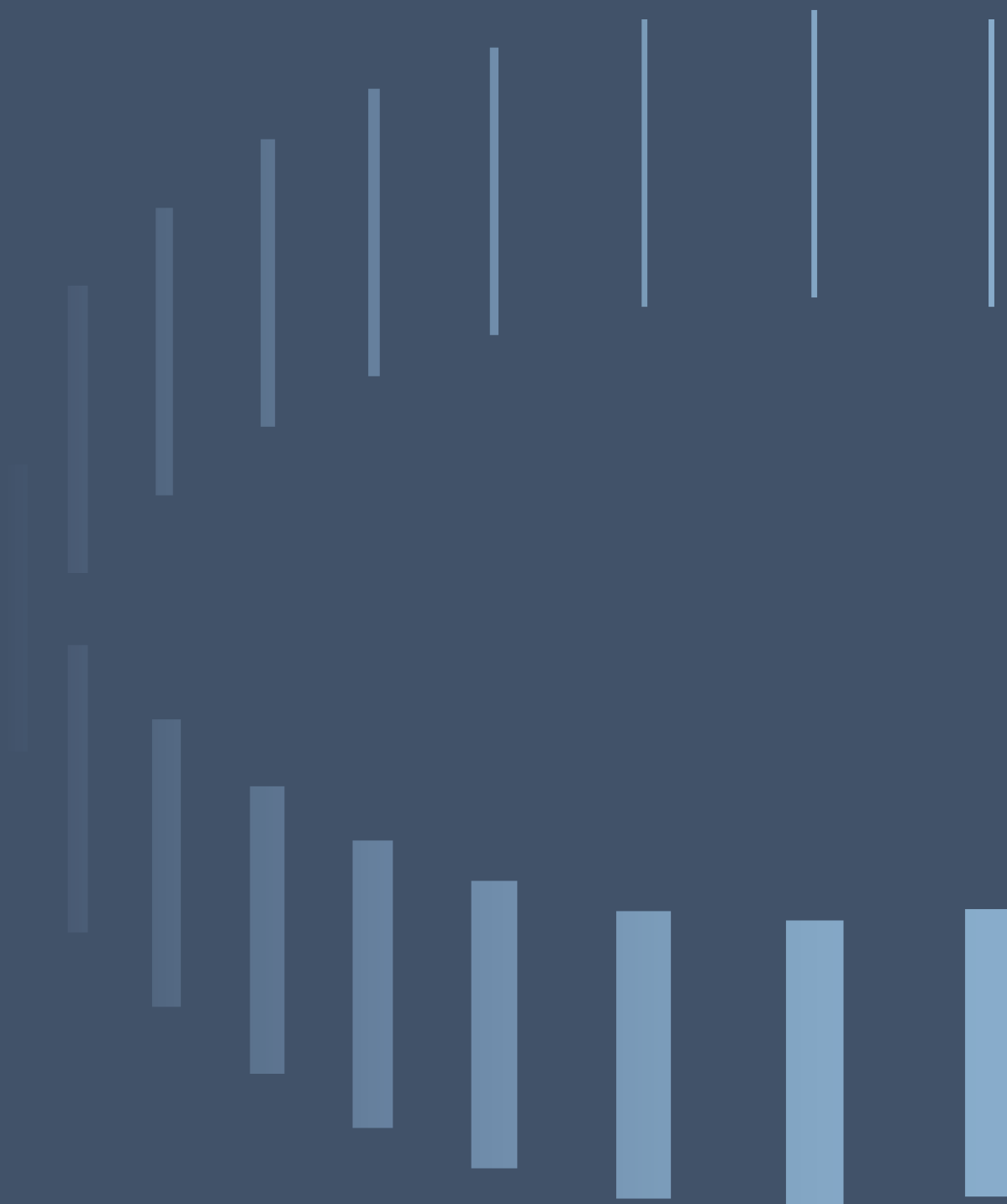


# Finansiel **Stabilitet**



Interim report  
**FIRST HALF 2011**

Translation

# Contents

## Management's review

Highlights	3
Company details	5
Finansiell Stabilitet at a glance	6
Review	10
• Financial situation	10
• Principal risks	14
• Outlook for 2011	14
• Principal activities	15

## Interim financial statements

Income statement	31
Statement of comprehensive income	31
Balance sheet as of 30 June 2011	32
Statement of changes in equity	34
Cash flow statement	35
Notes to the parent company and consolidated financial statements	36
Financial ratios	46

## Statement by the Management and auditors' report

Statement by the Management	47
Auditors' report	48

# Highlights

## **Finansiel Stabilitet posted a loss of DKK 434 million in H1 2011.**

The loss was attributable to income and expenses from the winding up of activities taken over in connection with the Bank Package and of Roskilde Bank. Previously, Finansiel Stabilitet had a loss guarantee from the Danish State earmarked for losses related to Roskilde Bank, but in connection with the phase-in of the new group structure it was agreed with the Ministry of Economic and Business Affairs that the loss guarantee from the Danish State would be discontinued.

The performance of the other areas, that is, the issuance of individual government guarantees and the takeover of banks under the Exit Package, had no income statement effect, since Finansiel Stabilitet has a government guarantee covering the issuance of individual government guarantees and a guarantee from the winding-up department of the Guarantee Fund for Depositors and Investors covering activities under the Exit Package. Moreover, any potential profit from the winding up of institutions taken over under the Exit Package will accrue to the unsecured creditors.

## **New group structure for Finansiel Stabilitet**

In the first half of 2011, Finansiel Stabilitet phased in a new group structure for the subsidiaries taken over under the Bank Package and Roskilde Bank. The activities were combined in the parent company and four subsidiaries: FS Finans, FS Bank, FS Pantebrevsselskab and FS Ejendomsselskab. The new group structure took effect for accounting purposes as from 1 January 2011.

## **Difference in the financial performance of the subsidiaries**

Finansiel Stabilitet's newly established subsidiaries reported the following financial results in the first half of 2011:

FS Finans: DKK 11 million loss  
FS Bank: DKK 161 million loss  
FS Pantebrevsselskab: DKK 44 million profit  
FS Ejendomsselskab: DKK 31 million loss

## **Amagerbanken and Fjordbank Mors were transferred to Finansiel Stabilitet under the Exit Package in H1 2011**

Amagerbanken entered into a conditional transfer agreement with Finansiel Stabilitet with effect as from 5 February 2011, whereby all assets were transferred to a new subsidiary under Finansiel Stabilitet (Amagerbanken af 2011). Payment for the transfer was provisionally fixed at DKK 15.2 billion, equivalent to a dividend of 58.8%.

A revaluation of assets and liabilities created the basis for an increase of the takeover price, raising the dividend rate to 84.4%. As the Guarantee Fund and the estate in bankruptcy of Amagerbanken have submitted the valuation of assets to the courts, the higher dividend can only be paid to the extent that it is not contrary to the claims submitted. Pending settlement of this dispute, it will thus only be possible to pay dividend at the rate of 66.1%.

Fjordbank Mors entered into a conditional transfer agreement with Finansiel Stabilitet with effect as from 24 June 2011, whereby all assets were transferred to a new subsidiary under Finansiel Stabilitet (Fjordbank Mors af 2011). Payment for the transfer was provisionally fixed at DKK 7.8 billion, equivalent to a dividend of 73.6%.

## **Ongoing winding up of activities**

The aim is to wind up activities transferred to Finansiel Stabilitet on an ongoing basis. A number of significant activities were wound up in the first half of 2011, including that:

- the retail customer portfolio of Roskilde Bank was transferred to Arbejdernes Landsbank;
- a 70% stake in Eik Banki Føroya was transferred to TF Holding;
- the retail customer portfolio and small corporate customers of Amagerbanken af 2011 were transferred to BankNordik; and
- a number of branches of Fjordbank Mors af 2011 were transferred to various buyers. A sales process for the significant parts of the remaining portfolio is ongoing.

### **Government guarantees to the Danish financial sector**

- As part of the scheme for individual government guarantees, Finansiel Stabilitet had outstanding guarantees for a total amount of DKK 172.3 billion at 30 June 2011.
- Of this amount, DKK 17.1 billion was attributable to guarantees in subsidiaries owned by Finansiel Stabilitet, bringing outstanding guarantees to credit institutions outside the Group to DKK 155.2 billion at 30 June 2011.
- The guarantees had been issued to 49 institutions.

### **Outlook for 2011**

Finansiel Stabilitet's outlook for 2011 is subject to significant uncertainty as to the development of losses from activities taken over in connection with the Bank Package etc.

The outlook is unchanged relative to the guidance provided in the annual report for 2010. Before impairment losses, Finansiel Stabilitet's performance is thus expected to be close to break-even in 2011. Seen in isolation, the other areas of activity do not subject Finansiel Stabilitet to any risk.

# Company details

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Company reg.  
(CVR) no.: 30515145

Date of incorporation: 13 October 2008  
Municipality of  
registered office: Copenhagen

## **Board of Directors**

Henning Kruse Petersen (Chairman)  
Jakob Brogaard (Deputy Chairman)  
Anette Eberhard  
Christian Th. Kjølbye  
Flemming Hansen  
Birgitte Nielsen  
Visti Nielsen

## **Management Board**

Henrik Bjerre-Nielsen

## **Auditors**

KPMG  
Statsautoriseret Revisionspartnerselskab  
Borups Allé 177  
DK-2000 Frederiksberg  
Denmark

# Finansiel Stabilitet at a glance

## The objective of Finansiel Stabilitet

Finansiel Stabilitet was established in October 2008 as part of an agreement between the Danish State and the Danish banking sector (the Private Contingency Association) on a scheme to secure financial stability. The agreement was reached in response to the international crisis and the impact it was having on the financial sector.

Finansiel Stabilitet is state-owned through the Ministry of Economic and Business Affairs.

The Company's activities are governed by the Act on Financial Stability and the Financial Business Act and executive orders issued in pursuance thereof. In addition, the Company is subject to special provisions regarding state-owned public companies.

The objects of Finansiel Stabilitet are:

- to wind up distressed banks taken over under the Bank Package;
- to wind up Roskilde Bank in accordance with an application for appropriation of funds adopted in June 2009, which is expected to be updated in the second half of 2011;
- to manage the scheme for individual government guarantees as part of the agreement on the Credit Package; and
- to manage the winding-up scheme under the Exit Package.

In addition, Finansiel Stabilitet has entered into a management agreement with the Guarantee Fund, which pays an annual management fee to Finansiel Stabilitet for managing the Guarantee Fund. The Guarantee Fund has its own board of directors and is managed independently of the other activities of Finansiel Stabilitet.

## Timeline of Finansiel Stabilitet

### The Bank Package and Roskilde Bank

10 October 2008

The Danish parliament adopts the Act on Financial Stability.

13 October 2008

Finansiel Stabilitet is incorporated, and the first subsidiary, EBH Bank, is taken over on 21 November 2008.

10 August 2009

Roskilde Bank is transferred to Finansiel Stabilitet as part of an agreement with Danmarks Nationalbank and the Private Contingency Association.

30 September 2010

The general guarantee scheme expires. The closing financial statements are released on 4 February 2011.

### The Credit Package

3 February 2009

The Credit Package, including the agreement on individual government guarantees, is adopted.

16 June 2009

The first agreement on an individual government guarantee is concluded.

31 December 2010

The possibility of providing individual government guarantees expires. The last government guarantee will expire in November 2013.

### The Exit Package

1 June 2010

The Exit Package is adopted. The Guarantee Fund sets up a new department, the winding-up department.

1 October 2010

The Exit Package comes into force and determines the method for handling distressed banks after 1 October 2010.

5 February 2011

Amagerbanken is transferred to Finansiel Stabilitet under the Exit Package.

24 June 2011

Fjordbank Mors is transferred to Finansiel Stabilitet under the Exit Package.

