Folksam ömsesidig sakforsikrings and 20 per cent to Cruise I A/S, which is som er C.P. Dyvig's holding company for its stake in FIH Holding A/S.

In FIH Holding A/S, 50 per cent of the share capital is preference shares with a preferential right to receive an annual return of 8 per cent. Any excess return is subsequently distributed on a pro rata basis to the remaining ordinary shares.

The two members of FIH Erhvervsbank A/S's Executive Board, Henrik Sjøgreen and Bjarne Graven Larsen, each own 0.5 per cent of the shares in FIH Holding A/S, corresponding to a total paid-up share capital of DKK 18 million. The investment has been made in the ordinary share classes. As can be seen in the table above, the shares owned by the Executive Board and the executive employees in FIH Holding A/S do not carry any voting rights.

Income statement and comprehensive income 2012

(DKK million)	Note	FIH Group		FIH Erhvervsbank A/S	
		2012	2011	2012	2011
INCOME STATEMENT					
Interest income	4	1,565.5	2,056.5	1,452.6	1,930.6
Interest expenses	5	1,119.8	1,465.4	1,135.1	1,505.3
Net interest income		445.7	591.1	317.5	425.3
Fee and commission income	6	198.0	169.9	73.9	78.6
Fees and commissions paid	6	91.7	43.9	8.3	16.2
Net interest and fee income		552.0	717.1	383.1	487.7
Market value adjustments	7	149.0	52.1	136.9	66.0
Other operating income		101.2	69.4	141.2	128.5
Staff costs and administrative expenses	8,9	527.1	512.7	440.1	457.7
Depreciation, amortisation and impairment charges; property, plant and equipment as well as intangible assets	20, 22	13.7	40.2	13.7	40.0
Other operating costs		15.3	9.9	15.3	9.7
Impairment charges on loans and receivables etc.	10	1,276.1	266.5	1,130.6	277.9
Profit from investments in associates and group enterprises	11	0.0	0.0	-48.3	137.2
Profit before tax		-1,030.0	9.3	-986.8	34.1
Tax	12	-23.1	2.2	-6.8	-25.7
Net profit for the year after tax, continued operations		-1,006.9	7.1	-980.0	59.8
Discontinued operations:					
Net profit for the year after tax, discontinued operations	33	-530.5	-1,185.2	-557.4	-1,237.0
Total:		-	-	-	-
Net profit for the year		-1,537.4	-1,178.1	-1,537.4	-1,177.2
TOTAL COMPREHENSIVE INCOME					
Net profit for the year		-1,537.4	-1,178.1	-1,537.4	-1,177.2
Total other comprehensive income		0.0	0.0	0.0	0.0
Total comprehensive income		-1,537.4	-1,178.1	-1,537.4	-1,177.2
Allocation of total comprehensive income					
Reserve according to the equity method		0.0	0.0	0.0	137.2
Dividend for the year		0.0	0.0	0.0	0.0
Profit/loss carried forward		-1,537.4	-1,178.1	-1,537.4	-1,314.4
Comprehensive income allocated		-1,537.4	-1,178.1	-1,537.4	-1,177.2

Balance sheet 31 December 2012

(DKK million)	Note	FIH Group		FIH Erhvervsbank A/S	
		2012	2011	2012	2011
ASSETS					
Cash in hand and demand deposits with central banks		35.2	38.3	35.2	38.3
Debt instruments eligible for refinancing with central banks		0.0	2,374.9	0.0	2,374.9
Due from credit institutions and central banks	13	2,241.5	1,567.9	5,157.7	9,064.8
Loans and other receivables at fair value	14, 16	160.7	215.1	0.0	0.0
Loans and other receivables at amortised cost	14, 15	16,004.9	42,617.4	11,590.9	33,827.5
Bonds at fair value	17	17,030.1	21,567.5	16,640.4	20,970.3
Shares etc.	18	0.0	882.9	0.0	882.7
Investments in associates	19	0.0	43.9	0.0	43.9
Investments in group enterprises	19	0.0	0.0	2,827.8	3,004.8
Intangible assets	20	6.7	15.3	6.7	15.3
Land and buildings:					
Investment properties	21	751.0	775.5	751.0	775.5
Owner-occupied properties	22	2.2	2.2	2.2	2.2
Other tangible assets	22	1.4	5.8	1.4	5.7
Current tax assets		0.0	0.0	0.0	32.9
Deferred tax assets	28	136.8	120.1	130.5	128.6
Other assets	23	9,194.8	13,858.9	9,247.6	13,920.2
Prepayments		29.7	71.4	24.5	30.4
Discontinued operations	33	15,161.8	0.0	15,161.6	0.0
Total assets		60,756.8	84,157.1	61,577.5	85,118.0

Balance sheet 31 December 2012

(DKK million)	Note	FIH Group		FIH Erhvervsbank A/S	
		2012	2011	2012	2011
LIABILITIES AND EQUITY					
Debt					
Due to credit institutions and central banks	24	4,175.7	9,861.6	4,414.4	10,251.3
Deposits and other debt	25	14,045.1	6,119.5	14,601.5	6,754.9
Bonds issued at fair value	16, 26	156.0	211.4	0.0	0.0
Bonds issued at amortised cost	26	23,158.2	42,959.8	23,158.2	42,959.8
Current tax assets		0.1	0.2	0.0	0.0
Other liabilities	27	11,776.2	13,963.9	11,735.6	13,883.4
Accruals and deferred income		3.3	4.4	3.2	3.8
Discontinued operations		0.0	0.0	0.0	0.0
Total debt		53,314.6	73,120.8	53,912.9	73,853.2
Provisions for commitments:					
	28				
Provisions for pensions and similar commitments		4.0	4.0	4.0	4.0
Provisions for losses on guarantees		121.4	59.3	121.4	65.4
Other provisions for commitments		9.6	0.0	9.6	0.0
Total provisions for liabilities		135.0	63.3	135.0	69.4
Subordinated debt					
	29	1,830.4	3,806.9	1,830.4	3,806.9
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	747.5	823.3
Retained earnings		4,961.8	6,651.1	4,436.7	6,050.2
Shareholders' equity interest		5,476.8	7,166.1	5,699.2	7,388.5
Total equity		5,476.8	7,166.1	5,699.2	7,388.5
Total liabilities and equity		60,756.8	84,157.1	61,577.5	85,118.0
Off-balance sheet items					
	31				
Contingent liabilities		1,368.2	1,835.4	1,356.5	1,960.6
Other contingent liabilities		1,207.5	2,074.9	10,873.8	7,017.4
Discontinued operations, other contingent liabilities		228.6	0.0	228.6	0.0
Total off-balance sheet items		2,804.3	3,910.3	12,458.9	8,978.0

Statement of changes in equity 2012 – FIH Group

Statement of changes in equity (DKK million)	FIH Group	
	2012	2011
Equity, beginning of year	7,166.1	8,334.1
Net profit for the year	-1,537.4	-1,178.1
Total comprehensive income	-1,537.4	-1,178.1
Distributed dividend	0.0	0.0
Provision for purchases of treasury shares	0.0	10.1
Disposal of net assets by demerger	-2,151.9	0.0
Addition of group overhead allocation from FIH Holding A/S	2,000.0	0.0
Total changes in equity	-1,689.3	-1,168.0
Total equity, end of year	5,476.8	7,166.1

As at 2 July 2012, disposal of net assets by demerger comprised the demerger of a portfolio of investment property-related loans and customer derivatives to a new company, FS Property Finance A/S, which the parent company FIH Holding A/S subsequently sold to the Financial Stability Company. See also note 30.

Specification of changes in equity

(DKK million)	Share capital	Revaluation reserve, property	Retained earnings	Total equity
Total equity, 1.1.2011	513.6	1.4	7,819.1	8,334.1
Net profit and comprehensive income for the year	-	-	-1,178.1	-1,178.1
Proposed dividend for the year	-	-	-	-
Distributed dividend for the year	-	-	-	-
Revaluation for the year, property	-	-	-	-
Provision for repurchases of treasury shares	-	-	10.1	10.1
Total equity, 31.12.2011	513.6	1.4	6,651.1	7,166.1
Net profit and comprehensive income for the year	-	-	-1,537.4	-1,537.4
Disposal of net assets by demerger	-	-	-2,151.9	-2,151.9
Addition of group overhead allocation from FIH Holding A/S	-	-	2,000.0	2,000.0
Proposed dividend for the year	-	-	-	-
Distributed dividend for the year	-	-	-	-
Revaluation for the year, properties	-	-	-	-
Total equity, 31.12.2012	513.6	1.4	4,961.8	5,476.8

Statement of changes in equity 2012 – FIH Erhvervsbank A/S

Statement of changes in equity (DKK million)	FIH Erhvervsbank A/S	
	2012	2011
Shareholders' equity, beginning of year	7,388.5	8,555.6
Net profit for the year	-1,537.4	-1,177.2
Total comprehensive income	-1,537.4	-1,177.2
Distributed dividend	0.0	0.0
Provision for purchases of treasury shares	0.0	10.1
Disposal of net assets by demerger	-2,124.4	0.0
Disposal of net assets by demerger in FIH Kapital Bank A/S	-27.5	0.0
Addition of group overhead allocation from FIH Holding A/S	2,000.0	0.0
Total changes in equity	-1,689.3	-1,167.1
Total equity, end of year	5,699.2	7,388.5

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, 1.1.2011	513.6	1.4	686.1	7,354.5	8,555.6
Net profit and comprehensive income 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
Net profit and comprehensive income for the year	-	-	-48.3	-1,489.1	-1,537.4
Disposal of net assets by demerger	-	-	-27.5	-2,124.4	-2,151.9
Addition of group overhead allocation from FIH Holding A/S	-	-	-	2,000.0	2,000.0
Proposed dividend for the year	-	-	-	-	-
Distributed dividend for the year	-	-	-	-	-
Revaluation for the year, properties	-	-	-	-	-
Total equity, 31.12.2012	513.6	1.4	747.5	4,436.7	5,699.2

Cash flow statement 2012

(DKK million)	FIH Group	
	2012	2011
Net profit for the period	-1,560.5	-1,266.1
Taxes paid	6.4	1.6
Regulations for non-cash operations	1,670.6	1,726.7
Loans and guarantees	24,780.2	14,437.8
Loans to FS Property Finance A/S	14,252.9	-
Bonds	4,408.2	10,663.2
Deposits	7,919.6	-1,371.5
Bank debt	-5,763.1	-20,982.6
Other assets/liabilities	3,015.2	1,382.3
Other	-58.6	-129.1
Of which disposal of net assets from demerger (change in portfolio without liquidity effect)	-2,151.9	0.0
Cash flow from operating activities	18,013.2	4,462.3
Net investments, shares	273.4	756.9
Net investments, treasury shares	0.0	0.0
Net investments, tangible and intangible assets	-0.2	1.4
Cash flow from investing activities	273.2	758.3
Group overhead allocation from FIH Holding A/S	2,000.0	0.0
Change in subordinated debt	-1,900.0	-745.7
Change in bonds issued	-20,090.8	-4,219.6
Cash flow from financing activities	-19,990.8	-4,965.3
Change during the period	-1,704.4	255.3
Cash and equivalents, beginning of period	3,981.1	3,725.8
Cash and equivalents, end of period	2,276.7	3,981.1
Cash and equivalents according to the balance sheet	2,276.7	3,981.1

Loan to FS Property Finance A/S comprises a deficit absorbing loan of DKK 887.6 million and a bridge loan of DKK 13,365.3 million. The effect on the cash-flow statement of discontinued operations can be seen in note 33. The disposal of net assets from demerger is specified in note 30.

Income statement per quarter

(DKK million)	FIH Group							
	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Interest income	278.5	346.6	478.3	462.1	412.1	548.5	519.7	576.2
Interest expenses	215.7	266.0	326.4	311.7	296.9	373.3	395.3	399.9
Net interest income	62.8	80.6	151.9	150.4	115.2	175.2	124.4	176.3
Fee and commission income	67.2	44.2	60.1	26.5	55.8	46.1	31.5	36.5
Fees and commissions paid	35.3	18.6	18.6	19.2	18.6	19.5	2.3	3.5
Net interest and fee income	94.7	106.2	193.4	157.7	152.4	201.8	153.6	209.3
Market value adjustments	9.2	-17.6	38.1	119.3	-18.1	-22.5	41.5	51.2
Other operating income	36.5	32.3	15.8	16.6	16.9	17.0	17.0	18.5
Staff costs and administrative expenses	127.7	114.4	170.0	115.0	104.9	107.6	157.0	143.2
Depreciation, amortisation and impairment charges; property, plant and equipment as well as intangible assets	3.5	2.7	3.7	3.8	5.7	5.5	24.2	4.8
Other operating costs	2.7	8.0	1.6	3.0	4.1	-1.2	0.8	6.2
Impairment charges on loans and receivables etc.	510.0	530.0	61.5	174.6	-13.9	150.7	-3.1	132.8
Profit from investments in associates and group enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	-503.5	-534.2	10.5	-2.8	50.4	-66.3	33.2	-8.0
Tax	10.1	-34.8	2.5	-0.9	12.4	-16.9	7.9	-1.2
Net profit for the year after tax, continued operations	-513.6	-499.4	8.0	-1.9	38.0	-49.4	25.3	-6.8
Discontinued operations:								
Net profit for the year after tax, discontinued operations	-128.2	-193.0	-25.0	-184.3	-323.2	-404.5	-386.2	-71.2
Net profit for the year	-641.8	-692.4	-17.0	-186.2	-285.2	-453.9	-360.9	-78.0
Allocation of total comprehensive income								
FIH's shareholders	-641.8	-692.4	-17.0	-186.2	-285.2	-453.9	-360.9	-78.0

The above overview has not been audited.

