



FIH Annual Report 2013

CVR-NO. 17029312

FIH | ERHVERVS BANK

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I. Financial highlights

(DKK million)	FIH Group				
	2013	2012	2011*	2010*	2009*
Continuing operations:					
Net interest income from lending activities	271.0	374.9	507.9	696.2	706.3
Net fee income etc.	219.0	203.8	174.7	235.1	166.1
Trading income	31.4	312.0	235.3	400.4	436.4
Other income	81.0	-27.4	-79.3	253.4	340.4
Total income	602.4	863.3	838.6	1,585.1	1,649.2
Ordinary expenses	482.2	500.3	514.6	633.1	620.8
Profit/loss from ordinary activities	120.2	363.0	324.0	952.0	1,028.4
Profit from buy back of subordinated debt in 2013	306.1	-	-	-	-
Other expenses	0.0	55.8	48.2	244.2	396.6
Net profit/loss for the year before loan impairment charges etc. and tax	426.3	307.2	275.8	707.8	631.8
Loan impairment charges etc.	105.6	1,337.2	266.5	1,423.0	1,028.5
Profit/loss for the year before tax, continuing activities	320.7	-1,030.0	9.3	-715.2	-396.7
Discontinuing operations:					
Net profit/loss for the year before tax, discontinuing operations	-24.2	-530.5	-1,185.2	1,061.5	309.5
Tax	68.6	-23.1	2.2	-178.3	-98.7
Total:					
Total net profit/loss for the year	227.9	-1,537.4	-1,178.1	524.6	11.5
Allocation of net profit/loss for the year					
FIH's shareholders	227.9	-1,537.4	-1,178.1	524.6	10.4
Minority interests	0.0	0.0	0.0	0.0	1.1
SELECTED BALANCE SHEET ITEMS					
Loans	10,907	16,166	42,833	57,994	64,134
Equity	5,677	5,477	7,166	8,334	7,820
Total assets	27,500	60,757	84,157	109,338	130,356
Capital base	5,531	6,332	10,132	11,778	11,799
Financial ratios**					
Solvency ratio	25.9	21.2	17.8	15.4	13.8
Tier 1 capital ratio	25.9	18.2	15.6	13.3	11.4
Return on equity before tax	5.3	-24.7	-16.3	3.9	-1.9
Return on equity after tax	4.1	-24.3	-15.2	6.5	0.1
Income/cost ratio	1.52	0.28	0.19	1.11	0.93
Interest rate risk	2.2	0.8	0.7	1.6	2.7
Foreign exchange position	0.7	1.2	0.7	1.4	1.1
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Loans before loan impairment charges as a percentage of deposits	0.9	2.3	7.4	8.1	3.2
Loans as a percentage of equity	2.0	5.6	6.0	7.0	8.2
Growth in loans for the year	-61.0	-29.0	-26.1	-9.6	-11.7
Excess cover relative to statutory liquidity requirements	220.5	106.7	109.8	71.4	80.5
Sum of large commitments	64.3	74.2	36.0	66.1	70.8
Loan impairment ratio for the year	1.7	4.7	2.1	3.1	1.7
Capital base relative to minimum capital adequacy requirement	148.3	169.8	272.6	316.0	317.1

* Comparative figures are adjusted to the split between continuing and discontinuing operations.

** Financial ratios are calculated in accordance with the definitions of the Danish Financial Supervisory Authority set out on page 63. Financial ratios are calculated based on total results, i.e. both continuing and discontinuing operations.

II. Preface

2013: A SUCCESSFUL YEAR OF RESTRUCTURING

2013 was a good year for FIH. Many of the uncertainties that previously affected FIH were resolved in 2013. Most importantly, FIH resolved the funding challenge and was therefore able to repay the remaining government-guaranteed bonds in June 2013. After having repaid bonds guaranteed or purchased by the Danish State for more than DKK 50 billion in 2012 and 2013, FIH no longer has any debt to or debt guaranteed by the Danish State. Despite the repayments, FIH's liquidity is so strong that FIH was able to cancel the ATP facility in June 2013 and repay the draw on Danmarks Nationalbank's facility in December 2013.

At the same time, for the first time in the bank's 55-year history, FIH's loanbook is fully funded via deposits from retail customers and small business customers. At year-end 2013, deposits made up 126 per cent of loans, of which FIH Direct Bank deposits was 105 per cent. Going forward, FIH's main task is ensure that the deposit balance matches the loan balance, and that interest expenses on deposits are reduced to a level that enables FIH to generate a satisfactory return on equity. In the longer term, the aim is also to re-enter the funding market to have a diversified funding base.

Another focus area in 2013 was the reduction of the cost base, which was achieved by reducing staff levels through voluntary resignation. In addition, FIH has sought to ease the administrative burden, among other things by simplifying the group structure by merging the wholly-owned subsidiary FIH Kapitalbank A/S and through solvent liquidation of the wholly-owned subsidiary FIH Realkredit A/S. In 2014, FIH will continue the work on simplifying processes and systems to enable the continuous reduction of the cost base.

2013 was also the year when FIH was informed of the European Commission's approval of the transaction with the Financial Stability Company. According to the European Commission, the transaction could be made compatible with State Aid legislation if FIH paid DKK 310 million to the Financial Stability Company by the end of 2013 and reduced the administrative fee agreed between FS Property Finance and FIH. FIH paid the amount to the Financial Stability Company and agreed with FS Property Finance to reduce the administration fee in December 2013. Moreover, FIH will be obliged to observe a number of restructuring burdens until the end of 2016. These are described in detail later in the report. A total of DKK 425 million relating to the European Commission's approval was expensed in 2013; DKK 368.8 million under Discontinuing operations and DKK 56.5 million under Continuing operations.

At the end of the year, FIH bought back its last subordinated bond loan and settled the associated derivatives at the same time. The bond was originally issued in 1999 with final maturity in 2032. The total buy back of the bond and settlement of the associated derivatives resulted in a net profit of DKK 306 million, which means that FIH no longer has any subordinated debt in its capital base.

The Danish Financial Supervisory Authority was on inspection in Q3 2013 and reviewed FIH's credit management, among other things. The FSA concluded that the bank's credit management was satisfactory, and that impairment charges on the commitments reviewed were adequate. FIH was issued with three minor orders which concerned the calculation of the required solvency and which have all been implemented in the calculation of the 2013 figures.

Positive results in 2013

The profit before impairment charges etc. and tax from continuing operations were DKK 516 million before the impact of the European Commission's approval (DKK 426.3 million after the impact of the European Commission's approval) and is thus in line with the most recently announced outlook of a profit before impairment charges etc. and tax from continuing operations in the region of DKK 500-550 million before the impact of the European Commission's approval.

Following the impact of the European Commission's approval and impairment charges on loans, the profit before tax from continuing operations amounted to DKK 320.7 million.

Discontinuing operations generated a loss of DKK 24.2 million, which was affected by costs relating to the European Commission's final decision of DKK 368.8 million. On the other hand, the loss was positively affected by DKK 542.6 million from the development in Pandora's share price, while there was a negative adjustment of the deficit-absorbing loan to FS Property Finance of DKK 85.5 million. The repayment of loans in FS Property Finance is moving at a

satisfactory pace, and the loan balance has thus been reduced by more than 50 per cent since the transfer in 2012. FIH's risk concerning the development in the value of the deficit-absorbing loan was therefore also significantly reduced.

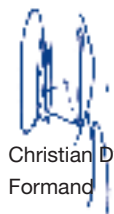
The strong and positive results for 2013 mark a turning point for FIH after a couple of years of losses. This is satisfactory, especially considering that more than DKK 425 million have been expensed as a result of the European Commission case. It is also satisfactory that the continuing operations generated positive results through all four quarters of 2013.

In 2013, the solvency ratio rose by 4.7 percentage points to 25.9 per cent while the capital buffer was increased to 11.5 percentage points against 7.2 percentage points at year-end 2012 as a result of a significant reduction in the risk-weighted assets. The increase in the solvency ratio was achieved in spite of the repayment of subordinated debt. FIH has assessed the impact of the CRD IV rules, and the implementation of the new rules in Q1 2014 is not expected to have any appreciable impact on FIH.

FIH in 2014

All in all, 2013 was a satisfactory year. Throughout 2013, FIH adhered to the strategy plan which was originally drafted back in 2011 and has since been updated. With a strong liquidity, strong solvency and a continued focus on costs, FIH has created a strong foundation for developing its core area of activity: lending to medium-sized Danish enterprises.

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. Focus will be on strengthening FIH's close relations to existing customers and forging new customer relations. However, the demand for new loans is not expected to increase until growth and business investments in Denmark increase. FIH will at the same time continue to reduce its lending to the former Acquisition Finance business segment.



Christian Dyvig
Formand





III. Net profit/loss for the year

FIH Group

(mio. kr.)	2013	2012	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Continuing operations:						
Net interest income from lending activities	271.0	374.9	61.4	61.6	75.9	72.1
Net fee income etc.	219.0	203.8	83.2	62.6	36.3	36.9
Trading income	31.4	312.0	-0.4	20.4	6.7	4.8
Income from liquidity portfolio	86.3	111.6	15.9	10.8	25.2	34.3
Other income	-5.3	-139.0	-68.8	18.7	26.1	18.7
Total income	602.4	863.3	91.3	174.1	170.2	166.8
Ordinary expenses	482.2	500.3	133.2	125.9	107.1	116.0
Profit/loss from ordinary activities	120.2	363.0	-41.9	48.2	63.1	50.8
Profit from buy back of subordinated debt	306.1	-	306.1	-	-	-
Other expenses	0.0	55.8	0.0	0.0	0.0	0.0
Profit for the year before impairment charges etc. and tax	426.3	307.2	264.2	48.2	63.1	50.8
Impairment charges etc.	105.6	1,337.2	15.3	25.0	30.7	34.6
Profit/loss for the year, continuing operations	320.7	-1,030.0	248.9	23.2	32.4	16.2
Discontinuing operations:						
Profit/loss for the year before tax, discontinuing operations	-24.2	-530.5	-47.1	-61.7	21.8	62.8
Tax	68.6	-23.1	79.3	-18.4	-0.3	8.0
Total:						
Total net profit/loss for the year	227.9	-1,537.4	122.5	-20.1	54.5	71.0
FINANCIAL RATIOS*						
Solvency ratio	25.9	21.2	25.9	24.1	22.7	22.5
Tier 1 capital ratio	25.9	18.2	25.9	21.8	20.7	20.2
Individual solvency requirement (%)	14.3	14.0	14.3	15.8	13.9	14.5
Return on equity before tax	5.3	-24.7	4.6	2.3	4.8	5.7
Return on equity after tax	4.1	-24.3	4.1	2.5	4.5	5.1
Sum of large commitments	64.3	74.2	64.3	61.7	66.4	104.5

*Financial ratios are calculated in accordance with the definitions of the Danish Financial Supervisory Authority and are based on total results, i.e. both continuing and discontinuing operations. Financial ratios are calculated per year, year to date.

FIH's profit before impairment charges etc. and tax from continuing operations was DKK 426.3 million in 2013 (2012: DKK 307.2 million). The profit was negatively affected by DKK 89 million as a result of part of the agreement related to the approval by the European Commission. This brings FIH's results on a par with the most recently announced outlook of a profit before impairment charges etc. and tax from continuing operations in the region of DKK 500-550 million before the impact of the European Commission case.

The profit before tax from continuing operations was DKK 320.7 million (2012: DKK -1,030.0 million), while the profit before tax from discontinuing operations amounted to DKK -24.2 million (2012: DKK -530.5 million). The total net profit for 2013 came to DKK 227.9 million (2012: DKK -1,537.4 million). The result is satisfactory.

Net profit/loss for the year – continuing operations

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

NET INTEREST INCOME FROM LENDING ACTIVITIES

Net interest income from lending activities totalled DKK 271.0 million in 2013 (2012: DKK 374.9 million). The lower net interest income is attributable to a lower loan balance.

In 2013, the average net interest margin on the lending activities was 2.0 per cent, up 0.2 percentage point relative to 2012.

NET FEE INCOME ETC.

Net fee income etc. comprises fee income from Corporate Finance and Banking and amounted to DKK 219.0 million in 2013 (2012: DKK 203.8 million).

The increase is due to the development in Corporate Finance where earnings rose by DKK 19.1 million in 2013. Fees in Banking remained constant despite the reduced lending.

(DKK million))	2013	2012
Net fee income		
Banking	77.1	81.0
Corporate Finance	141.9	122.8
Total net fee income	219.0	203.8

TRADING INCOME

In 2013, trading income amounted to DKK 31.4 million (2012: DKK 312.0 million). The low level of income can be ascribed to a low activity level in the customer-oriented activities. Trading income was also negatively affected by the volatility in the financial interest rate markets earlier in the year caused by the uncertainty about the continued liquidity inflow into the international financial markets, primarily in the USA.

INCOME FROM LIQUIDITY PORTFOLIO

Income from the liquidity portfolio comprises income from FIH's liquidity portfolio and totalled DKK 86.3 million in 2013 (2012: DKK 111.6 million). The decline is attributable to the considerably reduced bond portfolio.

OTHER INCOME

Other income comprises FIH's 'Other activities', including FIH's Treasury activities.

In 2013, other income amounted to DKK -5.3 million (2012: DKK -139.0 million). Among other things, the higher earnings in 2013 can be attributed to expenses relating to government hybrid capital of approx. DKK 100 million in H1 2012. In addition, FIH gradually reduced and subsequently cancelled the ATP facility on account of strong liquidity, which also affected income positively compared to 2012. On the other hand, FIH had large excess liquidity in H1 2013 leading up to the repayment of the government-guaranteed bonds, which failed to generate satisfactory returns due to low interest rates.

As part of the original transaction with the Financial Stability Company, a fee was fixed for FIH's management of the loan portfolio. This fee was booked as income in 2012 and in the first three quarters of 2013. In Q4, FIH and FS Property Finance agreed to reduce the fee with retroactive effect, which is the reason for the decline in 2013.

(DKK million)	2013	2012
Other income		
Income, Treasury	17.7	-177.0
Administrative fee, FS Property Finance	-23.0	38.0
Total net fee income	-5.3	-139.0

EXPENSES

Total expenses amounted to DKK 482.2 million (2012: DKK 556.1 million) corresponding to a fall of DKK 73.9 million.

Ordinary expenses came to DKK 482.2 million (2012: DKK 500.3 million), down DKK 18.1 million. This reflects an increase in Corporate Finance expenses of DKK 20.6 million as a result of the increased activity level. The increased activity level resulted in rising staff costs, including an increase in variable pay. Corporate Finance had 31 employees at year-end 2013.

Expenses in the rest of FIH were down DKK 38.7 million and can primarily be ascribed to a appreciable reduction in the number of employees from an average of 260 in 2012 to an average of 207 employees in 2013. At year-end 2013, FIH had 187 employees excluding Corporate Finance (stated as full-time equivalents).

Other expenses totalled DKK 0.0 million in 2013 (2012: DKK 55.8 million). 2012 was affected by restructuring costs; furthermore, costs relating to the Guarantee Fund for Depositors and Investors were recognised under Other expenses in 2012.

(DKK million)	2013	2012
Expenses		
Staff costs and administrative expenses excluding restructuring costs	442.6	486.5
Costs relating to the Guarantee Fund for Depositors and Investors	32.9	0.0
Depreciation and amortisation	6.7	13.8
Ordinary expenses	482.2	500.3
<i>Of which Corporate Finance</i>	<i>110.8</i>	<i>90.2</i>
<i>Total expenses excluding Corporate Finance</i>	<i>371.4</i>	<i>410.1</i>
Other expenses	0.0	55.8
Total expenses	482.2	556.1

BUY BANK OF SUBORDINATED DEBT

At the end of December 2013, FIH bought back a subordinated bond loan and settled the associated interest rate and foreign currency hedging. This transaction generated a net gain of DKK 306.1 million.

IMPAIRMENT CHARGES ETC.

Total impairment charges etc. were DKK 105.6 million (2012: DKK 1,337.2 million), equivalent to marked decline of DKK 1,231.6 million relative to 2012. In 2012, impairment charges were substantially affected by large impairment charges in the former Acquisition Finance business segment and by an increase in the collective impairment charges.

Impairment charges etc.

(DKK million)	2013	2012
Individual impairment charges	444.7	1,009.4
Collective impairment charges	-294.3	258.5
Market value adjustments and interest etc.*	-44.8	69.3
Total impairment charges etc.	105.6	1,337.2

* Of which impairment charges on customer derivatives amounted to DKK 33.7 million in 2013 (2012: DKK 61.1 million). These are included as market value adjustments in the income statement on page 50, stated according to the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

In 2013, there were individual impairment charges of DKK 444.7 million, of which DKK 350 million originate from four individual commitments. At year-end 2012, FIH expected customer credit quality to deteriorate as a result of events that had occurred but had not yet been registered. The management therefore proposed in Q4 2012 to increase the collective impairment charges by DKK 300 million. Of these, DKK 294.3 million were reversed in 2013 as the collective impairment charges in 2012 materialised, as expected, as individual impairment charges during 2013.

In Q3 2013, the Danish Financial Supervisory Authority conducted a follow-up inspection of FIH where FIH's credit management and impairment charges were assessed, among other things. The conclusion of the inspection was that the quality of FIH's credit management is sound, and that impairment charges on the commitments reviewed were adequate. Consequently, the inspection did not result in increased impairment charges.

The total impairment balance (including provisions for losses on guarantees) of DKK 1,629 million amounted to 13.2 per cent of total loans before impairment charges.



Bjarne Graven Larsen, co-CEO
Henrik Sjogreen, co-CEO



NET PROFIT/LOSS FOR THE YEAR – DISCONTINUING OPERATIONS

Discontinuing activities comprise FIH's share portfolio and arrangements relating to the transaction with the Financial Stability Company, including the deficit-absorbing loan.

The loss from discontinuing operations before tax totalled DKK -24.2 million (2012: DKK -530.5 million).

Of the results for the period, market value adjustments and dividend concerning the unlisted share portfolio constituted income of DKK 562.0 million (DKK 245.2 million). Income from the share portfolio primarily stems from FIH's ownership interest in Axcel III, which owns equities in the listed company Pandora where the share price rose from 124.5 to 294.0. Part of the capital gain was realised during the year when FIH received cash proceeds of DKK 412 million from Axcel III. The remaining part of the share portfolio yielded marginally negative results. FIH sold a number of shareholdings in 2013.

Furthermore, the market value adjustments were negatively affected by the deficit-absorbing loan by DKK 85.5 million. Overall, FIH has reduced the value of the deficit-absorbing loan to DKK 824 million. The deficit-absorbing loan is valued based on a forecast model which takes into account expectations for future impairment charges and other cash flows concerning FS Property Finance. Since FS Property Finance took over the business segment, lending has successfully been reduced by approx. 54 per cent.

In connection with the European Commission's approval of the transaction with the Financial Stability Company, FIH expensed DKK 368.8 million under Discontinuing operations in 2013. For further information, see next page. In Q3 2013, a solvency reservation was made for the impact of the final approval of the transaction. As this has now been expensed, the solvency reservation has been reversed.

TAX

In 2013, tax amounted to expenses of DKK 68.6 million (2012: income of DKK 23.1 million). The effective tax rate for 2013 was 23.2 per cent based on a profit before tax.

EUROPEAN COMMISSION CASE

Restructuring plan

In connection with the approval of the transaction with the Financial Stability Company, the European Commission in 2013 stated that the transaction was deemed to be in compliance with the legislation on State Aid if certain components of the transaction structure were modified, including that FIH paid DKK 310 million to the Financial Stability Company by the end of the year. Furthermore, the administrative fee received by FIH for managing the loan portfolio for FS Property Finance was to be reduced. FIH and FS Property Finance have therefore agreed to reduce the administrative fee.

The repayment of the administrative fee to FS Property Finance and the payment of the amount of DKK 310 million to the Financial Stability Company was completed in December 2013.

Future restructuring burdens

In addition to the above events, a number of restructuring burdens will be imposed on FIH in the period up to either the termination of the agreement with the Financial Stability Company or at year-end 2016. FIH is awaiting the announcement of these burdens, but they will include restrictions within the following areas:

- Restrictions in business segments, including that FIH may not grant new loans within Property Finance or make new investments in private equity.
- Restrictions in FIH's deposit rates if FIH's market share of deposits exceeds 5 per cent.
- Restrictions in the acquisition of other banks/enterprises.
- Restrictions in relation to the owners, including that no dividend can be paid to the owners of FIH Holding in the restructuring period.
- Additional financial burdens, including that FIH must pay an annual sum of DKK 12.1 million to the Financial Stability Company as long as FS Property Finance A/S exists under the agreement between the Financial Stability Company and FIH.