## The Bank Package

On 10 October 2008, the Danish parliament adopted the Act on Financial Stability (the Bank Package). The purpose of this act was to provide a safety net for all unsecured creditors with a view to safeguarding the full amount of their claims against Danish banks and Danish branches of foreign banks as far as depositors are concerned. Accordingly, all depositors were safeguarded, as were the banks with respect to loans granted among themselves. The scheme comprised claims from depositors and other unsecured creditors against banks and bank branches that were members

of the Private Contingency Association, to the extent that such claims were not otherwise covered.

The Private Contingency Association provided a guarantee of DKK 10 billion to cover losses incurred by Finansielt Stabilitet in connection with the Bank Package. If the loss guarantee of DKK 10 billion was fully utilised, any additional losses would be covered by the DKK 15 billion guarantee commission provided by the Private Contingency Association. If the loss exceeded the DKK 10 billion loss guarantee and the DKK 15 billion guarantee

commission provided, the Private Contingency Association would cover any additional losses of up to DKK 10 billion by means of increased guarantee commission.

The loss in connection with the Bank Package was calculated at DKK 12 billion. According to the Bank Package, the Private Contingency Association's guarantee would cover initial losses up to DKK 10 billion, while guarantee commissions already paid would cover the remaining part. The loss guarantee covering losses in excess of DKK 25 billion was cancelled.

## The Credit Package

On 4 February 2009, an amendment of the Act on Financial Stability came into force as part of the Credit Package. The purpose of the amendment was to introduce a three-year transitional scheme for the general government guarantee under the Bank Package in order to ensure a gradual phase-out. Pursuant to the Act, the transitional scheme was managed by Finansielt Stabilitet on behalf of the Danish State. Accordingly,

Finansielt Stabilitet could, on behalf of the Danish State, enter into agreements for the provision of individual government guarantees for unsubordinated, unsecured debt, etc.

Agreements were concluded on the basis of applications submitted by the individual institutions. Danish banks and mortgage credit institutions, including Faroese and Greenland banks and mortgage credit institutions,

complying with the solvency requirement of 8%, the institution's individual solvency need and any higher individual solvency requirement fixed by the FSA, were eligible for an individual government guarantee.

The issuance scheme expired on 31 December 2010, and the last guarantees will expire in November 2013.

## The Exit Package

A new set of rules for the winding up of distressed banks came into force on 1 October 2010.

These rules imply that depositors and other unsecured creditors of distressed banks will no longer be safeguarded for the full amount of their claims under the general government guarantee scheme. Moreover, there is no longer a requirement for distressed banks to be wound up through Finansielt Stabilitet.

Accordingly, it is up to each individual distressed bank whether it wants to be wound up through

Finansielt Stabilitet or through the ordinary rules of financial legislation on the liquidation of financial businesses, that is, by way of ordinary bankruptcy proceedings.

The winding up of a distressed bank through Finansielt Stabilitet ensures that depositors will not experience any difference in the practical handling of their banking business, as depositors will be able to continue to use credit cards, online banking, etc. immediately after Finansielt Stabilitet has taken over the distressed bank.

The Exit Package is based financially on the existing guarantee to depositors and investors provided by the Guarantee Fund, which may be combined with a loss guarantee covering a potential loss incurred by Finansielt Stabilitet in connection with the winding up of a distressed bank. The loss guarantee is to be provided by the winding-up department of the Guarantee Fund to Finansielt Stabilitet. The new scheme therefore involves no immediate financial risk to the Danish State in connection with the subsequent winding-up process.

## Timeline of the establishment of new companies

Company	Date of takeover
EBH Bank	21 November 2008
Løkken Sparebank (formerly Løkken Sparekasse)	2 March 2009
Pantebrevsselskabet af 2. juni 2009 (formerly Gudme Raaschou Bank)	16 April 2009
Nova Bank Fyn (formerly Fionia Bank)	28 May 2009
Roskilde Bank	10 August 2009
Finansieringsselskabet af 11/2 2010 (formerly Capinordic Bank)	11 February 2010
Eik Banki Føroya and Eik Bank Danmark 2010	14 October 2010
Amagerbanken af 2011	5 February 2011
Fjordbank Mors af 2011	24 June 2011



### **New group structure for Finansiel Stabilitet**

On 4 February 2011, Finansiel Stabilitet announced its resolution to complete a centralisation and simplification of the group structure. The aim was to ensure efficiency and a uniform and continuous proper and fair winding-up effort by combining the Group's subsidiaries taken over under the Bank Package and Roskilde Bank in one bank, one financing company, one mortgage deed company and one property company.

The new group structure was implemented in June 2011 and had been made possible after settlement of the Bank Package with the Private Contingency Association. Accordingly, the subsidiaries under the Bank Package will henceforth be wound up for the account and risk of the Danish State, as is the case with the winding up of Roskilde Bank.

In the second half of 2011, Finansiel Stabilitet will assess further synergy opportunities for its winding-up efforts as well as simplification and efficiency enhancements for the Group in areas such as geographical location and achievement of additional economies of scale in the staff area.

### **Takeover of two new subsidiaries under the Exit Package in 2011**

Since the resolution to implement the new structure was made, Finansiel Stabilitet has taken over two more banks: Amagerbanken and Fjordbank Mors. They were taken over under the Exit Package and, unlike the subsidiaries under the Bank Package, the subsequent winding-up process of these two banks will not involve any risk to the Danish State. In connection with the takeover of Amagerbanken and Fjordbank Mors, the winding-up department of the Guarantee Fund has thus provided a loss guarantee to Finansiel Stabilitet.

As to the winding up of subsidiaries under the Exit Package, a preliminary dividend rate will be determined in connection with the initial transfer. In connection with the subsequent valuation of the activities, which is performed by designated auditors as expert valuers, the dividend rate may be increased, if the valuation auditors find that the value determined for the assets was too low. Moreover the dividend rate may be increased on an ongoing basis thereafter, if the subsequent winding-up process produces gains in excess of the value determined.

The dividend rate may not be lowered. If the winding-up process produces results which are less favourable than the valuation on which the preliminary dividend rate was determined, the loss guarantee provided by the winding-up department of the Guarantee Fund will cover any loss incurred in that respect.

As indicated above, the Danish State bears no risk in connection with the subsequent winding-up process. The costs incurred by Finansiel Stabilitet in connection with the management of the agreement will be covered, whereas any return on capital and liquidity in excess of Finansiel Stabilitet's funding costs will be paid to the winding-up department of the Guarantee Fund, as the winding-up department bears the risk of losses incurred in the winding-up process. The creditors, including Finansiel Stabilitet in the event that an individual government guarantee has been provided to a bank, will receive any net profit.

Going forward, Amagerbanken af 2011 and Fjordbank Mors af 2011 will draw on the professional competences and administrative functions already available within the Group. However, separate financial statements will generally still be prepared for these subsidiaries on account of the provisions on subsequent adjustment of the amount paid for the transfer and the loss guarantee provided by the winding-up department of the Guarantee Fund.

## **Group overview**



# Review

## Financial situation

### Performance

Finansiel Stabilitet posted a loss of DKK 434 million in H1 2011, against a profit of DKK 3,808 million in the same period of last year. The significant difference was attributable to the fact that, in the first half of 2010, Finansiel Stabilitet received guarantee commission in relation to the Bank Package of DKK 3,750 million and that Finansiel Stabilitet had a loss guarantee from the Private Contingency Association covering the initial DKK 10 billion lost in connection with the takeover of distressed banks under the Bank Package. After the Bank Package expired on 30 September 2010, Finansiel Stabilitet no longer receives guarantee commission, and the loss guarantee has been settled.

Moreover, Finansiel Stabilitet previously had a loss guarantee provided by the Danish State in relation to Roskilde Bank, but with the implementation of the new group structure, it has been agreed with the Ministry of Economic and Business Affairs that the loss guarantee from the Danish State will be discontinued in connection

with the renegotiation of the application of appropriation of funds regarding Roskilde Bank, which was adopted in June 2009. The discontinuance of the loss guarantee should be seen in light of the fact that the Danish State already bears the full risk involved in the ongoing winding up of banks taken over under the Bank Package.

### Performance by activity area

Finansiel Stabilitet has activities in the following areas:

- Winding up of banks under the Bank Package etc.
- Winding up of banks under the Exit Package
- Management of individual government guarantees

### The Bank Package etc.

Finansiel Stabilitet posted a loss of DKK 434 million on the Bank Package etc., equivalent to the overall loss reported by the Group.

Impairment losses remained at a high level, reflecting that the performance of exposures in poor financial standing deteriorated in the first six months of 2011. However, impairment losses were considerably lower compared with the same period of last year. A large part of the impair-

Financial results for the six months ended 30 June 2011 (DKKm)	H1 2011	H1 2010
Net interest income	510	457
Commission received from the Private Contingency Association	0	3,750
Guarantee commission, government guarantees	794	0
Other net fee income and market value adjustments	(1,057)	111
Other operating income/(expenses), net	165	67
Operating expenses	539	479
Impairment losses on loans, advances, guarantees etc.	3,549	3,322
Of which:		
The Bank Package etc.	346	3,322
Individual government guarantees	3,206	0
The Exit Package	(3)	0
Profit/(loss) from investments in subsidiaries and associates	22	24
Loss guarantee from the Private Contingency Association	0	1,047
Loss guarantee from the Danish State relating to Roskilde Bank	0	2,153
Loss guarantee from the Danish State relating to individual government guarantees	3,220	0
<b>Profit/(loss) for the period before tax</b>	<b>(434)</b>	<b>3,808</b>
Tax	0	0
<b>Profit/(loss) for the period</b>	<b>(434)</b>	<b>3,808</b>

**Profit/(loss) of activities under the Bank Package etc. in H1 2010 and H1 2011  
(DKKm)**

	H1 2011	H1 2010
Net interest income	284	457
Commission received from the Private Contingency Association	-	3,750
Guarantee commission, government guarantees	(3)	0
Other net fee income and market value adjustments	(125)	111
Other operating income/(expenses), net	42	0
Operating expenses	326	412
Impairment losses on loans, advances, guarantees etc.	346	3,322
Profit/(loss) from investments	22	24
Commission received from the Private Contingency Association	-	1,047
Loss guarantee from the Danish State relating to Roskilde Bank	-	2,153
<b>Profit/(loss) for the period before tax</b>	<b>(452)</b>	<b>3,808</b>
Tax	(18)	0
<b>Profit/(loss) for the period</b>	<b>(434)</b>	<b>3,808</b>

ment losses of H1 2010 were attributable to Roskilde Bank (DKK 2.4 billion), for which Finansiell Stabilitet had a loss guarantee from the Danish State. The effect of this should also be taken into account in a year-over-year comparison.

With the exception of FS Pantebrevsselskab, all of Finansiell Stabilitet's subsidiaries under the Bank Package etc. reported losses in H1 2011.

**The Exit Package**

Finansiell Stabilitet took over two banks under the Exit Package in the first half of 2011, Amagerbanken and Fjordbank Mors. Amagerbanken was transferred to

Finansiell Stabilitet with effect as from 5 February 2011, and Fjordbank Mors was transferred to Finansiell Stabilitet with effect as from 24 June 2011.

The two new subsidiaries were included in Finansiell Stabilitet's consolidated financial statements as from the date of transfer. Due to the structure of the Exit Package, this area of activity does not impact the consolidated financial statements of Finansiell Stabilitet. The financial results of the two subsidiaries equalled the return requirement pursuant to the executive order on the winding up of subsidiaries of Finansiell Stabilitet A/S and payment of a risk premium (executive order no. 1139 of 28 September 2010). A provision was made for

**Profit/(loss) on subsidiaries under the Bank Package in H1 2011  
(DKKm)**

FS Finans	(11)
FS Bank	(161)
FS Pantebrevsselskabet	44
FS Ejendomsselskabet	(31)
Eik Bank Danmark (until 28 February 2011)	(172)

<b>Profit/(loss) on activities under the Exit Package, etc. in H1 2010 and H1 2011 (DKK m)</b>	<b>H1 2011</b>	<b>H1 2010</b>
Net interest income	237	-
Guarantee commission, government guarantees	(42)	-
Other net fee income and market value adjustments	(87)	-
Other operating income/(expenses), net	119	-
Operating expenses	212	-
Impairment losses on loans, advances, guarantees etc.	(3)	-
<b>Profit/(loss) for the period before tax</b>	<b>18</b>	<b>-</b>
Tax	(18)	-
<b>Profit/(loss) for the period</b>	<b>0</b>	<b>-</b>

the return requirement in Finansielt Stabilitet's consolidated financial statements with a view to a transfer to the winding-up department of the Guarantee Fund. Accordingly, the Guarantee Fund bears the risk if the winding up process produces results which are less favourable than anticipated in connection with the determination of the takeover price on transfer, which forms the basis of the distribution of the preliminary dividend.