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Note 1 – Accounting policies**Contents****General information**

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements are also presented in accordance with additional Danish disclosure requirements of Nasdaq OMX Copenhagen for annual reports of issuers of listed bonds and the IFRS Executive Order on financial institutions issued under the Danish Financial Business Act.

The annual report of the parent company – FIH Erhvervsbank A/S – is presented in accordance with the Danish Financial Business Act, including Executive Order on the Presentation of Financial Statements by Credit Institutions and Investment Firms, etc. (Executive Order on the Presentation of Financial Statements). The rules on recognition and measurement applied by the parent company comply with IFRS – except for measurement of group enterprises and associates, which are recognised at equity value in compliance with the Danish Financial Supervisory Authority'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 additional Danish disclosure requirements of Nasdaq OMX Copenhagen for issuers of listed bonds and the Danish Financial Business Act.

The accounting policies applied are consistent with those of Annual Report 2011.

Demerger

On 2 March 2012, FIH Holding entered into an agreement with the Financial Stability Company on the sale of a portfolio of investment-property related loans and customer derivatives. The sale was completed through a demerger of the carrying amount of these activities to a new company, FS Property Finance A/S, which the parent company FIH Holding A/S subsequently sold to the Financial Stability Company. The demerger was effected both from FIH Erhvervsbank A/S and from the subsidiary FIH Kapital Bank A/S.

Ownership and control of the business segment passed from FIH to the Financial Stability Company at the closing of the agreement as at 2 July 2012, at which time the demerged assets and liabilities, net DKK 17.2 billion ceased to be included in the FIH Group. Concurrently with the sale, as part of the demerger, FIH Erhvervsbank A/S and FS Property Finance A/S entered into an agreement on the financing of the assets acquired with total loans of DKK 15.1 billion consisting of a short-term bridge loan of DKK 13.4 billion and a deficit absorbing loan of DKK 1.7 billion. As part of this transaction, FIH Erhvervsbank A/S also received a group overhead allocation of DKK 2 billion from FIH Holding A/S. Overall, the demerger resulted in a net reduction in equity of DKK 151.9 million as at 2 July 2012. (See note 30 for further information).

The bridge loan is recognised under discontinued operations at amortised cost, while the deficit absorbing loan is recognised under discontinued operations at fair value.

Discontinued operations

As at 31 March 2012, the Property Finance and Private Equity business segments complied with the definitions of discontinued operations, and, therefore, have been reclassified to separate accounting lines; comparative figures in the income statement and notes have been restated accordingly. With the completion of the sale to the Financial Stability Company, the Property Finance segment is no longer part of FIH's balance sheet and, consequently, is not included in discontinued operations for Q3 2012 onwards. As part of the transaction, FIH has two new loans on its balance sheet which comply with the definition of discontinued operations. As at 31 December 2012, discontinued operations thus comprise the Private Equity segment and the two new loans. Both the cash flow statement and ratios have been calculated inclusive of discontinued operations.

Change of accounting estimates

On 1 April 2012, the Danish Financial Supervisory Authority's new impairment rules came into force and must be applied by banks in the preparation of their financial statements for 2012. For FIH, the new guidelines implied an increase in loan impairment charges in the range of DKK 50-75 million at the time of transition in Q2 2012.

Reclassification

In Q3 2012, an amount of DKK 1,494.6 million was reclassified from due to credit institutions to deposits and other payables, as the counterparty is not assessed to fall within the definition of a credit institution. In the income statement, the accompanying interest, DKK 51.0 million, has been reclassified accordingly, from interest payable to credit institutions to interest on deposits. As a consequence of the reclassification, comparative figures have been restated, resulting in a balance sheet reclassification from amounts due to credit institutions to deposits and other payables for 2011 of DKK 3,083.0 million (2010: DKK 4,004.5 million). Comparative figures in the income statement have also been restated, resulting in a reclassification for 2011 of DKK 81.4 million (2010: DKK 105.6 million) from interest payable to credit institutions to interest on deposits.

In 2012, the FIH Group reclassified bonds in the investment portfolio to the trading portfolio. The rationale is to treat the Group's overall bond portfolio in accordance with the same guidelines and policy. This entails that even if the entire portfolio is not held with a view to sale, individual securities are bought and sold with a view to benefiting from actual or short-term differences between purchase and selling prices or other price or interest rate changes. As a consequence, comparative figures in note 35 – Financial assets and liabilities broken down by category – have been restated. The reclassification has no impact on measurement and does therefore not affect the net profit for the year. The presentation in the income statement and the balance sheet is also unchanged.

Consolidated financial statements

The consolidated financial statements comprise FIH Erhvervsbank A/S and the subsidiaries controlled by FIH Erhvervsbank A/S. FIH Erhvervsbank A/S 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 have been revised in accordance with the Group's accounting policies.

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 at the transaction date. 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 exchange rates at 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 revalued at fair value are translated at the exchange rates at the transaction date.

BALANCE SHEET

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 risks and losses 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 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.

Financial instruments

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.

Trading portfolio

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. Unless they are used for hedge accounting, derivative financial instruments are always classified as "trading portfolio".

Fair value option – Financial assets and liabilities designated at fair value with value adjustment through profit and loss

Financial assets/liabilities at fair value 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.

Loans granted under Danish mortgage credit legislation are financed by listed mortgage bonds issued subject to identical conditions. The Group regularly buys and sells own issued FIH mortgage bonds; consequently, these loans and bonds issued are also valued at fair value to avoid measurement inconsistencies.

Other assets designated at fair value comprise derivatives that form part of hedge accounting, securities that are not included in the trading portfolio, but are managed at fair value basis, as well as the deficit absorbing loan to FS Property Finance A/S, as expected future cash flows fluctuate with changes in the fair value of the built-in loss guarantee.

Determination of fair values

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 for which there is an active market is determined at the closing price 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.

Level 2 (valuation based on observable inputs)

For financial instruments that are valued at level 2, 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 that are valued based on observable market data as at level 2, but where inputs are also used that 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 determined using the basic rate on loans and funding is hedged by means of derivatives. The hedged interest rate exposure determined based on the basic rate is restated at fair value, and the change in value is recognised in the balance sheet as part of the loan value and 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 changes in value are recognised in the income statement under market value adjustments.

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 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, 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 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 dividends, if any. 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 expected discounted cash flows. If the value of 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 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, interim depreciation is provided equivalent to the loss that can be reliably determined.

Loans at fair value and mortgage bonds issued at fair value

Loans granted under Danish mortgage credit legislation are financed by listed mortgage bonds issued 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 credit risk based on the indication of impairment.

Subsequently, mortgage bonds issued are 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.

A deficit absorbing loan to FS Property Finance A/S has been recognised in connection with the transaction with the Financial Stability Company. Expected future cash flows from this loan will fluctuate with changes in the fair value of the built-in loss guarantee. As a result, the loan is measured at fair value using the fair value option. The measurement at fair value is based on the discounted expected financial development of FS Property Finance A/S. The deficit absorbing loan is included in discontinued operations.

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 investment portfolio comprises holdings, the purpose of which is investment of funds and long-term investment. In 2012, the FIH Group reclassified the investment portfolio to the trading portfolio. The rationale is to align the policy treatment of the Group's overall bond portfolio from 2012 onwards. This entails that even if the entire portfolio is not held with a view to sale, individual securities are bought and sold with a view to benefiting from actual or short-term differences between purchase and selling prices or other price or interest rate changes.

On initial recognition, the trading portfolio is 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 at fair value 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 decisions. 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 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".

Investments in group enterprises

Investments in group enterprises comprise shares or 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 useful economic lives, usually a period of 3-5 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.

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 an ongoing 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 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 4 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. Subsequent to 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

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 central banks are measured at fair value and subsequently at amortised cost.

Deposits and other payables

Deposits and other payables comprise payables to private individuals and enterprises that are not credit institutions. On initial recognition, deposits and other payables are measured at fair value and subsequently at 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 mortgage bonds issued at fair value.

Bonds issued at amortised cost

Bonds issued at amortised cost comprise the Group's bonds issued except for mortgage bonds issued. At issuance, 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 of bonds issued.

Other liabilities

Other liabilities include interest payable, fee and commission, 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 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 recognised at the management's best estimate of the amount at which the liability is expected to be payable.

In the measurement of provisions for liabilities, 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 provision 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 liability.

Current and deferred tax

Current tax liabilities and 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 objective evidence 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.

Subordinated debt

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

Net revaluation reserve according to the equity method

Net revaluation reserve according to the equity method includes value adjustments of investments in associates and group enterprises. The reserve is reduced by dividend distributions to the parent company and adjusted by other changes in equity in associates and group enterprises.

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.

INCOME STATEMENT

Segment information

Segment information is reported for business segments, representing the Group's operating segment format. The segment information reflects the Group's risks and the Group's internal financial management and is 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 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 financial management, liabilities are not allocated to individual segments; they are managed collectively. Individual business segments are managed based on margin earnings on assets. Accordingly, liabilities are not allocated between business segments and, similarly, net interest is calculated only per business segment.

All transactions between segments are conducted at arm's length or on a cost-recovery basis.

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, where dividend received is set off against the value adjustment.

Fees paid and received

Fees and commissions that are part of 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 of bonds, shares, financial instruments and hedged loans and funding, as well as exchange rate adjustments of these and other financial instruments.

Other operating income

Other operating income comprises income 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 comprise guarantee commission to the Private Contingency Association and contributions to the Guarantee Fund for Depositors and Investors.

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.

Tax

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 subsidiaries is allocated to profit and loss-making enterprises in proportion to their taxable income. The jointly-taxed companies form part of the tax prepayment scheme.

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.

The Danish Financial Supervisory Authority's definitions of financial ratios

The following definitions are used for calculating key ratios:

Total capital ratio, per cent	Capital base divided by risk weighted assets
Tier 1 capital ratio, per cent	Tier 1 capital after deductions divided by risk-weighted assets
Return on equity before tax	Profit before tax divided by average equity
Return on equity after tax	Profit after tax divided by average equity
Income/cost ratio, DKK	Income divided by costs
Interest rate risk	Interest-rate risk divided by tier 1 capital after deductions
Foreign exchange position	Exchange-rate indicator 1 divided by tier 1 capital after deductions
Foreign exchange risk	Exchange-rate indicator 2 divided by tier 1 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 for the year	Growth in loans from the beginning of the year to the end of the year
Excess cover relative to statutory liquidity requirements	Excess cover relative to the 10 per cent requirement, cf. section 152 of the Danish Financial Business Act
Sum of large exposures	Sum of large exposures divided by capital base
Impairment ratio for the year	Loan impairment charges for the year divided by loans plus guarantees plus loan impairment charges
Capital base relative to minimum capital adequacy requirement	Capital base divided by minimum capital requirements

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.

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. The standards and interpretations that are expected to have an impact on the Group's financial reporting are listed below. 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. IFRS 9 and subsequent amendments currently cover provisions on classification and measurement of financial assets and financial liabilities as well as derecognition. IFRS 9 is expected to be expanded to include new rules on impairment and hedge accounting.

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

According to IFRS 9, financial assets will be classified on the basis of the enterprise's business model and the contractual terms of the assets, and financial assets will in future be classified as assets measured at amortised cost, assets measured at fair value with value adjustment via the income statement or assets measured at fair value with value adjustment via other comprehensive income (only for equity instruments that comply with the relevant criteria).

The majority of the provisions in IAS 39 on recognition and measurement of financial liabilities have been transferred without amendments to IFRS 9. However, two amendments have been made in IFRS 9.

For financial liabilities, the principles are virtually unchanged as compared to IAS 39. The general rule remains recognition at amortised cost with the use of the fair value option permitted. According to IFRS 9, the share of change in the fair value that is attributable to changes in the credit risk of a liability must, however, be recognised in other comprehensive income, unless this results in an accounting inconsistency. The provisions governing derecognition have been transferred unchanged from IAS 39 to IFRS 9.

It is assessed that the completed parts of IFRS 9 do not change the basic measurement of the Group's financial instruments. However, large parts of the new standard are yet to be completed, including provisions on impairment and hedge accounting. Depending on future decisions, these may have a material impact on recognition as well as measurement.

