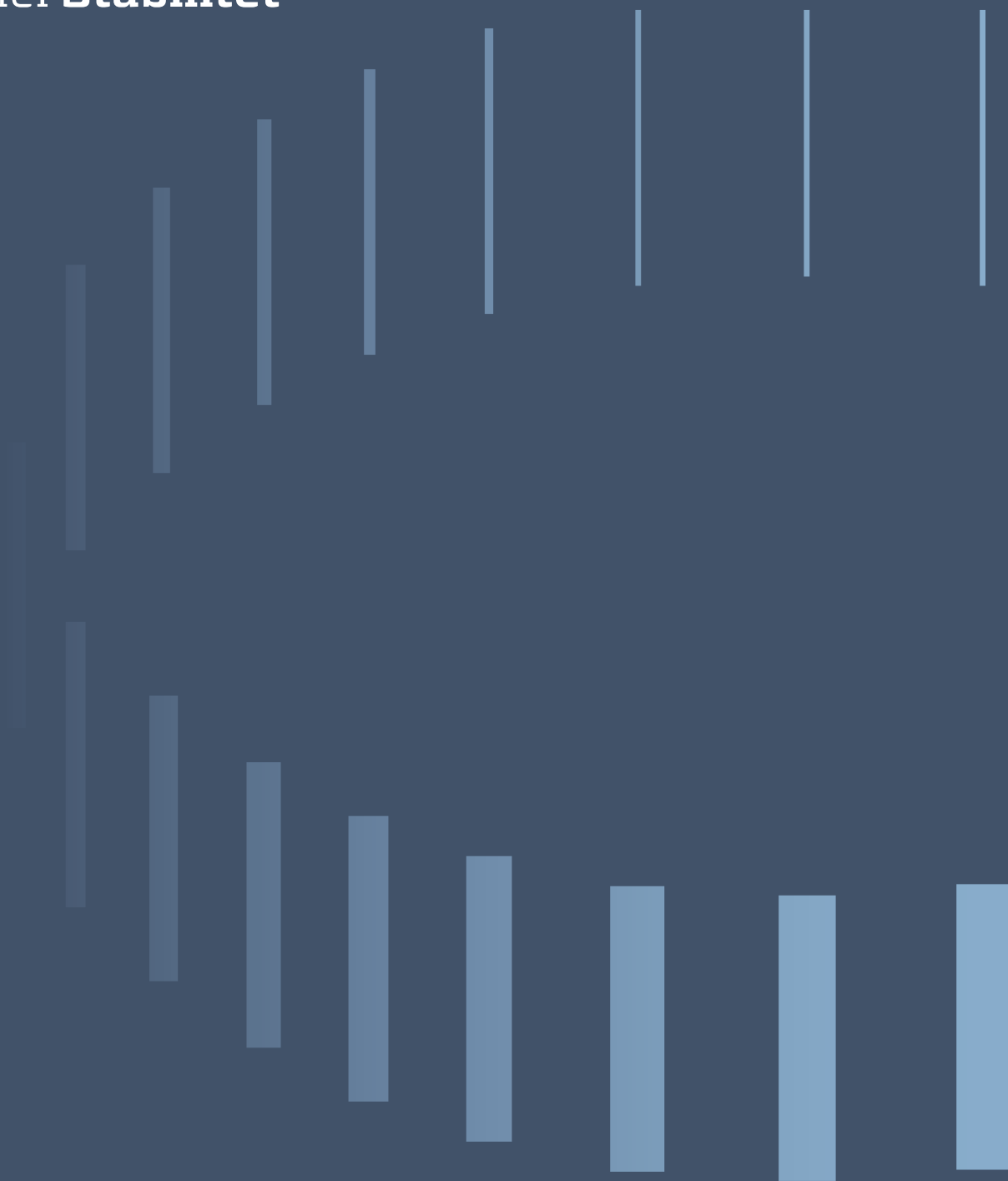


# Finansiell Stabilitet



Interim report  
**FIRST HALF 2012**

Translation

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# Highlights

- Finansiel Stabilitet A/S reported a profit of DKK 421 million in H1 2012, against a loss of DKK 434 million in H1 2011. The performance was stronger than expected and reflected a better winding up of exposures than anticipated.
- Total assets were reduced by a net amount of DKK 15 billion during the period from 31 December 2011 to 30 June 2012, when total assets stood at DKK 39 billion. The winding up of activities reduced total assets by a net amount of DKK 16 billion, while the takeover of new activities increased total assets by a net amount of DKK 1 billion.
- During the first six months of 2012, Finansiel Stabilitet and its subsidiaries reduced the number of individual customers by around 900 and principal customers by around 400. Total loans, advances and guarantees were reduced by a net amount of DKK 4.3 billion to stand at DKK 18 billion at 30 June 2012.
- At 30 June 2012, Finansiel Stabilitet's total outstanding individual government guarantees provided to credit institutions outside the Group amounted to DKK 100 billion, against DKK 146 billion at 31 December 2011.
- FS Finans A/S, FS Pantebrevsselskab A/S and FS Ejendomsselskab A/S were merged into the parent company for accounting purposes at 1 January 2012. Finansiel Stabilitet has realigned its group structure in order to continue to enhance efficiency in terms of the winding up of activities and exposures taken over.
- After the balance sheet date (2 July 2012) regulatory approval was given for the takeover of property exposures from FIH Holding in the amount of approximately DKK 17 billion. The activities are included under a subsidiary of Finansiel Stabilitet, FS Property Finance A/S.
- The full-year performance relies on developments in the activities taken over by Finansiel Stabilitet under the Bank Package, including the valuation of exposures in particular and the outcomes of lawsuits and disputes. Finansiel Stabilitet expects to report a profit for the full year 2012.

# Winding-up activities in Finansiel Stabilitet – progress and strategy

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 a public limited company owned by the Danish State through the Ministry of Business and Growth.

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 banks taken over under the Bank Package (Bank Package I);
- to wind up banks taken over under the Exit and Consolidation Packages (Bank Package III and Bank Package IV, respectively);
- to manage individual government guarantees under the Credit Package (Bank Package II); and
- to wind up activities in FS Property Finance A/S.