Finansielt Stabilitet consistently strives to wind up the remaining activities with a view to achieving the best possible financial results for the benefit of the creditors. Any profit generated from the winding up of the subsidiaries in excess of the return requirement on the capital provided will be used to further increase the dividend.

#### **Individual government guarantees**

At 30 June 2011, Finansielt Stabilitet had outstanding guarantees of DKK 172.3 billion in aggregate, distributed on 49 institutions. In the first half of 2011, the Danish State received guarantee commission on the guarantees issued in a total amount of DKK 839 million and paid DKK 4 million to Finansielt Stabilitet by way of reimbursement of administrative expenses incurred. Compared with the first half of 2010, guarantee commission income rose significantly in the first half of 2011 due to the substantial increase in the amount of outstanding guarantees towards the end of the first half of 2010 as well as to the fact that more banks had a discount as a result of the general government guarantee.

<b>Profit/(loss) on activities under individual government guarantees in H1 2010 and H1 2011 (DKK m)</b>	<b>H1 2011</b>	<b>H1 2010</b>
Net interest income	(17)	0
Guarantee commission, government guarantees	839	54
Other net fee income and market value adjustments	(839)	(54)
Other operating income/(expenses), net	4	6
Operating expenses	1	6
Impairment losses on loans, advances, guarantees etc.	3,206	0
Loss guarantee from the Danish State relating to individual government guarantees	3,220	0
<b>Profit/(loss) for the period</b>	<b>0</b>	<b>0</b>

Based on the preliminary dividend rates of 84.4% for Amagerbanken and 73.6% for Fjordbank Mors, respectively, the Danish State's maximum loss on the individual guarantees currently amounts to DKK 3.2 billion, which was recognised at 30 June 2011. For the time being, the dividend rate of Amagerbanken af 2011 will only be raised to 66.1% and, taking this into account, the loss incurred by the Danish State would be DKK 2.5 billion higher, that is, DKK 5.7 billion.

### **Development in total assets**

Finansiel Stabilitet's total assets have gradually increased in step with new activities being taken over from distressed banks and activities from the existing subsidiaries being wound up. At 30 June 2011, Financial Stabilitet had total assets of DKK 76.1 billion, of which loans and advances, the most material asset item, accounted for DKK 27.0 billion. Moreover, amounts due from central banks and credit institutions totalled DKK 19.9 billion, and amounts due from the Danish State totalled DKK 12.1 billion.

Total assets increased by DKK 11.4 billion in the first half of 2011. This increase was the result of two opposing factors: On the one hand, the ongoing process of winding up the activities of Finansiel Stabilitet continued. Seen in isolation, this reduced total assets by DKK 26.1 billion. On the other hand, Finansiel Stabilitet took over new subsidiaries for an amount of DKK 37.5 billion.

A number of significant activities were transferred in the first half of 2011, including that:

- the remaining part of the retail customer portfolio of Roskilde Bank was sold to Arbejdernes Landsbank;
- a 70% stake in Eik Banki Føroya was sold to TF Holding;
- retail customers and small corporate customers of Amagerbanken af 2011 were sold to BankNordik; and
- a number of branches of Fjordbank Mors af 2011 were divested after the balance sheet date. A sales process for the significant parts of the remaining portfolio is ongoing.

In addition to the winding up of exposures, other activities in Finansiel Stabilitet are wound up on an ongoing basis, including capital instruments received as part of the settlement of the Bank Package and other securities. Finansiel Stabilitet's long-term strategy is to divest these instruments.

### **Funding of subsidiaries**

Until 30 June 2010, Finansiel Stabilitet had contributed funding to its subsidiaries for a total amount of DKK 26.9 billion in the form of shares, subordinated loan capital and ordinary debt financing. Finansiel Stabilitet financed the contribution by using paid-up guarantee commissions under the Bank Package and loans through the state-funded re-lending scheme. At 30 June 2011, Finansiel Stabilitet had raised re-lending in the amount of DKK 20.0 billion through the state-funded re-lending scheme. At 30 June 2011, Finansiel Stabilitet's deposits with Danmarks Nationalbank amounted to DKK 8.4 billion.

## Principal risks

Most of Finansiel Stabilitet's risks are related to the risk of losses on non-performing exposures in the subsidiaries under the Bank Package etc. In connection with the takeover of distressed banks in this area of activity, Finansiel Stabilitet has thus taken on considerable exposures in poor financial standing. A typical characteristic of many of these exposures is that they are related to the property market. In addition, there has been a high concentration on single debtors.

Credit risk management forms an integral part of the winding-up process, and the risk will be reduced gradually in step with the winding-up process.

Finansiel Stabilitet has limited exposure to market risks, and as a result of the access to the re-lending scheme of the Danish State, Finansiel Stabilitet has constant access to sufficient liquidity.

In step with the issuance of individual government guarantees, Finansiel Stabilitet has seen a significant increase in off-balance sheet items. Finansiel Stabilitet has received a guarantee from the Danish State in connection with the issuance of the individual government

guarantees, which implies that Finansiel Stabilitet is not liable for losses and that income from the scheme in the form of guarantee commission is transferred on an ongoing basis to the Danish State through the Ministry of Economic and Business Affairs.

As a result of the loss guarantee provided by the winding-up department of the Guarantee Fund, Finansiel Stabilitet bears no risk in connection with the winding up of subsidiaries taken over as part of the Exit Package.

## Outlook for 2011

Finansiel Stabilitet's outlook for 2011 is subject to significant uncertainty as to the development of losses from activities taken over in connection with the Bank Package etc.

The outlook is unchanged relative to the guidance provided in the annual report for 2010. Before impairment losses, Finansiel Stabilitet's performance is thus expected to be close to break-even in 2011. Seen in isolation, the other areas of activity do not involve any risk to Finansiel Stabilitet.

## Principal activities

Finansiel Stabilitet's activities were distributed on the following areas in the first half of 2011:

- The Bank Package etc.  
Winding up of distressed banks transferred by Finansiel Stabilitet under the Bank Package. The Bank Package expired on 30 September 2010 and, in that connection, closing financial statements were prepared with a view to determining the Private Contingency Association's loss guarantee vis-à-vis Finansiel Stabilitet in connection with the winding up of distressed banks.  
  
Winding up of Roskilde Bank, which was not comprised by the Bank Package.
- The Exit Package  
Winding up of distressed banks transferred to Finansiel Stabilitet under the Exit Package, which came into force on 1 October 2010.
- Individual government guarantees  
Management of the scheme for individual government guarantees as part of the agreement on the Credit Package. New guarantees under the scheme could be issued until 31 December 2010. Finansiel Stabilitet has provided individual government guarantees for a period of up to three years for unsubordinated, unsecured debt.

### Simplification of group structure

As mentioned on page 9, Finansiel Stabilitet resolved to complete a simplification of its group structure to the effect that the Group's activities in relation to the Bank Package are combined in four subsidiaries. The restructuring was completed primarily through a number of demergers and a merger, all of which were completed retroactively at 1 January 2011.

- FS Bank A/S  
FS Bank was established on the basis of the former Nova Bank Fyn A/S. On 10 June 2011, a demerger of Nova Bank Fyn was finally adopted and approved by

the FSA. At the same time, Nova Bank Fyn changed its name to FS Bank and changed the company's board of directors.

In connection with the restructuring, FS Bank received customers from EBH Bank, Roskilde Bank and FS Pantebrevsselskab. On the other hand, FS Bank surrendered customers, etc. to FS Pantebrevsselskab, FS Finans, FS Ejendomsselskab, FS Ejendomsselskab II and FS Erhvervsjendomme.

- FS Finans A/S  
FS Finans was established on the basis of the former Roskilde Bank A/S. On 9 June 2011, a demerger of Roskilde Bank was finally adopted and, following approval by the FSA, Roskilde Bank surrendered its banking licence and securities trading authorisation and changed its name to FS Finans and changed its board of directors.

In connection with the restructuring, FS Finans received customers, etc. from EBH Bank, Nova Bank Fyn and FS Pantebrevsselskab. On the other hand, FS Finans surrendered customers, etc. to FS Bank, FS Pantebrevsselskab and FS Ejendomsselskab.

- FS Pantebrevsselskab A/S  
FS Pantebrevsselskab is the former Pantebrevsselskabet af 2. juni 2009 A/S. In connection with the restructuring, FS Pantebrevsselskab received mortgage deeds and mortgage deed-related customers from Nova Bank Fyn, Roskilde Bank and EBH Bank. On the other hand, FS Pantebrevsselskab surrendered customers to FS Finans.
- FS Ejendomsselskab A/S  
FS Ejendomsselskab is the former Rosk Ejendomme A/S. In connection with the restructuring, FS Ejendomsselskab received customers/properties from Nova Bank Fyn, Roskilde Bank, EBH Bank and FS Pantebrevsselskab.

The demergers of the respective companies included asset transfers, primarily in relation to transfer of securities from the subsidiaries to Finansiel Stabilitet.

In connection with the transfer of banks to Finansiell Stabilitet under the Bank Package, a purchase price adjustment (a so-called earn-out clause) was agreed with the original boards of directors of the former companies. The agreements provided that if the winding up of the bank produced a return to Finansiell Stabilitet in excess of the standard market return after adjustments to reflect the risk, the proceeds would be transferred to the original companies. As there was a mutual understanding that the earn-out clauses were not to be effected, all agreements have been terminated, with the exception of a few activities related to Finansieringsselskabet af 11/2 2010.

#### **Winding-up activities in H1 2011**

The winding-up process for banks taken over is focused on winding up of the activities on an ongoing basis with due consideration to the Danish State incurring the lowest possible costs. This strategy means that Finansiell Stabilitet will assess which winding-up model offers the financially most expedient solution in each specific case.

The winding up of distressed banks taken over generally takes place according to a two-phased process. The first phase of the process involves the divestment of activities which may be carried on by other banks directly. This takes place through an open and transparent sales process. The remaining part of the activities are typically wound up as and when opportunities arise for other banks/investors to take over such activities. The strategy for winding up the remaining activities is often multi-pronged and adjusted to the individual customer relationships.

#### **Finansieringsselskabet af 11/2 2010 A/S**

Finansieringsselskabet af 11/2 2010 was liquidated on 13 May 2011 in connection with a resolution to complete a merger of Finansieringsselskabet af 11/2 2010 and Roskilde Bank with Roskilde Bank as the continuing company.

#### **EBH Bank A/S**

In connection with the restructuring of the Group described above, EBH Bank surrendered its customers etc. to FS Bank, FS Finans, FS Pantebrevsselskab and

FS Ejendomsselskab. The liquidation demerger of EBH Bank A/S was finally adopted on 17 June 2011, and EBH Bank A/S was liquidated on that date following approval by the FSA.

#### **Eik Bank Danmark 2010 A/S**

On 14 October 2010, Finansiell Stabilitet took over the banking activities of Eik Banki's Danish subsidiary, Eik Bank Danmark, and subsequently completed an open and transparent sales process. On 17 December 2010, a conditional transfer agreement was entered into between Finansiell Stabilitet and Sparekassen Lolland, whereby Sparekassen Lolland acquired the retail banking activities (online banking customers and other retail customers) of Eik Bank Danmark 2010. The agreement was subject to regulatory approvals, among other things. These approvals were obtained on 28 February 2011, and the transaction was completed.

Prior to that, the remaining activities of Eik Bank Danmark 2010 had been transferred to Finansiell Stabilitet and the other subsidiaries of the Group.