Accounting treatment

In the 2013 financial statements, FIH has expensed a total of DKK 425.2 million concerning the European Commission case, with DKK 345.2 million being expensed in Q4.

- An amount of DKK 310 million plus interest, DKK 316.8 million in total, was expensed under Discontinuing operations.
- A net reversal of the administrative fee of DKK 56.5 million was expensed under Continuing operations (with an additional DKK 27.8 million being reversed in equity).
- Expensing of additional annual payments of DKK 12.1 million, DKK 34.2 million in total, up to and including 2016 under Discontinuing operations.
- Expensing of DKK 17.7 million as an onerous contract concerning the administration agreement.

BALANCE SHEET

The balance sheet total amounted to DKK 27,500 million (year-end 2012: DKK 60,757 million). The balance sheet total is significantly reduced compared to year-end 2012 due to the repayment of the government-guaranteed bonds as well as the repayment of the bridge loan of DKK 13,365 million from the transaction with the Financial Stability Company under Discontinuing operations. Additionally, other assets and liabilities have been reduced considerably on account of FIH's focus on reducing the balance sheet value of derivative financial instruments, among other things via netting agreements concluded with a number of financial counterparties.

(DKK million)	2013	2012
Balance sheet		
Cash and cash equivalents	919	2,277
Loans	10,907	16,166
Bonds	10,929	17,030
Other assets	3,108	10,122
Discontinuing operations	1,637	15,162
Total assets	27,500	60,757
Debt to credit institutions	3,273	4,176
Deposits and other debt	13,783	14,045
Bonds issued	1,048	23,314
Other liabilities	3,507	11,780
Provisions	125	135
Subordinated debt	0	1,830
Total equity	5,677	5,477
Discontinuing operations	87	-
Total equity and liabilities	27,500	60,757

Loans amounted to DKK 10,907 million and comprise loans to Danish enterprises in the Banking business segment. The fall in loans is a consequence of FIH's focus towards Q3 2013 on obtaining liquidity to repay the government-guaranteed bonds. Moreover, the loans from the former Acquisition Finance business segment are being phased out.

The bond portfolio amounted to DKK 10,929 million at year-end 2013 (year-end 2012: DKK 17,030 million) and is essentially invested in AAA rated Danish short-term mortgage credit bonds.

FIH's deposits amounted to DKK 13,783 million (year-end 2012: DKK 14,045 million). The deposit portfolio primarily consists of deposits with FIH Direct Bank (DKK 11,479 million). FIH Direct Bank had around 33,000 customers at year-end 2013 (2012: 30,000 customers). In addition, FIH holds deposits from enterprises and institutional investors as well as deposits held on bond-like terms with a long maturity.

Following recognition of the net profit for the year, equity amounted to DKK 5,677 million at year-end 2013 (year-end 2012: DKK 5,477 million), up DKK 200 million as a result of the positive results for the year. Equity is adjusted for the reversal of the part of FS Property Finance's administrative fee that was recognised as income in equity in 2012. FIH's leverage is limited and has declined further during 2013, resulting in a loan-to-equity ratio of 2.0 times (year-end 2012: 5.6 times).

No dividend is paid for 2013.

PROFIT/LOSS FOR Q4 2013

The profit before impairment charges etc. and tax for continuing operations was DKK 264.2 million in Q4 2013 (Q3 2013: DKK 48.2 million).

The profit for Q4 was positively affected by the buy back of the subordinated debt which yielded a total net gain of DKK 306.1 million. Net fee income was also positively affected by Corporate Finance.

The reversal of the administrative fee of DKK 56.5 million concerning FS Property Finance is affecting in the opposite direction.

Costs rose in Q4, mainly due to the increased level of activity in Corporate Finance. Costs in the rest of FIH fell in Q4.

The loss before tax from discontinuing operations was DKK -47.1 million in Q4. The loss was positively affected by an adjustment of the value of the deficit-absorbing loan and market value adjustments of the unlisted share portfolio. The costs relating to the European Commission case are pulling in the opposite direction.

OTHER INFORMATION

The Danish Financial Supervisory Authority conducted an inspection of FIH in Q3 2013. The purpose of the inspection was to assess FIH's impairment charges, solvency requirement and credit management.

Based on the commitments examined, the Authority judges FIH's credit management to be overall sound. The Authority also reviewed 60 per cent of FIH's Acquisition Finance commitments, and found the impairment charges on these commitments and their contribution to FIH's solvency requirement to be adequate.

The inspection also covered FIH's valuation of the deficit-absorbing loan to FS Property Finance. After having reviewed 70 per cent of the commitments in FS Property Finance, the Authority judges FIH's fair value of the deficit-absorbing loan to be correct.

Lastly, three minor orders were issued concerning the calculation of FIH's solvency requirement. The Authority's full report is available (in Danish only) at www.fih.dk/Top/Om+FIH/Rapporter+fra+Finanstilsynet

EVENTS AFTER THE BALANCE SHEET DATE

No special events have occurred after the balance sheet date that would affect FIH or its financial performance for 2013.

UNUSUAL CIRCUMSTANCES

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

UNCERTAINTY RELATING TO RECOGNITION AND MEASUREMENT

Estimates are used in the 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 made by the FIH'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.
- Provisions for losses on guarantees etc.
- Valuation of the deficit-absorbing loan.
- Determination of fair values of financial instruments.
- Deferred tax assets.

Significant estimates are involved in the determination of impairment charges on loans and other 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 is subject to uncertainty in the assessment of the risk that the guarantee will be exercised in full or in part.



Palle Nordahl, Head of Finance & Risk

In addition to customer earnings, the measurement of commitments depends on the valuation of collateral, among other things. The valuation of FIH's collateral depends widely on the management's estimate of the required rates of return on the property market. The management's estimate of property fair values is based on the property's use, location, lease level, lease terms, condition, special features and local development plans etc.

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

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 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.

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.

Tax loss carryforwards are recognised if it is probable that such losses can be used in the offsetting against profit within 3-5 years. Recognition 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 in 'Accounting policies' (note 1) and 'Significant accounting estimates, assumptions and uncertainties' (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 in 2012.

IV. Prospects for 2014

During 2013, most European economies showed signs of stabilisation. This trend is expected to continue in 2014 in Denmark and the rest of Europe, and consequently the Danish economy is expected to grow in 2014, albeit at a modest pace.

In 2014, FIH will focus on increasing profitability,

FIH expects “Total income” from continuing operations around the same level as 2013.

At the same time, FIH’s continued focus on costs and the measures already implemented in 2013, including the simplification of the bank’s group structure, is expected to contribute to reducing ordinary expenses from continuing operations.

As a result, profit from ordinary activities around the same level as 2013 is expected.

Impairment charges etc. for 2014 are not expected to differ materially from the 2013 level, and hence a profit from continuing operations is expected for 2014 as a whole.



Finn Kock Nielsen, Head of Credit & Legal

V. FIH's business

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

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

Markets: Provides financial advisory services to medium-sized Danish enterprises on, for example, 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 Advisory: Customer-oriented advisory and trading services in derivatives for the hedging of interest rate and foreign exchange risks in particular.
- Trading: Pricing of foreign exchange and interest rate products aimed at Financial Advisory.
- Portfolio: Management of FIH's own portfolio.

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

In addition, reporting comprises the business segment "Other activities" which includes Treasury (handling of money market activities) and other activities, including repayment of administrative fees from FS Property Finance and the buy back of subordinated debt.

All segments are described in detail on the following pages.

BANKING

Income statement

(DKK million)	2013	2012
Income*	348.1	467.7
Operating expenses	159.0	190.8
Loan impairment charges etc.	105.6	1,337.2
Profit/loss for the year before tax	83.5	-1,060.3

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

Business segment

Banking provides financial solutions and financial advisory services primarily to medium-sized Danish enterprises. Customers are served from the three regional offices in Copenhagen, Fredericia and Aarhus. Financial advisory services are provided in close cooperation with other FIH business units.

Market development and activities

In 2013, enterprises with primary markets in Denmark and the eurozone had a relatively low level of investment, which led to a modest demand for financing.

Since 2009, enterprises have successively reduced their short-term bank debt through increased consolidation and substitution with long-term mortgage financing. This trend continued in the first half of 2013, while total Danish corporate lending stabilised towards the end of 2013.

The limited demand for financing combined with a gradually more robust financial sector in Denmark led to increased competition between banks in 2013.

FIH's loan balance declined during 2013 as a result of the customers' ordinary repayments, the scheduled phasing out of loans to Private Equity-owned enterprises and a limited number of new loans.

The dialogue with existing customers has been focused on maintaining and expanding their cooperation with FIH, ensuring satisfactory customer profitability and obtaining new profitable business. In addition, a number of initiatives were launched in the second half of 2013 in order to increase lending to medium-sized Danish enterprises.

Net profit/loss for the year

Banking's profit before tax amounts to DKK 83.5 million, up more than DKK 1,100 million on 2012. The major increase in profit can be attributed to significant impairment charges in 2012. Banking's profit is acceptable.

MARKETS

Income statement

(DKK million)	2013	2012
Trading income	31.4	312.0
Income from liquidity portfolio	86.3	111.6
Operating expenses	104.0	164.9
Profit/loss for the year before tax	13.7	258.7

Business segment

Markets is divided into the Financial Advisory, Trading and Portfolio segments.

Financial Advisory is responsible for customer-oriented advisory and trading activities. The advisory and trading activities are centred on hedging the customers' credit, liquidity, interest rate and foreign exchange risks.

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

Trading is responsible for all pricing of trading in interest rate and foreign exchange products mainly targeting Financial Advisory and is authorised to undertake trading in FIH's short-term holdings. Portfolio is responsible for managing FIH's own portfolio.

Market development

In 2013, Europe began to show signs of stability after a historically tough recession. However, several European countries are still on the brink of positive growth, indicating a fragile recovery. The European Central Bank responded by lowering the interest rate twice in 2013. At the same time, US and global growth accelerated during the year. The improvement in global economic conditions is reflected in increasing Danish exports and growth alike. In spite of this, the appetite for investment remains low in Denmark, which has a negative effect on the financing need. The economic development in the market led to rising share prices and slightly higher long-term interest rates.

Activities

In 2013, Financial Advisory was impacted by lower revenue following the reduction in FIH's customer base and by the effects of low and relatively stable interest rates. This reduced the need for interest rate liability management and foreign exchange hedging.

Trading's earnings were negatively affected by lower customer revenue and lack of direction in the interest rate market. Portfolio generated a satisfactory return on the investment of FIH's own portfolio.

Net profit/loss for the year

Markets' profit before tax amounts to DKK 13.7 million, down DKK 245 million compared to 2012. The profit is not satisfactory.



CORPORATE FINANCE

Income statement

(DKK million)	2013	2012
Income*	141.9	122.8
Operating expenses	110.8	90.2
Profit/loss for the year before tax	31.1	32.6

*Income consists of net interest and fee income and other operating income.

Business segment

Corporate Finance provides financial advisory services on, for example, mergers and acquisitions, 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 relating to the following transactions, among others:

- SEAS-NVE in connection with the acquisition of 80 per cent of the Danish off-shore wind farm Rødstrand 2 from E.ON Vind Sverige AB.
- The owners of FAN Milk International A/S in connection with the sale of its controlling interest to Abraaj Group.
- The owners of Kelsen Group in connection with the sale of the enterprise to Campbell Soup Company.
- Tryghedsgruppen in connection with the merger of Health & Fitness Nordic and Elixia.
- Royal Greenland in connection with the divestment of activities in Wilhelmshaven to Sahara Investment Group Limited and Meridian Investment Group Pte. Ltd.
- Fragtmænd Holding A/S in connection with the sale of a 34 per cent stake in Danske Fragtmænd A/S to Posten Norge AS.
- Realdania in connection with the sale of 52 million equities in Danske Bank, equivalent to DKK 5.5 billion.
- Nykredit Realkredit in connection with their sale of equities in Jeudan A/S.
- Ambu in connection with the acquisition of King Systems, USA.

FIH PARTNERS is the leading player on the market for corporate finance services in Denmark. In 2013, FIH PARTNERS thus successfully helped a number of customers conclude significant transactions, forming the basis for its market-leading position. This generated healthy revenue and earnings in 2013. In addition, FIH PARTNERS has recorded a satisfactory addition of new mandates, and the pipeline remains strong.

Net profit/loss for the year

Corporate Finance's profit before tax is DKK 31.1 million (2012: DKK 32.6 million). The profit is satisfactory.

OTHER ACTIVITIES

Income statement

(DKK million)	2013	2012
Income*	18.1	-188.8
Administrative fee FSPF	-23.0	38.0
Gain from the repurchase of subordinated debt	306.1	-
Operating expenses	108.4	110.2
Profit/loss for the year before tax	192.4	-261.0

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

'Other activities' comprise all of FIH's other activities, including Treasury, which manages the bank's money market activities. Further the administration of FS Property Finance and the repurchase of subordinated debt is a part of other activities.

Among other things, Treasury comprises FIH's funding costs, including guarantee commission on government-guaranteed bonds and interest expenses in FIH Direct Bank. 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. In 2012 and until the redemption of the government-guaranteed bonds in June 2013, Treasury was negatively impacted by significant excess liquidity, which could not be invested at a satisfactory return relative to the bank's funding costs.

As a result of the case with the European Commission, the main part of the administrative fee relating to FIH's administration agreement with the Financial Stability Company was reversed in 2013.

In December 2013, FIH repurchased the subordinated debt with a net gain of DKK 306.1 million.

Net profit/loss for the year

Other activities' profit before tax amounts to DKK 192.4 million, up DKK 453.4 million on 2012. The profit is significantly impacted by large non-recurring transactions; discounting these factors, the profit is satisfactory.

V. Liquidity and funding

During 2013, FIH repaid government-guaranteed bonds worth DKK 21.3 million, thereby repaying all its government-guaranteed debt. FIH also repurchased a senior issue and, extraordinarily, subordinated debt of DKK 735 million. Moreover, FIH has ceased drawing on the Nationalbank facility, just as the ATP facility was cancelled in 2013 on account of very strong liquidity. There were no new bond issues in 2013.

LIQUIDITY

At year-end 2013, FIH's liquidity, calculated in accordance with the Danish Financial Business Act, totalled DKK 7,754 million, equivalent to a capital buffer of 221 per cent relative to the regulatory requirements (year-end 2012: 106.7 per cent). Liquidity determined without considering Nationalbanken's option of borrowing against the bank's loans which lapses on 1 July 2014 amounted to DKK 6,092 million, equivalent to a capital buffer of 152 per cent according to the statutory requirements.

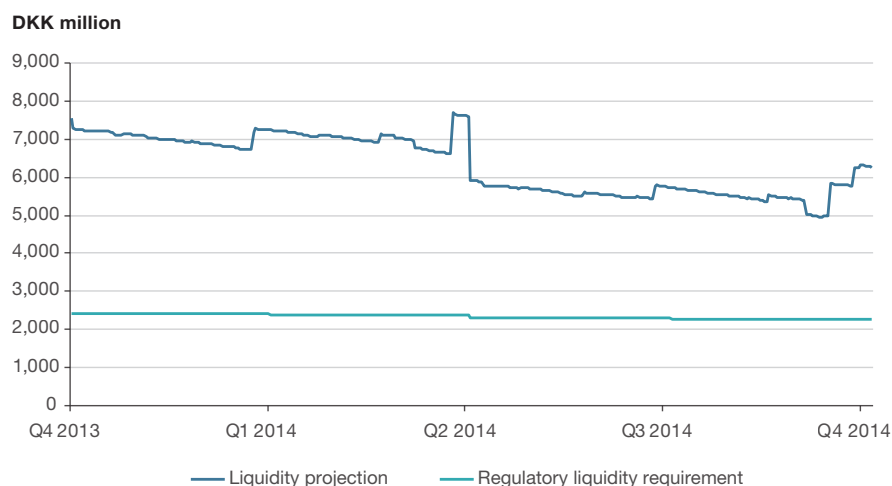
Given that, at present, FIH's liquidity cannot be invested at a satisfactory return relative to FIH's funding costs, the excess liquidity has a negative impact on FIH's financial performance.

Investment of liquidity

Excess liquidity is primarily invested in bonds with a minimum credit rating of 'AA' or higher. The bond portfolio objective is to optimise returns, but with a limited level of risk and high liquidity. At year-end 2013, the portfolio was primarily invested in Danish AAA rated mortgage bonds; there are no investments in bonds from foreign issuers. Most of the bonds in the liquidity portfolio can be used as collateral for loans with Danmarks Nationalbank.

Liquidity projection

FIH's liquidity projection, detailed below, illustrates the expected liquidity development in step with the implementation of FIH's business strategy, the assumption being that the loan balance is reduced even further, and the deposit balance is maintained. The regulatory liquidity requirement (section 152 requirement) has been estimated based on the expected development in FIH's balance sheet. FIH's liquidity is strong at the end of 2013 and onwards. The fall in liquidity in July 2014 was due to the removal of the option of including the Nationalbank facility in liquidity.



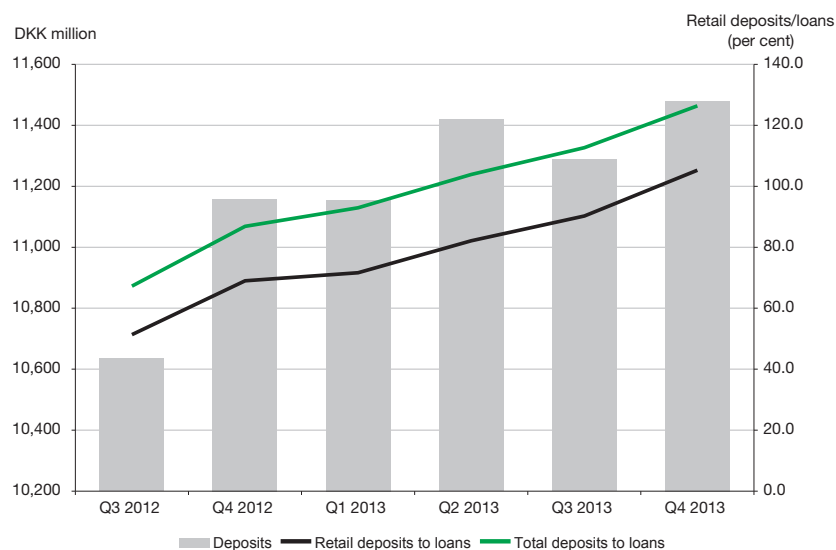
FUNDING

FIH's main source of funding is deposits from retail customers and small enterprises. Therefore, FIH has a keen focus on ensuring that the deposits with FIH Direct Bank provide a stable source of funding. The strategy for achieving this objective includes several components:

- The aim is to spread deposits over a large number of small customers.
- A longer-than-normal average maturity for deposits in the industry is desired.
- An active interest rate policy is pursued where interest rates are continuously adjusted to ensure the desired deposit volume. Furthermore, the aim of the interest rate policy is to make FIH an attractive bank for depositors.

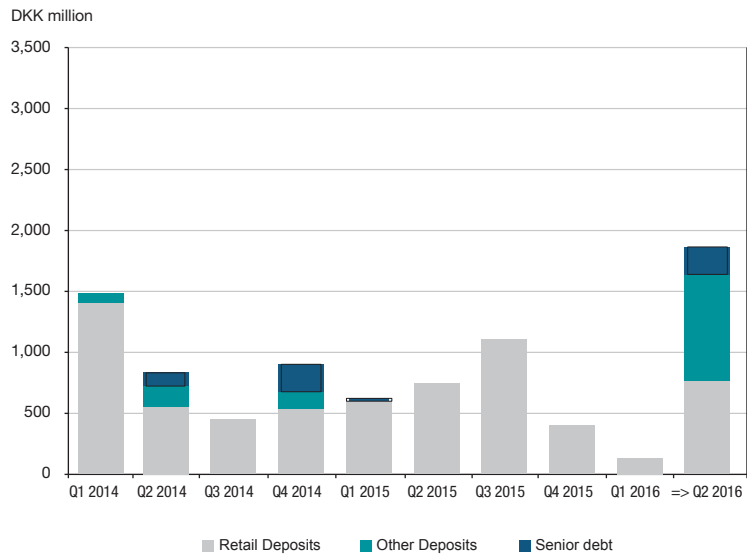
Deposits from retail customers and small enterprises with FIH Direct Bank totalled DKK 11,479 million at year-end 2013, representing an increase of DKK 321 million since year-end 2012. At year-end 2013, FIH Direct Bank had 33,000 customers compared to 30,000 at year-end 2012. In addition to deposits with FIH Direct Bank, FIH holds other deposits of DKK 2,304 million, comprising deposits from enterprises and institutional investors and deposits held on bond-like terms with a long maturity. Deposits totalled DKK 13,783 million, equivalent to a decline of DKK 262 million on year-end 2012. 126 per cent (year-end 2012: 87 per cent) of FIH's loans are funded by deposits, of which 105 per cent (year-end 2012: 69 per cent) are through deposits with FIH Direct Bank.