Finansiel Stabilitet is working to wind up the activities taken over from distressed banks as quickly as possible, in a financially prudent manner and in compliance with the Group's values, including fair and proper conduct.

During the first six months of 2012, Finansiel Stabilitet and its subsidiaries reduced the number of individual customers by around 900 and principal customers by around 400. Accordingly, Finansiel Stabilitet had approximately 5,400 individual customers and approximately 2,900 principal customers at 30 June 2012.

Total loans and advances, including guarantees, were reduced by a net amount of DKK 4.3 billion to DKK 18 billion from 1 January 2012 to 30 June 2012. Deposits increased slightly in H1 2012 due to deposits from the sale of properties.

Finansiel Stabilitet is winding up activities on a current basis by, among other things, reducing loans, advances and guarantees, unutilised credit facilities and other debts. The exposures are transferred to other banks and agreements are made with the customers for a reduction of their facilities with Finansiel Stabilitet. The latter scenario involves efforts to sell the mortgage security underlying the exposure in order to effect a cash winding up of the exposure. This

## Development in total assets from 31 December 2011 to 30 June 2012

	Total assets, 31 Dec 2011	Taken over in 2012	Immediate sale in conn. w. takeovers	Increase on takeover	Other winding up	Total assets, 30 June 2012
Principal customers (no.)	3,255	-	-	80	415	2,920
Individual customers (no.)	6,095	39,000	38,740	260	911	5,444
Deposits (DKKm)	1,804	3,900	3,885	15	-25	1,844
Net loans, advances and guarantees (DKKm)	21,834	3,073	2,652	421	4,320	17,935
Employees (no.)	538	175	175	0	73	465

Note: Since 2008, Finansiel Stabilitet has taken over 461,000 individual customers and deposits and loans of approximately DKK 64 billion and DKK 83 billion, respectively, from 12 distressed banks. Several individual customers form part of group exposures and are furthermore categorised as principal customers. The number of employees is stated inclusive of employees under notice.

type of winding up often takes place in collaboration with the individual customer who also has a financial interest in ensuring that the mortgage security is sold, thereby reducing the exposure.

In April 2012, Finansiel Stabilitet took over the activities of Sparekassen Østjylland, which had become distressed. This takeover comprised around 39,000 individual customers and loans and advances for a total amount of DKK 3 billion. Finansiel Stabilitet concluded an agreement with Sparekassen Kronjylland during the same weekend as the takeover and was thereby able to sell most of the exposures, all employees and branches. The end result was that Finansiel Stabilitet increased the number of individual customers by 260, the number of principal customers by 80 and total loans and advances by a net amount of DKK 421 million.