In the period from 1 January 2011 to 28 February 2011, during which the company was sold, the company reduced Finansiell Stabilitet's financial performance by DKK 172 million.

#### **Eik Banki Føroya P/F**

On 14 October 2010, Finansiell Stabilitet took over the banking activities of Eik Banki and subsequently completed an open and transparent sales process. On 13 January 2011, a conditional transfer agreement was entered into between Finansiell Stabilitet and TF Holding, whereby TF Holding acquired 70% of the shares in Eik Banki Føroya. The agreement was subject to regulatory approvals, among other things. These approvals were obtained on 6 April 2011, and the transaction was completed.

As part of the agreement, Finansiell Stabilitet obtained an ownership interest of 30% conferring a preferential dividend right. The agreement provides for an adjustment of the purchase price in the event that operating profits are



higher than estimated in the next few years. The value of the ownership interest was conservatively measured on the basis of the transfer agreement made.

### **Interest rate policy and policy for composition with creditors**

Finansiel Stabilitet's subsidiaries are subject to requirements in connection with the fixing of interest rates and the use of composition with creditors in the winding-up process. The general principle governing the fixing of interest rates and the use of composition with creditors is that the EU state subsidy rules must be observed. This means that the customers of Finansiel Stabilitet's subsidiaries may not be given more favourable terms than if they had been customers of other banks.

#### **Interest rate policy**

The subsidiaries of Finansiel Stabilitet are governed by executive order no. 1139 on the winding up of subsidiaries of Finansiel Stabilitet A/S and payment of a risk premium (the Winding-up Order).

Among other things, the Winding-up Order contains provisions governing the level of interest rates charged by the subsidiaries. It thus appears from the Winding-up Order that lending rates and fees charged by the subsidiaries must be in the upper 10% segment of the Danish banking market, while deposit rates must be in the lower 10% segment of the Danish banking market. The upper and lower segments, respectively, are calculated on the basis of Denmark's Nationalbank's interest rate statistics, which are published on a monthly basis. Pursuant to the Winding-up Order, the subsidiaries of Finansiel Stabilitet have a duty to reassess the interest rate level each quarter to align it with the requirements determined.

Based on the above, Finansiel Stabilitet has defined the interest rate policy in accordance with the following principles:

- The pricing structure must comply with the requirement that the interest rates on lending products must be above the 90th percentile.
- The interest rates charged by the Group may not be competitive compared with similar products for similar customers with other banks.

- The pricing structure of same-type products and customer segments must be the same in all group companies.
- The interest rates charged by the Group may not be unnecessarily high.
- The principles for fixing interest rates may only be derogated from in connection with loans which are subject to the Group's policy for composition with creditors.

With due consideration to notification rules etc., the Group's interest rate policy has been fully implemented in the companies under the Bank Package etc.

#### **Policy for composition with creditors**

The purpose of Finansiel Stabilitet's use of composition with creditors is to contribute to enabling debt-ridden, viable companies whose debt burden is so heavy that a complete winding up is not realistic to be taken over by another bank, while at the same time reducing the debt.

It is a prerequisite for the use of composition with creditors that the customers cooperate constructively with Finansiel Stabilitet's subsidiaries with a view to achieving a winding-up process that will enable a transfer of the exposure to another bank. For instance, this entails that corporate customers align the expense level of their company with the financial realities, including that withdrawals for own salaries are aligned with the company's circumstances. The use of composition with creditors is assessed on a case-by-case basis.

Another prerequisite for entering into a composition with creditors is that Finansiel Stabilitet should be able to achieve at least the same financial outcome as would be achievable in insolvency proceedings. For instance, a composition with creditors in which collateral security has been provided with respect to an exposure should be structured so as to ensure that Finansiel Stabilitet receives cover for the security provided. Moreover, it is a prerequisite that generally all of the customer's unsecured and significant interest-bearing and non-interest-bearing creditors must participate in a composition with creditors, as the relationship between Finansiel Stabilitet and other creditors would otherwise be skewed.

### **Status on legal enquiries**

The purpose of Finansiell Stabilitet's legal enquiries is to investigate whether it is presumable that actionable wrongs have been committed in a bank taken over, particularly with respect to liability in damages, prior to the transfer to Finansiell Stabilitet. In this connection, the general public is believed to have a legitimate interest in the disclosure of such information. Therefore, the results of the investigations are made public.

It is important to emphasise in this respect that the enquiries are not conducted on the same basis as a police investigation or a court hearing. The enquiries are conducted on the basis of terms of reference defined by Finansiell Stabilitet with the specific aim of disclosing the possible existence of matters which should be handed over to the authorities for further investigation or potentially a court hearing. The outcome of the enquiries is used as a basis for Finansiell Stabilitet's further steps and should not be considered otherwise. The disclosure contributes to ensuring reasonable and justified transparency in relation to the steps chosen by Finansiell Stabilitet in each individual case.

The status of the legal enquiries conducted is as follows:

#### ***Nova Bank Fyn***

After the conclusion of the legal enquiries, the board of directors of Nova Bank Fyn A/S has resolved not to initiate further investigations or take further steps against the management board, the auditors and/or the individual members of the board of directors of Fionia Bank.

#### ***Roskilde Bank***

The board of directors of Roskilde Bank A/S has taken legal action against the former management board, the individual members of the bank's former board of directors and the bank's former auditors.

#### ***EBH Bank***

The board of directors of EBH Bank A/S has taken legal action against the former management board of ebh bank a/s, two of the closest employees to the former management board and the bank's former board of directors.

#### ***Løkken Sparebank***

The board of directors of Løkken Sparebank has taken legal action against the former management and auditors of Løkken Sparekasse.

#### ***Finansieringsselskabet af 11/2 2010***

The board of directors of Finansieringsselskabet af 11/2 2010 has taken legal action against the former management of Capinordic Bank A/S.

#### ***Pantebrevsselskabet af 2. juni 2009***

After the conclusion of the legal enquiries, the board of directors of Pantebrevsselskabet af 2. juni 2009 has resolved not to initiate further investigations or take further steps against the former management board, auditors and/or the individual members of the board of directors of Gudme Raaschou Bank.

#### ***EIK Banki Føroya and Eik Bank Danmark***

The Board of Directors of Finansiell Stabilitet has resolved to take legal action against the former management and external auditors of Eik Bank Føroya and Eik Bank Danmark. Moreover, proceedings against the relevant auditors will be instituted before the Danish Accountancy Board.

#### ***Amagerbanken***

The enquiries into the circumstances in Amagerbanken are conducted under the auspices of the Ministry of Economic and Business Affairs. The board of directors of Amagerbanken af 2011 has therefore not initiated any independent legal enquiries.

#### ***Fjordbank Mors***

On 23 August 2011, the board of directors of Fjordbank Mors af 2011 announced that legal enquiries of the circumstances in Fjordbank Mors will be initiated.

### **Processing of customer complaints**

All subsidiaries of Finansiell Stabilitet must comply with the rules on good business practice. This applies irrespective of whether the subsidiary is a bank or not. The rules on good business practice not only protect retail customers, although the requirements applying to dealings with retail customers are stricter than those applying to dealings with corporate customers.

If a customer who does not feel fairly treated by a subsidiary approaches Finansiel Stabilitet directly, Finansiel Stabilitet will generally ask the customer to seek a resolution of the issue with the relevant subsidiary.

If it proves impossible to resolve the issue with the subsidiary, customers have been seen to notify Finansiel Stabilitet about the issue in writing. In such case, Finansiel Stabilitet will typically request the subsidiary to provide a report on the matter. However, Finansiel Stabilitet is generally unable to assist in specific cases, but all approaches form part of the Group's general efforts to ensure that the customers receive fair and proper treatment.

During its three years in existence, Finansiel Stabilitet has received seven approaches directly from customers complaining of the treatment received from one of Finansiel Stabilitet's subsidiaries.

#### ***The Danish Financial Institutions' Complaints Board***

Complaints of banks, including subsidiary banks of Finansiel Stabilitet, may be brought before the Danish Financial Institutions' Complaints Board. The complaints board considers complaints regarding retail customers. Complaints from corporate customers may be considered if the complaint is not materially different from a complaint concerning a retail customer relationship.

Currently, a number of cases are pending against Finansiel Stabilitet's subsidiaries before the Danish Financial Institutions' Complaints Board. These cases primarily concern matters pre-dating Finansiel Stabilitet's takeover of the bank in question.

Accordingly, the Danish Financial Institutions' Complaints Board will give rulings concerning Finansiel Stabilitet's subsidiaries on an ongoing basis. The subsidiaries will comply with the rulings given by the complaints board in accordance with the instructions of the Danish Bankers' Association.

The Danish Financial Institutions' Complaints Board has currently considered 189 cases related to Finansiel Stabilitet's subsidiaries. In 43 cases, the complainants succeeded wholly or partly in their complaints against Finansiel Stabilitet. Of the 43 cases, Finansiel Stabilitet's subsidiaries have chosen not to comply with the rulings in a few instances. The reason for this non-compliance was that the subsidiary, upon consultation with Finansiel Stabilitet, specifically assessed that the cases as presented by the customer to the complaints board did not agree with the bank's view of the advisory services provided. In these cases, the Danish Financial Institutions' Complaints Board usually refuses to consider the case and refers it to the courts of law which, in the opinion of the subsidiary and Finansiel Stabilitet, would have been the proper venue.

### **The Bank Package etc. (including activities from the former Roskilde Bank)**

The development in the activities related to the Bank Package etc. is described below. The financial results of the subsidiaries are reviewed as they appear in Finansiell Stabilitet's consolidated financial statements.

#### **FS Bank A/S**

The main objective of FS Bank is to ensure an optimum financial outcome of the winding up of activities taken over by Finansiell Stabilitet, including the winding up of the bank's activities by helping the customers find another bank to do business with.

FS Bank's customer portfolio is composed of many different types of corporate customers, including property companies, limited partnerships (K/S) and agricultural customers. Common to these customers is that they need a banker to continue the operation of their business.

The services provided by FS Bank solely comprise basic banking services for corporate customers, such as credit lines, debit cards and online banking. Moreover, the bank is in charge of payment transfers and acts as custodian bank for all financial charges.

FS Bank has offices in Odense and Roskilde.

At 30 June 2011, FS Bank had total assets of DKK 4.8 billion and 792 customers. FS Bank posted a loss of DKK 161 million in H1 2011.

<b>Highlights</b>	<b>1 January 2011</b>	<b>30 June 2011</b>
No. of customers	936	792
No. of employees (FTE)	59	56
Profit/(loss) for the period (DKK m)	-	(161)
Impairment of loans and advances during the period (DKK m)	-	118
Total assets (DKK m)	4,449	4,844
Loans and advances (DKK m)	1,715	1,556
Equity (DKK m)	1,938	1,790

### **FS Finans A/S**

The main objective of FS Finans is to ensure an optimum financial outcome of the winding up of activities taken over by Finansiell Stabilitet. FS Finans winds up the majority of the Group's loans and advances, including exposures secured against real property.

The company's competences comprise the winding up of loans, insolvency proceedings and debt collection. Loans and guarantees are the only products offered by the company.

FS Finans has offices in Roskilde, Odense and Aalborg.

At 30 June 2011, FS Finans had total assets of DKK 9.1 billion and 1,998 customers. In the first half of 2011, an agreement was made with Arbejdernes Landsbank to acquire the retail customer portfolio. FS Finans posted a loss of DKK 11 million in H1 2011.

<b>Highlights</b>	<b>1 January 2011</b>	<b>30 June 2011</b>
No. of customers	4,797	1,998
No. of employees (FTE)	231	225
Profit/(loss) for the period (DKKm)	-	(11)
Impairment of loans and advances during the period (DKKm)	-	113
Total assets (DKKm)	11,646	9,061
Loans and advances (DKKm)	9,711	8,274
Equity (DKKm)	2,132	2,119

### **FS Pantebrevsselskab A/S**

The main objective of FS Pantebrevsselskab is to hold and manage the Group's portfolios of mortgage deeds and related ownership of real property, lending, etc. The company manages and winds up the Group's portfolios of mortgage deeds with the aim of minimising losses. The company may take over the properties to which the mortgage attaches with a view to sale, if this contributes to minimising losses.