Deposits in relation to loans



FIH has thus maintained or reinvested the majority of the deposits maturing during 2013. Additionally, the deposits have been reorganised with the effect that new deposits on average have a longer fixed maturity than maturing deposits. This is a satisfactory development and in line with the strategy chosen. FIH continuously adjusts interest rates to reflect the general interest rate development in the market and as an instrument to ensuring that the deposit balance has the right size.

Maturity profile of deposits and senior debt



Apart from deposits, FIH has historically issued bonds of which DKK 1,048 million were outstanding at year-end 2013, with DKK 613 million maturing in 2014. According to the bank's business strategy, FIH has not issued bonds or other securities on the financial markets in 2013.



- FIH -

V. 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 commitments, including rating models, collateral hedging and impairment charges.

Concentration risks

Throughout 2013, FIH performed a deliberate reduction of the loan balance, primarily among loans from the previous Acquisition Finance business segment. The result is a falling average group exposure.

Average exposures etc.

	2013	2012
Average group exposures (DKK million)	13.7	15.5
Average rating	3.9	4.4
Average probability of default (%)	2.27	2.24
Number of groups	1,486	1,804

Under the Executive Order on Large Exposures (Bekendtgørelsen om store engagementer), the group's exposures are monitored on a continuous basis, including exposures accounting for 10 per cent or more of the capital base. FIH has set an 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.

At year-end 2013, the sum of large exposures accounted for 64.3 per cent of the capital base (2012: 74.2 per cent). At year-end 2013, FIH had three non-financial exposures that exceed 10 per cent of the capital base after deductions. This is unchanged relative to 2012.

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 impairment charges in continuing operations.

Industry	2013		2012	
	DKK million	per cent	DKK million	per cent
Manufacturing industries and extraction of raw materials	4,360	40%	6,044	37%
Trade	2,234	21%	3,543	22%
Building and construction	261	2%	383	2%
Transport, hotels and restaurants	2,082	19%	2,597	16%
Finance and insurance	358	3%	409	3%
Real property	805	7%	901	6%
Information and communication	257	2%	314	2%
Other	550	6%	1,975	2%
Total	10,907	100%	16,166	100%

FIH's largest exposures are generally found within manufacturing industries and trade.

CREDIT RISKS

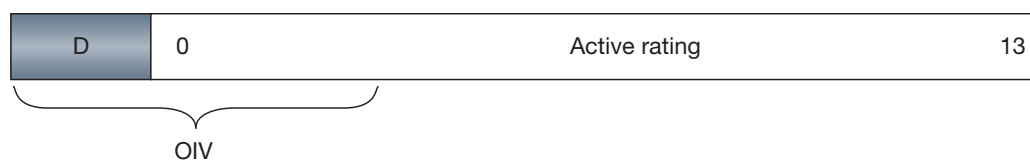
Quality of FIH's credit exposures

FIH's loans after impairment charges totalled DKK 10,907 million (year-end 2012: DKK 16,166 million), while loans before individual impairment charges totalled DKK 12,424 million (year-end 2012: DKK 18,081 million). For credit purposes, FIH's loan balance can be broken down as follows:

- I. Loans with active ratings (rating classes 0-13): DKK 8,791 million.
- II. Default-registered loans (rating class D): DKK 2,116 million after impairment charges.

Loans registered with an objective indication of impairment (OII) accounted for DKK 2,154 million of total loans after impairment charges.

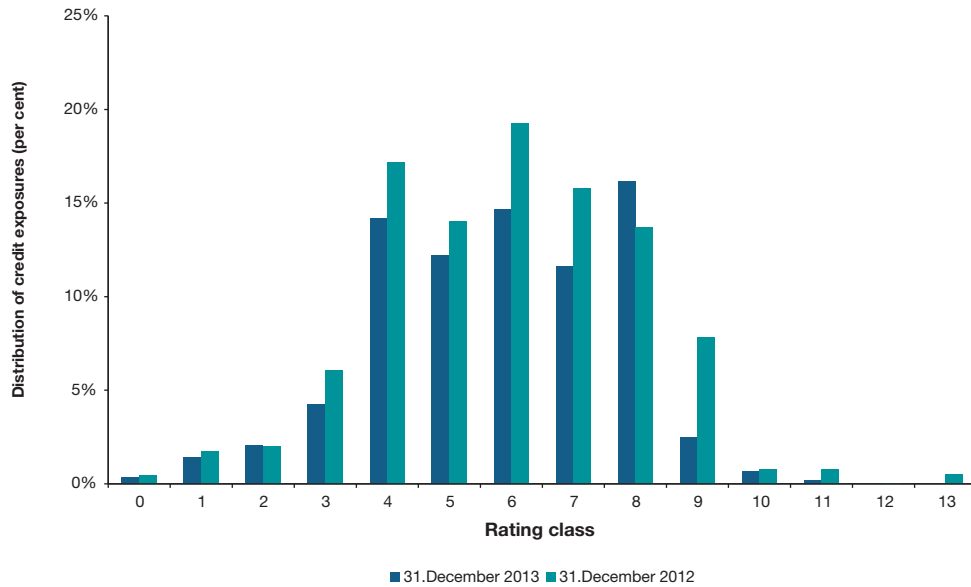
FIH's credit exposures broken down by rating classes



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 34.

Rating models are integral elements of FIH's credit processing, rating customers on a scale from 0 to 13. A rating of 0 indicates a very high probability of default, and a rating of 13 indicates a very low probability of default. See FIH's risk report for further information about the rating model.

FIH's credit exposures broken down by active rating classes



Note: Credit exposures comprise outstanding debt on individual commitments, including repayments outstanding, the market value of OTC transactions and guarantees for mortgage credit loans.

The average probability of default on FIH's credit exposures was 2.27 per cent in 2013 (year-end 2012: 2.24 per cent).

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 mortgages and pledges on the customers' assets. At year-end 2013, FIH had secured an average of 59 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 2012 when the average collateral was 53 per cent.

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

2013			2012		
Rating	Credit exposures	Average secured part less haircut	Rating	Credit exposures	Average secured part less haircut
0	< 1 %	95 %	0	< 1 %	89 %
1	2 %	83 %	1	2 %	94 %
2	3 %	95 %	2	2 %	85 %
3	5 %	74 %	3	6 %	71 %
4	18 %	73 %	4	17 %	65 %
5	15 %	64 %	5	14 %	70 %
6	19 %	64 %	6	18 %	55 %
7	14 %	55 %	7	16 %	39 %
8	20 %	32 %	8	14 %	25 %
9	3 %	50 %	9	8 %	45 %
10	1 %	15 %	10	1 %	21 %
11	< 1 %	75 %	11	1 %	53 %
12	< 1 %	84 %	12	< 1 %	91 %
13	< 1 %	0 %	13	1 %	6 %
Total	100 %	59 %	Total	100 %	53 %

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 10,907 million, loans registered with an objective indication of impairment (OII) account for DKK 2,156 million (year-end 2012: DKK 2,951 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 a bankruptcy petition has been filed, a bankruptcy order has been issued against the customer, the customer has been granted similar creditor protection or FIH has suspended accrual of interest (rating class D-).

The composition of OII loans before impairment charges

(DKK million)	2013	2012
OII loans:		
OII: Non-default-registered loans, gross	39	505
OII: Default-registered loans, gross	3,543	3,984
Total OII loans, gross	3,582	4,489
OII loans after individual impairment charges	2,156	2,951
OII rating class D+, gross	2,596	3,099
<i>OII rating class D+ after individual impairment charges</i>	<i>1,705</i>	<i>2,059</i>
OII rating class D-, gross	947	885
- of which non-performing loans, gross	947	885
OII rating class D- after individual impairment charges	411	387
Collective impairment charges	91	378

The table shows a fall in the OII-registered loans of DKK 907 million gross to DKK 3,582 million since the end of 2013. The fall in the balance of OII-registered loans is due to a combination of loan reductions, depreciation and a net inflow of new OII-registered loans.

Non-performing loans

FIH defines non-performing loans as commitments meeting all the criteria below:

- The commitment has a default rating.
- Accrual of interest has been suspended.
- Collection of loan payments has stopped.

Non-performing loans will always be in default; however, not all commitments in default will be included in the category Non-performing loans.



Søren Gadeberg, Head of Banking

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 the beginning of 2014, FIH's market risk framework was reduced substantially, continuing the framework reductions made in previous years. The framework has been reduced at regular intervals to reflect the current business activities, not least due to the continued reduction of the balance sheet.

Approach to market risk

FIH's approach to market risk is a low to moderate market risk. 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 40.

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. FIH uses VaR as one of its risk objectives. The market risk of FIH'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 11.7 million at year-end 2013 (year-end 2012: DKK 17.4 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 1 percentage point parallel rise in the interest rate level of all currencies, amounting to DKK -123.8 million at year-end 2013 (year-end 2012: DKK -43.5 million).

Foreign exchange risk

Foreign exchange risk is the risk of loss arising from changes in exchange rates. The 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, among other things. FIH's foreign exchange risk, based on the VaR for foreign exchange at a 1-day horizon and 99 per cent probability, was DKK 1 million at year-end 2013 (year-end 2012: DKK 0 million).

Further information on credit and market risks

For further information about FIH's credit and market risks and risk management, see 'Risk Management in FIH 2013' at 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 has previously invested in private equities in the Private Equity business segment, which is being wound up. FIH does not want to assume any equity risk in listed equities.

At year-end 2013, FIH was subject to equity risk from a private equity portfolio of DKK 813.2 million, FIH's indirect exposure to the listed company Pandora A/S from FIH's investment in the Axcel III fund accounting for DKK 618.1 million. During 2013, FIH received cash proceeds of DKK 412 million from the Pandora investment. At the moment, FIH's sensitivity to changes in Pandora's equity price is approx. DKK 1.9 million per price point.

In 2013, FIH sold three shareholdings which together reduced the balance sheet total by DKK 80 million. The remaining equity portfolio is classified as a discontinuing activity as the shareholdings have been put up for sale and are expected to be sold in 2014.

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 as 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.

At year-end 2013, FIH's liquidity totalled DKK 7,754 million, equivalent to excess cover of 221 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 commitments is limited, as is the volume of on-demand deposits received. Instead, FIH has an ongoing refinancing need from a large number of fixed-term deposits. This is reflected in FIH's choice of methods and limits for liquidity risks. FIH performs liquidity stress tests and defines scenarios for liquidity under various assumptions for developments in assets and liabilities on a daily basis.

SUPERVISORY DIAMOND

The supervisory diamond stipulates a number of special risk areas and provides limit values for banks. The supervisory diamond risk areas are:

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

At FIH, the benchmarks of the supervisory diamond have been calculated based on FIH's overall operations, i.e. both continuing and discontinuing operations.

Supervisory diamond status

	Limit	31. December 2013	31. December 2012
Sum of large commitments*	< 125% of capital base	64%	59%
Growth in loans	< 20 %	-61%	-29%
Property exposure	< 25 %	19%	10%
Liquidity cover	> 50 %	221%	107%
Funding ratio	< 100 %	53%	130%

* The sum of large commitments is calculated according to the Danish Financial Supervisory Authority's guidelines (available in Danish only).

At year-end 2013, FIH was in compliance with the Danish Financial Supervisory Authority's supervisory diamond for banks.

Most of the property exposure is caused by the fact that the deficit-absorbing loan granted to FS Property Finance has been included with a principal amount of DKK 1,695 million. Not including the principal, the property exposure is 9%.

DEPOS

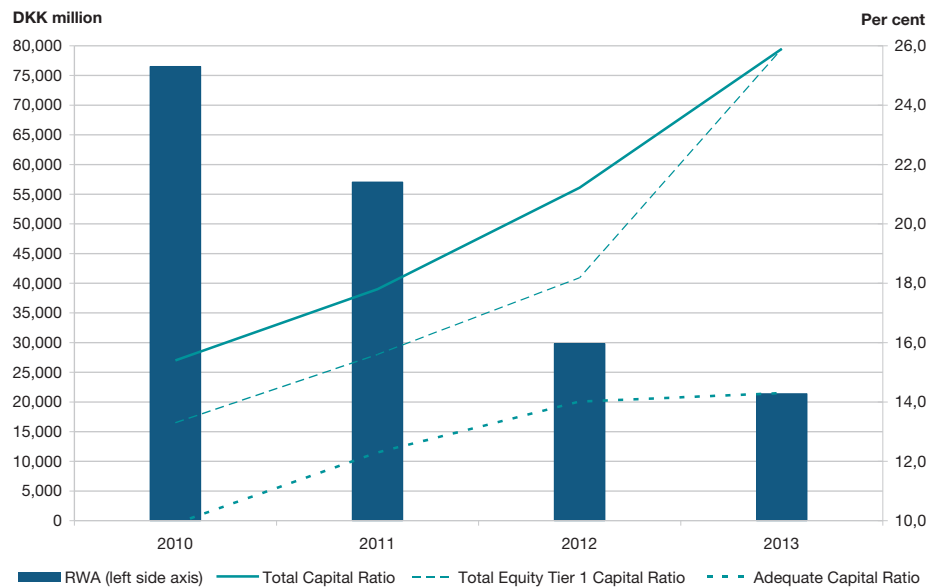
Kunde:
Virknr.:
CPR nr.:
FIH-konto:
Deposit-konto:
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FEDAGRE

VIII. Solvency requirement and capital position

In 2013, FIH increased its solvency ratio to 25.9 per cent (year-end 2012: 21.2 per cent), despite the repayment of subordinated debt which was included at a total of DKK 905 million in 2012. Since FIH no longer has any subordinated debt in its balance sheet, FIH's solvency ratio and tier 1 capital ratio are now identical. Tier 1 capital after deductions of DKK 5,531 million (year-end 2012: DKK 5,426 million) is thus made up of equity. The increase in the solvency ratio is due to falling risk-weighted assets and an increase in tier 1 capital as a result of the positive results for the year. The repayment of the subordinated debt is pulling in the opposite direction.

Capital position in FIH



FIH aims to maintain a solvency ratio that is considerably higher than the regulatory requirements to ensure that FIH is able to resist any significant unexpected losses. This target has more than been achieved as the capital buffer in 2013 increased by 4.3 percentage points to 11.5 percentage points.

FIH's capital planning is adjusted to the current economic situation. FIH has thus focused successfully on reducing the risk-weighted assets to DKK 21.4 billion (2012: DKK 29.8 billion).

FIH's individual solvency requirement is 14.3 per cent (year-end 2012: 14.0 per cent). The individual solvency requirement is affected by a fall in the risk-weighted assets and a major fall in the individual solvency requirement.

(mio. kr.)	2013	2012
Solvency requirement		
Capital requirement for credit risk, internal model	2,528	3,403
Capital requirement for market risk, internal model	360	428
Capital requirement for operational risk, internal model	173	222
Capital requirement for other risks, internal model	3	129
Capital requirement under pillar II	3,064	4,182
Individual solvency requirement (%)	14.3	14.0

The capital buffer amounted to 11.6 percentage points (year-end 2012: 7.2 percentage points) corresponding to DKK 2.5 billion. The capital buffer is calculated as the difference between the solvency ratio and the individual solvency requirement set by the management. FIH's solvency and capital position has been determined for overall operations, i.e. both continuing and discontinuing operations. For a detailed description of the calculation of the solvency requirement, see also the 'Risk Management in FIH 2013' report. The report is available at www.fih.com/Financials/Risk+Reports.

The EU has adopted new capital requirements rules, the so-called CRD IV Regulation and Directive, which come into force in 2014. Among other things, the new rules stipulate that a larger share of the capital base must consist of actual equity. FIH's capital base consists solely of tier 1 capital, and it is therefore expected that the new rules will only entail changes to any deductions in capital. The full impact of the new rules is not yet known as some rules have still not been specified in final guidelines. All else being equal, CRD IV is expected to entail a small increase in the risk-weighted assets.

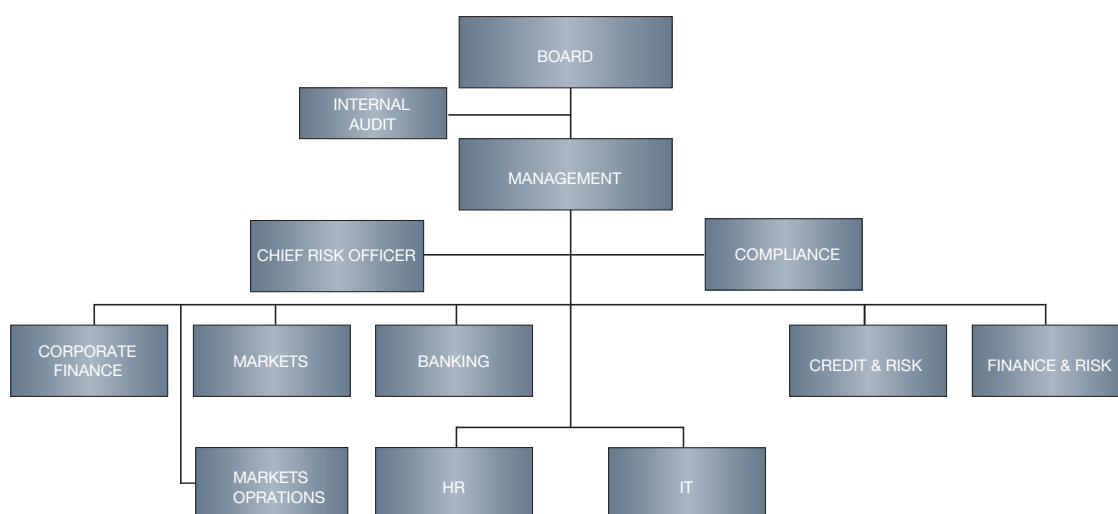


IX. Organisation and Corporate Governance

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.

ORGANISATION

FIH's organisation comprises three business segments: Banking, Markets and Corporate Finance.



Banking focuses on delivering financial solutions primarily to Danish small and medium-sized enterprises.

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

Corporate Finance provides financial advisory services to customers on mergers and acquisitions, privatisations, capital injections etc. The subsidiary FIH PARTNERS is in charge of FIH's Corporate Finance activities.

Each of the three business segments and their performance are described in detail in section V 'FIH's business', page 21

The three business segments are served by several staff functions, including HR, IT, Credit & Legal and Finance & Risk.

CORPORATE GOVERNANCE

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

Composition of the Board of Directors

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

Christian Dyvig has served as chairman of the Board of Directors since 1 July 2012. Henrik Heideby is Deputy Chairman. Other board members elected by the general meeting are Daniel Eriksson, Henrik Gade Jepsen and Fredrik Martinsson.

Board members elected by the employees are Lene Foged Nothlevsen, Jacob Baggers Willemoes and Toke Heding. On 1 October 2013, Toke Heding replaced Randi Holm Franke as employee-elected board member.

For information on the Board of Directors' competencies and other directorships, please see note 46.

Composition of the Executive Board

FIH's Executive Board has two co-CEOs: Bjarne Graven Larsen and Henrik Sjøgreen.

Board of Directors' responsibilities

The Board of Directors determines the bank's FIH's business model, assesses its risk profile and policies, budget, capital, liquidity, solvency requirement etc. and ensures that the reporting of the Executive Board provides an adequate basis for the work of the Board of Directors. The Board of Directors provides the guidelines for the Executive Board's day-to-day management of FIH, 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 FIH operates in accordance with the Danish Companies Act (Selskabsloven), the Danish Financial Statements Act (Årsregnskabsloven), the Danish Bookkeeping Act (Bogføringsloven), the Danish Financial Business Act and other relevant legislation and regulation.

A total of eight board meetings were held in 2013, with seven board meetings being planned for 2014.

In 2013, the Board of Directors carried out its annual self-assessment of its performance, which also includes an assessment of each board member's competencies and experience. The conclusion 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 and the Danish Bankers Association's recommendations in the audit area. FIH publishes a separate Corporate Governance Report on compliance with the Committee on Corporate Governance's recommendations and the Danish Bankers Association's recommendations in the audit area. FIH's Corporate Governance Report is available at www.fih.com/About/Corporate+Governance.

Board of Directors' competency profiles

Christian Dyvig (Chairman)

Managing Director of the Lundbeck Foundation. Christian Dyvig is a lawyer 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 commitments 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 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 commitments, 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 at 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 long experience from various segments of the financial sector, Henrik Gade Jepsen has in-depth knowledge of and experience in risk management 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 Fondsmægler-selskab and Danske Bank. Fredrik Martinsson has competencies and many years of experience in management and investment of major 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.