IAS 32 Financial Instruments: Presentation

The provisions on offsetting have been clarified with a view to aligning the practice in the use of offsetting criteria. The amendments are effective for financial years beginning on or after 1 January 2014.

IFRS 7 Financial Instruments: Disclosure

The disclosure requirements in IFRS 7 on offsetting financial assets and financial liabilities as well as collateral have been extended. The effect of this change is that the enterprise must disclose further information in the notes on access to offsetting for the enterprise's financial assets and liabilities.

Offset items must be specified in gross terms in the notes, and any items that can be set off in the event of bankruptcy or other future events must be disclosed, irrespective of whether they have been set off in the balance sheet. The new disclosure requirements take effect for financial years beginning on or after 1 January 2013.

IFRS 10 – IFRS 12 IASB's consolidation project

In connection with IASB's consolidation project, a number of new standards have been issued, namely IFRS 10 – IFRS 12. IFRS 10 replaces the section on consolidation and consolidated financial statements in the existing IAS 27 and SIC-12. IFRS 11 replaces IAS 31 and SIC-13, and IFRS 12 contains new disclosure requirements. IAS 28 has been adjusted as a consequence of the new standards. The new standards also introduce new guidelines for the assessment of control as a basis for identification of a group relation. At the same time, new disclosure requirements are introduced concerning consolidated enterprises as well as non-consolidated enterprises in which the reporting enterprise is involved. The standards are effective for financial years beginning on or after 1 January 2013. However, the EU is expected to postpone the mandatory implementation in the EU until 1 January 2014. No material changes are expected in respect of the enterprises to be included in the FIH Group.

IFRS 13 Fair Value Measurement

The new standard unites the fair value measurement guidelines in the individual IFRS' in one single standard. IFRS 13 will ensure a uniform definition of fair value across other standards as well as uniform guidelines and disclosure requirements on fair value adjustment. The standard is effective for financial years beginning on or after 1 January 2013. No material effect on amounts is expected on implementation.

New accounting policies

In 2012, FIH has taken initiatives to be able to use the rules on hedge accounting of certain fixed-term deposits in 2013.

Note 2 – Significant 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 guarantees and the 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 original 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.

Impairment charges on loans and receivables, etc.

Significant estimates are involved in the determination of impairment charges on loans and receivables in connection with the quantification of the risk that the debtor will not be able to meet his future obligations in full or in part. In the event that it is assessed that the debtor will not be able to meet his future obligations, the calculation of future actual payments, including the realisable value of collateral security, dividends etc., is subject to uncertainty and is, to a significant extent, based on estimates.

Valuation of the deficit absorbing loan

The determination of the fair value of the deficit absorbing loan to FS Property Finance A/S is based on expectations of developments in the company's performance, and, accordingly, involves significant estimates, including estimates of loan impairment charges. FS Property Finance A/S is a company which was recently formed by the Financial Stability Company and which, on 2 July 2012, acquired FIH's portfolio of loans and customer derivatives related to investment properties.

Provisions for losses on guarantees

The determination of provisions for losses on guarantees is subject to uncertainty in the assessment of the risk that the guarantee will be exercised and the financial impact thereof.

Determination of fair value

The determination of the fair value of financial instruments that are not traded in active markets involves estimates. Fair values are determined based on generally accepted valuation models 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. These models are subject to a certain amount of model risk.

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.

The determination of the fair value of the deficit absorbing loan to FS Property Finance A/S is based on expectations of developments in the company's performance, and, accordingly, involves significant estimates, including estimates of loan impairment charges.

Deferred tax assets

Unutilised tax losses in the Group will be utilised as the companies subject to joint taxation generate taxable income. The capitalised losses are expected to be utilised within a foreseeable number of years. Tax loss carryforwards that are not expected to be utilised within 3-5 years are not included. Inclusion of a deferred tax asset therefore requires the management's assessment of the probability and size of future profits in the companies subject to joint taxation.

Note 3 – Segment information

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

2012 (DKK million)	Banking	Markets	Corporate Finance	Other activities	Total continued operations	Discontinued operations	Total
Income statement							
Net interest and fee income	460.2	239.3	122.8	-270.3	552.0	-27.8	524.2
Market value adjustments	-60.9	184.3	0.0	25.6	149.0	-157.8	-8.8
Other operating income	7.3	0.0	0.0	93.9	101.2	0.0	101.2
Salaries*	51.3	87.3	88.5	23.2	250.3	0.0	250.3
Other operating costs	139.5	77.6	1.7	87.0	305.8	0.0	305.8
Impairment charges and losses on loans and other receivables etc.	1,276.1	0.0	0.0	0.0	1,276.1	344.9	1,621.0
Profit/loss on equity investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax	-1,060.3	258.7	32.6	-261.0	-1,030.0	-530.5	-1,560.5
Balance sheet							
Loans	16,132.5	0.0	0.0	33.1	16,165.6	0.0	16,165.6
Bonds	0.0	17,030.1	0.0	0.0	17,030.1	0.0	17,030.1
Shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments in associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets, etc.	747.2	7,927.8	0.0	3,724.3	12,399.3	0.0	12,399.3
Discontinued operations	0.0	0.0	0.0	0.0	0.0	15,161.8	15,161.8
Total assets	16,879.7	24,957.9	0.0	3,757.4	45,595.0	15,161.8	60,756.8

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

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

In 2012, Treasury Portfolio (both income and costs) has been allocated from "Other activities" to Markets. Net interest and fee income under "Other activities" comprises net interest income under Treasury (money market activities). Interest expenses relating to the commission payment on the government guarantee for bonds issued amounting to DKK 344.4 million in 2012 have also been placed under these activities, as have drawing rights fees.

Restructuring costs of DKK 40.5 million in 2012 are shown under "other activities".

The geographical distribution includes the FIH Group's total interest income excluding derivative financial instruments, which amounted to DKK 57.0 million in 2012.

Geographical distribution	Denmark	Sweden	Germany	Great Britain	Other	Total
Interest income (DKK million)	1,403.1	75.2	2.5	13.5	14.2	1,508.5

Note 3 – continued

2011 (DKK million)	Banking	Markets	Corporate Finance	Other activities	Total continued operations	Discontinued operations	Total
Income statement							
Net interest and fee income	594.0	204.5	88.8	-170.2	717.1	172.8	889.9
Market value adjustments	-53.1	86.9	0.0	18.3	52.1	-722.7	-670.6
Other operating income	9.5	0.0	0.0	59.9	69.4	0.0	69.4
Salaries*	70.3	50.7	60.6	7.8	189.4	0.0	189.4
Operating costs	178.3	107.2	2.4	67.2	355.1	0.0	355.1
Amortisation and impairment charges, intangible assets	8.6	7.6	0.0	2.1	18.3	0.0	18.3
Impairment charges and losses on loans and other receivables etc.	268.9	0.0	0.0	-2.4	266.5	725.8	992.3
Profit/loss on equity investments	0.0	0.0	0.0	0.0	0.0	0.3	0.3
Profit before tax	24.3	125.9	25.8	-166.7	9.3	-1,275.4	-1,266.1
Balance sheet							
Loans	27,298.0	0.0	0.0	372.2	27,670.2	15,162.3	42,832.5
Bonds	0.0	20,629.2	0.0	938.3	21,567.5	0.0	21,567.5
Shares	0.0	0.0	0.0	0.0	0.0	882.9	882.9
Investments in associates	0.0	0.0	0.0	0.0	0.0	43.9	43.9
Other assets, etc.	775.5	10,491.6	0.0	7,563.2	18,830.3	0.0	18,830.3
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	28,073.5	31,120.8	0.0	8,873.7	68,068.0	16,089.1	84,157.1

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

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

In 2012, Treasury Portfolio (both income and costs) has been moved from "Other activities" to Markets. Comparative figures for 2011 have been restated accordingly. Net interest and fee income under "Other activities" comprises net interest income under Treasury (money market activities). Interest expenses relating to the commission payment on the government guarantee for bonds issued amounting to DKK 433.8 million in 2011 have also been placed under these activities, as have drawing rights fees.

Restructuring costs of DKK 20.0 million in 2011 are included in "Other activities".

"Discontinued operations" are in 2011 calculated as the sum of the "Private Equity" and "Property Finance" segments.

The geographical distribution includes the FIH Group's total interest income excluding derivative financial instruments, which amounted to DKK 54.7 million in 2011.

Geographical distribution	Denmark	Sweden	Germany	Great Britain	Other	Total
Interest income (DKK million)	1,707.9	166.6	41.4	31.8	54.1	2,001.8

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Note 4 – Interest income				
Due from credit institutions and central banks	7.6	17.3	119.4	231.0
Reverse repurchase transactions related to credit institutions and central banks	3.8	18.3	3.8	18.3
Loans and other receivables	950.7	1,381.0	700.9	1,035.9
Contributions	3.9	3.5	0.0	0.0
Reverse repurchase transactions	0.0	0.6	0.0	0.6
Bonds	540.3	580.9	535.6	547.0
Total derivative financial instruments	57.0	54.7	90.7	97.6
Other interest income	2.2	0.2	2.2	0.2
Total interest income	1,565.5	2,056.5	1,452.6	1,930.6
Derivative financial instruments				
Currency contracts	147.9	-15.0	147.9	-15.0
Interest rate contracts	-90.9	69.7	-57.2	112.6
Total	57.0	54.7	90.7	97.6
Note 5 – Interest expenses				
Due to credit institutions and central banks	7.3	30.5	8.9	32.3
Repurchase transactions (repos) related to credit institutions and central banks	26.3	175.5	26.3	175.5
Other repurchase transactions (repos)	0.4	8.3	0.4	8.3
Deposits and other debt	332.4	207.3	332.9	203.0
Bonds issued	594.2	772.6	607.4	815.0
Subordinated debt	159.2	271.1	159.2	271.1
Other interest expenses	0.0	0.1	0.0	0.1
Total interest expenses	1,119.8	1,465.4	1,135.1	1,505.3
Note 6 – Fees and commissions				
Fee and commission income				
Securities trading and safe custody accounts	4.2	0.5	4.2	0.5
Loan application fees	12.5	17.1	11.5	13.6
Guarantee commission	1.2	1.4	1.5	2.0
Other fees and commissions	180.1	150.9	56.7	62.5
Total fee and commission income	198.0	169.9	73.9	78.6
Fees and commissions paid				
Guarantee commission	0.0	0.0	3.5	6.3
Other fees and commissions	91.7	43.9	4.8	9.9
Total fees and commissions paid	91.7	43.9	8.3	16.2
Note 7 – Market value adjustments				
Mortgage loans	-0.3	-3.5	0.0	0.0
Other loans and receivables at amortised cost, hedging	-23.5	97.3	-16.8	89.2
Bonds	-130.5	-132.7	-130.6	-128.7
Investment properties	-29.4	-13.5	-29.4	-13.5
Foreign currency	-2.0	-40.2	-1.1	-39.5
Derivative financial instruments	355.8	244.1	346.5	249.0
Derivative financial instruments used for hedging	-29.1	220.6	-39.1	224.0
Other assets	-16.3	-79.7	-16.3	-72.6
Bonds issued	-41.7	69.0	-41.7	69.0
Bonds issued – mortgage credit bonds	0.6	1.6	0.0	0.0
Bonds issued – hedged	65.4	-310.9	65.4	-310.9
Total market value adjustments	149.0	52.1	136.9	66.0

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Note 7 – continued				
Derivative financial instruments:				
Currency contracts	155.5	129.9	155.6	130.0
Interest rate contracts	171.2	334.8	151.8	343.0
Total	326.7	464.7	307.4	473.0
Note 8 – Staff costs and administrative expenses				
Salaries and remuneration of Board of Directors and Executive Board				
Board of Directors	3.3	4.0	3.3	4.0
Executive Board	10.2	10.3	9.6	9.8
Total salaries and remuneration of Board of Directors and Executive Board	13.5	14.3	12.9	13.8
Staff costs				
Salaries	290.3	263.4	219.9	221.8
Defined benefit plans	0.7	0.6	0.7	0.6
Defined contribution plans	18.3	21.7	17.8	21.3
Social security costs	23.5	31.9	17.9	27.0
Total staff costs	332.8	317.6	256.3	270.7
Other administrative expenses	180.8	180.8	170.9	173.2
Total staff costs and administrative expenses	527.1	512.7	440.1	457.7
Average number of employees converted into full-time employment	282.6	340.9	253.8	322.2

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

Board of Directors

Remuneration	3.3	4.0	3.3	4.0
Total fixed remuneration	3.3	4.0	3.3	4.0
Number of board members	8	9	8	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.

Christian Dyvig replaced Hans Skov Christensen as chairman of the Board of Directors on 1 July 2012, and Lars Rohde resigned from the Board of Directors on 13 December 2012. In 2012, Hans Skov Christensen received remuneration of DKK 0.5 million (2011: DKK 1.0 million). Lars Rohde received remuneration of DKK 0.3 million (2011: 0.3 million). Remuneration to existing members of the Board of Directors can be seen in note 45. Remuneration to the resigning members of the Board of Directors is included in the above amount.