In March 2012, Finansiel Stabilitet concluded an agreement with FIH for the takeover of property exposures in the amount of approximately DKK 17 billion with a view to winding up. These are not included in the financial statements for the six months ended 30 June 2012, as the agreement with FIH was not approved until after 30 June 2012. The new subsidiary, FS Property Finance, was established on 2 July 2012.

Finansiel Stabilitet is also reducing the number of employees as the winding up of customer exposures progresses. Finansiel Stabilitet had 465 employees (including employees under notice) at 30 June 2012, against 538 at 1 Janu-

ary 2012. Excluding employees under notice, Finansiel Stabilitet had 376 employees at 30 June 2012.

### **The Group's value chain and group structure**

In its financial statements for the three months ended 30 March 2012, Finansiel Stabilitet announced a decision to realign the group structure in order to be better prepared to complete the group strategy announced in the autumn of 2011.

The strategy is focused on finding an optimum method for winding up exposures taken over as quickly as possible, in a financially prudent manner and in compliance with the Group's values.

Finansiel Stabilitet completed a merger of the subsidiaries FS Ejendomsselskab, FS Pantebrevsselskab and FS Finans with the parent company on 1 July 2012. The merger was completed for accounting purposes with effect from 1 January 2012.

The new group structure is based on a value chain (see figure below), which Finansiel Stabilitet will work according to over the next couple of years. The value chain consists of a number of steps, starting with the takeover of a distressed bank and ending with Finansiel Stabilitet converting activities taken over into cash in a financially prudent manner. As a new element in the structure, the winding up of exposures and activities taken over from distressed banks will be transferred to the parent company for centralised winding up according to predetermined timetables.

## Value chain of Finansiel Stabilitet



### *Takeover and local winding up*

In the first step of the value chain, a distressed bank is transferred to Finansiel Stabilitet, which establishes a subsidiary in order to commence a winding-up process for the activities and exposures taken over. Finansiel Stabilitet uses the designation 'distressed banks' for these subsidiaries. Amagerbanken af 2011 A/S, Fjordbank Mors af 2011 A/S, Max Bank af 2011 A/S and Sparebank Østjylland af 2012 A/S belong to this category.

During the initial period, a distressed bank under Finansiel Stabilitet must ensure that exposures and activities requiring a banking licence are transferred to a potential acquiring bank. Moreover, a decentralised winding-up process will be going on for the first six months after takeover. After this period, the activities will gradually be transferred for centralised winding up in the parent company. The activities must be transferred to the parent company not later than 12 months after takeover. The distressed bank will lodge its banking licence when it is no longer needed. This implies a cost saved for Finansiel Stabilitet, because the distressed bank is no longer required to comply with the statutory capital requirements (solvency) or to comply with any other requirements imposed by the FSA.

### *Centralised winding up*

The new process means that exposures will be transferred for centralised management and winding up in the parent company's business unit called "Exposure Winding

Up and Credit Management". Action plans are prepared in collaboration with the individual customer for exiting Finansiel Stabilitet, if such exit has not already taken place. The exposures are divided into and treated under the segments "viable exposures", "conditionally viable exposures" and "liquidation exposures", respectively.

There will be some exposures for which a transfer to another bank will prove impossible. This is typically because the credit quality is poor and because the exposures involved are liquidation exposures. By agreement, the customer will be granted a period to sell the assets provided as security itself. If such efforts are not successful, the winding-up strategy typically entails that a demand is made for realisation of collateral security and guarantees, etc. The end result could be that Finansiel Stabilitet will come to hold financial and physical assets such as properties.

### *Management and sale of assets*

Financial and physical assets are transferred to the next step in the value chain, management and winding up of assets. The business unit "Management and Winding Up of Assets" in Finansiel Stabilitet continues from this point by divesting the assets, which generally takes place against cash payment. This business unit also takes over any financial or physical assets from distressed banks when the winding-up process moves from the local stage to the centralised stage.

# Financial review

Finansiel Stabilitet generated a profit of DKK 421 million in H1 2012, against a loss of DKK 434 million in the same period of last year. The performance was better than expected on presentation of the interim financial statements for the first quarter of 2012. The stronger performance was driven by better-than-expected winding up of exposures.