Lene Foged Nothlevsen

Assistant Relationship Manager at FIH. 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 commitments 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 at FIH. 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 him broad knowledge of the organisation in general, including IT systems. 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.

Toke Heding

Senior Risk Analyst at FIH. Toke Heding holds an MA in Political Science and has worked as Senior Risk Analyst at FIH since 2006. He has taught financing and microeconomics at Copenhagen Business School and managed IT projects at Nordea Bank Denmark. Toke Heding's current and previous positions have given him extensive knowledge and experience in large commitments and risk management, including market risks and interest rate risks, understanding of financial statements and insight into the bank's FIH's balance sheet.

Audit Committee

Members of the Board of Directors' 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 2014, employees will be represented by Jacob Baggers Willemoes. He will be replaced by Toke Heding. Henrik Heideby has been appointed chairman of FIH's Audit Committee and has the required professional qualifications as stated in Section 5 of Executive Order on auditing financial undertakings etc. as well as financial groups subject to the supervision of the Danish Financial Supervisory Authority (Bekendtgørelse om revisionsudvalg i virksomheder samt koncerner, der er underlagt tilsyn af Finanstilsynet). The reasons for appointing Henrik Heideby as an independent member with accounting qualifications include the fact that Henrik Heideby holds a Graduate Diploma in Business Administration (Accounting) and has served as chairman of IC Companys' Audit Committee since April 2009. For further information on the members of the Audit Committee, see the competency profiles above, note 46 and www.fih.com/About/Board/Audit+Committee.

The purpose of the Audit Committee is to assist the Board of Directors in monitoring the financial reporting procedure, monitoring the effectiveness of the company's internal control systems, internal audit and risk management systems, monitoring the statutory audit of the financial statements etc. as well as monitoring and checking the auditor's independence, including, in particular, the delivery of additional services to the company.

Credit and Risk Committee

Members of the Board of Directors' 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. Among other things, the purpose of the remuneration policy is 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 company'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. 12 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 46 as well as FIH's remuneration policy at www.fih.dk/Top/Om+FIH/Vores+profil/Bestyrelse/Loenpolitik (available in Danish only).

CORPORATE SOCIAL RESPONSIBILITY AND DIVERSITY IN MANAGEMENT

FIH has prepared a corporate social responsibility statement, which also contains a statement on diversity in management. The statement is available at <http://www.fih.com/About/Corporate%20Social%20Responsibility>.

IMPORTANT INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS IN CONNECTION WITH FINANCIAL REPORTING

The Board of Directors and the Executive Board have overall responsibility for FIH's control and risk management in connection with financial reporting, including compliance with relevant legislation and other regulation in relation to financial reporting. 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 financial reporting process.

The Executive Board continually monitors compliance with relevant legislation and other rules and provisions in relation to financial reporting 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 financial reporting process, the effectiveness of the group's internal control systems, internal audit and risk systems. The Committee meets according to a fixed meeting schedule and makes active decisions relating to the group's accounting policies, including methods for loan impairment charges.

Risk assessment

The Board of Directors and the Executive Board regularly assess the risks of the group, including risks affecting the financial reporting 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 and 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 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.

Effective from 1 January 2013, the formerly wholly owned subsidiary FIH Kapitalbank A/S merged with FIH Erhvervsbank A/S, with FIH Erhvervsbank A/S as the surviving company. The formerly wholly owned subsidiary, FIH Realkredit A/S, underwent solvent liquidation in 2013.



SHAREHOLDER INFORMATION

FIH Holding A/S owns 99.99% 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 in FIH Holding A/S as at 31 December 2013

Name	Ownership in %	Voting rights in %
The Danish Labour Market Supplementary Pension Fund (ATP)	48.8	50.0
PF I A/S*	48.8	50.0
Executive Board and executive employees at FIH Erhvervsbank A/S	2.2	0.0
FIH Holding A/S	0.2	0.0
Total	100.0	100.0

* PF I A/S is the holding company for PFA Pension's, Folksam ömsesidig livsförsäkring/Folksam ömsesidig sakförsäkring'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% to PFA Pension, 40% to Folksam ömsesidig livsförsäkring/Folksam ömsesidig sakförsäkring and 20% to Cruise I A/S, which is C.P. Dyvig's holding company for its stake in FIH Holding A/S.

In FIH Holding A/S, 50% of the share capital is preference shares with a preferential right to receive an annual return of 8%. 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% 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 statement of comprehensive income 2013

(DKK million)	Note	FIH Group		FIH Erhvervsbank A/S	
		2013	2012	2013	2012
INCOME STATEMENT					
Interest income	4	545.1	1,565.5	537.5	1,550.3
Interest expenses	5	470.3	1,119.8	466.3	1,111.0
Net interest income		74.8	445.7	71.2	439.3
Fee and commission income	6	222.4	198.0	80.5	75.6
Fees and commissions paid	6	37.2	91.7	40.2	95.2
Net interest and fee income		260.0	552.0	111.5	419.7
Market value adjustments	7	638.6	149.0	639.9	149.7
Other operating income		43.6	101.2	53.8	113.9
Staff costs and administrative expenses	8, 9	442.6	527.1	339.0	443.8
Depreciation, amortisation and impairment charges for intangible assets as well as property, plant and equipment	20, 22	6.7	13.7	6.1	13.7
Other operating costs		32.9	15.3	32.9	15.3
Impairment charges on loans and receivables etc.	10	139.3	1,276.1	139.3	1,276.1
Profit from investments in associates and group enterprises	11	0.0	0.0	24.7	26.9
Profit/loss before tax		320.7	-1,030.0	312.6	-1,038.7
Tax	12	68.6	-23.1	60.5	-31.8
Net profit/loss for the year, continuing operations		252.1	-1,006.9	252.1	-1,006.9
Discontinuing operations:					
Net profit/loss for the year, discontinuing operations	33	-24.2	-530.5	-24.2	-530.5
Total:					
Net profit/loss for the year		227.9	-1,537.4	227.9	-1,537.4
COMPREHENSIVE INCOME					
Net profit/loss for the year		227.9	-1,537.4	227.9	-1,537.4
Other comprehensive income:					
Items which cannot be transferred to the income statement:					
		0.0	0.0	0.0	0.0
Tax thereon		0.0	0.0	0.0	0.0
Total		0.0	0.0	0.0	0.0
Items which can subsequently be transferred to the income statement:					
		0.0	0.0	0.0	0.0
Tax thereon		0.0	0.0	0.0	0.0
Total		0.0	0.0	0.0	0.0
Total comprehensive income for the year		227.9	-1,537.4	227.9	-1,537.4
Allocation of total comprehensive income					
Reserve according to the equity method		-	-	-20.3	7.4
Dividend for the year		0.0	0.0	0.0	0.0
Retained earnings		227.9	-1,537.4	248.2	-1,544.8
Comprehensive income allocated		227.9	-1,537.4	227.9	-1,537.4

Balance sheet as at 31 December 2013

(DKK million)	Note	FIH Group		FIH Erhvervsbank A/S	
		2013	2012	2013	2012
ASSETS					
Cash in hand and demand deposits with central banks		12.6	35.2	12.6	35.2
Debt instruments eligible for refinancing with central banks		0.0	0.0	0.0	0.0
Receivables from credit institutions and central banks	13	906.6	2,241.5	906.6	2,205.6
Loans and other receivables at fair value	14, 16	0.0	160.7	0.0	0.0
Loans and other receivables at amortised cost	14, 15	10,906.5	16,004.9	10,906.5	16,004.9
Bonds at fair value	17	10,928.6	17,030.1	10,928.6	16,935.9
Shares etc.	18	0.0	0.0	0.0	0.0
Investments in associates	19	0.0	0.0	0.0	0.0
Investments in group enterprises	19	-	-	571.9	692.2
Intangible assets	20	4.0	6.7	197.1	199.8
Land and buildings:					
Investment properties	21	682.8	751.0	682.8	751.0
Owner-occupied properties	22	2.2	2.2	2.2	2.2
Other property, plant and equipment	22	1.4	1.4	1.4	1.4
Current tax assets		0.0	0.0	0.0	9.6
Deferred tax assets	28	112.4	136.8	114.4	136.5
Assets held temporarily		45.1	0.0	45.1	26.1
Other assets	23	2,243.3	9,194.8	2,221.9	9,120.5
Prepayments		17.6	29.7	16.6	28.9
Discontinuing operations	33	1,637.2	15,161.8	1,637.2	15,161.6
Total assets		27,500.3	60,756.8	28,244.9	61,311.4

Balance sheet as at 31 December 2013

(DKK million)	Note	FIH Group		FIH Erhvervsbank A/S	
		2013	2012	2013	2012
EQUITY AND LIABILITIES					
Debt					
Debt to credit institutions and central banks	24	3,273.1	4,175.7	3,273.1	4,176.2
Deposits and other debt	25	13,783.2	14,045.1	14,374.1	14,601.5
Bonds issued at fair value	16, 26	0.0	156.0	0.0	0.0
Bonds issued at amortised cost	26	1,048.5	23,158.2	1,048.5	23,158.2
Current tax liabilities		29.3	0.1	23.1	0.0
Other liabilities	27	3,474.9	11,776.2	3,412.4	11,707.6
Deferred income		2.4	3.3	2.4	3.3
Discontinuing operations		86.9	0.0	86.9	0.0
Total debt		21,698.3	53,314.6	22,220.5	53,646.8
Provisions					
Pension provisions and similar obligations	28	3.7	4.0	3.7	4.0
Provisions for losses on guarantees		111.8	121.4	111.8	121.4
Other provisions		9.6	9.6	9.6	9.6
Total provisions		125.1	135.0	125.1	135.0
Subordinated debt	29	0.0	1,830.4	0.0	1,830.4
Equity					
Share capital	30	513.6	513.6	513.6	513.6
Revaluation reserve, property		1.4	1.4	1.4	1.4
Reserve for net revaluation according to the equity method		-	-	307.1	327.4
Retained earnings		5,161.9	4,961.8	5,077.2	4,856.8
Shareholders' equity interest		5,676.9	5,476.8	5,899.3	5,699.2
Total equity		5,676.9	5,476.8	5,899.3	5,699.2
Total equity and liabilities		27,500.3	60,756.8	28,244.9	61,311.4
Off-balance sheet items					
Contingent liabilities	31	1,204.3	1,452.8	1,204.3	1,452.7
Other commitments		1,210.8	1,207.5	1,210.8	1,207.4
Discontinuing operations, other commitments		65.5	228.6	65.5	228.6
Total off-balance sheet items		2,480.6	2,888.9	2,480.6	2,888.7

Statement of changes in equity 2013 – FIH Group

Specification of changes in equity

(DKK million)	Share capital	Revaluation reserve, property	Retained earnings	Total equity
Equity as at 1 January 2012	513.6	1.4	6,651.1	7,166.1
Net profit/loss for the year	-	-	-1,537.4	-1,537.4
Comprehensive income for the year	-	-	-	-
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 of properties for the year	-	-	-	-
Equity as at 31 December 2012	513.6	1.4	4,961.8	5,476.8
Net profit/loss for the year	-	-	227.9	227.9
Comprehensive income for the year	-	-	-	-
Reversal in respect of previous years	-	-	-27.8	-27.8
Proposed dividend for the year	-	-	-	-
Distributed dividend for the year	-	-	-	-
Revaluation of properties for the year	-	-	-	-
Equity as at 31 December 2013	513.6	1.4	5,161.9	5,676.9

Statement of changes in equity 2013 – FIH Erhvervsbank A/S

Specification of changes in equity

(DKK million)	Share capital	Revaluation reserve, property	Reserve for net revaluation according to the equity method	Retained earnings	Total equity
Equity as at 1 January 2012	513.6	1.4	320.0	5,506.0	6,341.0
Net profit/loss for the year	-	-	7.4	-649.2	-641.8
Comprehensive income for the year	-	-	-	-	-
Disposal of net assets by demerger	-	-	-	-2,000	-2,000
Addition of group overhead allocation from FIH Holding A/S	-	-	-	2,000	2,000
Proposed dividend for the year	-	-	-	-	-
Distributed dividend for the year	-	-	-	-	-
Equity as at 31 December 2012	513.6	1.4	327.4	4,856.8	5,699.2
Net profit/loss for the year	-	-	-20.3	248.2	227.9
Comprehensive income for the year	-	-	-	-	-
Reversal in respect of previous years	-	-	-	-27.8	-27.8
Proposed dividend for the year	-	-	-	-	-
Distributed dividend for the year	-	-	-	-	-
Equity as at 31 December 2013	513.6	1.4	307.1	5,077.2	5,899.3

Cash flow statement 2013

(DKK million)	FIH Group	
	2013	2012
Profit/loss before tax	296.4	-1,560.5
Taxes paid	-15.0	6.4
Adjustment for non-cash operating items	-347.7	1,670.6
Loans and guarantees	4,823.9	24,780.2
Loans to FS Property Finance A/S*	13,428.9	-14,252.9
Bonds	5,786.8	4,408.2
Deposits	-314.6	7,919.6
Bank debt	-733.1	-5,763.1
Other assets/liabilities	-1,063.3	3,015.2
Other	62.4	-58.6
Of which disposal of net assets from demerger (change in portfolio without liquidity effect)	-	-2,151.9
Cash flows from operating activities	21,924.7	18,013.2
Purchase/sale of shares	62.2	273.4
Purchase/sale of treasury shares	0.0	0.0
Purchase/sale of intangible assets and property, plant and equipment	-0.9	-0.2
Cash flows from investing activities	61.3	273.2
Group overhead allocation from FIH Holding A/S	-	2,000.0
Change in subordinated debt	-1,300.0	-1,900.0
Change in bonds issued	-22,043.5	-20,090.8
Cash flows from financing activities	-23,343.5	-19,990.8
Change during the period	-1,357.5	-1,704.4
Cash and equivalents, beginning of year	2,276.7	3,981.1
Cash and equivalents, end of year	919.2	2,276.7
Cash and equivalents according to the balance sheet	919.2	2,276.7

* The item 'Loans to FS Property Finance A/S' consists of the bridge loan with a nominal value of DKK 13,365 million and the deficit-absorbing loan of DKK 1,650 million granted in connection with the transaction with the Financial Stability Company, both recognised under Discontinuing operations. The cash flow effect of discontinuing operations is specified in note 33.

Summary of notes

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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 (*Lov om finansiel virksomhed*).

The financial statements of the parent company – FIH Erhvervsbank A/S – are presented in accordance with the Danish Financial Business Act, including the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. (*Bekendtgørelse om finansielle rapporter for kreditinstitutter og fondsmæglerselskaber m.fl.*). 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 annual reports of issuers of listed bonds and the Danish Financial Business Act.

The accounting policies applied are consistent with those of the annual report for 2012.

Merger

With retrospective effect from 1 January 2013 and in accordance with the uniting-of-interests method, FIH Erhvervsbank A/S has merged with its subsidiary FIH Kapitalbank A/S, with FIH Erhvervsbank A/S as the surviving company. As a result of the merger, the comparative figures for FIH Erhvervsbank A/S have been restated, which has reduced the total assets in FIH Erhvervsbank A/S by DKK 266.1 million. The equity and results of FIH Erhvervsbank A/S are unchanged, and the merger has not affected the consolidated financial statements.

Demerger

On 2 March 2012, FIH Holding concluded an agreement with the Financial Stability Company on the sale of FIH's portfolio of loans and customer derivatives related to investment properties. 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 involved both FIH Erhvervsbank A/S and the subsidiary FIH Kapital Bank A/S.

Ownership and control were transferred from FIH to the Financial Stability Company at the closing of the agreement on 2 July 2012, at which date the recognition of the demerged assets and liabilities amounting to net DKK 17.2 billion, in the FIH Group ceased. Concurrently with the sale and as part of the demerger, FIH Erhvervsbank A/S and FS Property Finance A/S concluded an agreement on the financing of the acquired assets 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 the 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 discontinuing operations at amortised cost, while the deficit-absorbing loan is recognised under discontinuing operations at fair value.

Discontinuing operations

The Private Equity business segment complies with the definitions of discontinuing operations and, accordingly, has been reclassified to separate accounting lines. In addition, the loans on FIH Erhvervsbank's balance sheet relating to the transaction with the Financial Stability Company comply with the definitions of discontinuing operations. Both the cash flow statement and ratios have been calculated inclusive of discontinuing operations.

Change in accounting policies

Effective from 1 January 2013, FIH Erhvervsbank has implemented the standards and interpretations, including amendments, taking effect in 2013.

The implementation of the amendments to IFRS 7, clarifying the requirements for offsetting financial instruments, has introduced further disclosure requirements. See note 35.

IFRS 13 clarifies the fair value measurement guidance for financial and non-financial assets and liabilities and imposes a number of new disclosure requirements. FIH Erhvervsbank's methods for fair value measurement are in compliance with the new standard, and, accordingly, the standard has introduced new disclosure requirements for FIH Erhvervsbank.

Reclassification

In the annual report 2013 of FIH Erhvervsbank A/S, investments in group enterprises amounting to DKK 193.1 million have been reclassified as intangible assets as the increase in value generated by the group establishment with the subsidiary FIH Partners A/S was previously combined under Investments in group enterprises. As a result of the reclassification, the comparative figures have also been restated, which has entailed a reclassification in the balance sheet of investments in group enterprises to intangible assets of DKK 193.1 million for 2012 (2011: DKK 193.1 million). The reclassification has not affected the income statement.

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 shareholdings 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 currency translation 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

Recognition and measurement

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 such 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 trading 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 relating 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 which cannot be classified as 'trading portfolio', but which are initially recognised at fair value and subsequently at fair value using the fair value option of 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 and mutually independent 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 the fair values of loans, deposits and funding (IAS 39). The interest rate risk determined using the basic rate on loans, deposits and funding is hedged by means of derivatives. The hedged interest rate risk 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

On initial recognition, debt instruments eligible for refinancing with central banks are measured at fair value and subsequently at amortised cost.

Receivables from credit institutions and central banks

Receivables from credit institutions and central banks include receivables 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, receivables 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 to cover losses 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 risk is hedged by derivatives, amortised cost is supplemented by the fair value of the hedged interest rate risk. 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 performs individual reviews of all significant loans and a larger, qualified sample of other loans with a view to assessing whether one or more events have occurred which reduce the value of such loan, meaning that FIH no longer expects the full carrying amount of the loan to be repaid. In case of objective indication 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 indication 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 capital repayments.
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 indication 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 flows 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, an interim write-off is made 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 measuring both the mortgage loan and the related mortgage bonds at fair value 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. The 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 discontinuing 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 benefitting 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 the valuation.

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 under Profit/loss from 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 under 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 intangible assets as well as property, plant and equipment.

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

Goodwill

On initial recognition, goodwill arising on acquisitions is recognised and measured as the difference in value between cost and the fair value of the acquired net assets at the date of acquisition. Goodwill is not amortised, but is tested for impairment annually. If there is any indication of impairment, goodwill is written down to the recoverable amount through profit and loss.

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.

Assets held temporarily

Assets held temporarily are measured at fair value less selling costs. Assets held temporarily are not depreciated. Value adjustments of assets held temporarily are recognised under Impairment charges on loans and receivables etc. in the income statement.

Other assets

Other assets include e.g. interest and commission receivable, 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

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

Debt to credit institutions and central banks

Debt to credit institutions comprise debt to other credit institutions and central banks as well as repurchase agreements. On initial recognition, debt to credit institutions and central banks are measured at fair value and subsequently at amortised cost.

Deposits and other debt

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

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

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 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 risk 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, fee and commission payable, unsettled transactions and the negative fair value of derivative financial instruments.

Deferred income

Deferred income is recognised and measured at cost. Deferred income comprises mainly prepaid interest.

Provisions

Provisions 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, 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.

Pension provisions and similar obligations

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 the 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 payable and current tax receivable are recognised in the balance sheet at an amount stated as calculated tax on the taxable income for the year adjusted for tax paid on account.

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

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. Amortised cost is supplemented by the fair value of the hedged interest rate risk for the subordinated debt that is included in hedge accounting.

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.

Reserve for net revaluation according to the equity method

Reserve for net revaluation 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.

Off-balance sheet items

This item comprises guarantees and warranties issued, irrevocable loan 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 under 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 results 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 segments. 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, but are instead 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 is recognised as income at an amount equivalent to the effective interest rate of the loan written down.

Dividends on shares etc.

Dividends on 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 foreign currency translation 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 current tax for the year and changes in deferred tax, is recognised in the income statement at the portion attributable to the net profit/loss for the year and directly in equity at the portion attributable to items recognised directly in equity.