Executive Board

Salaries	9.2	9.4	8.6	8.9
Pensions	0.8	0.6	0.8	0.6
Total fixed remuneration	10.0	10.0	9.4	9.5
Bonus provision	0.0	0.0	0.0	0.0
Share-based payments	0.0	0.0	0.0	0.0
Total variable remuneration	0.0	0.0	0.0	0.0
Other payments	0.2	0.3	0.2	0.3
Total remuneration	10.2	10.3	9.6	9.8
Number of members of the Executive Board	2	2	2	2

Note 8 - continued

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Other employees with significant influence on the company's risk profile (Risk Takers)				
Salaries	35.2	24.3	34.6	23.7
Pensions	2.0	2.1	1.9	2.1
Total fixed remuneration	37.2	26.4	36.5	25.8
Bonus	0.0	0.0	0.0	0.0
Bonus provision	14.6	0.0	14.6	0.0
Share-based payments	0.0	0.0	0.0	0.0
Total variable remuneration	14.6	0.0	14.6	0.0
Other payments	0.5	1.6	0.5	1.6
Total remuneration	52.3	28.0	51.6	27.4
Number of employees with significant influence on the company's risk profile (Risk Takers)	17	18	16	17

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 2012 this deduction amounted to DKK 5.1 million. The amount is identical in the FIH Group and in FIH Erhvervsbank A/S.

Sign-on bonuses and severance pay

No sign-on bonuses have been paid and no provisions have been made for such bonuses in 2012. Three recipients have been paid severance pay at a total of DKK 8 million, the highest amount being DKK 2.7 million.

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.

Loans to Board of Directors and Executive Board

A loan of DKK 0.3 million has been granted on employee terms to a member of the Board of Directors.

Note 9 – Audit fee

Statutory audit of the financial statements	1.6	1.7	1.2	1.2
Other services than audit	0.6	0.9	0.5	0.9
Assurance engagements	0.5	0.8	0.5	0.8
Tax advisory services	0.3	0.2	0.3	0.2
Total fee to the auditors appointed by the general meeting to perform the statutory audit	3.0	3.6	2.5	3.1

Note 10 - Impairment charges on loans and receivables etc.

Loans	1,211.0	209.5	1,065.5	235.8
Guarantees and commitments	65.1	59.3	65.1	44.2
The Private Contingency Association	0.0	-2.3	0.0	-2.1
Total impairment charges on loans and receivables etc.	1,276.1	266.5	1,130.6	277.9

Note 11 – Profit/loss on investments in associates and group enterprises

Profit/loss from investments in associates	0.0	0.0	0.0	0.0
Profit/loss from investments in group enterprises	-	-	-48.3	137.2
Total profit/loss on investments in associates and group enterprises	0.0	0.0	-48.3	137.2

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Note 12 – Tax				
Estimated tax charge on the profit for the year	0.0	0.0	0.0	-32.8
Deferred taxes (Note 28)	-21.0	-100.5	-4.7	-112.9
Tax prior years	-2.1	12.5	-2.1	12.5
Total tax	-23.1	-88.0	-6.8	-133.2
Total tax, discontinued operations	0.0	-90.2	0.0	-107.5
Total tax, continued operations	-23.1	2.2	-6.8	-25.7
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.	-0.5	4.7	-1.3	7.2
Tax assets not recognised, pct.	-23.2	-21.8	-23.5	-21.0
Tax on the net profit for the year, pct.	1.3	7.9	0.2	11.2
Readjustment of tax for previous years, pct.	0.1	-1.0	0.2	-1.0
Effective tax rate	1.4	6.9	0.4	10.2
Effective tax rate, continued operations	2.6	23.7	0.8	-75.4
Effective tax rate, discontinued operationst	0.0	7.1	0.0	8.0
Note 13 – Due from credit institutions and central banks				
Due from credit institutions	2,241.5	1,567.9	5,157.7	9,064.8
Reverse repurchase transactions	0.0	0.0	0.0	0.0
Total amount due from credit institutions and central banks	2,241.5	1,567.9	5,157.7	9,064.8
Specified by time to maturity:				
On demand	1,222.5	1,443.7	1,186.5	1,392.0
Up to and including 3 months	0.0	0.0	1,327.1	5,938.7
Over 3 months and up to and including 1 year	944.4	49.9	944.4	49.9
Over 1 year and up to and including 5 years	74.6	74.3	1,699.7	1,684.2
Over 5 years	0.0	0.0	0.0	0.0
Total	2,241.5	1,567.9	5,157.7	9,064.8
Note 14 – Loans and other receivables				
Loans and other receivables at fair value	160.7	215.1	0.0	0.0
Loans and other receivables at amortised cost	16,004.9	42,617.4	11,590.9	33,827.5
Total loans	16,165.6	42,832.5	11,590.9	33,827.5
FIH loans	16,644.6	43,411.0	12,014.3	34,510.7
Production loans	0.6	30.5	0.6	30.5
Subordinated loan capital	562.3	599.2	562.3	573.2
Leases, properties	505.8	871.9	505.8	871.9
Lases, machinery and equipment	207.2	266.1	207.2	266.1
Mortgage loans	160.7	215.1	0.0	0.0
	18,081.2	45,393.8	13,290.2	36,252.4
Impairment charges on loans, end of year	1,915.6	2,561.3	1,699.3	2,424.9
Total loans	16,165.6	42,832.5	11,590.9	33,827.5
Specified by time to maturity:				
On demand	43.0	44.9	43.0	44.9
Up to and including 3 months	646.2	2,599.8	306.9	2,286.4
Over 3 months and up to and including 1 year	1,132.2	7,147.2	754.7	5,721.7
Over 1 year and up to and including 5 years	6,717.4	18,060.2	5,493.3	13,943.0
Over 5 years	7,626.8	14,980.4	4,993.0	11,831.5
Total	16,165.6	42,832.5	11,590.9	33,827.5

Note 14 - continued

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
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	151.2	193.1	151.2	193.1
Over 1 year and up to and including 5 years	180.1	498.7	180.1	498.7
Over 5 years	609.0	764.9	609.0	764.9
Total	940.3	1,456.7	940.3	1,456.7
Unearned interest income	237.9	328.2	237.9	328.2
Total present value	702.4	1,128.5	702.4	1,128.5
The present value matures as follows:				
Up to and including 1 year	118.9	144.4	118.9	144.4
Over 1 year and up to and including 5 years	82.3	360.5	82.3	360.5
Over 5 years	501.2	623.6	501.2	623.6
Total	702.4	1,128.5	702.4	1,128.5
Recognised interest income from assets held under finance leases	36.6	65.0	36.6	65.0
Impairment charges on assets held under finance leases	10.6	9.5	10.6	9.5
Note 15 – Impairment charges on loans and other receivables, accumulated impairment charges etc.				
Loans, individual impairment charges				
Impairment charges, beginning of year	2,281.0	1,656.1	2,191.6	1,576.8
Reversal of previous impairment charges	108.3	239.2	108.0	213.7
Impairment charges during the period	1,063.2	1,405.0	909.4	1,362.0
Losses recorded	304.8	540.9	269.3	533.5
Market value adjustment reclassified to other assets	-14.9	0.0	-14.9	0.0
Loss in connection with demerger	-1,378.2	0.0	-1,358.6	0.0
Individual impairment charges, end of year	1,538.0	2,281.0	1,350.2	2,191.6
Loans, collective impairment charges				
Impairment charges, beginning of year	280.3	492.2	233.3	399.8
Impairment charges during the period	262.7	-211.9	270.7	-166.5
Loss in connection with demerger	-165.4	0.0	-154.9	0.0
Collective impairment charges, end year	377.6	280.3	349.1	233.3
Loans, total impairment charges				
Impairment charges, beginning of year	2,561.3	2,148.3	2,424.9	1,976.6
Reversal of previous impairment charges	108.3	239.2	108.0	213.7
Impairment charges during the period	1,325.9	1,193.1	1,180.1	1,195.5
Losses recorded	304.8	540.9	269.3	533.5
Market value adjustments reclassified to other assets	-14.9	0.0	-14.9	0.0
Loss in connection with demerger	-1,543.6	0.0	-1,513.5	0.0
Total impairment charges, end of year	1,915.6	2,561.3	1,699.3	2,424.9

Note 15 - continued

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Total loans for which an objective indication for impairment has occurred before impairment charges	4,467.5	9,171.6	3,873.1	7,797.7
Total loans for which an objective indication for impairment has occurred after impairment charges	2,929.5	6,890.6	2,522.9	5,606.1
Accumulated impairment charges on loans, as a percentage of loans, end of year	10.6 %	5.6 %	12.8 %	6.7 %
Losses and impairment charges on loans as a percentage of loans, end of year	7.1 %	2.0 %	8.5 %	2.6 %
Net losses recorded, as a percentage of the impairment balance, beginning of year	11.9 %	25.0 %	11.1 %	26.5 %
Outstanding debt on loans that have been individually impaired	3,036.6	6,245.2	2,593.5	5,766.3

Note 16 – Loans and other receivables at fair value**Mortgage loans**

Nominal value	146.9	201.0	0.0	0.0
Adjustment of the interest rate risk to fair value	13.8	14.1	0.0	0.0
Credit risk adjustment	0.0	0.0	0.0	0.0
Total	160.7	215.1	0.0	0.0

Mortgage bonds issued

Nominal value	147.9	204.1	0.0	0.0
Fair-value adjustment, fund of current loans	10.6	11.3	0.0	0.0
Holding of own mortgage bonds	-2.5	-4.0	0.0	0.0
Total	156.0	211.4	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 2012 (2011: 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.

Note 17 – Bonds at fair value

Own mortgage bonds	0.0	0.0	2.5	4.0
Other mortgage bonds	17,030.1	21,292.5	16,637.9	20,691.3
Other bonds	0.0	275.0	0.0	275.0
Total bonds at fair value	17,030.1	21,567.5	16,640.4	20,970.3
Of which listed bonds	17,030.1	21,567.5	16,640.4	20,970.3
Bonds mature as follows:				
Up to 1 year	10,846.7	14,175.3	10,750.1	14,079.3
More than 1 year	6,183.4	7,392.2	5,890.3	6,891.0
Total	17,030.1	21,567.5	16,640.4	20,970.3

Note 18 – Shares etc.

Listed shares	0.0	0.0	0.0	0.0
Unlisted shares	865.0	882.9	864.8	882.7
Transferred to discontinued operations	865.0	-	864.8	-
Total shares etc.	0.0	882.9	0.0	882.7

(DKK million)	FIH Groupn		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Note 19 – Investments				
Associates				
Cost, beginning of year	52.7	52.7	52.5	52.7
Additions	0.0	98.9	0.0	98.9
Disposals	0.0	99.1	0.0	99.1
Transferred to discontinued operations	52.7	-	52.5	-
Cost, end of year	0.0	52.5	0.0	52.5
Revaluation and impairment charges, beginning of year	-8.6	-8.4	-8.6	-8.4
Net profit	0.0	-0.3	0.0	-0.3
Dividend	0.0	0.0	0.0	0.0
Other addition/disposals	0.0	0.1	0.0	0.1
Transferred to discontinued operations	-8.6	-	-8.6	-
Revaluation and impairment charges, end of year	0.0	-8.6	0.0	-8.6
Carrying amount, end of year	0.0	43.9	0.0	43.9
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	-	-	77.5	-58.7
Net profit	-	-	-48.3	137.2
Dividend	-	-	-100.0	0.0
Other additions/disposals	-	-	-1.2	-1.0
Disposals in connection with demerger	-	-	-27.5	0.0
Revaluation and impairment charges, end of year	-	-	-99.5	77.5
Carrying amount, end of year	-	-	2,827.8	3,004.8
Of which credit institutions	-	-	2,062.1	2,163.6

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

(mio. kr.)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Note 20 – Intangible assets				
	Development projects		Development projects	
Cost, beginning of year	134.9	130.2	134.9	130.2
Additions	0.0	4.7	0.0	4.7
Disposals	27.8	0.0	27.8	0.0
Cost, end of year	107.1	134.9	107.1	134.9
Amortisation and impairment charges, beginning of year	119.6	88.2	119.6	88.2
Impairment charges for the year	0.0	18.3	0.0	18.3
Amortisation for the year	8.6	13.1	8.6	13.1
Disposals	27.8	0.0	27.8	0.0
Amortisation and impairment charges, end of year	100.4	119.6	100.4	119.6
Carrying amount, end of year	6.7	15.3	6.7	15.3
Of which development projects in progress	0.0	0.0	0.0	0.0

FIH Erhvervsbank A/S has changed the amortisation period of one of the development projects from 3 to 4 years. This change has resulted in a DKK 0.5 million reduction in amortisation in 2012. The reduction in 2013 will amount to DKK 1.7 million, whereas the change will result in accelerated amortisation of DKK 1.5 million in 2014 and DKK 0.7 million in 2015.

No impairment has been effected for development projects in 2012.