## Areas of activity of Finansiel Stabilitet

Finansiel Stabilitet's areas of activity are different from those of a regular financial business in a number of important areas. Each area of activity is characterised in being anchored in a specific statute, and the financial statements reflect the different conditions applicable. Only the winding up of banks under the Bank Package has an earnings impact, hence giving rise to risk on the part of Finansiel Stabilitet. The other areas have no impact on the profit/(loss) of Finansiel Stabilitet.

Finansiel Stabilitet has received a guarantee from the Guarantee Fund for Depositors and Investors (the Guarantee Fund) for the winding up of banks taken over under the Exit Package or the Consolidation Package. If the

results of the winding up fall short of what was expected when the dividend was fixed in collaboration with expert valuers, among others, the Winding-up Department of the Guarantee Fund will bear the financial loss. Unsecured creditors that have not received full dividend, including the Guarantee Fund (the Banking Department) and the Danish State, will benefit from a potentially improved performance relative to the performance expected in connection with the winding up of the exposures of the relevant banks.

Finansiel Stabilitet manages individual government guarantees issued to the credit institutions. In this connection, the Danish State provides a guarantee to Finansiel Stabilitet. Accordingly, the risk of incurring a loss on the individual government guarantees issued is borne by the Danish State, which, in return, receives the regular guarantee commissions paid for the relevant guarantees.

The H1 2012 performance is therefore broken down by the different areas of activity.

However, the development in total assets etc. is described on the basis of the consolidated balance sheet.

## Placing of financial risk for Financial Stabilitet's areas of activity

Area of activity	Bank Package (Bank Package I)	Exit and Consolidation Packages (Bank Packages III and IV)	Individual government guarantees (Bank Package II)
Placing of financial risk	Finansiel Stabilitet	Winding-up Department of the Guarantee Fund*	The Danish State
Description	Comprises the activities of the parent company, Finansiel Stabilitet, and FS Bank	Comprises the activities of Amagerbanken af 2011 A/S, Fjordbank Mors af 2011 A/S, Max Bank af 2011 A/S and Sparebank Østjylland af 2012 A/S	Comprises activities in connection with the handling of individual government guarantees
* The financial risk is placed in the Winding-up Department of the Guarantee Fund if the final dividend turns out to be lower than the initial dividend. Unsecured creditors that have not received full coverage are entitled to an earn-out payment if the dividend turns out to be higher than the initial dividend.			

## The Bank Package

Finansiel Stabilitet reported a profit of DKK 421 million on the Bank Package in H1 2012, equivalent to the overall profit reported by the Group. Net interest income amounted to DKK 121 million in H1 2012. Net fee income, market value adjustments and guarantee commission for the government guarantees produced a loss of DKK 69 million. Market value adjustments produced a loss of DKK 88 million.

The loss on market value adjustments was, among other things, attributable to unrealised capital losses on Finansiel Stabilitet's portfolio of capital instruments, mainly in Danish banks (shares, guarantee certificates and cooperative share certificates), and sector equities.

Other operating income, net, amounted to DKK 78 million in H1 2012, of which adjustment of provisions for lawsuits and disputes contributed negatively by DKK 7 million. Total operating expenses amounted to DKK 273 million in H1 2012. Finally, impairment increased the profit by DKK 564 million as a result of substantial reversals in H1 2012 of impairment losses recognised in previous years.

This reflects, among other things, the fact that the winding up of exposures produced better-than-expected results.

Compared with H1 2011, the performance in H1 2012 first and foremost reflected the ongoing winding up, implying a decline in loans and advances and thus also a decline in net interest income. Moreover, Finansiel Stabilitet reported operating expenses of DKK 273 million in H1 2012, compared with DKK 326 million in the same period of last year.

As a result of the merger of FS Finans, FS Pantebrevselskab and FS Ejendomsselskab with effect for accounting purposes as from 1 January 2012, the segment comprises the parent company's activities under the Bank Package as well as FS Bank.

FS Bank generated a profit of DKK 27 million in H1 2012, against a loss of DKK 161 million in H1 2011. The remaining part of the H1 2012 results was attributable to the parent company.