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

Cash flows from operating activities

Cash flows from operating activities are stated as profit/loss 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 treasury 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, receivables 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 financial ratios:

Solvency ratio	Capital base divided by risk-weighted assets
Tier 1 capital ratio	Tier 1 capital after deductions divided by risk-weighted assets
Return on equity before tax	Profit/loss before tax divided by average equity
Return on equity after tax	Net profit/loss divided by average equity
Income/cost ratio	Income divided by costs
Interest rate risk	Interest rate risk divided by tier 1 capital after deductions
Foreign currency 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 impairment charges divided by deposits
Loans as a percentage of equity	Loans plus impairment charges divided by equity
Growth in loans for the year	Growth in loans from beginning of year to end of year
Capital buffer relative to statutory liquidity requirement	Capital buffer relative to the 10 per cent requirement, cf. section 152 of the Danish Financial Business Act
Sum of large commitments	Sum of large commitments divided by capital base
Impairment ratio for the year	Impairment charges for the year divided by loans plus guarantees plus impairment charges
Capital base relative to minimum capital requirement	Capital base divided by minimum capital requirement

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 have not yet become 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 are expected to be effective for financial periods beginning on or after 1 January 2017, with earlier application permitted in certain cases. The standard has not yet been adopted for use in the EU.

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 without changes 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, major parts of the future standard, including the parts relating to impairment charges and hedge accounting, still remain to be completed, and, depending on what is decided, they may have a significant influence on both recognition and 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 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 will be introduced, relating to enterprises which are consolidated and enterprises which are not, but in which the reporting enterprise is involved. The standards are effective for financial years beginning on or after 1 January 2014. No material changes are expected in respect of the enterprises to be included in the FIH Group.

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, value adjustments of the deficit-absorbing loan 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 objective indication of impairment as well as of individual and collective 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, 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 impairment charges on loans.

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 of financial instruments

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 impairment charges on loans.

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

2013 (DKK million)	Banking	Markets	Corporate Finance	Other activities	Total continuing operations	Discontinuing operations	Total
Income statement							
Net interest and fee income	339.7	-176.7	141.9	-44.9	260.0	-97.0	163.0
Market value adjustments	33.6	294.4	0.0	4.5	332.5	-80.5	252.0
Profit from buy back of subordinated debt	0.0	0.0	0.0	306.1	306.1	0.0	306.1
Other operating income	8.1	0.0	0.0	35.5	43.6	594.9	638.5
Wages and salaries*	52.0	73.8	91.1	84.0	300.9	0.0	300.9
Operating expenses	107.0	30.2	19.7	24.4	181.3	368.8	550.1
Impairment charges on loans and receivables etc.	139.3	0.0	0.0	0.0	139.3	35.0	174.3
Profit/loss from investments	0.0	0.0	0.0	0.0	0.0	-37.8	-37.8
Profit/loss before tax	83.1	13.7	31.1	192.8	320.7	-24.2	296.5
Balance sheet							
Loans	10,906.5	0.0	0.0	919.2	11,825.7	0.0	11,825.7
Bonds	0.0	10,928.6	0.0	0.0	10,928.6	0.0	10,928.6
Other assets etc.	682.8	1,272.9	0.0	1,153.2	3,108.9	0.0	3,108.9
Discontinuing operations	0.0	0.0	0.0	0.0	0.0	1,637.2	1,637.2
Total assets	11,589.3	12,201.5	0.0	2,072.4	25,863.2	1,637.2	27,500.4

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

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

'Other activities' comprise the results of FIH's Treasury activities, among other things.

Furthermore, 'Other activities' comprise gains from the repurchase of the subordinated debt and the administrative fee concerning FS Property Finance (including the reversal made for 2012).

Geographical distribution based on the FIH Group's loan and bond portfolio.

Geographical distribution	Denmark	Sweden	Greenland	Other	Total
Interest income (per cent)	94.8	2.1	1.1	2.0	100.0

Note 3 – continued
2012

(DKK million)	Banking	Markets	Corporate Finance	Other activities	Total continuing operations	Discontinuing 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
Wages and salaries*	51.3	87.3	88.5	23.2	250.3	0.0	250.3
Operating expenses	139.5	77.6	1.7	87.0	305.8	0.0	305.8
Impairment charges on loans and other receivables etc.	1,276.1	0.0	0.0	0.0	1,276.1	344.9	1,621.0
Profit from investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss 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
Other assets etc.	747.2	7,927.8	0.0	3,724.3	12,399.3	0.0	12,399.3
Discontinuing 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 statements are prepared on the basis of the margins etc. recognised as income for individual business segments. Accordingly, no intercompany interest is allocated between segments and no liabilities are allocated. No tax is calculated for the individual business segments.

Restructuring costs of DKK 40.5 million in 2012 are included in Other activities.

Geographical distribution based on the FIH Group's loan and bond portfolio.

Geographical distribution	Denmark	Sweden	Greenland	Other	Total
Interest income (per cent)	94.4	2.0	1.4	2.2	100.0

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Note 4 – Interest income				
Amortised cost				
Receivables from credit institutions and central banks	4.9	7.6	4.9	7.2
Reverse repurchase transactions relating to credit institutions and central banks	0.0	3.8	0.0	3.8
Loans and other receivables	458.6	721.7	460.4	727.6
Other interest income	0.2	2.2	0.2	2.2
Total	463.7	735.3	465.5	740.8
Fair value				
Loans and other receivables	167.1	232.9	159.3	214.0
Bonds	227.8	540.3	226.2	538.5
Currency contracts	49.9	147.9	49.9	147.9
Interest rate contracts	-363.4	-90.9	-363.4	-90.9
Total	81.4	830.2	72.0	809.5
Total interest income	545.1	1,565.5	537.5	1,550.3

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Note 5 – Interest expenses				
Amortised cost				
Debt to credit institutions and central banks	8.7	7.3	8.7	7.3
Repurchase transactions relating to credit institutions and central banks	0.1	26.3	0.1	26.3
Other repurchase transactions	0.4	0.4	0.4	0.4
Deposits and other debt	13.8	21.5	13.8	21.5
Bonds issued	10.8	132.6	10.9	132.6
Other interest expenses	0.3	0.0	0.3	0.0
Total	34.1	188.1	34.2	188.1
Fair value				
Deposits and other debt	372.1	310.9	372.1	310.9
Bonds issued	36.2	461.6	32.1	452.8
Subordinated debt	27.9	159.2	27.9	159.2
Total	436.2	931.7	432.1	922.9
Total interest expenses	470.3	1,119.8	466.3	1,111.0
Note 6 – Fees and commissions				
Fee and commission income				
Amortised cost				
Securities trading and safe custody accounts	2.9	4.2	2.9	4.2
Loan application fees	15.4	12.5	15.4	12.6
Guarantee commission	2.8	1.2	2.8	1.5
Other fees and commissions	198.4	180.1	56.5	57.3
Total	219.5	198.0	77.6	75.6
Fair value				
Other fees and commissions	2.9	0.0	2.9	0.0
Total	2.9	0.0	2.9	0.0
Total fee and commission income	222.4	198.0	80.5	75.6
Fees and commissions paid				
Amortised cost				
Guarantee commission	0.0	0.0	3.0	3.5
Other fees and commissions	37.2	91.7	37.2	91.7
Total	37.2	91.7	40.2	95.2
Total fees and commissions paid	37.2	91.7	40.2	95.2

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Note 7 – Market value adjustments				
Mortgage loans	-10.6	-0.3	0.0	0.0
Other loans and receivables at amortised cost, hedging	-77.7	-23.5	-77.7	-23.5
Bonds	-314.6	-130.5	-313.3	-129.5
Investment properties	-38.9	-29.4	-38.9	-29.4
Foreign currency	-35.2	-2.0	-35.2	-2.0
Derivative financial instruments	672.6	355.8	672.6	355.8
Derivative financial instruments used for hedging	-247.4	-29.1	-247.4	-29.1
Other assets	-2.5	-16.3	-2.5	-16.3
Bonds issued	336.4	-41.7	336.4	-41.7
Bonds issued – hedged	345.9	65.4	345.9	65.4
Total market value adjustments	638.6	149.0	639.9	149.7

Derivative financial instruments

Currency contracts	-100.7	155.5	-100.7	155.5
Interest rate contracts	525.9	171.2	525.9	171.2
Total	425.2	326.7	425.2	326.7

Note 8 – Staff costs and administrative expenses**Salaries and remuneration for the Board of Directors and the Executive Board**

Board of Directors	2.8	3.3	2.8	3.3
Executive Board	10.3	10.2	10.0	9.9
Total salaries and remuneration for the Board of Directors and the Executive Board	13.1	13.5	12.8	13.2

Staff costs:

Wages and salaries	244.3	290.3	159.7	221.2
Defined benefit plans	0.7	0.7	0.7	0.7
Defined contribution plans	14.3	18.3	14.0	18.0
Social security costs	28.9	23.5	20.1	18.1
Total staff costs	288.2	332.8	194.5	258.0
Other administrative expenses	141.3	180.8	131.7	172.4
Staff costs and administrative expenses	442.6	527.1	339.0	443.6
Average number of employees converted into full-time employment	233.1	282.6	206.8	255.3

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

Remuneration	2.8	3.3	2.8	3.3
Total fixed remuneration	2.8	3.3	2.8	3.3
Number of board members	8	8	8	8

The Board of Directors of FIH Erhvervsbank A/S only receives fixed remuneration and, therefore, bonus paid, bonus provided for and share-based remuneration total DKK 0 in the same way as the total variable remuneration totals DKK 0. The remuneration for members of the Executive Board of the FIH Group includes directors' remuneration from subsidiaries.

Toke Heding replaced Randi Holm Franke as employee-elected board member on 1 October 2013. In 2013, Randi Holm Franke received remuneration of DKK 0.2 million (2012: DKK 0.3 million). Remuneration for existing board members can be seen in note 46. Remuneration for the resigning board members is included in the above amount.

Note 8 – continued

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Executive Board				
Salaries	8.8	9.2	8.5	8.9
Pensions	1.2	0.8	1.2	0.8
Total fixed remuneration	10.0	10.0	9.7	9.7
Bonus provision	0.0	0.0	0.0	0.0
Share-based payment	0.0	0.0	0.0	0.0
Total variable remuneration	0.0	0.0	0.0	0.0
Other pay	0.3	0.2	0.3	0.2
Total remuneration	10.3	10.2	10.0	9.9
Number of members of the Executive Board	2	2	2	2
Other pay consists of costs relating to cars, multimedia, newspapers etc.				

Other employees with significant influence on the company's risk profile

Salaries	16.6	35.2	16.6	35.2
Pensions	1.5	2.0	1.5	2.0
Total fixed remuneration	18.1	37.2	18.1	37.2
Bonus	5.7	0.0	5.7	0.0
Bonus provision	0.9	14.6	0.9	14.6
Share-based payment	0.0	0.0	0.0	0.0
Total variable remuneration	6.6	14.6	6.6	14.6
Other pay	1.3	0.5	1.3	0.5
Total remuneration	26.0	52.3	26.0	52.3
Number of employees with significant influence on the company's risk profile	12	17	12	17

Other pay consists of costs relating to cars, multimedia, newspapers etc.

Non-deductible costs

According to the Danish Act on Government Capital Injections in Credit Institutions (Lov om statsligt kapitalindskud i kreditinstitutter), the credit institution, while receiving the government capital contribution, is not allowed to deduct more than half of the remuneration of the individual member of the Executive Board in the tax accounts. From and including 2013, the FIH Group will no longer be subject to this provision.

Sign-on bonuses and severance pay

No sign-on bonuses or severance pay have been paid and no provisions have been made in this respect in 2013 in relation to employees with significant influence on FIH's risk profile.

Severance terms for the Executive Board

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

Loans to the Board of Directors and the Executive Board

A loan of DKK 0.2 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	1.3	1.6	1.2	1.4
Other services than audit	0.4	0.6	0.4	0.6
Assurance engagements	0.4	0.5	0.4	0.5
Tax advisory services	0.2	0.3	0.2	0.3
Total fee to the auditors appointed by the general meeting to perform the statutory audit	2.3	3.0	2.2	2.8

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Note 10 – Impairment charges on loans and receivables etc.				
Loans	83.0	1,211.0	83.0	1,211.0
Guarantees and loan commitments	56.3	65.1	56.3	65.1
Total impairment charges on loans and receivables etc.	139.3	1,276.1	139.3	1,276.1
Note 11 – Profit/loss from investments in associates and group enterprises				
Profit from investments in associates	0.0	0.0	0.0	0.0
Profit from investments in group enterprises	-	-	24.7	26.9
Total profit from investments in associates and group enterprises	0.0	0.0	24.7	26.9
Note 12 – Tax				
Calculated tax on the taxable income for the year	110.3	0.0	103.9	-9.5
Deferred tax (note 28)	-36.5	-21.0	-38.2	-20.2
Tax in respect of previous years	-15.5	-2.1	-15.5	-2.1
Effect of change in tax rate	10.3	0.0	10.3	0.0
Total tax	68.6	-23.1	60.5	-31.8
Total tax, continuing operations	68.6	68.6	60.5	-38.6
Total tax, discontinuing operations	0.0	0.0	0.0	6.7
Effective tax rate:				
Tax rate in Denmark (%)	25.0	25.0	25.0	25.0
Non-taxable income and non-deductible costs etc. (%)	3.4	-0.5	1.4	-1.2
Tax assets not recognised (%)	0.0	-23.2	0.0	-22.0
Tax on profit for the year (%)	28.4	1.3	26.4	1.8
Readjustment of tax in respect of previous years (%)	-5.2	0.1	-5.4	0.1
Effective tax rate	23.2	1.4	21.0	1.9
Effective tax rate, continuing operations	21.4	2.6	19.4	0.8
Effective tax rate, discontinuing operations	0.0	0.0	0.0	0.0
Note 13 – Receivables from credit institutions and central banks				
Receivables from credit institutions	906.6	2,241.5	906.6	2,205.6
Reverse repurchase transactions	0.0	0.0	0.0	0.0
Total receivables from credit institutions and central banks	906.6	2,241.5	906.6	2,205.6
Specified by time to maturity:				
Demand deposits	812.9	1,222.5	812.9	1,186.6
Up to and including 3 months	0.0	0.0	0.0	0.0
Over 3 months and up to and including 1 year	74.6	944.4	74.6	944.4
Over 1 year and up to and including 5 years	10.1	74.6	10.1	74.6
Over 5 years	9.0	0.0	9.0	0.0
Total	906.6	2,241.5	906.6	2,205.6

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Note 14 – Loans and other receivables				
Loans and other receivables at fair value	0.0	160.7	0.0	0.0
Loans and other receivables at amortised cost	10,906.5	16,004.9	10,906.5	16,004.9
Total loans	10,906.5	16,165.6	10,906.5	16,004.9
FIH loans	11,470.7	16,644.6	11,470.7	16,644.6
Production loans	0.5	0.6	0.5	0.6
Subordinated loan capital	575.2	562.3	575.2	562.3
Leases, properties	307.2	505.8	307.2	505.8
Leases, machinery and equipment	71.1	207.2	71.1	207.2
Mortgage loans	0.0	160.7	0.0	0.0
	12,424.7	18,081.2	12,424.7	17,920.5
Impairment charges on loans, end of year	1,518.2	1,915.6	1,518.2	1,915.6
Total loans	10,906.5	16,165.6	10,906.5	16,004.9
Specified by time to maturity:				
Demand deposits	16.5	43.0	16.5	43.0
Up to and including 3 months	982.4	646.2	982.4	646.5
Over 3 months and up to and including 1 year	1,756.5	1,132.2	1,756.5	1,131.5
Over 1 year and up to and including 5 years	2,977.8	6,717.4	2,977.8	6,703.9
Over 5 years	5,173.3	7,626.8	5,173.3	7,480.0
Total	10,906.5	16,165.6	10,906.5	16,004.9
Gross investment in finance leases				
Finance leases under Loans comprise property leases and operating equipment leases with terms of between 1 and 40 years.				
Up to and including 1 year	130.6	151.2	130.6	151.2
Over 1 year and up to and including 5 years	108.9	180.1	108.9	180.1
Over 5 years	315.2	609.0	315.2	609.0
Total	554.7	940.3	554.7	940.3
Unearned interest income	152.2	237.9	152.2	237.9
Total present value	402.5	702.4	402.5	702.4
The present value matures as follows:				
Up to and including 1 year	108.8	118.9	108.8	118.9
Over 1 year and up to and including 5 years	40.9	82.3	40.9	82.3
Over 5 years	252.8	501.2	252.8	501.2
Total	402.5	702.4	402.5	702.4
Recognised interest income from assets held under finance leases	23.2	36.6	23.2	36.6
Impairment charges on assets held under finance leases	3.3	10.6	3.3	10.6

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Note 15 – Impairment charges on loans and other receivables, accumulated impairment charges etc.				
Loans, individual impairment charges				
Impairment charges, beginning of year	1,538.0	2,281.0	1,538.0	2,281.0
Reversal of previous impairment charges	196.9	108.3	196.9	108.3
Impairment charges during the period	609.0	1,063.2	609.0	1,063.2
Loss recorded	522.8	304.8	522.8	304.8
Market value adjustments reclassified to other assets	0.0	-14.9	0.0	-14.9
Loss recorded in connection with demerger	-	-1,378.2	-	-1,378.2
Individual impairment charges, end of year	1,427.3	1,538.0	1,427.3	1,538.0
Loans, collective impairment charges				
Impairment charges, beginning of year	377.6	280.3	377.6	280.3
Impairment charges during the period	-287.1	262.7	-287.1	262.7
Loss recorded in connection with demerger	0.0	-165.4	0.0	-165.4
Collective impairment charges, end of year	90.5	377.6	90.5	377.6
Loans, total impairment charges				
Impairment charges, beginning of year	1,915.6	2,561.3	1,915.6	2,561.3
Reversal of previous impairment charges	196.9	108.3	196.9	116.3
Impairment charges during the period	321.9	1,325.9	321.9	1,333.9
Loss recorded	522.8	304.8	522.8	304.8
Market value adjustments reclassified to other assets	0.0	-14.9	0.0	-14.9
Loss recorded in connection with demerger	-	-1,543.6	-	-1,543.6
Total impairment charges, end of year	1,517.8	1,915.6	1,517.8	1,915.6
Total loans for which an objective indication for impairment has occurred before impairment charges	3,582.0	4,467.5	3,582.0	4,467.5
Total loans for which an objective indication for impairment has occurred after impairment charges	2,154.7	2,929.5	2,154.7	2,929.5
Accumulated impairment charges on loans, as a percentage of loans, end of year	12.2%	10.6%	12.2%	10.6%
Losses and impairment charges on debtors as a percentage of loans, end of year	1.1%	7.1%	1.1%	7.1%
Net losses recorded, as a percentage of the impairment balance, beginning of year	27.3%	11.9%	27.3%	11.9%
Outstanding debt on loans that have been individually impaired	4,201.8	3,036.6	4,201.8	3,036.6

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Note 16 – Loans and other receivables at fair value				
Mortgage loans				
Nominal value	0.0	146.9	0.0	0.0
Fair value adjustment of interest rate risk	0.0	13.8	0.0	0.0
Credit risk adjustment	0.0	0.0	0.0	0.0
Total	0.0	160.7	0.0	0.0
Mortgage bonds issued				
Nominal value	0.0	147.9	0.0	0.0
Fair value adjustment, funding of current loans	0.0	10.6	0.0	0.0
Holding of own mortgage bonds	0.0	-2.5	0.0	0.0
Total	0.0	156.0	0.0	0.0

The portion of the fair value change that is attributable to the credit risk of bonds issued amounted to DKK 0.0 in 2013 as all mortgage bonds issued by the FIH Group have been drawn (2012: DKK 0.0 million). Due to illiquidity in trading of the company's issued bonds, 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	0.0	2.5
Other mortgage bonds	10,928.6	17,030.1	10,928.6	16,637.9
Other bonds	0.0	0.0	0.0	295.6
Total bonds at fair value	10,928.6	17,030.1	10,928.6	16,939.0
Of which listed bonds	10,928.6	17,030.1	10,928.6	16,939.0
Bonds mature as follows:				
Up to 1 year	6,593.9	10,846.7	6,593.9	10,753.1
Over 1 year	4,334.7	6,183.4	4,334.7	6,185.9
Total	10,928.6	17,030.1	10,928.6	16,939.0

Note 18 – Shares etc.