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Note 21 – Land and buildings				
Investment properties				
Fair value, beginning of year	775.5	842.6	775.5	842.6
Exchange rate adjustments	0.5	-0.5	0.5	-0.5
Additions	3.8	28.0	3.8	28.0
Disposals	0.0	79.0	0.0	79.0
The year's adjustments at fair value	-28.8	-15.6	-28.8	-15.6
Fair value, end of year	751.0	775.5	751.0	775.5
Lease income for the year	61.9	67.2	61.9	67.2
Specified by time to maturity for the minimum payment:				
Up to and including 1 year	28.8	6.7	28.8	6.7
Over 1 year and up to and including 5 years	143.1	155.5	143.1	155.5
Over 5 years	170.5	241.4	170.5	241.4
Total	342.4	403.6	342.4	403.6

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.

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	Owner-occupied properties	Equipment	Owner-occupied properties	Equipment
Note 22 – Other tangible assets				
2012				
Cost, beginning of year	0.9	50.0	0.9	49.4
Additions	0.0	0.3	0.0	0.3
Disposals	0.0	7.2	0.0	6.9
Cost, end of year	0.9	43.1	0.9	42.8
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	44.2	0.0	43.7
Depreciation for the year	0.0	2.3	0.0	2.3
Reversal of depreciation and impairment charges	0.0	4.8	0.0	4.6
Depreciation and impairment charges, end of year	0.0	41.7	0.0	41.4
Carrying amount, end of year	2.2	1.4	2.2	1.4
The year's write-off on equipment	0.0	2.9	0.0	2.8

Note 22 - continued

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	Owner-occupied properties	Equipment	Owner-occupied properties	Equipment
2011				
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
Total 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 immediate depreciation on equipment	0.0	4.2	0.0	4.0

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

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Note 23 – Other assets				
Interest and commissions receivable	270.0	552.8	283.4	523.4
Positive market value of derivative financial instruments etc.	8,536.3	13,039.5	8,621.9	13,143.8
Unsettled transactions	161.8	156.4	161.8	156.3
Other assets	226.7	110.2	180.5	96.7
Total other assets	9,194.8	13,858.9	9,247.6	13,920.2
Specified by time to maturity:				
Up to 1 year	1,540.7	2,821.1	1,509.3	2,783.8
More than 1 year	7,654.1	11,037.8	7,738.3	11,136.4
Total	9,194.8	13,858.9	9,247.6	13,920.2
Note 24 – Due to credit institutions and central banks				
Due to credit institutions	3,367.5	3,937.3	3,606.2	4,327.0
Repurchase transactions (repos)	808.2	5,924.3	808.2	5,924.3
Total amount due to credit institutions and central banks	4,175.7	9,861.6	4,414.4	10,251.3
Specified by time to maturity:				
On demand	365.7	853.7	604.4	3,835.8
Up to and including 3 months	808.5	5,135.1	808.5	4,322.8
Over 3 months and up to and including 1 year	0.0	1,981.3	0.0	2,067.7
Over 1 year and up to and including 5 years	3,001.5	78.8	3,001.5	25.0
Over 5 years	0.0	1,812.7	0.0	0.0
Total	4,175.7	9,861.6	4,414.4	10,251.3

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Note 25 – Deposits and other debt				
On demand	1,413.5	938.3	1,969.8	1,573.7
Time deposits	12,631.6	5,181.2	12,631.7	5,181.2
Total deposits and other debt	14,045.1	6,119.5	14,601.5	6,754.9
Specified by time to maturity:				
On demand	1,413.5	938.2	1,969.8	1,573.6
Up to and including 3 months	2,532.4	3,033.2	2,532.5	3,033.2
Over 3 months and up to and including 1 year	2,664.7	1,127.5	2,664.7	1,127.5
Over 1 year and up to and including 5 years	6,006.2	1,020.6	6,006.2	1,020.6
Over 5 years	1,428.3	0.0	1,428.3	0.0
Total	14,045.1	6,119.5	14,601.5	6,754.9
Note 26 – Bonds issued				
Bonds issued at fair value				
Bonds issued at fair value, beginning of period	211.4	292.9	0.0	0.0
Redemptions	54.8	79.9	0.0	0.0
Market value adjustments	-0.6	-1.6	0.0	0.0
Bonds issued at fair value, end of period	156.0	211.4	0.0	0.0
Bonds issued at amortised costs				
Bonds issued at amortised cost, beginning of period	42,959.8	46,622.0	42,959.8	46,622.0
New issues	467.7	444.5	467.7	444.5
Repurchases	3,360.7	1,410.6	3,360.7	1,410.6
Redemptions	17,131.5	3,158.1	17,131.5	3,158.1
Market value adjustments	222.9	462.0	222.9	462.0
Bonds issued at amortised costs, end of period	23,158.2	42,959.8	23,158.2	42,959.8
Total bonds issued	23,314.2	43,171.2	23,158.2	42,959.8
Specified by time to maturity:				
Up to and including 3 months	11,235.0	1,587.2	11,235.0	1,587.2
Over 3 months and up to and including 1 year	10,034.3	15,575.1	10,034.3	15,575.1
Over 1 year and up to and including 5 years	102.8	25,518.3	102.8	25,516.7
Over 5 years	1,942.1	490.6	1,786.1	280.8
Total	23,314.2	43,171.2	23,158.2	42,959.8

FIH repurchased own issues totalling DKK 3,360.7 million in 2012 (1,410.6 million in 2011). These repurchase generated income under market value adjustments of DKK -10.1 million (66.9 million in 2011). New issues and redemptions include Commercial Papers, which are short-term issues of, typically, three months.

Note 27 – Other liabilities

Interest and commissions payable	494.1	349.5	491.5	307.6
Negative market value of derivative financial instruments etc.	10,231.0	11,126.7	10,260.1	11,154.8
Unsettled transactions	873.6	2,356.8	858.4	2,314.5
Other liabilities	177.5	130.9	125.6	106.5
Total other liabilities	11,776.2	13,963.9	11,735.6	13,883.4
Specified by time to maturity:				
Up to 1 year	2,839.7	4,247.9	2,770.0	4,140.1
More than 1 year	8,936.5	9,716.0	8,965.6	9,743.3
Total	11,776.2	13,963.9	11,735.6	13,883.4

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Note 28 – Provisions				
Provisions for pensions and similar commitments				
Defined benefit plans				
Recognised actuarial losses	0.7	0.6	0.7	0.6
Total amounts expensed under pensions	0.7	0.6	0.7	0.6
Provisions, beginning of year	4.0	4.0	4.0	4.0
Pension benefits paid	0.7	0.6	0.7	0.6
Recognised actuarial value adjustments	0.7	0.6	0.7	0.6
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.

Provisions for deferred taxes

Deferred taxes, beginning of year	-120.1	-33.3	-128.6	-34.9
Deferred tax of the net profit for the year	-21.0	-100.5	-4.6	-112.9
Adjustment of prior-year estimated tax charge	4.3	13.7	2.7	19.2
Deferred taxes, end of year	-136.8	-120.1	-130.5	-128.6

Deferred taxes are included in the balance sheet as follows

Deferred tax assets	-136.8	-120.1	-130.5	-128.6
Deferred taxes cover				
Loans	121.8	178.8	121.1	170.9
Shares and equity investments	-0.3	-0.7	-0.1	-0.5
Intangible assets	1.7	4.2	1.7	3.8
property, plant and equipment	-3.0	-1.8	-2.9	-1.8
Bonds issued	0.9	1.9	0.9	1.9
Other liabilities	-2.3	1.4	-3.0	1.0
Tax loss carryforwards	-255.6	-303.9	-248.2	-303.9
Total deferred taxes	-136.8	-120.1	-130.5	-128.6

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 662,5 million.

Provisions for losses on guarantees

Provisions for losses on guarantees, beginning of year	59.3	434.0	65.4	392.4
Provisions for the year	75.3	59.3	75.3	56.7
Provisions applied for the year	3.7	431.7	3.7	369.2
Unused provisions, written-back	9.5	2.3	15.6	14.5
Provisions for losses on guarantees, end of year	121.4	59.3	121.4	65.4

Of total provisions for losses on guarantees of DKK 121.4 million at the end of 2012 individual provisions amount to DKK 108.7 million while collective provisions amount to DKK 12.7 million.

Other provisions for commitments

Other provisions, beginning of year	0.0	0.0	0.0	0.0
Provisions made during the year	9.6	0.0	9.6	0.0
Provisions used during the year	0.0	0.0	0.0	0.0
Reversal of unused provisions	0.0	0.0	0.0	0.0
Other provisions, end of year	9.6	0.0	9.6	0.0

Other provisions comprise primarily provisions for legal proceedings

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Note 29 – Subordinated debt				
Subordinated debt, beginning of year	3,806.9	4,465.7	3,806.9	4,465.7
New issues	0.0	0.0	0.0	0.0
Repurchases	0.0	0.0	0.0	0.0
Redemptions	1,900.0	745.8	1,900.0	745.8
Market value adjustments	-76.5	87.0	-76.5	87.0
Subordinated debt, end of year	1,830.4	3,806.9	1,830.4	3,806.9
Subordinated debt - maturity profile				
Tier 1				
11,15 % DKK 1.9 billion perpetual	0.0	1,914.6	0.0	1,914.6
Tier 2				
4,80 % JPY 10 billion maturity 31.03.2032	839.2	904.7	839.2	904.7
Var. % EUR 133 million maturity 26.03.2013	991.2	987.6	991.2	987.6
Total subordinated debt	1,830.4	3,806.9	1,830.4	3,806.9
Subordinated debt that may be included in the calculation of the capital base	905.4	3,137.8	905.4	3,137.8

FIH has not repurchased own subordinated debt in 2012 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. The holding of own shares amounts to 2.476 shares (2011: 2.476 shares).

The effect on equity of the demerger to FS Property Finance A/S as at 2 July amounts to DKK 151.9 million and comprises the changes below.

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Effect of demerger on equity:				
Change in equity				
Disposal of net assets from demerger (see below)	-2,151.9	-	-2,151.9	-
Addition of group contribution from FIH Holding A/S	2,000.0	-	2,000.0	-
Total effect on equity	-151.9	-	-151.9	-
Due from credit institutions	-	-	-1,848.9	-
Demerged loans	-12,647.8	-	-10,727.4	-
Loans to FS Property Finance A/S	15,025.2	-	15,025.2	-
Liquidity	-3,356.9	-	-3,400.9	-
CSA collateral	-1,184.1	-	-1,184.1	-
Demerged customer derivatives	-1,175.0	-	-1,175.0	-
Financial instruments	1,232.0	-	1,232.0	-
Prepayments and accrued income	-45.3	-	-45.3	-
Disposal of net assets by demerger in FIH Kapital Bank A/S	-	-	-27.5	-
Total net disposals	-2,151.9	-	-2,151.9	-

Note 31 – Off-balance sheet items (DKK million)	FIH koncernen		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Contingent liabilities				
Financial guarantees	114.3	168.9	88.3	168.9
Guarantees against losses for mortgage loans	1,251.9	1,664.4	1,266.3	1,789.7
Other contingent liabilities	2.0	2.1	1.9	2.0
Total contingent liabilities	1,368.2	1,835.4	1,356.5	1,960.6
Of which concerning subsidiaries	-	-	14.4	125.2
Specified by time to maturity:				
Up to and including 3 months	7.4	0.0	7.4	0.0
Over 3 months and up to and including 1 year	0.0	319.0	0.0	318.9
Over 1 year and up to and including 5 years	88.8	125.6	77.2	250.9
Over 5 years	1,272.0	1,390.8	1,271.9	1,390.8
Total	1,368.2	1,835.4	1,356.5	1,960.6
Other contingent liabilities				
Irrevocable loan commitments	1,186.6	1,740.9	2,179.8	2,612.3
Other liabilities	20.9	334.0	8,694.0	4,405.1
Discontinued operations	228.6	0.0	228.6	0.0
Total other contingent liabilities	1,436.1	2,074.9	11,102.4	7,017.4
Specified by time to maturity:				
Up to and including 3 months	0.0	0.0	0.0	0.0
Over 3 months and up to and including 1 year	6.0	443.6	8,673.2	437.5
Over 1 year and up to and including 5 years	795.5	955.1	1,794.6	5,903.7
Over 5 years	634.6	676.2	634.6	676.2
Total	1,436.1	2,074.9	11,102.4	7,017.4

In FIH Erhvervsbank A/S, unutilized committed facilities to FIH Kapital Bank A/S of DKK 1 billion is recognised under “Irrevocable loan commitments” (2011: DKK 1 billion) and uncommitted facilities of DKK 8,673.2 million is recognised under “Other liabilities” (2011: DKK 4,065.3 million).

Operational leasing contracts

The Langelinie Allé lease is non-terminable until 30 June 2015. The rent is adjusted annually based on Statistics Denmark’s net price index. In addition, FIH Erhvervsbank A/S has concluded external agreements on the lease of cars and has assumed liabilities in connection with four minor office premises rented in Jutland, two of which have been terminated to take effect by the end of 2012.