## The Bank Package

Activities for the six months ended 30 June 2012 (DKKm)	H1 2012	H1 2011
Net interest income	121	284
Guarantee commission, government guarantees	(4)	(3)
Other net fee income and market value adjustments	(65)	(125)
Movements in purchase price adjustment	-	-
Other operating income/(expenses), net	78	42
Operating expenses	273	326
Impairment losses on loans, advances, guarantees etc.	(564)	346
Profit/(loss) from investments in subsidiaries and associates	0	22
Loss guarantee from the Danish State relating to individual government guarantees	-	-
Loss guarantee from the Guarantee Fund	-	-
<b>Profit/(loss) for the period before tax</b>	<b>421</b>	<b>(452)</b>
Tax	0	(18)
<b>Profit/(loss) for the period</b>	<b>421</b>	<b>(434)</b>



### The Exit and Consolidation Packages

In 2011, Finansiel Stabilitet took over the activities of Amagerbanken and Fjordbank Mors under the Exit Package, whereas Max Bank was taken over under the Consolidation Package. In 2012, Finansiel Stabilitet took over the activities of Sparekassen Østjylland under the Consolidation Package. These are the companies which have been consolidated in the financial statements for the Exit and Consolidation Packages.

As mentioned earlier, Finansiel Stabilitet assumes no direct risk in connection with the winding up of activities taken over under the Exit and Consolidation Packages, but efforts are made to wind up the companies as efficiently as possible with due consideration for the unsecured creditors that have not obtained full coverage of their claims, including the Guarantee Fund and the Danish State. The

activities under the Exit and Consolidation Packages produced a break-even result, as the loss of DKK 160 million incurred in H1 2012 was covered by the Guarantee Fund.

An initial dividend is fixed when Finansiel Stabilitet takes over the distressed banks under the Exit and Consolidation Packages. The dividend is fixed on the basis of a conservative valuation principle (assets on initial transfer). This is prescribed by law and should be seen in light of the disbursement being equivalent to interim dividend in an insolvent estate. In this context, it is key that the distribution of interim dividend is based on sufficient certainty that the winding up will not generate a loss compared with the assets calculated at the time of distribution, which form the basis of the distribution. Accordingly, the dividend is distributed without the final selling price of the assets being known.

### The Exit and Consolidation Packages

Activities for the six months ended 30 June 2012 (DKKm)	H1 2012	H1 2011
Net interest income	172	243
Guarantee commission, government guarantees	(39)	(42)
Other net fee income and market value adjustments	(169)	(93)
Movements in purchase price adjustment	106	119
Other operating income/(expenses), net	517	212
Operating expenses	233	(3)
Impairment losses on loans, advances, guarantees etc.	514	0
Profit/(loss) from investments in subsidiaries and associates	0	0
Loss guarantee from the Danish State relating to individual government guarantees	-	-
Loss guarantee from the Guarantee Fund	160	0
<b>Profit/(loss) for the period before tax</b>	<b>0</b>	<b>0</b>
Tax	0	0
<b>Profit/(loss) for the period</b>	<b>0</b>	<b>0</b>

### ***Amagerbanken and Fjordbank Mors***

After the expert valuers' review, the dividend (initial dividend) was fixed at 84.4% for Amagerbanken and 86.0% for Fjordbank Mors. If the winding up of these banks, which were taken over under the Exit Package, produces a better result than anticipated, the unsecured creditors may receive additional distributions. If the winding up produces a loss which had not been anticipated at the time of fixing of the dividend, such loss will be covered by the Winding-up Department of the Guarantee Fund.

In Amagerbanken af 2011, the current purchase price adjustment, which reflects the possibility of additional dividend distribution, shows a balance of DKK 943 million. This marks an increase of DKK 87 million relative to the balance at 31 December 2011. The increase was achieved in spite of the fact Amagerbanken af 2011 is required by law to generate a return on the capital contributed by Finansielt Stabilitet, currently of around 11.5% after tax. Finansielt Stabilitet reinvoices the return to the Guarantee Fund after financing costs, and the Guarantee Fund receives the return as compensation for assuming the financial risk that the winding up produces a loss compared with the dividend rate initially fixed.

In Fjordbank Mors af 2011, the current balance shows that in spite of the conservative valuation principle being applied, a loss has been recorded relative to the dividend originally fixed. The Guarantee Fund guarantees coverage of any subsequent losses. In H1 2012, Fjordbank Mors af 2011 reported a loss of DKK 210 million which will be covered by the loss guarantee provided by the Winding-up Department of the Guarantee Fund. The loss in Fjordbank Mors af 2011 was mainly related to impairment losses on loans.