Listed shares	0.0	0.0	0.0	0.0
Private equities	0.0	865.0	0.0	0.0
Transferred to discontinuing operations	0.0	-865.0	0.0	0.0
Total shares etc.	0.0	0.0	0.0	0.0

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Note 19 – Investments				
Associates				
Cost, beginning of year	0.0	52.7	0.0	52.5
Additions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Transferred to discontinuing operations	0.0	52.7	0.0	52.5
Cost, end of year	0.0	0.0	0.0	0.0
Revaluation and impairment charges, beginning of year	0.0	-8.6	0.0	-8.6
Net profit	0.0	0.0	0.0	0.0
Dividend	0.0	0.0	0.0	0.0
Other additions/disposals	0.0	0.0	0.0	0.0
Transferred to discontinuing operations	0.0	-8.6	0.0	-8.6
Revaluation and impairment charges, end of year	0.0	0.0	0.0	0.0
Carrying amount, end of year	0.0	0.0	0.0	0.0
Group enterprises				
Cost, beginning of year	-	-	484.2	484.2
Additions	-	-	0.0	0.0
Disposals	-	-	100.0	0.0
Cost, end of year	-	-	384.2	484.2
Revaluation and impairment charges, beginning of year	-	-	208.0	282.2
Net profit	-	-	24.2	27.0
Dividend	-	-	-25.0	-100.0
Other additions/disposals	-	-	-19.5	-1.2
Revaluation and impairment charges, end of year	-	-	187.7	208.0
Carrying amount, end of year	-	-	571.9	692.2
Of which credit institutions	-	-	0.0	119.6

The group's investments in group enterprises and associates appear from the group structure in note 44.

Note 20 – Intangible assets	Development projects		Development projects	
Development costs				
Cost, beginning of year	107.1	134.9	107.1	134.9
Additions	0.0	0.0	0.0	0.0
Disposals	52.9	27.8	52.9	27.8
Cost, end of year	54.2	107.1	54.2	107.1
Amortisation and impairment charges, beginning of year	100.4	119.6	100.4	119.6
Impairment charges for the year	0.0	0.0	0.0	0.0
Amortisation for the year	2.7	8.6	2.7	8.6
Disposals	52.9	27.8	52.9	27.8
Amortisation and impairment charges, end of year	50.2	100.4	50.2	100.4
Carrying amount, end of year	4.0	6.7	4.0	6.7
Of which development projects in progress	0.0	0.0	0.0	0.0

No impairment charges has been made for development projects in 2013.

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Note 20 – continued				
Goodwill				
Cost, beginning of year	0.0	0.0	193.1	193.1
Additions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Cost, end of year	0.0	0.0	193.1	193.1
Amortisation and impairment charges, beginning of year	0.0	0.0	0.0	0.0
Impairment charges for the year	0.0	0.0	0.0	0.0
Amortisation for the year	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Amortisation and impairment charges, end of year	0.0	0.0	0.0	0.0
Carrying amount, end of year	0.0	0.0	193.1	193.1

The annual impairment test did not result in any need for impairment of goodwill.

Note 21 – Land and buildings

Investment properties

Fair value, beginning of year	751.0	775.5	751.0	775.5
Foreign currency translation adjustment	0.1	0.5	0.1	0.5
Additions	0.0	3.8	0.0	3.8
Disposals	29.1	0.0	29.1	0.0
Adjustments to fair value for the year	-39.2	-28.8	-39.2	-28.8
Fair value, end of year	682.8	751.0	682.8	751.0
Lease income for the year	59.7	61.9	59.7	61.9
Specified by time to maturity for the minimum payment:				
Up to and including 1 year	32.3	28.8	32.3	28.8
Over 1 year and up to and including 5 years	180.5	143.1	180.5	143.1
Over 5 years	195.7	170.5	195.7	170.5
Total	408.5	342.4	408.5	342.4

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

Investment properties are measured at fair value. Property appraisers have been involved in the fair value determination of investment properties. All operating costs are paid by the lessee. The maturity distribution illustrates the minimum payment until expiry of the contract. FIH has used its own property appraisers for the valuation of the FIH Group's investment properties.

Note 22 – Other property, plant and equipment

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	Owner-occupied properties	Equipment	Owner-occupied properties	Equipment
2013				
Cost, beginning of year	0.9	43.1	0.9	42.8
Additions	0.0	1.0	0.0	0.9
Disposals	0.0	1.0	0.0	0.8
Cost, end of year	0.9	43.1	0.9	42.9
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	41.7	0.0	41.4
Depreciation for the year	0.0	1.0	0.0	1.0
Reversal of depreciation and impairment charges	0.0	1.0	0.0	0.8
Depreciation and impairment charges, end of year	0.0	41.7	0.0	41.6
Carrying amount, end of year	2.2	1.4	2.2	1.3
Write-off on equipment for the year	0.0	3.0	0.0	2.4
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
Write-off on equipment for the year	0.0	2.9	0.0	2.8

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

Note 23 – Other assets

Interest and commissions receivable	220.8	270.0	220.8	270.0
Positive market value of derivative financial instruments etc.	1,917.1	8,536.3	1,917.1	8,536.3
Unsettled transactions	72.7	161.8	72.7	161.8
Other assets	32.7	226.7	11.3	152.4
Total other assets	2,243.3	9,194.8	2,221.9	9,120.5
Specified by time to maturity:				
Up to 1 year	583.3	1,540.7	1,667.0	1,367.4
Over 1 year	1,660.0	7,654.1	554.9	7,753.1
Total	2,243.3	9,194.8	2,221.9	9,120.5

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Note 24 – Debt to credit institutions and central banks				
Debt to credit institutions	564.1	3,367.5	564.1	3,368.0
Repurchase transactions	2,709.0	808.2	2,709.0	808.2
Total debt to credit institutions and central banks	3,273.1	4,175.7	3,273.1	4,176.2
Specified by time to maturity:				
Demand deposits	339.1	365.7	339.1	366.2
Up to and including 3 months	2,709.0	808.5	2,709.0	808.5
Over 3 months and up to and including 1 year	0.0	0.0	0.0	0.0
Over 1 year and up to and including 5 years	225.0	3,001.5	225.0	3,001.5
Over 5 years	0.0	0.0	0.0	0.0
Total	3,273.1	4,175.7	3,273.1	4,176.2
Note 25 – Deposits and other debt				
On demand	1,382.2	1,413.5	1,973.3	1,969.8
Time deposits	12,401.0	12,631.6	12,400.8	12,631.7
Total deposits and other debt	13,783.2	14,045.1	14,374.1	14,601.5
Specified by time to maturity:				
Demand deposits	1,382.2	1,413.5	1,973.3	1,969.8
Up to and including 3 months	1,681.1	2,532.4	1,681.1	2,532.5
Over 3 months and up to and including 1 year	2,884.3	2,664.7	2,884.3	2,664.7
Over 1 year and up to and including 5 years	6,370.3	6,006.2	6,70.1	6,006.2
Over 5 years	1,465.3	1,428.3	1,465.3	1,428.3
Total	13,783.2	14,045.1	14,374.1	14,601.5
Note 26 – Bonds issued				
Mortgage bonds issued at fair value				
Bonds issued at fair value, beginning of year	156.0	211.4	0.0	0.0
Redemptions	145.4	54.8	0.0	0.0
Market value adjustments	-10.6	-0.6	0.0	0.0
Bonds issued at fair value, end of year	0.0	156.0	0.0	0.0
Bonds issued at amortised cost				
Bonds issued at amortised cost, beginning of year	23,158.2	42,959.8	23,158.2	42,959.8
New issues	0.0	467.7	0.0	467.7
Repurchases	694.9	3,360.7	694.9	3,360.7
Redemptions	21,195.2	17,131.5	21,195.2	17,131.5
Market value adjustments	-219.4	222.9	-219.4	222.9
Bonds issued at amortised cost, end of year	1,048.5	23,158.2	1,048.5	23,158.2
Total bonds issued	1,048.5	23,314.2	1,048.5	23,158.2
Specified by time to maturity:				
Up to and including 3 months	0.0	11,235.0	0.0	11,235.0
Over 3 months and up to and including 1 year	613.2	10,034.3	613.2	10,034.3
Over 1 year and up to and including 5 years	300.8	102.8	300.8	102.8
Over 5 years	134.5	1,942.1	134.5	1,786.1
Total	1,048.5	23,314.2	1,048.5	23,158.2

FIH repurchased own issues totalling DKK 694.9 million in 2013 (2012 DKK 3,360.7 million). The repurchases generated income under Market value adjustments of DKK 13.7 million (2012: DKK -10.1 million).

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

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Note 27 – Other liabilities				
Interest and commissions payable	332.7	494.1	332.7	490.8
Negative market value of derivative financial instruments etc.	2,570.0	10,231.0	2,570.0	10,230.9
Unsettled transactions	443.5	873.6	443.5	858.4
Other liabilities	128.7	177.5	66.2	126.2
Total other liabilities	3,474.9	11,776.2	3,412.4	11,706.3
Specified by time to maturity:				
Up to 1 year	1,146.3	2,839.7	2,409.7	2,631.5
Over 1 year	2,328.6	8,936.5	1,002.7	9,074.8
Total	3,474.9	11,776.2	3,412.4	11,706.3

Note 28 – Provisions**Provisions for deferred tax**

Deferred tax, beginning of year	-136.8	-120.1	-136.5	-119.1
Deferred tax on net profit for the year	-36.5	-21.0	-38.2	-20.1
Readjustment of calculated tax in respect of previous years	50.6	4.3	-13.0	2.7
Effect of change in tax rate	10.3	0.0	10.3	0.0
Deferred tax, end of year	-112.4	-136.8	-177.4	-136.5

Deferred tax is included in the balance sheet as follows:

Deferred tax assets	-112.4	-136.8	-177.4	-136.5
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Deferred tax covers

Loans	96.5	121.8	96.5	121.7
Shares and investments	0.2	-0.3	0.2	-0.1
Intangible assets	3.1	1.7	1.0	1.7
Property, plant and equipment	-3.8	-3.0	-3.7	-2.9
Bonds issued	0.5	0.9	0.5	0.9
Other liabilities	-14.7	-2.3	-14.7	-2.3
Tax loss carryforwards	-194.2	-255.6	-257.2	-255.5
Total deferred tax	-112.4	-136.8	-177.4	-136.5

Deferred tax 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 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 recognised. The tax base amounts to DKK 571 million.

Provisions for losses on guarantees

Provisions for losses on guarantees, beginning of year	121.4	59.3	121.4	59.3
Provisions during the year	63.6	75.3	63.6	75.3
Provisions used during the year	65.9	3.7	65.9	3.7
Reversal of unused provisions	7.3	9.5	7.3	9.5
Provisions for losses on guarantees, end of year	111.8	121.4	111.8	121.4

Of total provisions for losses on guarantees of DKK 111.8 million for 2013, individual provisions amounted to DKK 106.4 million while collective provisions amounted to DKK 5.4 million.

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Note 29 – Subordinated debt				
Subordinated debt, beginning of year	1,830.4	3,806.9	1,830.4	3,806.9
New issues	0.0	0.0	0.0	0.0
Repurchases	308.6	0.0	308.6	0.0
Redemptions	991.4	1,900.0	991.4	1,900.0
Market value adjustments	-530.4	-76.5	-530.4	-76.5
Subordinated debt, end of year	0.0	1,830.4	0.0	1,830.4
Interest on subordinated debt broken down on issues				
4.80% JPY 10 billion maturity 31 March 2032	23.0	23.4	23.0	23.4
Var. % EUR 133 million maturity 26 March 2013	4.8	26.5	4.8	26.5
Total interest on subordinated debt	27.8	49.9	27.8	49.9
Subordinated debt – maturity profile				
4.80% JPY 10 billion maturity 31 March 2032	0.0	839.2	0.0	839.2
Var. % EUR 133 million maturity 26 March 2013	0.0	991.2	0.0	991.2
Total subordinated debt	0.0	1,830.4	0.0	1,830.4
Subordinated debt that may be included in the calculation of the capital base	0.0	905.4	0.0	905.4

In 2013, FIH bought back the remaining subordinated debt and had thus no subordinated debt as at 31 December 2013. The total profit of redeeming the subordinated debt and the related interest rate and currency hedging amounts to DKK 306.1 million during the financial year 2013.

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 treasury shares amounts to 2.476 shares (2012: 2.476 shares).

The effect on equity of the demerger to FS Property Finance A/S as at 2 July 2012 amounts to DKK 151.9 million and comprises the changes below.

Effect on equity of demerger:

Disposal of net assets from demerger (see below)	-	-2,151.9	-	-2,151.9
Addition of group overhead allocation from FIH Holding A/S	-	2,000.0	-	2,000.0
Total effect on equity	-	-151.9	-	-151.9
Receivables from credit institutions	-	-	-	-
Demerged loans	-	-12,647.8	-	-12,647.8
Loans to FS Property Finance A/S	-	15,025.2	-	15,025.2
Liquidity	-	-3,356.9	-	-3,356.9
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	-	-45.3	-	-45.3
Disposal of net assets by demerger in FIH Kapital Bank A/S	-	-	-	-
Total net disposals	-	-2,151.9	-	-2,151.9

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Note 31 – Off-balance sheet items				
Guarantees				
Contingent liabilities	121.4	114.3	121.4	114.3
Guarantees against losses for mortgage loans	1,028.8	1,251.9	1,028.8	1,251.9
Other contingent liabilities	54.1	86.6	54.1	86.5
Total contingent liabilities	1,204.3	1,452.8	1,204.3	1,452.7
Of which concerning subsidiaries	-	-		
Specified by time to maturity:				
Up to and including 3 months	6.1	7.5	6.1	7.5
Over 3 months and up to and including 1 year	54.1	35.1	54.1	35.1
Over 1 year and up to and including 5 years	45.3	138.3	45.3	138.2
Over 5 years	1,098.8	1,271.9	1,098.8	1271.9
Total	1,204.3	1,452.8	1,204.3	1,452.7
Other commitments				
Irrevocable loan commitments	1,097.5	1,186.6	1,097.5	1,186.6
Other liabilities	113.3	20.9	113.3	20.8
Discontinuing operations	65.5	228.6	65.5	228.6
Total other commitments	1,276.3	1,436.1	1,276.3	1,436.0
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	262.4	6.0	262.4	6.0
Over 1 year and up to and including 5 years	374.8	795.5	374.8	795.4
Over 5 years	639.1	634.6	639.1	634.6
Total	1,276.3	1,436.1	1,276.3	1,436.0

Other contingent liabilities comprise, among other things, a number of leases and outsourcing agreements – including the lease on Langelinie Allé, which cannot be terminated until mid-2015.

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

Specified by time to maturity:				
Up to 1 year	30.1	35.1	30.1	35.1
Over 1 year and up to and including 5 years	13.6	49.5	13.6	49.5
Over 5 years	0.0	0.0	0.0	0.0
Total	43.7	84.6	43.7	84.6
Of which sublet	0.0	0.0	0.0	0.0
Recognised rental expense in the income statement for the year	18.7	27.8	18.7	27.8

Note 31 – continued**Other contingent liabilities**

FIH Erhvervsbank A/S is jointly taxed with its subsidiaries and parent company FIH Holding A/S. In accordance with the relevant provisions of the Danish Corporation Tax Act (Selskabsskatteloven), the company is thus liable for income taxes etc. in the jointly taxed companies as from the 2013 financial year and for any obligation to withhold tax at source on interest and dividends for such companies as from 1 July 2013.

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 in 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 any material impact on the financial position of the FIH Erhvervsbank Group.

Note 32 – Assets pledged as collateral

At the end of 2013, FIH Erhvervsbank A/S had deposited bonds with Danmarks Nationalbank and VP Securities totalling DKK 1,474.0 million in connection with clearing and settlement (2012: DKK 6,298.4 million).

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 debt to credit institutions. Securities in the form of repurchase transactions are treated as assets pledged as collateral for liabilities. At year-end 2013, such securities totalled DKK 2,709.0 million (2012: DKK 808.2 million). In addition, FIH has pledged cash and bonds as collateral for commitments totalling DKK 2,261.5 million (2012: DKK 3,135.0 million) in connection with the CSA agreement. Other than that, FIH has no pledges, mortgages, collateral etc.

Note 33

Discontinuing operations comprise two components. Matters relating to the demerger and the divestment of the Property Finance segment to the Financial Stability Company and the Private Equity business segment. Loans granted to finance the demerger of the Property Finance segment, sold to the Financial Stability Company on 2 July 2012, are recognised in the balance sheet.

The two loans consist of a short-term bridge loan of DKK 13,365.3 million and a deficit-absorbing loan of DKK 1,650.0 million. The bridge loan had been fully repaid by the end of H1 2013. The loan was repaid as FIH's government-guaranteed bonds matured, given that the bridge loan was 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.

The transaction with the Financial Stability Company was approved temporarily by the European Commission in connection with the divestment. The subsequent final approval by the European Commission resulted in a number of impacts which have been recognised under Discontinuing operations. The total effect of the European Commission's approval on discontinuing operations amounts to DKK 368.8 million and includes a cash payment of DKK 310.3 million and total provisions of DKK 58.5 million, among other things. Please see the 'EUROPEAN COMMISSION CASE' section in the management commentary on page 15 for a detailed description of the circumstances surrounding the European Commission's decision.

Total discontinuing operations are specified next page.

Note 33 – continued

Total discontinuing operations are specified below.

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
INCOME STATEMENT				
Interest income	81.0	458.4	81.0	458.4
Interest expenses	178.0	489.2	178.0	489.2
Net interest income	-97.0	-30.8	-97.0	-30.8
Dividends from shares etc.	594.9	0.2	594.9	0.2
Fee and commission income	0.0	2.8	0.0	2.8
Fees and commissions paid	0.0	0.1	0.0	0.1
Net interest and fee income	497.9	-27.9	497.9	-27.9
Market value adjustments	-80.5	-157.7	-80.5	-157.7
Impairment charges on loans and receivables etc.	35.0	344.9	35.0	344.9
Other operating costs	368.8	0.0	368.8	0.0
Profit/loss from investments in associates and group enterprises	-37.8	0.0	-37.8	0.0
Loss before tax	-24.2	-530.5	-24.2	-530.5
Tax	0.0	0.0	0.0	0.0
Net loss for the year, discontinued operations	-24.2	-530.5	-24.2	-530.5

ASSETS

Loans at amortised cost	0.0	13,365.3	0.0	13,365.3
Loans at fair value	824.0	887.6	824.0	887.6
Shares etc.	752.1	795.0	752.1	794.8
Investments in associates	61.1	113.9	61.1	113.9
Total assets	1,637.2	15,161.8	1,637.2	15,161.6

LIABILITIES

Other liabilities	51.9	0.0	51.9	0.0
Other provisions	35.0	0.0	35.0	0.0
Total liabilities	86.9	0.0	86.9	0.0

Off-balance sheet items can be seen in note 31

CASH FLOWS

Cash flows from operating activities	13,313.4	3,000.6	-	-
Cash flows from investing activities	0.0	0.0	-	-
Cash flows from financing activities	0.0	0.0	-	-
Total cash flows	13,313.4	3,000.6	-	-

The deficit-absorbing loan with a principal of DKK 1,695 million constitutes 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 2013 the deficit-absorbing loan has been market value adjusted by DKK 85.5 million (loss) and the carrying amount as at 31. December was DKK 824.0 million. The market value adjustment are recognised under market value adjustments of discontinuing operations.

Apart from the deficit-absorbing loan, FIH has no exposure to loss as a consequence of its continued involvement.