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

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Maturity distribution:				
Up to 1 year	35.1	32.8	35.1	32.8
More than 1 year and up to and including 5 years	49.5	111.9	49.5	111.9
More than 5 years	0.0	0.0	0.0	0.0
Total	84.6	144.7	84.6	144.7
Of which sublet	0.0	3.2	0.0	3.2
Recognised rental expense in the income statement for the period	27.8	30.7	27.8	30.7

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. FIH Holding and companies under the joint taxation scheme are 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 FIH Holding A/S.

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.

In December 2012, FIH Erhvervsbank A/S submitted a restructuring plan to the European Commission in connection with the European Commission's approval of the demerger to FS Property Finance A/S. The European Commission's final approval, which is expected in 2013, may depend on the compliance with certain requirements and conditions.

Note 32 – Assets provided as collateral

FIH Erhvervsbank A/S has deposited bonds with Danmarks Nationalbank (central bank) and VP Securities Services totalling DKK 6,298.4 million (2011: DKK 6,259.1 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 2012, these securities totalled DKK 808.2 million (2011: DKK 5,131.6 million). In addition, FIH has pledged cash and bonds as collateral for exposures totalling DKK 3,135.0 million (2010: DKK 1,951.2 million) in connection with the CSA Agreement.

Note 33 – Discontinued operations

Until 2 July 2012, discontinued operations comprised loans and related derivative financial instruments from the Property Finance business area, as well as activities from the Private Equity business area. As at 2 July 2012, the Property Finance business area was sold to the Financial Stability Company, and as part of this transaction, FIH made financing available in the form of two loans, which were also included in discontinued operations in Q3 rather than in the Property Finance assets.

The two loans consist of a short-term Bridge Loan of DKK 13.4 billion and a deficit absorbing loan of DKK 0.9 billion net of impairments. The Bridge Loan will be repaid as FIH's government-guaranteed bonds mature in 2013 and will be held in trust for this very purpose. The deficit absorbing loan will be repaid after deduction of losses in the demerged company, the earliest maturity being in 2017.

Total discontinued operations are specified below.

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
INCOME STATEMENT				
Interest income	458.4	762.6	409.9	655.6
Interest expense	489.2	595.1	467.2	539.7
Net interest income	-30.8	167.5	-57.3	115.9
Dividends from shares etc.	0.2	0.1	0.2	0.1
Fee and commission income	2.8	5.6	2.8	5.6
Fees and commissions paid	0.1	0.4	0.1	0.4
Net interest and fee income	-27.9	172.8	-54.4	121.2
Market value adjustments	-157.7	-722.7	-157.7	-722.7
Loan impairment charges	344.9	725.8	345.3	743.3
Profit from investments in group enterprises and associates	0.0	0.3	0.0	0.3
Profit before tax	-530.5	-1,275.4	-557.4	-1,344.5
Tax	0.0	-90.2	0.0	-107.5
Net profit for the year, discontinued operations	-530.5	-1,185.2	-557.4	-1,237.0
ASSETS				
Loans and other receivables at amortised cost	13,365.3	-	13,365.3	-
Loans at fair value	887.6	-	887.6	-
Shares, etc.	865.0	-	864.8	-
Investments in associates	43.9	-	43.9	-
Total assets	15,161.8	-	15,161.6	-
Off-balance sheet items can be seen in note 31				
CASHFLOWS				
Cash flow from operating activities	3,000.6	2,475.8	-	-
Cash flow from investing activities	0.0	0.0	-	-
Cash flow from financing activities	0.0	0.0	-	-
Total cashflow	3,000.6	2,475.8	-	-

The deficit absorbing loan with a principal of DKK 1,673.6 million is FIH's continued involvement in the assets that were transferred to the Financial Stability Company in connection with the demerger to FS Property Finance A/S. In H1 2012 and prior to the demerger, impairment charges on the demerged loans and customer derivatives totalled DKK 374 million. After closing on 2 July 2012 and from the time when the deficit absorbing loan was established, fair value adjustments have been made at a total of DKK 412.0 million (loss), and the carrying amount as at 31 December is DKK 887.6 million. The fair value adjustments are recognised under market value adjustments of discontinued operations. After closing, interest income of DKK 10.3 million has been recognised (under discontinued operations) for the deficit absorbing loan.

In addition to the deficit absorbing loan, FIH has no other exposure to loss as a consequence of its continued involvement.

(DKK million)	2012	2011	2010	2009	2008
Note 34 – Ratios					
FIH Erhvervsbank A/S					
Income statement					
Net interest and fee income	383	488	878	931	936
Market value adjustment	137	66	283	290	-109
Other operating income	141	129	149	164	173
Profit on net financials	661	683	1,310	1,385	1,000
Expenses and depreciation	469	508	752	911	793
Impairment charges on loans and receivables etc.	1,131	278	1,338	909	371
Profit on investments in associates and group enterprises	-48	137	41	43	120
Profit/loss before tax	-987	34	-739	-392	-44
Tax	-7	-26	-192	-107	-37
Net profit for the year after tax, continued operations	-980	60	-547	-285	-7
Discontinued operations:					
Net profit for the year after tax, discontinued operations	-557	-1,237	1,072	294	191
Net profit for the year after tax	-1,537	-1,177	525	9	184
Balance sheet					
Loans	11,591	33,828	46,902	51,961	58,031
Equity	5,699	7,389	8,556	8,041	8,032
Total assets	61,578	85,118	110,152	131,001	110,882
Capital base	6,561	10,349	11,979	11,999	10,676
Ratios*					
Total capital ratio, per cent	23.1	20.2	17.0	15.7	14.0
Tier 1 capital ratio, per cent	19.9	17.8	14.7	12.9	10.5
Return on equity before tax	-23.6	-16.4	3.7	-2.0	2.1
Return on equity after tax	-23.5	-14.8	6.3	0.1	2.3
Income/cost ratio	0.21	0.14	1.12	0.92	1.14
Interest rate risk	0.7	0.5	1.5	2.4	-0.4
Foreign exchange position	1.3	0.6	1.3	1.1	14.3
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Loans before impairments compared to deposits	1.9	5.4	5.8	2.4	2.8
Gearing of loans	4.5	4.6	5.5	6.5	7.2
Growth in loans, per cent	-23.6	-28.4	-9.7	-10.5	-4.9
Excess cover relative to statutory liquidity requirements	94.4	97.1	49.6	123.2	37.6
Total amount of large exposures	73.6	35.4	67.1	47.0	122.5
Impairment ratio for the year	5.0	2.7	3.4	1.6	0.7
Capital base relative to minimum capital adequacy requirement	175.9	278.4	321.4	322.5	286.6

* Financial ratios are calculated based on total results, i.e. both continued and discontinued operations. The ratios are calculated in accordance with the guidelines of the Danish Financial Supervisory Authority, cf. accounting policies.

Note 35 – Financial assets and liabilities

(DKK million)	FIH Group 2012		FIH Group 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash in hand and demand deposits with central banks	35.2	35.2	38.3	38.3
Debt instruments eligible for refinancing with central banks	0.0	0.0	2,374.9	2,374.9
Due from credit institutions and central banks	2,241.5	2,240.4	1,567.9	1,567.0
Loans and other receivables at fair value (fair value option)	160.7	160.7	215.1	215.1
Loans and other receivables at amortised cost	16,004.9	16,233.6	42,617.4	43,205.3
Bonds at fair value	17,030.1	17,030.1	21,567.5	21,567.5
Shares etc.	0.0	0.0	882.9	882.9
Other assets	8,536.3	8,536.3	13,040.0	13,040.0
Total financial assets	44,008.7	44,236.3	82,304.0	82,891.0
Financial liabilities				
Due to credit institutions and central banks	4,175.7	4,175.6	9,861.6	9,862.1
Deposits and other debt	14,045.1	14,045.1	6,119.5	6,119.5
Bonds issued at fair value (fair value option)	156.0	156.0	211.4	211.4
Bonds issued at amortised cost	23,158.2	23,161.7	42,959.8	42,968.1
Other liabilities	10,231.0	10,231.0	11,126.7	11,126.7
Subordinated debt	1,830.4	1,835.1	3,806.9	3,815.5
Total financial liabilities	53,596.4	53,604.5	74,085.9	74,103.3
Other assets, cf. balance sheet	9,194.8	-	13,858.9	-
Of which financial assets	8,536.3	-	13,040.0	-
Other liabilities, cf. balance sheet	11,776.2	-	13,963.9	-
Of which financial liabilities	10,231.0	-	11,126.7	-

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 35 – continued**Financial assets and liabilities broken down by category**

(DKK million)	FIH Group			
	Carrying amount	Net market value adjustments*	Interest income/expense*	Fees and Commissions*
2012				
Financial assets				
Trading portfolio	24,493.1	4,586.2	1,918.2	-
Investment assets at fair value	0.0	0.0	0.0	-
Mortgage loans at fair value (fair value option)	160.7	-0.3	13.0	-
Hedge accounting derivatives	1,073.3	-221.7	441.1	-
Total financial assets at fair value via the income statement	25,727.1	4,364.2	2,372.3	-
Loans and other receivables	18,281.6	10.7	953.0	12.6
Total financial assets	44,008.7	4,374.9	3,325.3	12.6
Financial liabilities				
Trading portfolio	9,611.7	4,187.0	1,668.4	-
Mortgage bonds issued at fair value (fair value option)	156.0	-0.6	8.9	-
Hedge accounting derivatives	619.3	-192.6	93.6	-
Total financial liabilities at fair value via the income statement	10,387.0	3,993.8	1,770.9	-
Liabilities at amortised cost	43,209.4	203.2	1,110.8	-
Total financial liabilities	53,596.4	4,197.0	2,881.7	-
Other liabilities		-28.9	2.1	93.7
Total		149.0	445.7	106.3
2011				
Financial assets				
Trading portfolio	33,386.3	9,067.4	1,243.2	-
Investment assets at fair value	882.9	-722.2	0.0	-
Mortgage loans at fair value (fair value option)	215.1	-3.5	17.3	-
Hedge accounting derivatives	1,221.2	333.8	393.3	-
Total financial assets at fair value via the income statement	35,705.5	8,675.5	1,653.8	-
Loans and other receivables	46,598.5	442.5	2,157.1	17.0
Total financial assets	82,304.0	9,118.0	3,810.9	17.0
Financial liabilities				
Trading portfolio	11,126.7	8,861.0	1,004.7	-
Mortgage bonds issued at fair value (fair value option)	211.4	-1.6	13.4	-
Hedge accounting derivatives	424.9	-113.2	-12.5	-
Total financial liabilities at fair value via the income statement	11,763.0	8,746.2	1,005.6	-
Liabilities at amortised cost	62,322.9	1,026.8	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

The breakdown of financial assets and liabilities set out above has been prepared in compliance with IAS 39. Interest related to claims written down in the amount of DKK 32.8 million (2011: DKK 68.9 million).

In 2012, bonds in the investment portfolio were reclassified to the trading portfolio. As a consequence, comparative figures for 2012 have been restated. In 2011, bonds in the investment portfolio totalled DKK 11,068.3 million, market value adjustments DKK -27.8 million and interest DKK 457.9 million.

* Market value adjustments, interest, fees and commissions for 2011 are inclusive of discontinued operations, as the comparative figures for the balance sheet have not been restated.

Note 36 – Financial assets and liabilities at fair value

(DKK million)	FIH Group			
	Balance sheet total	Level 1 Quoted prices	Level 2 Observable inputs	Level 3 Non-observable inputs
2012				
Financial assets				
Loans and other receivables at fair value	160.7	0.0	160.7	0.0
Bonds at fair value	17,030.1	17,030.1	0.0	0.0
Shares	0.0	0.0	0.0	0.0
Other assets	8,536.3	0.0	8,536.3	0.0
Total financial assets	25,727.1	17,030.1	8,697.0	0.0
Financial liabilities				
Bonds issued at fair value	156.0	156.0	0.0	0.0
Other liabilities	10,231.0	0.0	10,231.0	0.0
Total financial liabilities	10,387.0	156.0	10,231.0	0.0

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

2011

Financial assets				
Loans and other receivables at fair value	215.1	0.0	215.1	0.0
OBonds 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

(DKK million)	FIH Group	
	2012	2011
Financial assets and liabilities measured at fair value at level 3		
Financial assets measured at fair value at level 3, beginning of year	882.9	2,361.3
Transferred to discontinued operations	-882.9	0.0
Additions	0.0	203.8
Disposals	0.0	960.2
Transferred to/from level 1 or 2	0.0	0.0
Change in fair value	0.0	-722.0
Financial assets measured at fair value at level 3, end of year	0.0	882.9

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

Note 37 – 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.