The company handles all services related to mortgage deeds: administration, debt collection and the taking over of properties in forced sale auctions, etc. More-

over, FS Pantebrevsselskab takes over properties which are immediately ready for sale, while properties offering development potential are handled by FS Ejendoms-selskab.

FS Pantebrevsselskab was established in mid-2009, when Finansiell Stabilitet took over the remaining activities of Gudme Raaschou Bank.

At 30 June 2011, FS Pantebrevsselskab had total assets of DKK 2.6 billion and approximately 4,000 mortgage deeds. FS Pantebrevsselskab generated a profit of DKK 44 million in H1 2011.

<b>Highlights</b>	<b>1 January 2011</b>	<b>30 June 2011</b>
No. of customers	2,212	3,026
No. of mortgage deeds	3,024	4,136
Average mortgage deed amount	545,947	547,809
No. of employees (FTE)	54	62
Profit/(loss) for the period (DKKm)		44
Impairment of loans and advances during the period (DKKm)	-	(32)
Total assets (DKKm)	2,247	2,601
Loans and advances (DKKm)	1,650	1,602
Equity (DKKm)	653	797

### **FS Ejendomsselskab A/S**

FS Ejendomsselskab acquires properties as part of the winding up of Finansiell Stabilitet's customer exposures. The properties, which are often unfinished or in disrepair, are acquired on an arm's length basis with a view to restoration, completion of development, letting and sale.

FS Ejendomsselskab was established by Roskilde Bank A/S in 2009 under the name of Rosk Ejendomme as part of the winding up of Roskilde Bank's customers. As part of the establishment of Finansiell Stabilitet's new group structure, this company was renamed FS Ejendomsselskab and became a subsidiary of Finansiell Stabilitet. Going forward, the company will take over properties from the entire FS Group.

The company's portfolio of properties comprises a mixture of residential, commercial, industrial and warehouse properties.

At 30 June 2011, the company had total assets of DKK 2.0 billion. The company entered into an agreement for the sale of a large property portfolio in the first half of 2011, but the transaction will not be finalised until the second half of 2011. FS Ejendomsselskab posted a loss of DKK 31 million in H1 2011.

<b>Highlights</b>	<b>Opening balance sheet</b>	
	<b>1 January 2011</b>	<b>30 June 2011</b>
No. of investment properties	37	41
No. of employees (FTE)	10	15
Profit/(loss) for the period (DKKm)		(31)
Value adjustment of investment properties during the period (DKKm)		(57)
Total assets (DKKm)	2,080	1,970
Investment properties (DKKm)	1,681	1,706
Equity (DKKm)	1,101	1,070

## The Exit Package

### *Amagerbanken af 2011 A/S*

With effect as from 5 February 2011, all of Amagerbanken's assets were transferred to a newly established subsidiary bank of Finansiell Stabilitet. Finansiell Stabilitet contributed capital and liquidity, and the bank's customers experienced no significant difference in the practical handling of their banking business. After the transfer, the sale of Amagerbanken's activities was initiated.

On 18 May 2011, an agreement was made for the sale of all retail customers and small corporate customers to P/F BankNordik. BankNordik took over some 92,000 customers in aggregate with total loans and advances of DKK 4.5 billion, total deposits of DKK 5.3 billion and approximately 160 employees. As part of the agreement, Amagerbanken accepted injecting up to DKK 300 million into BankNordik by way of subordinated capital. The sale was completed with effect as from 1 July 2011.

After the sale to BankNordik, Amagerbanken af 2011's gross loans and advances totalled DKK 13 billion, distributed on approximately 200 large exposures, most of which were not offered for sale.

In connection with the transfer of Amagerbanken to Finansiell Stabilitet, all unsubordinated creditors whose claims were covered neither by the Danish Guarantee Fund nor by an individual government guarantee were paid a preliminary dividend of 58.8%.

A revaluation of the assets performed by two independent auditors appointed by the Institute of State Authorised Public Accountants in Denmark found a basis for distributing an additional amount of DKK 6.7 billion among creditors entitled to dividend, equivalent to an increase of the dividend rate to 84.4%.

As the Danish Guarantee Fund and the estate in bankruptcy of Amagerbanken have chosen to submit the valuation of assets to the courts, the higher dividend can only be paid to the extent that it is not contrary to any claims submitted. Since the Guarantee Fund has maximised the claim to DKK 4.5 billion, it is possible to distribute DKK 2.2 billion of the aggregate basis of DKK 6.7 billion. Accordingly, the dividend rate will be increased to 66.1%.

Subject to a court ruling or other decision confirming the appointed auditors' valuation of the assets, the dividend rate will later be increased to 84.4% with the possibility of a further increase at a later point in time should the outcome of the winding-up process prove better than expected.

At 30 June 2011, Amagerbanken af 2011 had total assets of DKK 26 billion and approximately 95,000 customers. Amagerbanken af 2011 generated a profit of DKK 56 million in H1 2011, equivalent to the return requirement on the share capital contributed. Any return generated by Amagerbanken af 2011 in excess of the return requirement will be used to cover creditors whose claims have not been satisfied in full.

Highlights	Opening balance sheet	
	5 February 2011	30 June 2011
No. of customers	107,360	95,730
No. of employees (FTE)	469	392
Profit/(loss) for the period (DKKm)	-	56
Impairment of loans and advances during the period (DKKm)	-	(3)
Total assets (DKKm)	28,063	26,236
Loans and advances (DKKm)	13,459	11,858
Equity (DKKm)	1,200	1,256
Dividend rate	58.8	84.4



### **Fjordbank Mors 2011 A/S**

With effect as from 24 June 2011, all of Fjordbank Mors' assets were transferred to a newly established subsidiary bank of Finansiell Stabilitet. In connection with the winding up of Fjordbank Mors through Finansiell Stabilitet, there was a debate in the media about the effective time of takeover of the bank by Finansiell Stabilitet.

The time of takeover, which is not regulated by law, was agreed between Fjordbank Mors and Finansiell Stabilitet to Friday, 24 June 2011 at 12.01 a.m., irrespective of the fact that the conditional agreement on the takeover of Fjordbank Mors' activities was not signed until Sunday, 26 June 2011, at which time it was possible to determine the transfer price and, accordingly, the preliminary dividend payable to the unsubordinated creditors.

The agreed time of takeover should be seen in light of the fact that on Friday, 24 June 2011 at 12.49 p.m., Fjordbank Mors issued a company announcement stating that the bank had requested NASDAQ OMX to suspend trading in the bank's shares and bonds due to rumours in the market that the bank was distressed and would be wound up through Finansiell Stabilitet over the weekend.

In continuation thereof, Fjordbank Mors resolved to freeze accounts belonging to customers with net depo-

sits in excess of DKK 750,000, that is deposits exceeding the amount covered by the Guarantee Fund. The alternative to the suspension and freezing would have been that the bank would have had to file a bankruptcy petition at that time. The freezing was thus performed to ensure the least possible shift in the relationship between the bank's creditors compared with the alternative bankruptcy petition and, moreover, to ensure that the winding-up process could take place through Finansiell Stabilitet. Accordingly, the ideal time of takeover would have been the time of freezing, but for practical reasons a takeover can only be completed with effect from the beginning of a day in order for an opening balance sheet to be drawn up, that is, either Friday morning or Saturday morning.

Friday morning was chosen as the time of takeover in an effort to achieve the greatest possible equality amongst the creditors with effect from the earliest of the two possible times.

Irrespective of whether Friday morning or Saturday morning had been chosen as the time of takeover, there would be depositors who would have been better positioned if the other possible time of takeover had been chosen.

<b>Highlights</b>	<b>Opening balance sheet</b>	
	<b>24 June 2011</b>	<b>30 June 2011</b>
No. of customers	75,000	64,300
No. of employees (FTE)	205	217
Profit/(loss) for the period (DKK m)	-	0
Impairment of loans and advances during the period (DKK m)	-	0
Total assets (DKK m)	12,027	11,327
Loans and advances (DKK m)	4,965	4,565
Equity (DKK m)	720	720
Dividend rate	73.6	73.6

The only way to avoid this would have been to not complete the transfer to Finansiell Stabilitet and instead allow Fjordbank Mors to enter into bankruptcy at the time of freezing. However, if this solution had been chosen, the depositors and the other creditors would have been in a less favourable position compared with the one achievable in connection with a transfer to Finansiell Stabilitet, irrespective of whether the time of takeover had been Friday morning or Saturday morning.

Moreover, the depositors avoided having their accounts frozen for a certain period. Finally, consideration for financial stability in Denmark also spoke in favour of avoiding bankruptcy.

Finansiell Stabilitet contributed capital and liquidity, and the bank's customers experienced no significant difference in the practical handling of their banking business. The divestment of Fjordbank Mors was subsequently initiated, and a number of the bank's branches were sold during July 2011.

After the transfer to Finansiell Stabilitet, Fjordbank Mors af 2011 has entered into agreements with:

- Sparekassen Kronjylland on the takeover of the bank's branch in Aarhus;
- Sparekassen Thy on the takeover of the bank's branches in Struer and Thisted; and
- Sparbank A/S on the takeover of the bank's branches on the peninsula of Salling.

The divestments will be completed in the second half of 2011.

In connection with the transfer of Fjordbank Mors to Finansiell Stabilitet, all unsubordinated creditors whose claims were covered neither by the Danish Guarantee Fund nor by an individual government guarantee received a preliminary dividend of 73.6%.

During the second half of 2011, two auditors as expert valuers will be appointed to perform a valuation of the assets taken over from Fjordbank Mors. If the auditors reach a higher valuation of the assets, or if the ongoing winding-up process produces a better result than expected in the valuations, the dividend rate will be increased.

As a result of the short period from the date of takeover to the balance sheet date, no profit or loss was recognised from the date of takeover on 24 June 2011 to 30 June 2011.

### Individual government guarantees

As part of the Credit Package, Finansiel Stabilitet was authorised on behalf of the Danish State during the period until 31 December 2010 to issue individual government guarantees to Danish banks and mortgage credit institutions, including Faroese and Greenland banks and mortgage credit institutions, and Danmarks Skibskredit A/S. The scheme entailed that Finansiel Stabilitet could enter into agreements for the provision of individual government guarantees for unsubordinated, unsecured debt with a maturity of up to three years, among other things.

Finansiel Stabilitet receives guarantee commission from institutions which have outstanding issues of debt instruments based on an individual government guarantee. The guarantee commission will accrue to the Danish State, which, in return, will compensate Finansiel Stabilitet for any loss incurred on the guarantees provided. In addition, the Danish State will pay a management fee to Finansiel Stabilitet to cover the costs of managing the scheme.

### Guarantees issued

At 30 June 2011, Finansiel Stabilitet had outstanding guarantees of DKK 172.3 billion in aggregate, distri-

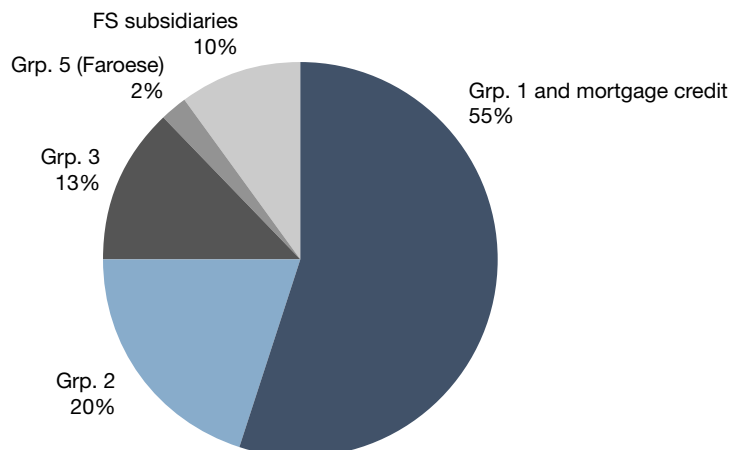
buted on 49 institutions. Of these, DKK 12.3 billion were attributable to Amagerbanken af 2011, DKK 4.1 billion to Fjordbank Mors af 2011 and DKK 0.7 billion to FS Bank, all of which are subsidiaries of Finansiel Stabilitet. Finansiel Stabilitet's outstanding guarantees provided to credit institutions outside the Group thus amounted to DKK 155.2 billion at 30 June 2011.