(DKK million)	2013	2012	2011	2010	2009
Note 34 – Financial ratios					
FIH Group					
Income statement					
Net interest and fee income	260.0	552.0	717.1	1,217.1	1,236.3
Market value adjustments	638.6	149.0	52.1	283.9	312.6
Other operating income	43.6	101.2	69.4	84.2	108.6
Profit from net financials	942.2	802.2	838.6	1,585.2	1,657.5
Costs and depreciation/amortisation	442.6	527.1	512.7	607.5	665.4
Øvrige udgifter	39.6	29.0	50.1	269.8	351.9
Impairment charges on loans and receivables etc.	139.3	1,276.1	266.5	1,423.0	1,028.5
Profit from investments in associates and group enterprises	0.0	0.0	0.0	-0.1	-8.4
Profit/loss before tax	320.7	-1,030.0	9.3	-715.2	-396.7
Tax	68.6	-23.1	2.2	-178.3	-98.7
Net profit/loss for the year, continuing operations	252.1	-1,006.9	7.1	-536.9	-298.0
Discontinuing operations:					
Net profit/loss for the year, discontinuing operations	-24.2	-530.5	-1,185.2	1,061.5	309.5
Total:	227.9	-1,537.4	-1,178.1	524.6	11.5
Balance sheet					
Loans	10,906.5	16,165.6	42,832.5	57,993.6	64,133.8
Equity	5,676.9	5,476.8	7,166.1	8,334.1	7,819.6
Total assets	27,500.3	60,756.8	84,157.1	109,338.2	130,355.9
Capital base	5,531.1	6,332.3	10,131.9	11,777.6	11,799.0
Ratios*					
Solvency ratio	25.9	21.2	17.8	15.4	13.8
Tier 1 capital ratio	25.9	18.2	15.6	13.3	11.4
Return on equity before tax	5.3	-24.7	-16.3	3.9	-1.9
Return on equity after tax	4.1	-24.3	-15.2	6.5	0.1
Income/cost ratio	1.52	0.28	0.19	1.11	0.93
Interest rate risk	2.2	0.8	0.7	1.6	2.7
Foreign currency position	0.7	1.2	0.7	1.4	1.1
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Loans before impairment charges as a percentage of deposits	0.9	2.3	7.4	8.1	3.2
Loans as a percentage of equity	2.0	5.6	6.0	7.0	8.2
Growth in loans for the year (%)	-61.0	-29.0	-26.1	-9.6	-11.7
Capital buffer relative to statutory liquidity requirement	220.5	106.7	109.8	71.4	80.5
Sum of large commitments	64.3	74.2	36.0	66.1	70.8
Impairment ratio for the year	1.7	4.7	2.1	3.1	1.7
Capital base relative to minimum capital requirement	148.3	169.8	272.6	316.0	317.1

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

(DKK million)	2013	2012	2011	2010	2009
Note 34 - continued					
FIH Erhvervsbank A/S					
Income statement					
Net interest and fee income	111.5	419.7	613.0	1,034.7	1,104.2
Market value adjustments	639.9	149.7	53.4	1,632.8	505.5
Other operating income	53.8	113.9	154.8	147.2	159.9
Profit from net financials	805.2	683.3	821.2	2,814.7	1,769.6
Costs and depreciation/amortisation	339.0	443.8	529.0	508.9	596.1
Øvrige udgifter	39.0	29.0	49.8	269.4	349.7
Impairment charges on loans and receivables etc.	139.3	1,276.1	267.3	1,426.0	1,028.4
Profit from investments in associates and group enterprises	24.7	26.9	25.5	40.3	21.2
Profit/loss before tax	312.6	-1,038.7	0.6	650.7	-183.4
Tax	60.5	-31.8	-6.1	-135.2	-174.4
Net profit/loss for the year, continuing operations	252.1	-1,006.9	6.7	785.9	-9.0
Discontinuing operations:					
Net profit/loss for the year, discontinuing operations	-24.2	-530.5	-1,185.2	-260.1	19.4
Total:	227.9	-1,537.4	-1,178.5	525.8	10.4
Balance sheet					
Loans	10,906.5	16,004.9	27,461.2	39,301.1	44,256.1
Equity	5,899.3	5,699.2	7,388.5	8,556.4	8,041.9
Total assets	28,244.9	61,311.4	68,652.8	91,119.2	110,819.9
Capital base	5,558.4	6,368.2	10,156.7	11,786.2	11,806.4
Ratios*					
Solvency ratio	25.3	21.1	17.7	14.8	13.6
Tier 1 capital ratio	25.3	18.1	15.6	12.8	11.2
Return on equity before tax	5.0	-24.0	-16.0	3.7	-2.0
Return on equity after tax	3.9	-23.5	-14.8	6.3	0.1
Income/cost ratio	1.6	0.25	0.19	1.11	0.9
Interest rate risk	2.2	0.8	0.6	1.6	2.6
Foreign currency position	0.7	1.2	0.6	1.3	1.1
Foreign exchange risk	0.0	0.0	0.0	0.0	0.0
Loans before impairment charges as a percentage of deposits	0.9	2.2	6.7	7.4	3
Loans as a percentage of equity	2.0	5.3	5.8	6.7	7.9
Growth in loans for the year (%)	-61.0	-29.0	-26.1	-9.4	-11.6
Capital buffer relative to statutory liquidity requirement	214.2	104.0	107.0	70.0	81.0
Sum of large commitments	64.0	71.7	35.3	65	69.7
Impairment ratio for the year	1.7	6.5	2.0	3.1	1.7
Capital base relative to minimum capital requirement	149.0	175.9	278.4	321.4	322.5

* Financial ratios are calculated based on total results, i.e. both continuing and discontinuing operations. The ratios are calculated in accordance with the guidelines of the Danish Financial Supervisory Authority, cf. the accounting policies. With retrospective effect from 1 January 2013 and in accordance with the uniting-of-interests method, FIH Erhvervsbank A/S has merged with its subsidiary FIH Kapitalbank A/S, with FIH Erhvervsbank A/S as the surviving company. As a result of the merger, the comparative figures for FIH Erhvervsbank A/S have been restated.

(DKK million)	FIH Group 2013	
	Other assets	Other liabilities
Note 35 – Offsetting in the FIH Group		
Recognised gross assets and liabilities subject to the offsetting rules	4,871.5	5,524.4
Offsetting in the balance sheet	2,954.4	2,954.4
Recognised net assets and liabilities in the balance sheet	1,917.1	2,570.0
Related amounts that are not offset in the balance sheet	227.5	1,564.6
Net amounts	1,689.6	1,005.4

The FIH Group has entered into master netting agreements with all financial counterparties on the group's derivatives transactions. Five of these agreements meet the offsetting provisions of IAS 32. The other agreements do not meet the offsetting provisions, since the netting right is conditional on future conditions such as default, bankruptcy or similar.

(DKK million)	FIH Group 2013		FIH Group 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Note 36 – Financial assets and liabilities				
Financial assets				
Cash in hand and demand deposits with central banks	12.6	12.6	35.2	35.2
Debt instruments eligible for refinancing with central banks	0.0	0.0	0.0	0.0
Receivables from credit institutions and central banks	906.6	907.0	2,241.5	2,240.4
Loans and other receivables at fair value (fair value option)	0.0	0.0	160.7	160.7
Loans and other receivables at amortised cost	10,906.5	11,004.0	16,004.9	16,233.6
Bonds at fair value	10,928.6	10,928.6	17,030.1	17,030.1
Shares etc.	0.0	0.0	0.0	0.0
Other assets	1,917.1	1,917.1	8,536.3	8,536.3
Total financial assets	24,671.4	24,769.3	44,008.7	44,236.3
Financial liabilities				
Debt to credit institutions and central banks	3,273.1	3,273.4	4,175.7	4,175.6
Deposits and other debt	13,783.2	13,784.5	14,045.1	14,045.1
Bonds issued at fair value (fair value option)	0.0	0.0	156.0	156.0
Bonds issued at amortised cost	1,048.5	1,050.4	23,158.2	23,161.7
Other liabilities	2,570.0	2,570.0	10,231.0	10,231.0
Subordinated debt	0.0	0.0	1,830.4	1,835.1
Total financial liabilities	20,674.8	20,678.3	53,596.4	53,604.5
Other assets, cf. balance sheet	2,243.3	-	9,194.8	-
Of which financial assets	1,917.1	-	8,536.3	-
Other liabilities, cf. balance sheet	3,474.9	-	11,776.2	-
Of which financial liabilities	2,570.0	-	10,231.0	-

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, adjustments has been made for the credit risk based on the need for impairment.

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

(DKK million)	FIH Group			
	Carrying amount	Net market value adjustments*	Interest*	Fees and commissions*
Note 36 – continued				
Financial assets and liabilities broken down by category				
2013				
Financial assets				
Trading portfolio	12,650.7	-89.4	157.1	-
Investment assets at fair value	0.0	0.0	0.0	-
Mortgage loans recognised at fair value (fair value option)	0.0	-10.6	6.1	-
Hedge accounting derivatives	195.0	-256.8	128.9	-
Total financial assets at fair value via the income statement	12,845.7	-356.8	292.1	-
Loans and other receivables	11,825.7	-143.4	624.5	15.4
Total financial assets	24,671.4	-500.2	916.6	15.4
Financial liabilities				
Trading portfolio	2,285.9	-290.0	310.9	-
Mortgage bonds issued at fair value (fair value option)	0.0	-10.6	4.1	-
Hedge accounting derivatives	284.1	-9.5	60.8	-
Total financial liabilities at fair value via the income statement	2,570.0	-310.1	375.8	-
Liabilities at amortised cost	18,104.7	-867.5	465.9	-
Total financial liabilities	20,674.7	-1,177.6	841.7	-
Other		-38.8	-0.1	169.8
Total		638.6	74.8	185.2
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 recognised 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		-28.9	2.1	93.7
Total		149.0	445.7	106.3

The breakdown of financial assets and liabilities set out above has been prepared in compliance with IAS 39. Interest on claims written down amounted to DKK 25.4 million (2012: DKK 32.8 million).

(DKK million)	FIH Group			
	Balance sheet total	Level 1 Quoted prices	Level 2 Observable inputs	Level 3 Non-observable inputs
Note 37 – Assets and liabilities at fair value				
2013				
Assets				
Loans and other receivables at fair value	0.0	0.0	0.0	0.0
Bonds at fair value	10,928.6	10,928.6	0.0	0.0
Investment properties	682.8	0.0	0.0	682.8
Owner-occupied properties	2.2	0.0	0.0	2.2
Other assets	1,917.1	0.0	1,917.1	0.0
Total assets at fair value	13,530.7	10,928.6	1,917.1	685.0
Liabilities				
Deposits	2,956.9			
Bonds issued at fair value	0.0	0.0	0.0	0.0
Other liabilities	2,570.0	0.0	2,570.0	0.0
Total liabilities at fair value	16,353.2	0.0	16,353.2	0.0

There have been no transferrals to and from levels 1 and 2.

Methods and assumptions applied in the determination of fair values

Loans and other receivables

For loans measured at fair value, the value is determined on the basis of generally accepted valuation models where observable input variables such as yield curves are used to discount future cash flows.

Bonds at fair value

The portfolio of listed liquid mortgage credit bonds is valued based on observed prices published by active market places at the balance sheet date.

Investment properties

The fair value of investment properties is determined based on discounted expected contractual future cash flows with the addition of the expected fair value of the property at the termination of the relevant cash flows.

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

Owner-occupied properties

Owner-occupied properties are recognised at cost, including improvement expenses, and are subsequently measured at the revalued amount.

Other assets/other liabilities

Other assets and other liabilities measured at fair value comprise fair values of financial instruments. For financial instruments that are not traded on an active market place, the fair value is determined based on generally accepted valuation models and input variables in the form of yield curves, volatility curves, spreads etc. The valuation models discount future fixed and estimated cash flows and measure option elements, if any.

Bonds issued at fair value

Bonds issued at fair value comprise listed liquid mortgage credit bonds valued based on observed prices published by active market places at the balance sheet date.

(DKK million)	FIH Group			
	Balance sheet total	Level 1 Quoted prices	Level 2 Observable inputs	Level 3 Non-observable inputs
Note 37 – continued				
2012				
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
Assets	0.0	0.0	0.0	0.0
Investment properties	751.0	0.0	0.0	751.0
Owner-occupied properties	2.2	0.0	0.0	2.2
Other assets	8,536.3	0.0	8,536.3	0.0
Total assets at fair value	26,480.3	17,030.1	8,697.0	753.2
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 liabilities at fair value	24,432.1	156.0	24,276.1	0.0

There have been no transferrals to and from levels 1 and 2.

	FIH group	
	2013	2012
Financial assets and liabilities measured at fair value at level 3		
Financial assets measured at fair value at level 3, beginning of year	753.2	1,660.6
Transferred to discontinuing operations	0.0	-882.9
Additions	0.0	3.8
Disposals	29.1	0.0
Transferred to/from level 1 or 2	0.0	0.0
Change in fair value	-39.1	-28.3
Financial assets measured at fair value at level 3, end of year	685.0	753.2

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

Note 38 – 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 fixed-rate funding and fixed-rate loans, respectively, 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.

2013 (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	-	2,504.2	-48.5	-77.7
Total	-	2,504.2	-48.5	-77.7
Financial instruments designed to hedge interest rate risk				
Swaps	2,530.4	-210.5	46.6	90.0
Liabilities				
Debt to credit institutions	-	11,972.9	375.6	140.4
Bonds issued	-	414.4	6.4	125.6
Subordinated debt	-	0.0	0.0	79.9
Total	-	12,387.3	382.0	345.9
Financial instruments designed to hedge interest rate risk				
Swaps	31,248.9	121.5	-347.7	-337.4
FIH Erhvervsbank A/S				
Assets				
Loans	-	2,504.2	-48.5	-77.7
Total	-	2,504.2	-48.5	-77.7
Financial instruments designed to hedge interest rate risk				
Swaps	2,530.4	-210.5	46.6	90.0
Liabilities				
Deposits	-	11,972.9	375.6	140.4
Bonds issued	-	414.4	6.4	125.6
Subordinated debt	-	0.0	0.0	79.9
Total	-	12,387.3	382.0	345.9
Financial instruments designed to hedge interest rate risk				
Swaps	31,248.9	121.5	-347.7	-337.4

Note 38 – continued

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				
Deposits	-	-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	-	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				
Deposits	-	-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 39 – 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	
	2013	2012
Assets subject to credit risk	23,753	41,732
+ Irrevocable loan commitments not disbursed	1,098	1,187
+ Bank/financial guarantees	1,150	1,366
- Investments	0	0
Maximum exposure to credit risk	26,001	44,285
Collateral received		
Credit exposure	26,001	44,285
Value of collateral	11,727	14,813
Total unsecured loans	14,274	29,472
Proportion of unsecured loans (%)	55	67

The maximum credit risk at the end of 2013 includes Danish government bonds and Danish mortgage bonds rated ‘AA’ or above of DKK 10,929 million.

Note 39 – continued

Credit exposure is the risk of loss arising from the exposure inherent in ordinary banking activities. Any credit exposure in FIH is based on a careful analysis of risk and profitability made on the basis of thorough knowledge 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.

FIH's credit policies are laid down by the Board of Directors and are updated and approved annually. All major credit exposures are granted centrally in the credit organisation or in FIH's Credit 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 commitments. Monitoring is conducted by the credit organisation, reporting its findings to the Executive Board and the Board of Directors on an ongoing basis.

There have been no changes in FIH's overall elements for types of credit risk, in the credit risk assessment or in FIH's credit policies relative to the annual report for 2012.

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

FIH hedges its credit risk by charging a number of assets as collateral. The most important types of collateral are charges on real property and/or machinery and other assets related to the group's day-to-day operations. Collateral is also provided in the form of leased assets, securities and operating cash.

(in %, end of year)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Loans and guarantee debtors, broken down by sector and industry				
Public sector	1	2	1	2
Business sector:				
Agriculture, hunting, forestry and fisheries	0	0	0	0
Manufacturing industries and extraction of raw materials	33	36	33	36
Energy supply	3	2	3	2
Building and construction	3	2	3	2
Trade	18	20	18	20
Transport, hotels and restaurants	17	14	17	14
Information and communication	2	2	2	2
Finance and insurance	12	10	12	10
Real property	7	5	7	5
Other	3	6	3	6
Total business sector	98	97	98	97
Retail customers	1	1	1	1
Total	100	100	100	100

Note 39 – continued**Quality of FIH's credit exposures**

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:

	FIH Group	
	2013	2012
Loans without impairment charges and with no arrears		
D	1,583.4	1,057.2
0-3	834.2	1,109.5
4-6	3,616.2	5,441.3
7-9	3,415.9	5,516.4
10-13	120.8	184.7
Total	9,570.5	13,309.1

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 requirement 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. Rating 13 customers comprise public institutions exclusively. Rating class D represents exposures in default.

In general, FIH Erhvervsbank A/S demands as mentioned above that collateral 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, such as company charges, guarantees, life insurance policies etc., where considered relevant. Moreover, it is possible to reduce credit risks by set-offs under the general provisions of Danish law and ISDA's set of agreements, where applicable.

Commitments are established without provision of collateral 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	
	2013	2012
Loans in arrears for which no impairment has been made	2,347.9	1,458.5
Loans mature as follows:		
Up to and including 3 months	56.0	204.1
Over 3 months and up to and including 1 year	3.1	89.9
Over 1 year and up to and including 5 years	175.5	91.1
Over 5 years	555.9	1,073.4
Total	790.5	1,458.5
Outstanding amounts for which no impairment has been made	22.6	242.4
Of which relating to the public sector	0.0	0.0
Age distribution of outstanding amounts:		
Up to and including 3 months	9.4	234.6
Over 3 months and up to and including 1 year	1.6	6.0
Over 1 year and up to and including 2 years	3.4	0.8
Over 2 years	8.2	1.0
Total	22.6	242.4

Note 39 – continued
Loans with an objective indication of impairment

Of the total loan balance of DKK 12,424 million before impairment charges, loans with an objective indication of impairment amount to DKK 3,583 million. Objective indication of impairment is used to describe loans that are objectively impaired according to the definition of the Danish Executive Order on the Presentation of Financial Statements by Credit Institutions and Investment Firms, etc. (Bekendtgørelse om finansielle rapporter for kreditinstitutter og fondsmæglerselskaber m.fl.)

For all loans registered with an objective indication of impairment, FIH calculates the need for impairment for the individual customer commitments. 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 impairment of a loan 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 Danish Executive Order on Capital Adequacy (Bekendtgørelse om kapitaldækning). Rating class D is divided into two sub-classes: one for loans for which interest is still calculated and paid and for which the customer meets its payment obligations to FIH (rating class D+) and one for loans where e.g. a bankruptcy petition has been filed, a bankruptcy order has been issued against the customer, the customer has been granted similar creditor protection or FIH has suspended accrual of interest (rating class D-).

(DKK million)	FIH Group			
	2013	2013	2012	2012
	Outstanding debt	Impairment charges	Restgæld	Outstanding debt
Loans individually written down for impairment	4,201.8	1,427.3	3,036.6	1,538.0
Loans comprise:				
Public sector	49.3	18.5	304.6	105.8
Business sector:				
Agriculture, hunting, forestry and fisheries			0.0	0.0
Manufacturing industries and extraction of raw materials	2,446.0	716.8	1,037.9	567.6
Energy supply	0.0	0.0	0.0	0.0
Building and construction	84.7	22.5	51.1	11.3
Trade	603.7	221.2	652.7	336.2
Transport, hotels and restaurants	99.5	12.8	125.4	30.9
Information and communication	0.0	0.0	0.0	0.0
Finance and insurance	379.2	280.6	421.0	287.7
Real property	378.0	106.1	359.2	96.7
Other	141.9	44.9	76.3	97.5
Total business sector	4,133.0	1,404.9	2,723.6	1,427.9
Retail customers	19.5	3.9	8.4	4.3
Total	4,201.8	1,427.3	3,036.6	1,538.0

Note 40 – Market risk

Market risk is the risk of loss of market value arising from movements in financial markets (interest rate, foreign exchange, share and commodity risks etc.). Overall, the size of limits for various types of market risk is determined by FIH's rules of 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 increase 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 foreign exchange 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 currency position. Share risk is the risk of loss arising from fluctuations in share 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 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 total. FIH calculates VaR at 99 per cent probability and at a one-day horizon. This means that 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 is to have a low market risk for the group as a whole. This is reflected in the fact that the VaR limit for the group must not exceed DKK 25 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.

Note 40 – continued

(DKK million)

VaR	FIH Group	
	2013	2012
Interest rate	5.5	3.6
State interest	6.9	0.0
Foreign currency	0.7	0.3
Share (listed shares)	0.0	0.0
Option-adjusted spread risk	10.5	17.0
Swaption volatility	1.8	0.3
Diversification effect	-13.8	-3.8
Total VaR	11.7	17.4

Interest rate risk

Total interest rate risk on debt instruments etc.	-123.8	-43.5
Interest rate risk (according to size) broken down by currency:		
DKK	-109.8	-106.2
EUR	-34.3	37.7
SEK	3.5	0.4
NOK	1.6	8.2
GBP	-0.5	-0.4
USD	18.4	16.5
JPY	-2.1	0.5
Other	-0.7	-0.2
Total	-123.8	-43.5

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 2013, results and equity would be negatively affected by DKK 123.8 million.

Interest rate risk distributed on balance sheet items

In the following distribution of term to maturity of assets and liabilities, the outstanding debt 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 outstanding debt falls due for payment.