### ***Max Bank and Sparekassen Østjylland***

In Max Bank and Sparekassen Østjylland, no unsecured creditors incurred any losses as a result of the transfer to Finansielt Stabilitet, as the transfer took place under Model 2 of the Consolidation Package, which reimburses all unsecured creditors, except for the Guarantee Fund and Finansielt Stabilitet. Both the Guarantee Fund and Finansielt Stabilitet contributed a dowry, as sufficient assets were not available to fully reimburse all creditors, including the Danish State and the Guarantee Fund. The dowry may be reduced if the winding up of the bank produces a better result than expected when the dowry was fixed.

In Max Bank af 2011, there was a purchase price adjustment of DKK 239 million at 30 June 2012. This marked a decline of DKK 474 million relative to the balance at 31 December 2011 which was partly due to requirements for return on capital and partly to further impairment losses and losses on ordinary operations. Moreover, in H1 2012 Max Bank af 2011 repaid DKK 322 million of the dowry to Finansielt Stabilitet and the Guarantee Fund, respectively, in proportion to the share of the original dowry contributed by each of the two parties.

In Sparebank Østjylland af 2012, the purchase price adjustment amounted to DKK 237 million at 30 June 2012. The purchase price adjustment was reduced by DKK 41 million during the reporting period. This was due to requirements for return on capital and losses related to equity investments.

In subsidiaries in which a further purchase price adjustment exists, there is a possibility of distribution of additional dividend to the unsecured creditors. However, the final dividend, which is not fixed until the winding up process has been concluded, is subject to substantial uncertainty.

## Initial and current dividend for takeover under the Exit and Consolidation Packages

	Initial dividend (*)	Current dividend		Additional purchase price adjustment, DKKm
		Unsecured creditors	Finansiel Stabilitet and the Banking Department of the Guarantee Fund	
Amagerbanken	84.4%	84.4%	84.4%	943
Fjordbank Mors (**)	86.0%	86.0%	86.0%	-
Max Bank	75.2%	100%	77.3%	239
Sparekassen Østjylland	73.4%	100%	82.8%	237

(\*) Guaranteed by the Winding-up Department of the Guarantee Fund.

(\*\*) Dividend for the Guarantee Fund is lower because purchase price adjustment has been used. Moreover, an additional loss of DKK 445 million will be covered by the Winding-up Department of the Guarantee Fund.

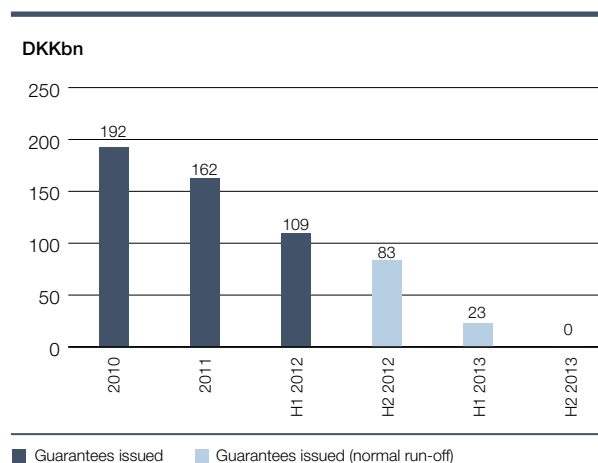
### Individual government guarantees

At 30 June 2012, individual government guarantees had been issued to 40 credit institutions for a total amount of DKK 109 billion, of which DKK 9 billion was related to Finansiel Stabilitet's subsidiaries.

Overall, the guarantees issued at 30 June 2012 had been reduced by DKK 83 billion relative to the original issues of DKK 192 billion immediately after the expiry of the Credit Package at the end of 2010. The reductions comprised early redemptions in the amount of DKK 60 billion, while the remaining DKK 23 billion was attributable to normal run-off and exchange rate fluctuations. Individual government guarantees in the amount of DKK 162 billion had been issued at 31 December 2011, of which DKK 146 billion was issued to credit institutions outside the Finansiel Stabilitet Group.

In terms of amount, 21% of the outstanding issues covered by an individual government guarantee was attributable to group 1 banks and mortgage credit institutions, whereas 70% was attributable to group 2 and group 3 banks.

### Outstanding individual government guarantees since the expiry of the Credit Package in the autumn of 2010



### New guarantee scheme

During the period from February 2009 to 31 December 2010, Finansielt Stabilitet was commissioned by the Danish State to issue individual government guarantees to credit institutions under the Credit Package. The scheme entailed that Finansielt 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.