2012 (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	-	3,440.1	-69.9	-23.5
Total	-	3,440.1	-69.9	-23.5
Financial instruments designed to hedge interest rate risk				
Swaps	4,961.9	-324.6	71.9	34.9
Liabilities and equity				
Due to credit institutions	-	-1,505.9	63.1	-47.5
Bonds issued	-	-21,722.6	70.6	103.5
Subordinated debt	-	-839.2	106.7	9.4
Total	-	-24,067.7	240.4	65.4
Financial instruments designed to hedge interest rate risk				
Swaps	37,529.4	413.0	-172.6	-64.0
FIH Erhvervsbank A/S				
Assets				
Loans	-	2,956.9	-59.1	-16.8
Total	-	2,956.9	-59.1	-16.8
Financial instruments designed to hedge interest rate risk				
Swaps	4,186.3	-284.0	60.1	24.9
Liabilities and equity				
Due to credit institutions	-	-1,505.9	63.1	-47.5
Bonds issued	-	-21,722.6	70.6	103.5
Subordinated debt	-	-839.2	106.7	9.4
Total	-	-24,067.7	240.4	65.4
Financial instruments designed to hedge interest rate risk				
Swaps	37,529.4	413.0	-172.6	-64.0

Note 37 – continued

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 38 – Credit risk
Maximum credit exposure

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

(DKK million)	FIH group	
	2012	2011
Total assets	60,757	84,157
+ Irrevocable loan commitments not disbursed	1,187	1,741
+ Bank/financial guarantees	1,366	1,833
- Investments	0	927
Maximum exposure to credit risk	63,310	86,804
Collateral received		
Credit exposure	63,310	86,804
Value of collateral	14,813	30,738
Total unsecured loans	48,497	56,066
Proportion of unsecured loans (per cent)	77	65

The total maximum credit exposure at the end of 2012 include Danish government bonds and Danish mortgage bonds rated "AA" or above of DKK 17,030 million.

Note 38 – continued**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. The financing generally has no credit commitment and otherwise has financial or management covenants that must be met to ensure that the financing does not fall due for payment.

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.

Per cent, end of year	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Loans and guarantee debtors, broken down by sector and industry				
Public sector	2	2	3	3
Business sector:				
Agriculture, hunting, forestry and fisheries	0	0	0	0
Manufacturing industries and extraction of raw materials,	36	27	34	25
Electricity, gas, water and heating utilities	2	1	1	1
Building and construction	2	3	2	2
Trade	20	11	19	9
Transport, hotels and restaurants	14	8	13	7
Information and communication	2	1	2	2
Finance and insurance	10	6	13	11
Real property	5	35	6	32
Other	6	5	6	7
Total business sector	97	97	96	96
Private customers	1	1	1	1
Total	100	100	100	100

Quality of FIH's credit exposures

(DKK million)	FIH Group	
	2012	2011
Loans without impairment charges and with no arrears	13,309.1	39,259.8

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	
	2012	2011
D	7.9 %	1.3 %
0-3	8.3 %	12.0 %
4-6	40.9 %	52.5 %
7-9	41.4 %	29.1 %
10-13	1.4 %	4.9 %
In process	0.1 %	0.2 %
Total	100.0 %	100.0 %

Note 38 – continued

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. Customers rated 0 to 3 are weak commitments, whereas customers rated 4 to 13 are healthy commitments. 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	
	2012	2011
Loans in arrears for which no impairment has been provided	1,458.5	413.1
Loans mature as follows:		
Up to and including 3 months	204.1	2.5
Over 3 months and up to and including 1 year	89.9	27.3
Over 1 year and up to and including 5 years	91.1	226.0
Over 5 years	1,073.4	157.3
Total	1,458.5	413.1
Outstanding amounts for which no impairment has been provided	242.4	48.2
Of which relating to the public sector	0.0	0.0
Age distribution of outstanding amounts:		
Up to and including 3 months	234.6	47.0
Over 3 months and up to and including 1 year	6.0	1.2
Over 1 year and up to and including 2 years	0.8	0.0
Over 2 years	1.0	0.0
Total	242.4	48.2

Loans registered with an objective indication of impairment

Of the total loan balance of DKK 18,203 million before loan impairment charges, loans registered with an Objective Indication of Impairment (OII) account for DKK 4,489 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-).

Note 38 – continued

(DKK million)	FIH Group			
	2012		2011	
	Outstanding debt	Impairment charges	Outstanding debt	Impairment charges
Loans individually written down for impairment	3,036.6	1,538.0	6,245.2	2,281.0
Loans comprise:				
Public sector	304.6	105.8	8.5	1.7
Business sector:				
Agriculture, hunting, forestry and fisheries	0.0	0.0	0.0	0.0
Manufacturing industries and extraction of raw materials,	1,037.9	567.6	678.4	260.8
Electricity, gas, water and heating utilities	0.0	0.0	0.0	0.0
Building and construction	51.1	11.3	751.0	312.2
Trade	652.7	336.2	379.0	167.3
Transport, hotels, and restaurants	125.4	30.9	79.2	16.5
Information and communication	0.0	0.0	0.0	0.0
Finance and insurance	421.0	287.7	521.2	330.2
Real property	359.2	96.7	3,187.2	882.3
Other	76.3	97.5	633.1	302.5
Total business sector	2,723.6	1,427.9	6,229.1	2,271.8
Private customers	8.4	4.3	7.6	7.5
Total	3,036.6	1,538.0	6,245.2	2,281.0

Note 39 – 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.

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.

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 for the Group as a whole. This is reflected in the fact that the VaR framework for the Group must not exceed DKK 35 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.

(DKK million)	FIH Group	
VaR	2012	2011
Interest rate	3.6	7.3
Currency	0.3	0.3
Equity (listed shares)	0.0	0.0
OAS risk (Option-Adjusted Spread)	17.0	23.2
Swaption volatility	0.3	0.5
Diversification effect	-3.8	-5.6
Total VaR	17.4	25.7

Total VaR at end 2012 was at DKK 17.4 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 2012.

Note 39 – continued

(DKK million)

	FIH Group	
	2012	2011
Interest rate risk		
Total interest rate risk on debt instruments etc.	-43.5	-58.9
Interest rate risk (according to size) broken down by currency:		
DKK	-106.2	-100.5
EUR	37.7	-0.7
SEK	0.4	20.9
NOK	8.2	6.2
GBP	-0.4	-1.5
USD	16.5	18.7
JPY	0.5	0.5
Other currencies	-0.2	-2.5
Total	-43.5	-58.9

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 2012, the financial accounts and total equity would be affected by DKK -43.5 million.

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 2012 (DKK million)	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
Assets								
Cash in hand and demand deposits with central banks	35.2	-	-	-	-	-	35.2	0
Due from credit institutions and central banks	1,222.5	-	944.4	74.6	-	-	2,241.5	-7
Loans and other receivables	-	5,767.5	6,099.7	2,037.0	2,261.4	-	16,165.6	-189
Bonds etc.	-	515.7	1,020.3	5,696.3	9,797.8	-	17,030.1	-213
Other assets	-	296.1	13,499.7	2,691.7	7,214.5	1,582.4	25,284.4	-540
Total assets	1,257.7	6,579.3	21,564.1	10,499.6	19,273.7	1,582.4	60,756.8	-949
Debt and subordinated debt								
Due to credit institutions and central banks	365.6	808.5	-	3,001.5	-	-	4,175.7	291
Deposits and other debt	1,508.3	2,437.6	2,664.7	7,434.5	-	-	14,045.1	167
Bonds issued etc.	-	11,235.0	10,293.0	1,569.0	217.3	-	23,314.2	81
Other liabilities	-	953.4	75.9	1,413.1	8,662.1	810.1	11,914.6	258
Subordinated debt	-	-	991.2	-	839.2	-	1,830.4	109
Total debt and subordinated debt	1,873.9	15,434.5	14,024.8	13,418.1	9,718.6	810.1	55,280.0	906

Note 39 – continued (DKK million)	FIH Group	
	2012	2011
Foreign exchange risk		
VForeign exchange risk broken down by currency	-60.2	-46.3
Foreign exchange risk broken down by the Bank's currencies subject to the highest foreign exchange risk:		
EUR	-62.0	-50.6
GBP	1.0	1.7
NOK	5.7	4.1
SEK	1.8	4.0
USD	-1.0	-3.0
JPY	-0.2	0.0
Other currencies	-5.5	-2.5
Total	-60.2	-46.3
Total foreign exchange assets	28,476	54,589
Total foreign exchange liabilities	28,759	54,195
Exchange rate indicator 1	8.8	12.1
Exchange rate indicator 1 as a percentage of tier 1 capital after deductions	0.2	0.1
Exchange rate indicator 2	0.1	0.5
Exchange rate indicator 2 as a percentage of tier 1 capital after deductions	0.0	0.0

* Market value DKK million.

Indicator 1 represents the highest numerical value of currencies in which FIH 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.

(DKK million)	FIH Group	
	2012	2011
Equity risk		
Listed shares	0.0	0.0
Unlisted shares (private equity)	865.0	882.9
Investments in associates	43.9	43.9
Total	908.9	926.8

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 40 – 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 per cent requirement of total debt and guarantee commitments by 50 per cent to 15 per cent.

The group's liabilities mature as follows

FIH Group 2012 (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	4,175.7	4,192.0	1,175.6	6.0	3,010.4	0.0
Deposits and other debt	14,045.1	16,214.4	4,016.5	2,899.8	6,227.7	3,070.4
Bonds issued etc.	23,314.2	24,064.2	11,342.2	10,100.6	244.0	2,377.4
Other liabilities	1,548.6	1,548.6	1,548.6	0.0	0.0	0.0
Subordinated debt	1,830.4	2,142.1	11.7	15.8	1,007.0	1,107.6
Total	44,914.0	48,161.3	18,094.6	13,022.2	10,489.1	6,555.4

Note 41 – Capital structure

The aim is to have a total capital 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 total capital ratio that is significantly higher than the regulatory requirements.

Capital structure, FIH Group

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Capital requirement	37.3	37.2	37.3	37.2
Tier 1 capital after deductions	5,425.6	8,894.2	5,654.4	9,111.7
Capital base	6,332.3	10,131.9	6,561.1	10,349.4
Weighted items not included in the trading portfolio	25,125.6	50,904.1	23,773.9	45,182.9
Weighted items with market risk etc.	4,714.2	6,145.9	4,675.8	6,099.8
Total weighted items	29,839.8	57,050.0	28,449.7	51,282.7
Tier 1 capital after deductions as a percentage of total weighted items	18.2	15.6	19.9	17.8
Total capital ratio according to section 124 of the Danish Financial Business Act (The minimum statutory requirement is 8 per cent)	21.2	17.8	23.1	20.2
Tier 1 capital	5,475.5	7,164.7	5,698.0	7,387.1
Intangible assets	-6.7	-15.3	-6.7	-15.3
Deferred tax assets	-136.8	-120.1	-130.5	-128.6
Difference between valuation of trading portfolio	93.6	-35.1	93.6	-31.5
Hybrid tier 1 capital	0	1,900.0	0	1,900.0
Reduced tier 1 capital	5,425.6	8,894.2	5,654.4	9,111.7
Supplementary capital				
Revaluation reserve	1.3	1.3	1.3	1.3
Subordinated debt less deductions	905.4	1,236.4	905.4	1,236.4
Capital base	6,332.3	10,131.9	6,561.1	10,349.4

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 42 – Related parties

All transactions with related parties are settled on market terms or on a cost recovery basis. In 2012, 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:

ATP				
Interest expenses	0.0	9.0	0.0	0.0
Fees and commissions paid	87.0	34.0	0.0	0.0
Total	87.0	43.0	0.0	0.0
Prepayments	4.2	40.3	0.0	0.0
Total assets	4.2	40.3	0.0	0.0
Deposits and other debt	0.0	0.7	0.0	0.0
Other liabilities	0.4	0.0	0.0	0.0
Total liabilities	0.4	0.7	0.0	0.0

Interest expenses relate to FIH Kapital Bank's drawing on the ATP facility. The ATP facility was not used in 2012. The above fees comprise a monthly fee for the ATP drawing right as well as the accrual of an upfront fee.

Note 42 – continued

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:

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
FIH Holding A/S				
Interest expenses	0.2	0.3	0.2	0.3
Staff costs and administrative expenses	0.4	0.4	0.4	0.4
Recognised in the financial statement	0.6	0.7	0.6	0.7
Loans	18.1	10.2	18.1	10.2
Total assets	18.1	10.2	18.1	10.2
Deposits	1.1	0.0	1.1	0.0
Other liabilities	0.0	0.4	0.0	0.4
Total liabilities	1.1	0.4	1.1	0.4

In the ownership structure of FIH Holding A/S, total deposits of DKK 5.0 million have been received from C.P. Dyvig & Co. A/S, Cruise I A/S, FCPD A/S and PF I A/S at year-end 2012. Total interest expenses in 2012 to these companies amount to DKK 0.0 million.