FIH Group 2013 (DKK million) Specified by time to maturity	Demand deposits	Up to and including 3 months	Over 3 months and up to and including 1 year	Over 1 year and up to and includ- ing 5 years	Over 5 years	Non-interest bearing	Total	Interest rate risk Total
Assets								
Cash in hand and demand deposits with central banks	12.6	-	-	-	-	-	12.6	-
Receivables from credit institutions and central banks	812.9	0	74.6	10.1	9.0	-	906.6	-
Loans and other receivables	-	1,782.8	4,750.1	2,298.2	2,075.4	-	10,906.5	-95.1
Bonds etc.	-	6,578.8	15.1	4,077.3	257.4	-	10,928.6	-155.2
Other assets	-	271.4	2,322.1	1,632.1	84.2	436.3	4,746.1	-601.3
Total assets	825.5	8,633.0	7,161.9	8,017.7	2,26.0	436.3	27,500.4	-851.6
Debt and subordinated debt								
Debt to credit institutions and cen- tral banks	339.0	2,709.0	-	225.0	-	-	3,273.0	243.7
Deposits and other debt	1,385.9	1,755.9	2,846.4	6,537.6	1,257.4	-	13,783.2	149.7
Bonds issued etc.	-	39.7	-	949.9	58.8	-	1,048.4	7.3
Other liabilities	-	1,082.1	122.7	1,895.2	0.3	618.4	3,718.7	327.1
Subordinated debt	-	-	-	-	-	-	-	-
Total debt and subordinated debt	1,724.9	5,586.7	2,969.1	9,607.7	1,316.5	618.4	21,823.3	727.8

(DKK million)	FIH Group	
	2013	2012
Note 40 – continued		
Foreign exchange risk		
Foreign exchange risk broken down by currency	-32.8	-60.2
Foreign exchange risk broken down by the bank's currencies subject to the highest foreign exchange risk:		
EUR	-22.9	-62.0
GBP	0.5	1.0
NOK	3.9	5.7
SEK	1.5	1.8
USD	-15.5	-1.0
JPY	-0.1	-0.2
Other	-0.2	-5.5
Total	-32.8	-60.2
Total foreign currency assets		1,560
Total foreign currency liabilities		1,844
Exchange rate indicator 1	39.9	8.8
Exchange rate indicator 1 as a percentage of tier 1 capital after deductions	0.7	0.2
Exchange rate indicator 2	0.1	0.1
Exchange rate indicator 2 as a percentage of tier 1 capital after deductions	0.0	0.0

* Market value in DKK million.

Indicator 1 represents the highest numerical value of foreign currencies in which FIH has net receivables or net payables, 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 currency activities during a period of 10 days.

(DKK million)	2013	2012
Share risk		
Listed shares	0.0	0.0
Private equities	752.1	865.0
Investments in associates	61.1	43.9
Total	813.2	908.9

The holding of private equities is exposed to the market value development in the investee companies. The largest individual exposure is to the Pandora company, which is included under Private equities as it is owned through a private equity fund. On a one-point increase in Pandora's market price, FIH's results and equity will improve by approx. DKK 2 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 results and equity will be affected by approx. DKK 8 million..

Note 41 – Liquidity risk

Liquidity risk is the risk of loss if FIH's funding costs increase disproportionately or if the bank fails to fulfil its payment obligations as 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.

The group's liabilities mature as follows

FIH Group 2013 (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						
Debt to credit institutions and central banks	3,273.1	3,273.1	3,048.1	0.0	225.0	0.0
Deposits and other debt	13,783.2	15,776.2	3,065.7	2,987.3	7,018.0	2,703.3
Bonds issued etc.	1,048.5	1,160.1	5.4	624.0	328.7	202.0
Other liabilities	907.3	907.3	907.3	0.0	0.0	0.0
Subordinated debt	0.0	0.0	0.0	0.0	0.0	0.0
Total	19,012.1	21,116.7	7,026.5	3,611.3	7,401.2	2,905.3

Note 42 – Capital position

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

Capital position in FIH Group

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Capital base statement				
Share capital	513.6	513.6	513.6	513.6
Reserves	0.0	0.0	307.2	327.4
Retained earnings, end of year	5,161.9	4,961.8	5,077.2	4,856.8
Actual tier 1 capital	5,675.6	5,475.4	5,898.0	5,698.0
Deductions in tier 1 capital:				
Deductions due to deficit for the year	0.0	0.0	0.0	0.0
Deferred tax assets	-112.4	-136.8	-114.4	-323.5
Intangible assets	-4.0	-6.7	-197.1	-6.7
Actual tier 1 capital after primary deductions	5,559.2	5,331.9	5,586.5	5,367.8
Hybrid tier 1 capital	0.0	0.0	0.0	0.0
Other deductions in tier 1 capital	-28.1	93.6	-28.1	93.6
Tier 1 capital including hybrid tier 1 capital after deductions	5,531.1	5,425.5	5,558.4	5,461.4
Subordinated loan capital and revaluation reserve	1.3	906.8	1.3	906.8
Other deductions	-1.3	0.0	-1.3	0.0
Capital base after deductions	5,531.1	6,332.3	5,558.4	6,368.2
Minimum requirement:				
Risk-weighted assets for credit risk	15,351.8	22,356.7	15,900.0	22,793.0
Risk-weighted assets for market risk	4,502.5	4,714.2	4,502.5	4,696.4
Risk-weighted assets for operational risk	1,538.2	2,768.9	1,538.2	2,744.0
Total risk-weighted assets	21,392.5	29,839.8	21,940.7	30,233.4
Capital requirement under pillar I	1,711.4	2,287.2	1,755.3	2,418.7
Tier 1 capital ratio	25.9	18.2	25.3	18.1
Solvency ratio	25.9	21.2	25.3	21.1

Note 43 – Related parties

All transactions with related parties are settled on market terms or on a cost recovery basis. In 2013, no losses on receivables from related parties were realised.

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

ATP				
Fees and commissions paid	29.4	87.0	29.4	87.0
Recognised in the income statement	29.4	87.0	29.4	87.0
Prepayments	0.0	4.2	0.0	4.2
Total asset items	0.0	4.2	0.0	4.2
Other liabilities	0.0	0.4	0.0	0.4
Total liabilities	0.0	0.4	0.0	0.4

Fees and commissions paid concern FIH Erhvervsbank A/S' liquidity facility with ATP, which was not used in 2013. The above fees comprise a monthly fee for the ATP drawing right as well as the accrual of an upfront fee. The ATP facility of initially DKK 10 billion was first reduced in 2013 and then cancelled.

Note 43 – continued

FIH Holding A/S became a related party to FIH Erhvervsbank A/S in connection with the acquisition of the bank on 6 January 2011. The following transactions have taken place with related parties with a controlling influence during the financial year:

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
FIH Holding A/S				
Interest expenses	0.2	0.2	0.2	0.2
Staff costs and administrative expenses	0.4	0.4	0.4	0.4
Recognised in the income statement	0.6	0.6	0.6	0.6
Loans	21.6	18.1	21.6	18.1
Total asset items	21.6	18.1	21.6	18.1
Deposits	0.0	1.1	0.0	1.1
Total liability items	0.0	1.1	0.0	1.1

FIH Erhvervsbank A/S and FIH Holding A/S have received the Danish Financial Supervisory Authority's approval of the intercompany transaction.

In the ownership structure of FIH Holding A/S, total deposits of DKK 0.4 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 2013. Total interest expenses in 2013 to these companies amounted to DKK 0.0 million.

The following transactions have taken place with associates and group enterprises during the financial year:

	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Group enterprises				
Interest income	-	-	0.0	0.5
Interest expenses	-	-	0.1	0.2
Fee and commission income	-	-	0.1	0.3
Fees and commissions paid	-	-	3.0	3.5
Other operating income	-	-	10.1	12.7
Recognised in the income statement	-	-	7.1	9.8
Bonds at fair value	-	-	0.0	2.5
Total asset items	-	-	0.0	2.5
Debt to credit institutions and central banks	-	-	0.0	0.5
Deposits and other debt	-	-	590.9	556.4
Total liability items	-	-	590.9	556.9
Off-balance sheet items	-	-	18.1	140.0

Off-balance sheet items relates to intercompany guarantees and loan commitments. 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.

Note 43 – continued

(DKK million)	FIH Group		FIH Erhvervsbank A/S	
	2013	2012	2013	2012
Associates				
Interest income	10.7	15.4	10.7	15.4
Interest expenses	0	0	0	0
Market value adjustments	-9.6	4.7	-9.6	4.7
Recognised in the income statement	1.1	20.1	1.1	20.1
Loans and other receivables at amortised cost	93.4	186.1	93.4	186.1
Other assets	20.8	30.4	20.8	30.4
Total asset items	114.2	216.5	114.2	216.5
Deposits and other debt	0.7	0	0.7	0
Total liability items	0.7	0	0.7	0

See note 8 for information on remuneration for the group's Board of Directors and Executive Board.
Administration agreement, FS Property Finance – disclosed in accordance with IAS 24

Note 44 – Group structure

(DKK million)	Activity	Ownership interest*	Assets	Liabilities	Equity	Revenue	Net profit/loss
FIH Leasing and Finans A/S, Copenhagen	Leasing and financing.	100%	438.1	0.0	438.1	0.0	-0.3
FIH PARTNERS A/S, Copenhagen	Investment banking.	100%	194.1	70.8	123.3	141.9	23.1
FIH Realkredit A/S – liquidated, Copenhagen	Mortgage loans	-	-	-	-	3.7	0.5

* 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 business related hereto.	50.0%	2.2	1.6	0.6	0.0	-31.8
Interbuild ApS, Ikast-Brandø	The group is primarily engaged in timber industry activities.	49.0%	387.4	268.6	118.8	422.1	-128.3
DDD Holding A/S, Hørsholm	The group's key business areas are development, production and marketing of dermatological products.	41.5%	32.8	24.4	8.4	0.0	2.7
Ejendomsselskabet Borgergade parkering ApS, Vejle	Operation and development of parking facilities.	30.0%	365.0	251.9	113.1	0.0	3.8
Stema Holding A/S, Helsingør	Production and sale of coil and bar iron machines.	28.3%	141.4	44.6	96.8	170.4	-31.6
LFM Invest A/S, Copenhagen	Holds shares in DSVM Group AB	50.0%	17.2	0.1	17.1	0.0	0.0
Sjølø Management ApS, Allerød	Construction management	49.0%	0.0	0.0	0.1	0.0	0.0

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

Note 45 – Events after the balance sheet date

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

Note 46 – Board of Directors and Executive Board

Board of Directors

CHRISTIAN DYVIG

CEO

The Lundbeck Foundation
C.P. Dyvig & Co. A/S

Education

Master of Laws, University of Copenhagen (1987)
MBA (Hon), IMD International (1992)

Previous positions

2003-2009 Nordic Capital
1993-2003 Morgan Stanley
1987-1992 Reumert & Partnere

Chairman of the Board of Directors

FCPD A/S

Deputy Chairman of the Board of Directors

H. Lundbeck A/S
ALK A/S

Board member

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

Joined the Board of Directors

6 January 2011
Re-elected at the annual general meeting in 2013
Term of office expires on 6 March 2014

Committees

Audit Committee
Credit and Risk Committee

Shareholdings in FIH Erhvervsbank A/S

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

Fee in 2013: DKK 0.6 million (2012: DKK 0.5 million)

HENRIK HEIDEBY

Deputy Chairman**CEO**

PFA Holding A/S
PFA Pension

Education

Trained as a banker
Graduate Diploma in Business Administration (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 Eksportfinansieringsfond and Dagspressens Finansieringsinstitut
1988-1992 CEO, Finansieringsinstituttet for Industri og Håndværk
1984-1988 CEO, Dansk Kapitalanlæg A/S
1982-1984 Deputy CEO, Finansieringsinstituttet for Industri og Håndværk

Chairman of the Board of Directors

FIH Holding A/S
ATP Fondsmæglerselskab A/S
PF I A/S
PFA Ejendomme A/S
PFA Invest International A/S and five subsidiaries
PFA Professionel Forening
Kirk og Thorsen Invest A/S
PFA udbetalingsbank A/S
Mølhøim Holding A/S
Mølhøim Forsikring A/S

Deputy Chairman of the Board of Directors

IC Companys A/S

Board member

C.P. Dyvig & Co. A/S
PFA Brug Livet Fonden
PFA Kapitalforvaltning, fondsmæglerselskab A/S
Blue Equity Management A/S
Forsikring og Pension

Joined the Board of Directors

6 January 2011
Re-elected at the annual general meeting in 2013
Term of office expires on 6 March 2014

Committees

Audit Committee (Chairman)
The Board of Director's Credit and Risk Committee (Chairman)

Shareholdings in FIH Erhvervsbank A/S

None

Fee in 2013: DKK 0.6 million (2012: DKK 0.7 million)

DANIEL ERIKSSON

Head of Products, Folksam

Education

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

Previous positions

2003-2006 Senior Vice President, Securities Operations, Nasdaq OMX
 2001-2002 Programme Manager, Folksam
 2000-2001 Senior Manager, Adcore Strategy UK
 1993-2000 Senior Manager, Accenture, Strategic Service

Member of the Executive Board

Folksam Ömsesidig Liv
 Folksam Ömsesidig Sak

Chairman of the Board of Directors

Folksam Fondförsäkring
 Aktiv Försäkringadministration
 Reda Pensionsadministration

Board member

KPA Pensionservice
 Indecap

Other important offices held

Ledamot i Livutskottet, Svensk Försäkring

Joined the Board of Directors

6 January 2011
 Re-elected at the annual general meeting in 2013
 Term of office expires on 6 March 2014

Shareholdings in FIH Erhvervsbank A/S

None

Fee in 2013: DKK 0.2 million (2012: DKK 0.3 million)

HENRIK GADE JEPSEN

**CIO, Pensions & Investments,
 Arbejdsmarkedets Tillægspension (ATP).**

Education

MA (Economics), Aarhus University (1989)

Previous positions

1999-2011 Various executive positions, ATP
 1998-1999 Office Manager, Realkredit Danmark
 1997-1998 Assistant Manager, Danmarks Nationalbank
 1994-1997 Economist, IMF
 1989-1994 Assistant Manager, Danmarks Nationalbank

HENRIK GADE JEPSEN (continued)

Chairman of the Board of Directors

ATP Fondsmæglerselskab A/S
 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
 NOW: Pensions Investment A/S Fondsmæglerselskab
 Via Venture Partners Fund I-II K/S
 Strandgade 7 A/S

Board member

FIH Holding A/S

Joined the Board of Directors

6 January 2011
 Re-elected at the annual general meeting in 2013
 Term of office expires on 6 March 2014

Committees

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

Shareholdings in FIH Erhvervsbank A/S

None

Fee in 2013: DKK 0.4 million (2012: DKK 0.4 million)

FREDRIK MARTINSSON

Chief Investment Officer, Investments, ATP

Education

Bachelor of Business Administration, Lund University, 1992

Previous positions

2006-2011 Chief Investment Officer (dual employment), ATP
 2006-2011 CEO, ATP Alpha Fondsmæglerselskab A/S
 2004-2005 Head of Equity, ATP
 2001-2004 Equity Portfolio Manager, ATP
 1998-2001 Chief Equity Analyst, Danske Bank A/S
 1995-1998 Equity Analyst, Goldman Sachs
 1992-1995 Equity Analyst, Hagströmer & Qviberg

Other important offices held

Member of the Board of Directors of Hörnhems Handelsträdgård AB

Board member

ATP Fondsmæglerselskab A/S
 ATP Alternative Investments K/S
 ATP Timberland Invest K/S
 ATP Ejendomme A/S
 ATP Private Equity K/S

FREDRIK MARTINSSON (continued)

ATP Private Equity Partners I-V K/S
 ATP Real Estate Partners I-II K/S
 FIH Holding A/S
 NOW: Pensions Investment A/S Fondsmæglerselskab
 Via Venture Partners Fund I-II K/S
 Selskabet Vangede A/S

Joined the Board of Directors

30 January 2013

Term of office expires on 6 March 2014

Other important offices held

Member of the Board of Directors of Hörnhems Handelsträdgård AB

Shareholdings in FIH Erhvervsbank A/S

None

Fee in 2013: DKK 0.2 million (2012: DKK 0.0 million)

LENE FOGED NOTHLEVSEN**Assistant Relationship Manager, FIH Erhvervsbank A/S**

Elected by the employees

Education

Trained as a banker

Previous positions

1997-1999 Customer assistant, HMI-Gruppen, FIH Erhvervsbank

1996-1997 Project worker, FIH Erhvervsbank

1994-1996 Bank trainee, FIH Erhvervsbank

Chairman of the Board of Directors

Christian Møller Invest II ApS

Joined the Board of Directors

15 March 2011

Employee-elected board members are elected for a term of four years at a time, with the next election to be held at the beginning of 2015.

The term expires at the general meeting 2015.

Committees

Audit Committee (until the next general meeting)

Shareholdings in FIH Erhvervsbank A/S

None

Fee in 2013: DKK 0.3 million (2012: DKK 0.3 million)

JACOB BAGGERS WILLEMOES**Webmaster, FIH Erhvervsbank A/S**

Elected by the employees

Education

Trained as a banker

Previous positions

2000-2001 Customer consultant, First View Bank

1999-2000 Customer advisor, Lån & Spar Bank

Board member

Finansieringsinstituttets Medarbejderfond

Other important offices held

Union representative, FIH Erhvervsbank A/S

Member of the Consultation Committee, FIH Erhvervsbank A/S

Member of the Safety Committee, FIH Erhvervsbank A/S

Joined the Board of Directors

15 March 2011

Employee-elected board members are elected for a term of four years at a time, with the next election to be held at the beginning of 2015.

The term expires at the general meeting 2015.

Shareholdings in FIH Erhvervsbank A/S

None

Fee in 2013: DKK 0.2 million (2012: DKK 0.3 million)

TOKE HEDING**Senior Risk Analyst, FIH Erhvervsbank A/S**

Elected by the employees

Education

MA in Political Science, University of Copenhagen (2001)

Previous positions

2002-2006 Lecturer, microeconomics and financing, CBS

2001-2002 Business Controller, Nordea IT

Joined the Board of Directors

1 October 2013

Has served as alternate since the latest election of employee representatives in early 2011. Employee-elected board members are elected for a term of four years at a time, with the next election to be held at the beginning of 2015.

The term expires at the general meeting 2015.

Shareholdings in FIH Erhvervsbank A/S

None

Fee in 2013: DKK 0.1 million (2012: DKK 0.0 million)

RANDI HOLM FRANKE

Senior Project Manager, FIH Erhvervsbank A/S

Elected by the employees

Joined the Board of Directors

12 March 2007

Resigned from the Board of Directors

30 September 2013

Fee in 2013: DKK 0.2 million (2012: DKK 0.3 million)

Executive Board

BJARNE GRAVEN LARSEN

Managing Director and Co-CEO, FIH Erhvervsbank A/S

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

Member of the Executive Board

FIH Holding A/S

Board member

FIH Leasing og Finans A/S

FIH PARTNERS A/S

Industriens Pension

Fee 2013, FIH Erhvervsbank A/S: DKK 4.9 million

Fee 2013, subsidiaries: DKK 0.1 million

HENRIK SJØGREEN

Managing Director and Co-CEO, FIH Erhvervsbank A/S

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

Member of the Executive Board

FIH Holding A/S

Chairman of the Board of Directors

Axcel IndustriInvestor Invest A/S

FIH Leasing og Finans A/S

FIH PARTNERS A/S

Board member

FS Property Finance A/S

Simon Fougner Hartmanns Familiefond

Fee 2013, FIH Erhvervsbank: DKK 4.9 million

Fee 2013, subsidiaries: DKK 0.1 million

STATEMENT BY THE EXECUTIVE BOARD AND THE BOARD OF DIRECTORS

On this day, the Board of Directors and the Executive Board have considered and approved the annual report of FIH Erhvervsbank A/S for the financial year 1 January to 31 December 2013.

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 company 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 financial statements and the parent company financial statements give a true and fair view of the group's and the parent company's assets and liabilities, financial position as at 31 December 2013 and of the group's and the parent company's financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2013.

We believe that the management commentary contains a fair review of the development in the bank's operations and financial affairs, as well as a description of the most material risks and elements of uncertainty that may affect the group and the parent company.

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

Copenhagen, 5 February 2014

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

Lene Foged Nothlevsen
Elected by the employees

Jacob Baggers Willemoes
Elected by the employees

Toke Heding
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 2013, 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 2013 and of its financial performance and cash flows for the financial year 1 January to 31 December 2013 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 2013 and of its financial performance for the financial year 1 January to 31 December 2013 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, 5 February 2014

Brian Hansen
Head of Internal Audit

INDEPENDENT AUDITOR'S REPORTS

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 2013, 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 2013, and of the results of its operations and cash flows for the financial year 1 January to 31 December 2013 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 Bank's financial position at 31 December 2013 and of the results of its operations for the financial year 1 January to 31 December 2013 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, 5 February 2014

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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DK-7000 Fredericia
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