Around half of the outstanding issues covered by an individual government guarantee were attributable to group 1 banks and mortgage credit institutions, whereas one third was attributable to group 2 and group 3 banks.

In the first half of 2011, 20 institutions completed early redemptions for a total amount of DKK 15 billion. At 30 June 2011, a total of 22 institutions had completed early redemptions for an amount of DKK 16.6 billion in aggregate.

Due to changes in exchange rates, the total amount of Finansiel Stabilitet's outstanding guarantees, when translated into Danish kroner, has also dropped by around DKK 2.6 billion in aggregate since the guarantees were issued.

### Distribution of guarantees



### **Expiry of the guarantee scheme**

The aggregate amount guaranteed is expected to be reduced as debt issued on the basis of an individual government guarantee falls due for repayment in the period until 31 December 2013 and as a result of early redemptions or cancellation of debt issued on the basis of an individual government guarantee. Repayment of debt issued on the basis of an individual government guarantee is to a high degree concentrated on the nine months ending 30 September 2013. The distribution of debt issued on the basis of an individual government guarantee is shown in the figure below.

Outstanding guarantees provided to credit institutions amounted to DKK 156 billion in aggregate at the end of August 2011.

### **Performance**

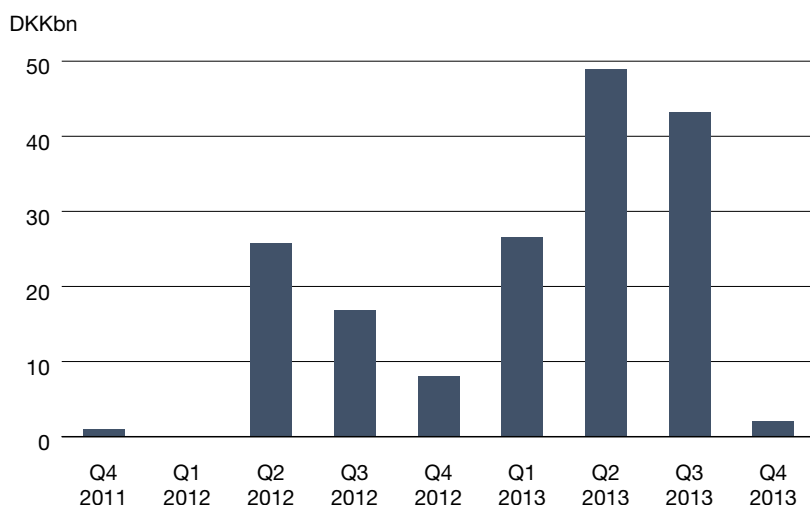
In H1 2011, the Danish State received DKK 839 million by way of guarantee commission in relation to individual government guarantees issued. At the same time, the Danish State reimbursed administrative expenses in the amount of DKK 4 million to Finansielt Stabilitet.

### **Loss on individual government guarantees**

When Amagerbanken collapsed, the bank had a total outstanding debt issued on the basis of an individual government guarantee of DKK 13.6 billion. Like other creditors, Finansielt Stabilitet will receive dividend in proportion to the liabilities calculated. On takeover, the preliminary dividend was calculated at 58.8%, equivalent to a loss of DKK 5.6 billion on the guarantees provided.

After the revaluation of assets and liabilities (see company announcement of 29 June 2011), the dividend rate was increased to 84.4%, equivalent to the loss on individual government guarantees being reduced to DKK 2.1 billion. The Guarantee Fund and the estate in bankruptcy of Amagerbanken have appealed against this calculation, but it is affirmative that the dividend will be at least 66.1%, corresponding to a maximum loss of DKK 4.6 billion for the Danish State on the guarantees provided to Amagerbanken. The final loss may thus be reduced further, first if the appeal is withdrawn, or if the courts find against the appeal, and secondly if the winding up produces a better result than initially anticipated.

### **Expiry of debt based on individual government guarantees**



For accounting purposes, the dividend was recognised at 84.4% at 30 June 2011.

With effect as from 24 June 2011, Fjordbank Mors entered into an agreement with Finansiell Stabilitet to transfer its activities to a subsidiary of Finansiell Stabilitet. On takeover, the bank had a total outstanding debt issued on the basis of an individual government guarantee of DKK 4.1 billion. On takeover, the preliminary dividend was calculated at 73.6%, equivalent to a loss on the guarantees provided of DKK 1.1 billion. The loss may

be reduced, first in connection with a final valuation of the assets to be performed by two auditors appointed by the Institute of State Authorised Public Accountants in Denmark, and secondly if the winding up produces a better result than initially anticipated.

Based on the preliminary dividend rates of 66.1% for Amagerbanken and 73.6% for Fjordbank Mors, respectively, the Danish State's maximum loss on the individual guarantees currently amounts to DKK 5.7 billion.

# Financial statements



# Income statement

(DKKm)	Group		Parent	
	H1 2011	H1 2010	H1 2011	H1 2010
Note				
4 Interest income	879	846	245	302
5 Interest expense	369	389	212	347
<b>Net interest income/(expense)</b>	<b>510</b>	<b>457</b>	<b>33</b>	<b>(45)</b>
Share dividends etc.	4	2	0	0
Commission received from the Private Contingency Association	0	3,750	0	3,750
Fees and commissions received	861	108	847	61
Fees and commissions paid	927	74	917	73
<b>Net interest and fee income</b>	<b>448</b>	<b>4,243</b>	<b>(37)</b>	<b>3,693</b>
6 Market value adjustments	(201)	75	(122)	(28)
Other operating income	268	222	8	6
7 Staff costs and administrative expenses	524	471	32	19
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	15	14	1	1
Other operating expenses	103	149	0	0
8 Impairment losses on loans, advances, receivables etc.	3,549	3,322	3,211	87
Losses on acquisition of subsidiaries	-	-	0	0
Profit/(loss) from investments in associates and subsidiaries	22	24	(259)	(2,956)
Loss guarantee from the Private Contingency Association	0	1,047	0	1,047
Loss guarantee from the Danish State relating to Roskilde Bank	0	2,153	0	2,153
Loss guarantee from the Danish State relating to individual government guarantees	3,220	0	3,220	0
<b>Profit/(loss) for the period before tax</b>	<b>(434)</b>	<b>3,808</b>	<b>(434)</b>	<b>3,808</b>
Tax	0	0	0	0
<b>Profit/(loss) for the period</b>	<b>(434)</b>	<b>3,808</b>	<b>(434)</b>	<b>3,808</b>

# Statement of comprehensive income

(DKKm)	Group		Parent	
	H1 2011	H1 2010	H1 2011	H1 2010
Profit/(loss) for the period	(434)	3,808	(434)	3,808
Other comprehensive income after tax	0	0	0	0
<b>Total comprehensive income</b>	<b>(434)</b>	<b>3,808</b>	<b>(434)</b>	<b>3,808</b>

# Balance sheet

(DKKm)	Group			Parent		
	30.06. 2011	31.12. 2010	30.06. 2010	30.06. 2011	31.12. 2010	30.06. 2010
<b>Note</b>						
<b>Assets</b>						
Cash in hand and demand deposits						
with central banks	12,739	8,365	6,442	8,372	6,395	5,676
Due from credit institutions and central banks	7,186	2,300	1,878	2,397	8,239	9,179
Loans, advances and other receivables at fair value	994	1,048	980	0	0	0
Loans, advances and other receivables at amortised cost	26,974	16,150	15,993	4,801	1,683	1,900
Bonds at fair value	5,678	1,914	1,194	241	0	0
Shares, etc.	1,779	1,420	1,765	1,197	918	942
Investments in associates	464	90	47	381	43	-
Investments in subsidiaries	-	-	-	7,780	6,618	5,158
Intangible assets	450	176	4	0	0	0
Total land and buildings	1,994	1,624	1,330	0	0	0
Investment properties	1,891	1,619	1,177	-	-	-
Domicile properties	103	5	153	-	-	-
Other property, plant and equipment	134	16	18	1	2	3
Current tax assets	2	-	-	-	-	-
Assets held temporarily	2,206	12,037	486	0	0	0
Receivable re. loss guarantee from the Private Contingency Association	-	10,000	6,838	-	10,000	6,838
Receivable re. loss guarantee from the Danish State relating to Roskilde Bank	8,931	8,931	8,757	8,931	8,931	8,757
Receivable re. loss guarantee from the Danish State relating to individual government guarantees	3,220	0	0	3,220	0	0
Other assets	3,279	562	634	367	50	123
Prepayments	28	16	21	2	0	19
<b>Total assets</b>	<b>76,058</b>	<b>64,649</b>	<b>46,387</b>	<b>37,690</b>	<b>42,879</b>	<b>38,595</b>



# Balance sheet

(DKKm)	Group				Parent	
	30.06. 2011	31.12. 2010	30.06. 2010	30.06. 2011	31.12. 2010	30.06. 2010

Note

## Equity and liabilities

### Liabilities

Due to credit institutions and central banks	956	684	1,563	2,672	0	0
Deposits and other payables	13,334	7,738	2,387	0	2,061	0
Loans through the state-funded re-lending scheme	20,017	25,981	24,591	20,017	25,981	24,591
Issued bonds at amortised cost	15,790	1,754	1,726	0	0	0
Due to mortgage credit institutions	519	0	0	0	0	0
Liabilities relating to assets held temporarily	0	10,593	0	0	0	0
Other liabilities	6,841	1,355	1,039	170	248	30
Deferred income	625	0	663	620	0	661
<b>Total liabilities</b>	<b>58,082</b>	<b>48,105</b>	<b>31,969</b>	<b>23,479</b>	<b>28,290</b>	<b>25,282</b>

### Provisions

Provision for losses on guarantees	844	814	629	0	0	0
9 Other provisions	2,977	1,141	476	56	0	0
<b>Total provisions</b>	<b>3,821</b>	<b>1,955</b>	<b>1,105</b>	<b>56</b>	<b>0</b>	<b>0</b>

<b>Total liabilities</b>	<b>61,903</b>	<b>50,060</b>	<b>33,074</b>	<b>23,535</b>	<b>28,290</b>	<b>25,282</b>
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### Equity

Share capital	1	1	1	1	1	1
Retained earnings	14,588	14,588	9,504	14,588	14,588	9,504
Profit/(loss) for the period	(434)	-	3,808	(434)	-	3,808
<b>Total equity</b>	<b>14,155</b>	<b>14,589</b>	<b>13,313</b>	<b>14,155</b>	<b>14,589</b>	<b>13,313</b>
<b>Total liabilities</b>	<b>76,058</b>	<b>64,649</b>	<b>46,387</b>	<b>37,690</b>	<b>42,879</b>	<b>38,595</b>

# Statement of changes in equity

for the Group and the parent company

(DKKm)	Share capital	Retained earnings	Total equity
<b>Equity as at 1 January 2011</b>	<b>1</b>	<b>14,588</b>	<b>14,589</b>
Changes in equity during the period	-	-	-
Comprehensive income for the period	-	(434)	(434)
<b>Equity as at 30 June 2011</b>	<b>1</b>	<b>14,154</b>	<b>14,155</b>

(DKKm)	Share capital	Retained earnings	Total equity
<b>Equity as at 1 January 2010</b>	<b>1</b>	<b>9,504</b>	<b>9,505</b>
Changes in equity during the period	-	-	-
Comprehensive income for the period	-	3,808	3,808
<b>Equity as at 30 June 2010</b>	<b>1</b>	<b>13,312</b>	<b>13,313</b>

The DKK 0.5 million share capital consists of 500 shares of DKK 1,000 each. All shares confer equal rights on their holders.