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

Group enterprises

Interest income	-	-	112.4	195.2
Interest expenses	-	-	2.0	6.5
Fee and commission income	-	-	0.3	0.5
Fees and commissions paid	-	-	3.5	6.3
Other operating income	-	-	40.0	57.8
Recognised in the financial statement	-	-	147.2	240.7
Due from credit institutions and central banks	-	-	2,952.1	6,938.7
Bonds at fair value	-	-	2.5	4.0
Other assets	-	-	115.6	116.8
Total assets	-	-	3,070.2	7,059.5
Due to credit institutions and central banks	-	-	238.2	374.6
Deposits and other debt	-	-	556.4	635.4
Other liabilities	-	-	29.2	28.1
Provisions for losses on guarantees	-	-	0.0	6.2
Total liabilities	-	-	823.8	1,044.3
Off-balance sheet items	-	-	9,687.6	5,190.6

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.

Note 42 – continued

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2012	2011	2012	2011
Associates				
Interest income	15.4	10.7	14.5	10.7
Interest expenses	0	0.6	0	0.6
Market value adjustments	4.7	10.8	4.6	10.8
Recognised in the financial statement	20.1	20.9	19.1	20.9
Loans and other receivables at amortised cost	186.1	172.1	104.4	172.1
Other assets	30.4	25.8	30.4	25.8
Total assets	216.5	197.9	134.8	197.9
Deposits and other debt	0	0.6	0	0.6
Total liabilities	0	0.6	0	0.6

Other related parties

See note 8 for information on fees to the Group's Board of Directors and Executive Board.

Note 43 – Group structure

DConsolidated subsidiaries

(DKK million)	Activity	Ownership interest*	Assets	Liabilities	Equity	Turn-over	Profit /loss
FIH Realkredit A/S, Copenhagen	Mortgage loans.	100 %	296.6	177.0	119.6	5.9	1.3
FIH Leasing og Finans A/S, Copenhagen	Leasing and financing.	100 %	439.0	0.6	438.4	0.4	1.7
FIH PARTNERS A/S, Copenhagen	Investment banking.	100 %	193.3	31.3	162.0	122.7	24.2
FIH Kapital Bank A/S, Copenhagen	Financing and investment.	100 %	5,012.9	3,070.4	1,942.5	63.1	-75.3

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

Associates*

Axcel Industrilinvestor Invest A/S, Copenhagen	Holds shares in Axcel Industrilinvestor A/S and other related business hereto.	50.0 %	33.6	1.2	32.4	0.0	-0.7
Interbuild ApS, Ikast-Brande	The Group is primarily engaged in timber industry activities.	49.0%	523.9	122.0	401.9	482.0	-21.8
DDD Holding A/S, Hoersholm	The Group's key business areas are development, production and marketing of dermatological products.	41.5 %	16.4	-8.0	24.4	-	6.1
Grey Holding 1 A/S, Holstebro	Holds shares in Grey Holding 2 A/S	44.0 %	4.1	3.9	0.2	0.0	1.4
Ejendomsselskabet Borgergade Parkering ApS, Vejle	Operation and development of parking facilities.	30.0 %	8.1	1.9	6.2	-	0.3
Stema Holding A/S, Helsingør	Production og sale of coil and bar iron machines.	28.3 %	161.8	97.9	63.9	0.0	-30.2

* Information from the financial statements, cf. the most recent annual reports.

Note 44 – Events after the balance sheet date

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

Note 45 – Board of directors and executive board

Board of Directors

CHRISTIAN DYVIG**Chairman****CEO**

Lundbeckfonden
C.P. Dyvig & Co. A/S

Education

LLM from the University of Copenhagen (1987)
MBA from IMD International (1992)

Previous positions

2003 – 2009 Partner in Nordic Capital
1993 – 2003 Various executive positions, Morgan Stanley
1987 – 1992 Assistant attorney and later lawyer at Reumert & Partnere

Deputy chairman

H. Lundbeck A/S
ALK A/S

Board Member

Cruise I A/S
FCPD A/S
FIH Holding A/S
PF I A/S

Joined the board

6 January 2011
Re-elected at the annual general meeting in 2012
Term of office, 14 March 2013

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 2012: DKK 0.5 million. (2011: DKK 0.4 million.)

HENRIK HEIDEBY**Deputy Chairman****CEO**

PFA Holding A/S
PFA Pension

Education

Bank education
Bachelor of Commerce (Management Accounting)

Henrik Heideby – continued

Previous positions

1998 – 2001 CEO, Alfred Berg Bank A/S
1992 – 1998 CEO, Finansieringsinstituttet for Industri og Håndværk
1992 – 1998 Member of the Executive Board, Dansk Eksportfinansierings-fond and Dagspressens Finansieringsinstitut
1988 – 1992 CEO, Finansieringsinstituttet for Industri og Håndværk
1984 – 1988 CEO, Dansk Kapitalanlæg A/S
1982 – 1984 Deputy Chief Executive, Finansieringsinstituttet for Industri og Håndværk

Chairman

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

Deputy 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

Joined the board

6 January 2011
Re-elected at the annual general meeting in 2012
Term of office, 14 March 2013

Committees

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

Shareholdings in FIH Erhvervsbank A/S

None

Fee 2012: DKK 0.7 million. (2011: DKK 0.6 million.)

DANIEL ERIKSSON**Head of Products, Folksam****Education**

Master of Science from Stockholm School of Economics (1993)
Master of Laws from Stockholm University (1993)
MBA from INSEAD (1998)

Previous positions

2003 – 2006 Senior vice president, Securities Operations, NasdaqOMX
2001 – 2002 Programme manager, Folksam Non-Life Insurance
2000 – 2001 Senior Manager, Adcore Strategy UK
1993 – 2000 Senior Manager, Accenture, Strategic Service

Daniel Eriksson – continued

Member of Executive Management

Folksam Ömsesidig Liv

Folksam Ömsesidig Sak

Chairman

Aktiv Försäkringadministration

Folksam Spar

Reda Pensionsadministration

Vice chairman

Folksam Fondförsäkring

Board Member

KPA Pensionservice

Other material duties

Ledamot i Livutskottet, Svensk Försäkring

Joined the board

6 January 2011

Re-elected at the annual general meeting in 2012

Term of office, 14 March 2013

Shareholdings in FIH Erhvervsbank A/S

None

Fee 2012: DKK 0.3 million. (2011: DKK 0.3 million.)

HENRIK GADE JEPSEN

Acting CEO and Chief Investment Officer, ATP

Education

MA (Economics) from Aarhus University (1989)

Previous positions

1999 – 2011 Various executive positions, ATP

1998 – 1999 Office manager, Realkredit Danmark

1997 – 1998 Chief clerk, Danmarks Nationalbank

1994 – 1997 Economist, The International Monetary Fund

1989 – 1994 Chief clerk, Danmarks Nationalbank

Chairman

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

Strandgade 7 A/S

Via Venture Partners Fund I-II K/S

Board member

FIH Holding A/S

Henrik Gade Jepsen – continued

Joined the board

6 January 2011

Re-elected at the annual general meeting in 2012

Term of office, 14 March 2013

Committees

Audit committee

The Board of Director's Credit and Risk Committee

Shareholdings in FIH Erhvervsbank A/S

None

Fee 2012: DKK 0.4 million. (2011: DKK 0.4 million.)

FREDRIK MARTINSSON

Chief Investment Officer in Investments in ATP

Education

Bachelor of Business Administration from Lund University in 1992

Previous positions

2006 – 2011 ATP, Chief Investment Officer (dual employment)

2006 – 2011 ATP Alpha Fondsmæglerselskab A/S, CEO

2004 – 2005 ATP, Head of Equity

2001 – 2004 ATP, Equity Portfolio Manager

1998 – 2001 Danske Bank A/S, Chief Equity Analyst

1995 – 1998 Goldman Sachs, Equity Analyst

1992 – 1995 Hagströmer & Qviberg, Equity Analyst

Board member

ATP Alpha Fondsmæglerselskab A/S

ATP Alternative Investments K/S

ATP Timberland Invest K/S

ATP Ejendomme A/S

ATP Private Equity K/S

ATP Private Equity Partners I-V K/S

ATP Real Estate Partners I-II K/S

FIH Holding A/S

Via Venture Partners Fund I-II K/S

Joined the board

30. January 2013

Term of office, 14 March 2013

Other significant offices

Member of the Board of Directors of Hörnhems Handelsträdgård AB

Shareholdings in FIH Erhvervsbank A/S

None

Fee 2012: DKK 0.0 million. (2011: DKK 0.0 million.)

RANDI HOLM FRANKE

Senior Project Manager

Elected by the employees

Education

Bank education

Bachelor of Commerce (Organisation) from Copenhagen Business School (1996)

IPMA Project Manager Certified (2010)

Previous position

2005 – 2009 Executive Credit Analyst, FIH Erhvervsbank

2002 – 2005 Credit expert, Nykredit

1996 – 2002 Chief clerk, Danske Bank (former BG Bank)

1990 – 1996 Chief clerk, Alm. Brand Bank (former EPA Bank and Erhvervs- og Investeringsbanken)

1987 – 1990 Bank clerk, Den Danske Bank (former Handelsbanken)

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 2012: DKK 0.3 million. (2011: DKK 0.3 million.)

LENE FOGED NOTHLEVSEN

Assistant Relationship Manager

Elected by the employees

Education

Bank education

Previous positions

1997 – 1999 Customer assistant HMI-Gruppen, FIH Erhvervsbank

1996 – 1997 Project worker, FIH Erhvervsbank

1994 – 1996 Bank trainee, FIH Erhvervsbank

Chairman

Christian Møller Invest II ApS

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.

Committees

Audit committee

Shareholdings in FIH Erhvervsbank A/S

None

Fee 2012: DKK 0.3 million. (2011: DKK 0.2 million.)

JACOB BAGGERS WILLEMOES

Webmaster

Elected by the employees

Education

Bank education

Previous positions

2000 – 2001 Customer consultant, First View Bank

1999 – 2000 Client adviser, Lån & Spar Bank

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 2012 DKK 0.3 million. (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

CEO

FIH Holding A/S

Chairman

Board member

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

Fee 2012, FIH Erhvervsbank A/S: DKK 4.7 million.
Fee subsidiaries 2012: DKK 0.3 million.

HENRIK SJØGREEN

Managing director and co-CEO

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

CEO

FIH Holding A/S

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

FS Property Finance A/S
Simon Fougner Hartmanns Familiefond

Fee 2012, FIH Erhvervsbank A/S: DKK 4.7 million.
Fee subsidiaries 2012: DKK 0.3 million.

STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

The Board of Directors and the Executive Board have today considered and approved the annual report of FIH Erhvervsbank A/S for the financial year 1 January to 31 December 2012.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The parent financial statements are 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 and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2012 and of their financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2012.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein, as well as a description of the most material risks and elements of uncertainty that may affect the Parent and the Group.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 7 February 2013

EXECUTIVE BOARD

Bjarne Graven Larsen
Managing Director and co-CEO

Henrik Sjøgreen
Managing Director and co-CEO

BOARD OF DIRECTORS

Christian Dyvig
Chairman

Henrik Heideby
Deputy chairman

Daniel Eriksson

Henrik Gade Jepsen

Fredrik Martinsson

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 bank financial statements

We have audited the consolidated financial statements and parent bank financial statements of FIH Erhvervsbank A/S for the financial year 1 January to 31 December 2012, 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 bank 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 issuers of listed bonds. The financial statements of the parent bank are prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the consolidated financial statements and parent bank 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 issuers of listed bonds and for the preparation of the financial statements of the parent bank 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 bank financial statements that are free from material misstatement, whether due to fraud or error.

Internal auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the financial statements of the parent bank based on our audit. We have conducted our audit in accordance with the 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 that the consolidated financial statements and the financial statements of the parent bank 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 bank. 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 bank.

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 bank'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 2012 and of its financial performance and cash flows for the financial year 1 January to 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds.

Further, in our opinion, the financial statements of the parent bank give a true and fair view of the parent bank's financial position at 31 December 2012 and of its financial performance for the financial year 1 January to 31 December 2012 in accordance with the Danish Financial Business Act.

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 bank.

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 bank.

Copenhagen, 7 February 2013

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 bank financial statements

We have audited the consolidated financial statements and parent bank financial statements of FIH Erhvervsbank A/S for the financial year 1 January to 31 December 2012, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as the Parent Bank, and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds. The parent bank financial statements are prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the consolidated financial statements and parent bank 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 issuers of listed bonds and for the preparation of parent bank 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 bank 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 bank financial statements based on our audit. We have 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 bank 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 bank 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 bank 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 bank 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 bank 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 2012, and of the results of its operations and cash flows for the financial year 1 January to 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds.

In our opinion, the parent bank financial statements give a true and fair view of the parent bank's financial position at 31 December 2012 and of the results of its operations for the financial year 1 January to 31 December 2012 in accordance with the Danish Financial Business Act.

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 bank 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 bank financial statements.

Copenhagen, 7 February 2013

Deloitte

Statsautoriseret Revisionspartnerselskab

Erik Holst Jørgensen
State-Authorised Public
Accountant

Anders O. Gjelstrup
State-Authorised Public
Accountant

FIH Erhvervsbank A/S

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Fredericia

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Aarhus

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