

Copenhagen, 4 February 2015
Press release

FIH: Annual report 2014

In 2014 it became apparent that FIH's business model and business volume would not be able to generate a satisfactory profit in the future. Low demand for loans from business customers and increased competition on the business lending market in combination with high funding costs in FIH Direct Bank meant that satisfactory long-term profitability was impossible to achieve.

For this reason, FIH decided to sell its lending business to Spar Nord and Nykredit, respectively. The agreements with Spar Nord and Nykredit ensured that the transferred customers have new and solid bankrelationships and at the same time, the transactions contribute to the necessary consolidation of the Danish banking sector.

In connection with the sale of the lending business FIH revised its business strategy. It was decided that FIH was to cease acquiring new customers and providing new loans. It was also decided to reduce the risk mandate in Markets.

As a natural consequence of the considerably lower business volume, FIH lowered its cost level in 2014 including trimming the organisation. FIH also focused on simplifying and optimising procedures; for example by changing to BEC's standard banking platform in 2014.

"Much has happened in FIH in 2014 and it is positive to note that we are following our plan. The fact that we have sold our lending business and reduced the risk mandate in Markets - and at the same time are able to end 2014 with a surplus is satisfactory", says Henrik Sjøgreen.

Highlights from the financial statement for 2014

- The profit before tax amounted to DKK 145.3 million (2013: DKK 296.5 million)
- Impairment charges were DKK 211.7 million (2013: DKK 105.6 million)
- Equity was DKK 5,739 million (year-end 2013: DKK 5,677 million). The tier 1 capital ratio and the solvency ratio were identical at 40.3 per cent (year-end 2013: 25.9 per cent), and the capital buffer was 22.2 percentage points (year-end 2013: 11.5 percentage points).

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- At the end of 2014, liquidity totalled DKK 8.2 billion, equivalent to a liquidity surplus of 345 per cent relative to the regulatory requirements (year-end 2013: 221 per cent).
- FIH expects a profit before tax for 2015.

Net profit was positively affected by the return on the share portfolio and by the value adjustment of the deficit-absorbing loan provided to FS Property Finance. Furthermore goodwill in connection with the sale of the lending business to Spar Nord and Nykredit and gains on the repurchase of own bonds and on the repayment of loans on bond-like terms affects net profit positively.

Detracting from this is FIH's significant surplus liquidity in FIH Direct Bank, which are funded more expensively than it can be invested and impairment charges on loans.

Contacts

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Annual report, press photos and logo

The consolidated key figures are included as an appendix. The interim report, press photos and logo are available at fih.com.

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HOVEDTAL – FIH KONCERNEN

(DKK million)	FIH Group				
	2014	2013	2012	2011	2010
Net interest income from lending activities	185.9	271.0	374.9	507.9	696.2
Net fee income etc.	156.4	219.0	203.8	174.7	235.1
Trading income and income from liquidity portfolio	21.7	117.7	312.0	235.3	400.4
Other income	78.5	300.8	-27.4	-79.3	253.4
Total income	442.5	908.5	863.3	838.6	1,585.1
Ordinary expenses	378.8	482.2	500.3	514.6	633.1
Profit/loss from ordinary activities	63.7	426.3	363.0	324.0	952.0
Net gain from equity portfolio	184.9	534.6	224.9	-771.4	1315.1
Profit/loss from matters concerning the Property Finance portfolio	149.4	-558.8	-755.4	-413.8	-253.6
Other expenses	41.0	0.0	55.8	48.2	244.2
Net profit/loss for the year before loan impairment charges etc. and tax	357.0	402.1	-223.3	-909.4	1,769.3
Loan impairment charges etc.	211.7	105.6	1337.2	266.5	1,423.0
Profit/loss for the year before tax	145.3	296.5	-1,560.5	-1,175.9	346.3
Tax	83.3	68.6	-23.1	2.2	-178.3
Net profit/loss for the year	62.0	227.9	-1,537.4	-1,178.1	524.6
Allocation of net profit/loss for the year					
FIH's shareholders	62.0	227.9	-1,537.4	-1,178.1	524.6
Minority interests	0.0	0.0	0.0	0.0	0.0
Selected balance sheet items					
Loans	5,090	10,907	16,166	42,833	57,994
Equity	5,739	5,677	5,477	7,166	8,334
Total assets	23,354	27,500	60,757	84,157	109,338
Capital base	5,557	5,531	6,332	10,132	11,778
Financial ratios*					
Capital base relative to minimum capital adequacy requirement	144.7	148.3	169.8	272.6	316.0
Solvency ratio	40.3	25.9	21.2	17.8	15.4
Tier 1 capital ratio	40.3	25.9	18.2	15.6	13.3
Return on equity before tax	2.5	5.3	-24.7	-16.3	3.9
Return on equity after tax	1.1	4.1	-24.3	-15.2	6.5
Income/cost ratio	1.2	1.52	0.28	0.19	1.11
Interest rate risk	0.9	2.2	0.8	0.7	1.6
Foreign exchange position	0.7	0.7	1.2	0.7	1.4
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Loans before loan impairment charges as a percentage of deposits	0.8	0.9	2.3	7.4	8.1
Loans as a percentage of equity	1.1	2.0	5.6	6.0	7.0
Annual loan growth	-44.0	-61.0	-29.0	-26.1	-9.6
Excess cover relative to statutory liquidity requirements	345.0	220.5	106.7	109.8	71.4
Sum of large exposures	57.0	64.3	74.2	36.0	66.1
Loan impairment ratio for the year	13.2	1.7	4.7	2.1	3.1
Return on capital employed	0.3	0.8	-2.5	-1.4	0.5

* Financial ratios are calculated in accordance with the definitions of the Danish Financial Supervisory Authority.