# Cash flow statement

(DKKm)	Group	
	H1 2011	H1 2010
Profit/(loss) for the period after tax	(434)	3,808
Adjustment for non-cash operating items	2,860	749
Cash flow from redemption of loss guarantee from the Private Contingency Association	10,000	0
Loss guarantee from the Danish State relating to individual government guarantees	(3,220)	0
Cash flows from operating capital	7,106	1,489
<b>Cash flows from operating activities</b>	<b>16,312</b>	<b>6,046</b>
Acquisitions of subsidiaries	3,207	295
Sale of subsidiaries	(2,324)	0
Purchase/sale of property, plant and equipment	24	(318)
<b>Cash flows from investing activities</b>	<b>907</b>	<b>(23)</b>
Loans through the state-funded re-lending scheme	(5,577)	(5,329)
Issued bonds	(2,310)	(96)
<b>Cash flows from financing activities</b>	<b>(7,887)</b>	<b>(5,425)</b>
<b>Change in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the period	10,445	7,722
Change during the period	9,332	598
<b>Cash and cash equivalents at the end of the period</b>	<b>19,777</b>	<b>8,320</b>

# Notes

## 1 Accounting policies

The interim report is presented in accordance with IAS 34, Interim Financial Reporting as adopted by the EU in respect of the Group and the Danish Financial Business Act in respect of the parent company and in accordance with additional Danish disclosure requirements for interim reports of financial enterprises. Apart from the below changes, the accounting policies are consistent with those of the consolidated and parent company financial statements for 2010, which give a comprehensive description of the accounting policies applied.

### **Accounting policy changes**

Finansiel Stabilitet A/S has implemented the IFRS interpretations that have taken effect for 2011. None of these have affected recognition or measurement in 2011 or are expected to affect Finansiel Stabilitet A/S.

### **Standards and interpretations not yet in force**

The International Accounting Standards Board (IASB) has issued a number of international financial reporting standards and the International Financial Reporting Interpretations Committee (IFRIC) has issued a number of interpretations that have not yet come into force. None of these are expected to materially affect the future financial reporting of Finansiel Stabilitet.

### **Accounting estimates and judgments**

The calculation of the carrying amounts of certain assets and liabilities relies on judgments, estimates and assumptions about future events.

The estimates and assumptions applied are based on historical experience and other factors that Management considers reasonable under the circumstances, but which are inherently uncertain and unpredictable. Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. In addition, the Group and parent company are subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates. It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or of new information or subsequent events.

The accounting estimates and the related uncertainty concern the same issues as those prevailing at the preparation of the consolidated and parent company financial statements for 2010.

Through the newly established subsidiaries Amagerbanken af 2011 A/S and Fjordbank Mors af 2011 A/S, Finansiel Stabilitet A/S has taken over all assets and liabilities in the estates in bankruptcy of Amagerbanken and Fjordbank Mors, as detailed in note 3.

# Notes

## 2 Segment information for the Group

(DKKm)	Bank Package etc.	Individual government guarantees	Exit Package	Total
<b>Activities for the six months ended 30 June 2011</b>				
Net interest income/(expense)	284	(17)	243	510
Commission received from the Private Contingency Association	-	-	-	0
Guarantee commission, government guarantees	(3)	839	(42)	794
Other net fee income/(expenses) and market value adjustments	(125)	(839)	(93)	(1,057)
Other operating income/(expenses), net	42	4	119	165
Operating expenses	326	1	212	539
Impairment losses on loans, advances, guarantees etc.	346	3,206	(3)	3,549
Profit/(loss) from investments in subsidiaries and associates	22	-	0	22
Loss guarantee from the Private Contingency Association	-	-	-	0
Loss guarantee from the Danish State relating to Roskilde Bank	-	-	-	0
Loss guarantee from the Danish State relating to individual government guarantees	-	3,220	-	3,220
<b>Profit/(loss) for the period before tax</b>	<b>(452)</b>	<b>0</b>	<b>18</b>	<b>(434)</b>
Tax	(18)	0	18	0
<b>Profit/(loss) for the period</b>	<b>(434)</b>	<b>0</b>	<b>0</b>	<b>(434)</b>
<b>Total segment assets</b>	<b>37,927</b>	<b>3,220</b>	<b>34,911</b>	<b>76,058</b>
<b>Activities for the six months ended 30 June 2010</b>				
Net interest income	457	0	-	457
Commission received from the Private Contingency Association	3,750	-	-	3,750
Guarantee commission, government guarantees	-	54	-	54
Other net fee income/(expenses) and market value adjustments	111	(54)	-	57
Other operating income/(expenses), net	67	6	-	73
Operating expenses	479	6	-	485
Impairment losses on loans, advances, guarantees etc.	3,322	0	-	3,322
Profit/(loss) from investments in subsidiaries and associates	24	-	-	24
Loss guarantee from the Private Contingency Association	1,047	-	-	1,047
Loss guarantee from the Danish State relating to Roskilde Bank	2,153	-	-	2,153
<b>Profit/(loss) for the period before tax</b>	<b>3,808</b>	<b>-</b>	<b>-</b>	<b>3,808</b>
Tax	0	-	-	0
<b>Profit/(loss) for the period</b>	<b>3,808</b>	<b>0</b>	<b>-</b>	<b>3,808</b>
<b>Total segment assets</b>	<b>46,387</b>	<b>0</b>	<b>-</b>	<b>46,387</b>

The Exit Package segment does not impact the Group's operations until 2011

# Notes

## 3 Acquisition of enterprises - the Group

In performing its objects under the Act on Financial Stability, Finansiel Stabilitet A/S has taken over all assets and liabilities of distressed banks until 30 September 2010 pursuant to the Bank Package and subsequently pursuant to the Exit Package.

Under the Exit Package, the role of Finansiel Stabilitet A/S in the winding up of a distressed bank is to establish and capitalise a new subsidiary, which takes over the assets and part of the liabilities of the distressed bank. The subsidiary must take over all employees of the bank and may take over other bilateral contracts according to agreement with the distressed bank. The portion of the bank's liabilities to be taken over is provisionally determined and all unsubordinated creditors receive a preliminary dividend. Subsequently, a new valuation of the assets is made by two independent auditors appointed by the Institute of State Authorised Public Accountants in Denmark. Based on this valuation, among other things, an updated dividend is prepared and, thus, adjustment of the liabilities assumed. If the subsequent winding up produces a profit exceeding Finansiel Stabilitet A/S' contribution with the addition of a statutory market-based return requirement, this profit will be used for an increase of the dividend and thus further coverage of the liabilities not transferred to the subsidiaries.

Finansiel Stabilitet has received a loss guarantee from the Danish Guarantee Fund for Depositors and Investors, which covers any loss that Finansiel Stabilitet A/S may suffer on capitalisation, financing and any loss in connection with the winding up of Amagerbanken af 2011 A/S and Fjordbank Mors af 2011 A/S. Pursuant to the executive order on the winding up of subsidiaries of Finansiel Stabilitet and payment of a risk premium (executive order no. 1139 of 28 September 2010) the capital and liquidity provided by Finansiel Stabilitet shall carry interest. As Finansiel Stabilitet is not subjected to any risk in relation to the winding up, executive order no. 1139 provides that the risk premium should accrue to the winding-up department of the Guarantee Fund.

In connection with the acquisitions, the activities are to the widest possible extent to be transferred or continued with a view to winding up. Amagerbanken af 2011 A/S and Fjordbank Mors af 2011 A/S are working on winding up the remaining activities with a view to achieving the optimum financial results.

The hypothetical revenue and financial performance of the Group calculated as if the acquisition of Amagerbanken af 2011 A/S and Fjordbank Mors af 2011 A/S had been effected at 1 January 2011 is not disclosed, given the practical difficulties and lack of relevance of providing such information.

# Notes

## Acquisitions during the first half of 2011

### *Amagerbanken af 2011 A/S*

On 5 February 2011, Finansiel Stabilitet A/S took over all assets of the estate in bankruptcy of Amagerbanken through a newly established subsidiary, Amagerbanken af 2011 A/S. The assets taken over primarily comprised a loan portfolio and portfolios of cash deposits and securities.

Payment for the assets was preliminarily fixed at DKK 15.2 billion, equivalent to 58.8% of the unsecured, un-subordinated claims. Payment was made by Amagerbanken af 2011 A/S taking over liabilities in a corresponding amount.

The valuation of assets was performed by two independent auditors appointed by the Institute of State Authorised Public Accountants in Denmark and a revaluation of liabilities has been made by Amagerbanken af 2011 A/S with the assistance of a firm of auditors and the estate in bankruptcy of Amagerbanken.

The renewed valuation of the assets and liabilities immediately warranted an increase of the preliminary dividend rate from 58.8% to 84.4%. The Guarantee Fund announced on 1 July 2011 that the Fund will bring the auditors' valuation of Amagerbanken's assets before the Copenhagen city court, but at the same time the amount by which the Fund will require the valuation of the assets reduced is maximised at DKK 4.5 billion.

The Group has incurred total transaction costs of DKK 50 million in connection with the takeover.

The fair value of acquired loans, advances and other receivables at amortised cost has been calculated at DKK 13,459 million, and the nominal residual debt amounts to DKK 20,260 million. The difference between fair value and nominal residual debt is significant and is mainly due to uncertainty in the determination of fair value, including what proportion of the loans and advances should be considered irrecoverable in whole or in part.

In connection with the establishment of Amagerbanken af 2011 A/S, Finansiel Stabilitet A/S has contributed equity of DKK 1,200 million and provided a subordinated loan of DKK 500 million.

Effective from 1 July 2011, Amagerbanken af 2011 A/S has transferred a material portion of the assets to P/F BankNordik, including some 92,000 customers with total loans and advances of DKK 4.5 billion, total deposits of DKK 5.3 billion and approximately 200 employees.

During the period from the date of acquisition until 30 June 2011, a profit of DKK 56 million was recognised.

The estimated fair values at the date of acquisition have been provisionally calculated as follows:

**(DKKm)**

### Estimated fair values at date of acquisition

Cash in hand and balances at call with central banks	321
Balances due from credit institutions	2,177
Loans, advances and other receivables at amortised cost (loans and advances with nominal residual debt of DKK 20,260 million)	13,459
Bonds at fair value and shares, etc.	6,493
Intangible assets and other property, plant and equipment	488
Other assets and prepayments	3,425
Due to credit institutions and central banks	(16,679)
Deposits	(7,235)
Other liabilities	(390)
Other provisions	(2,059)
<b>Acquired net assets</b>	<b>0</b>
<b>Takeover price</b>	<b>0</b>

# Notes

## **Fjordbank Mors 2011 A/S**

Effective at 24 June 2011, Finansiell Stabilitet A/S took over all assets in the estate in bankruptcy of Fjordbank Mors A/S through a newly established subsidiary Fjordbank Mors af 2011 A/S. The assets taken over primarily comprised a loan portfolio and portfolios of cash deposits and securities.

Payment for the assets was preliminarily fixed at DKK 8.1 billion, equivalent to 73.6% of the unsecured, un-subordinated claims. Payment was made by Fjordbank Mors af 2011 A/S taking over liabilities in a corresponding amount. The final payment may be increased by valuation experts appointed by the Institute of State Authorised Public Accountants in Denmark. Also, the amount of claims received before expiry of the final statutory notice to creditors must be assessed.

The Group has incurred total transaction costs of DKK 2 million in connection with the takeover.

The fair value of acquired loans, advances and other receivables at amortised cost has been calculated at DKK 4,965 million, and the nominal residual debt amounts to DKK 9,160 million. The difference between fair value and nominal residual debt is significant and is mainly due to uncertainty in the determination of fair value, including what proportion of the loans and advances should be considered irrecoverable in whole or in part.

In connection with the establishment of Fjordbank Mors af 2011 A/S, Finansiell Stabilitet A/S has contributed equity of DKK 720 million and provided a subordinated loan of DKK 180 million.

Fjordbank Mors af 2011 A/S' sale of branches is progressing as planned.

Due to the short period from the acquisition date to the balance sheet date, no profit has been recognised.

The estimated fair values at the date of acquisition have been provisionally calculated as follows:

**(DKKm)**

### **Estimated fair values at date of acquisition**

Cash in hand and balances at call with central banks	137
Balances due from credit institutions	572
Loans, advances and other receivables at amortised cost (loans and advances with nominal residual debt of DKK 9,160 million)	4,965
Bonds at fair value and shares, etc.	2,270
Intangible assets and other property, plant and equipment	362
Other assets and prepayments	2,821
Due to credit institutions and central banks	(551)
Deposits and issued bonds	(9,819)
Other liabilities	(527)
Other provisions	(230)
<b>Acquired net assets</b>	<b>0</b>
<b>Takeover price</b>	<b>0</b>



# Notes

## Acquisitions during the first half of 2010

### *Finansieringsselskabet af 11. februar 2010 A/S*

On 11 February 2010, Finansielt Stabilitet A/S took over all assets in Denmark of the estate in bankruptcy of Capinordic Bank A/S and its subsidiaries through a newly established subsidiary, Finansieringsselskabet af 11. februar 2010 A/S. The assets acquired primarily comprised a loan portfolio and portfolios of cash deposits and securities.

Pursuant to the Act on Financial Stability, the price of the activities transferred were determined by two independent valuation experts. The two valuation experts have determined that Finansielt Stabilitet A/S is to pay DKK 700 million for the activities. In 2011, a rider was made to the transfer agreement replacing the existing provisions on adjustment of the transfer price. Accordingly,

the transfer price must be adjusted if certain loans, advances, etc. are realised at a higher amount than that stipulated in the rider.

The Group has incurred total transaction costs of DKK 5.0 million in connection with the takeover.

The fair value of acquired loans, advances and other receivables at amortised cost was calculated at DKK 258 million, and the nominal residual debt amounted to DKK 855 million. The difference between fair value and nominal residual debt was significant and was mainly due to uncertainty in the determination of fair value, including what proportion of the loans and advances were considered irrecoverable in whole or in part.

During the period from the date of acquisition until 30 June 2010, a loss of DKK 1 million was recognised.

(DKKm)	Finansieringsselskabet af 11/2 2010 A/S
Cash in hand and balances at call with central banks	49
Due from credit institutions and central banks	246
Loans, advances and other receivables at amortised cost	258
Bonds and shares, etc. at fair value	72
Intangible assets and other property, plant and equipment	1
Other assets and prepayments	88
Other liabilities	(4)
Other provisions	(10)
<b>Acquired net assets</b>	<b>700</b>
<b>Takeover price</b>	<b>(700)</b>
<b>Loss at the date of acquisition</b>	<b>0</b>

# Notes

(DKKm)	Group		Parent	
	H1 2011	H1 2010	H1 2011	H1 2010
<b>4 Interest income</b>				
Due from credit institutions and central banks	70	33	134	273
Loans, advances and other receivables at amortised cost	552	718	108	29
Loans, advances and other receivables at fair value	186	58	0	0
Bonds	52	35	0	0
Total derivative financial instruments	(5)	1	0	0
Foreign exchange contracts	(6)	5	-	-
Interest rate contracts	1	(4)	-	-
Other interest income	24	1	3	0
<b>Total</b>	<b>879</b>	<b>846</b>	<b>245</b>	<b>302</b>

## 5 Interest expense

Credit institutions and central banks	11	8	14	0
Deposits and other payables	51	11	2	0
Issued bonds	97	20	0	0
Loans through the state-funded re-lending scheme	193	347	193	347
Other interest expense	17	3	3	0
<b>Total</b>	<b>369</b>	<b>389</b>	<b>212</b>	<b>347</b>

## 6 Market value adjustments

Adjustment for credit risk for loans and advances at fair value	5	(30)	0	0
Other adjustment for loans and advances at fair value	(3)	0	0	0
Bonds	(38)	25	5	0
Shares, etc.	(117)	(37)	(127)	(28)
Investment properties	(63)	38	0	0
Currency	(2)	33	0	0
Currency, interest, share, commodity and other contracts and derivative financial instruments	31	5	0	0
Other assets and liabilities	(14)	41	0	0
<b>Total</b>	<b>(201)</b>	<b>75</b>	<b>(122)</b>	<b>(28)</b>

# Notes

(DKKm)	Group		Parent	
	H1 2011	H1 2010	H1 2011	H1 2010

## 7 Staff costs and administrative expenses

Salaries and remuneration to Board of Directors and Management Board:

Management Board	1	1	1	1
Board of Directors	1	1	1	1
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

### Staff costs

<b>Salaries</b>	<b>248</b>	<b>220</b>	<b>10</b>	<b>7</b>
Pensions	23	17	0	0
Social security costs	27	12	0	0
<b>Total</b>	<b>298</b>	<b>249</b>	<b>10</b>	<b>7</b>

Other administrative expenses	224	220	20	10
<b>Total</b>	<b>524</b>	<b>471</b>	<b>32</b>	<b>19</b>

Impairment / adjustment for credit risk	Impairment losses, beginning of period	Additions from acquisition of subsidiaries	Change in impairment losses	Impairment losses, end of period
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## 8 Impairment of loans, advances and receivables, etc.

Loans and advances at amortised cost	21,246	10,996	320	32,562
Loans and advances at fair value	712	0	45	757
Guarantees	814	187	(157)	844
<b>Impairment / adjustment for credit risk for H1 2011</b>	<b>22,772</b>	<b>11,183</b>	<b>208</b>	<b>34,163</b>
<b>Impairment / adjustment for credit risk for H1 2010</b>	<b>19,931</b>	<b>597</b>	<b>1,420</b>	<b>21,948</b>

(DKKm)	Group		Parent	
	H1 2011	H1 2010	H1 2011	H1 2010

## 9 Other provisions

Litigation	1,709	261	0	0
Other provisions	1,268	215	56	0
<b>Total</b>	<b>2,977</b>	<b>476</b>	<b>56</b>	<b>0</b>

# Notes

## 10 Contingent assets and liabilities

### **Tax**

The Group has a significant deferred tax asset. Due to the uncertainty as to whether this can be utilised, the tax asset has not been recognised in the balance sheet.

### **The winding-up scheme under the Exit Package**

The Company's objects under the Act on Financial Stability are to contribute to securing financial stability in Denmark, including to wind up distressed banks that agree to being wound up through Finansiell Stabilitet.

It is the individual distressed bank's own decision whether it wishes to be wound up by Finansiell Stabilitet or through bankruptcy.

The financial basis for a winding-up through Finansiell Stabilitet relies on the existing guarantee provided by the Guarantee Fund for Depositors and Investors, which may be combined with a loss guarantee covering a potential loss incurred by Finansiell Stabilitet in connection with the winding up of a distressed bank. The loss guarantee is to be provided by the Guarantee Fund for Depositors and Investors to Finansiell Stabilitet. Accordingly, the scheme does not subject Finansiell Stabilitet to any immediate financial risk.

In the period until 30 June 2011, the Company has taken over Amagerbanken and Fjordbank Mors under the Exit Package.

### **Individual government guarantees**

In addition, pursuant to the Act to amend the Act on Financial Stability of 4 February 2009, the Company's

object is to enter into agreements for the provision of individual government guarantees for existing and new unsubordinated, unsecured debt.

At the end of June 2011, the Company has provided guarantees in the amount of DKK 172 billion. Of this, DKK 17 billion concerns guarantees to subsidiaries.

The Danish State guarantees the Company's guarantee commitments under the scheme.

### **Other contingent liabilities**

The subsidiaries are parties to legal disputes in relation to ordinary operations. Within the past 12 months, a considerable number of complaints have been brought before the Danish Financial Institutions' Complaints Board by customers of banks acquired by Finansiell Stabilitet.

### **Earn-out subsidiaries**

In connection with the transfer of banks to Finansiell Stabilitet under the Bank Package, a purchase price adjustment (a so-called earn-out clause) was agreed with the boards of directors of the former companies. The agreements provided that if the winding up of the bank yielded a return to Finansiell Stabilitet in excess of the standard market return after adjustments to reflect the risk, the proceeds would be transferred to the original companies. As there was a mutual understanding that the earn-out clauses were not to be effected, all agreements, with the exception of a few activities related to Finansieringsselskabet af 11/2 2010, have therefore been terminated.

# Notes

## 11 Related parties

Related parties comprise the Danish State, including companies/institutions over which the Danish State exercises control.

As a general rule, transactions with related parties are entered into and settled on market terms or on a cost-recovery basis. The settlement prices for individual types of transaction are set out by law.

# Financial ratios

(DKKm)	Finansiel Stabilitet	
	H1 2011	H1 2010
<b>Financial highlights</b>		
Commission received from the Private Contingency Association	-	3,750
Other interest and fee income, net	(37)	(57)
Market value adjustment	(122)	(28)
Other operating income	8	6
Costs	33	20
Impairment losses on loans and advances	3,211	87
Profit/(loss) from investments in subsidiaries and associates	(259)	(2,956)
Loss guarantee from the Private Contingency Association	-	1,047
Loss guarantee from the Danish State relating to Roskilde Bank	-	2,153
Loss guarantee from the Danish State relating to individual government guarantees	3,220	-
Profit/(loss) for the period	(434)	3,808
Equity	14,155	13,313
Total assets	37,690	38,595

## Financial ratios

Return on equity before tax p.a.	(6)%	67%
Return on equity after tax p.a.	(6)%	67%
Income/cost ratio	0.87	1,956.65

The financial ratios are in accordance with the Danish FSA's executive order on financial reports presented by credit institutions, etc.

The financial ratios relevant to Finansiel Stabilitet are included.

# Statement by the Management

The Board of Directors and the Management Board have today considered and adopted the interim report of Finansielt Stabilitet A/S for the six months ended 30 June 2011.

The interim report is presented in accordance with IAS 34, Interim Financial Reporting as adopted by the EU in respect of the Group and the Danish Financial Business Act in respect of the parent company and in accordance with additional Danish disclosure requirements for interim reports of financial enterprises.

In our opinion, the interim report gives a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 30 June 2011 and of the results of the Group's and the parent company's operations and the Group's cash flows for the six months ended 30 June 2011.

Moreover, in our opinion, the management's review includes a fair review of the development and performance of the business and the financial position of the Group and the parent company, the results for the period and of the financial position of the Group as a whole, together with a description of the principal risks and uncertainties that the Group and the parent company face.

Copenhagen, 26 August 2011

## Management Board

Henrik Bjerre-Nielsen

## Board of Directors

Henning Kruse Petersen  
Chairman

Jakob Brogaard  
Deputy Chairman

Anette Eberhard

Christian Th. Kjølbye

Flemming Hansen

Birgitte Nielsen

Visti Nielsen

# Independent auditors' review report

## **To the shareholders of Finansiel Stabilitet A/S**

We have reviewed the interim financial statements of Finansiel Stabilitet A/S for the six months ended 30 June 2011 (pages 30-46), comprising income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes to the financial statements of the Group as well as the parent company, and the cash flow statement for the Group. The consolidated interim financial statements are presented in accordance with IAS 34, Interim Financial Reporting as adopted by the EU, while the interim financial statements of the parent company are presented in accordance with the Danish Financial Business Act. Moreover, the interim financial statements are presented in accordance with additional Danish disclosure requirements for interim reports of financial enterprises.

The Company's Board of Directors and Management Board are responsible for the interim financial statements. Our responsibility is to express a conclusion on the interim financial statements based on our review.

Copenhagen, 26 August 2011

## **KPMG**

Statsautoriseret Revisionspartnerselskab

Flemming Brokhattingen  
State Authorised  
Public Accountant

Lars Rhod Søndergaard  
State Authorised  
Public Accountant

## **Scope of review**

We conducted our review in accordance with the Danish Standard on Auditing RS 2410, "Review of Interim Financial Information Performed by the Auditor". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is significantly less in scope than an audit conducted in accordance with Danish Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements have not been prepared in accordance with IAS 34, Interim Financial Reporting as adopted by the EU, in respect of the Group and the Danish Financial Business Act in respect of the parent company and in accordance with additional Danish disclosure requirements for interim reports of financial enterprises.





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