By adopting application for appropriation of funds no. 5 on 22 March 2012, the Finance Committee of the Danish parliament established a new guarantee scheme. Until 31 December 2012, Danish banks can apply for extension of existing guarantees or for provision of new guarantees of up to DKK 40 billion to expire on 31 December 2016 at the latest. Following the approval granted by the European Commission, the deadline for application has been preliminarily fixed at 31 December 2012.

The new guarantee scheme, which is also managed by Finansielt Stabilitet, is based on the same basic principles as the original guarantee scheme. However, it is a condition that guarantees will only be issued in connection with mergers between two banks, that at least one of the banks is distressed or expected to become distressed and

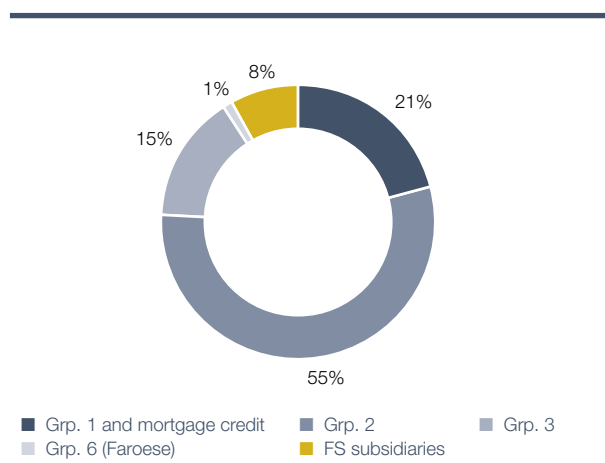
that the continuing bank is viable. At the same time, the guarantee commission to the Danish State is increased. So far, under the new guarantee scheme, a commitment has been provided to Vestjysk Bank of DKK 8.6 billion and a conditional commitment has been provided to Den Jyske Sparekasse of DKK 1.5 billion. Both commitments have been provided on the condition that the guarantees will be reduced gradually in the period until 2016.

### Expiry of outstanding guarantees

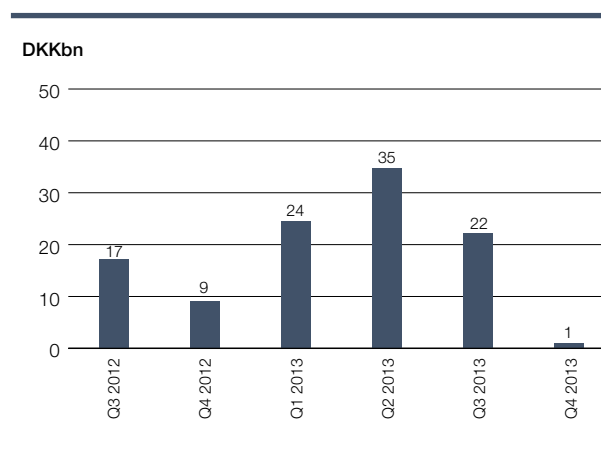
The aggregate amount guaranteed with respect to existing issues is expected to be reduced as debt issued on the basis of individual government guarantees falls due for repayment in the period until 31 December 2013 or as a result of early redemptions or cancellation of debt issued on the basis of individual government guarantees. Repayment of existing debt issued on the basis of individual government guarantees is to a high degree concentrated on the period 1 January–30 September 2013.

In H2 2012, individual government guarantees in the amount of DKK 26 billion will expire ordinarily. The new guarantee scheme, enabling issuance of guarantees with expiry in the period until 2016, is expected to have the effect that there will still be outstanding guarantees after 2013.

### Distribution of guarantees on credit institution groups



### Expiry of individual government guarantees



### **Guarantee commission**

In H1 2012, the Danish State received guarantee commission on guarantees issued in a total amount of DKK 662 million and paid DKK 30 million to Finansiel Stabilitet by way of reimbursement of costs. This marked a decline of DKK 177 million relative to H1 2011, when the Danish State received guarantee commission of DKK 839 million. The decline was attributable to early redemptions of DKK 60 billion in 2011 and in the first half of 2012 as well as ordinary expiries in the amount of DKK 23 billion.

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

When Amagerbanken was transferred to Finansiel Stabilitet in February 2011, Finansiel Stabilitet had outstanding guarantees of DKK 13.6 billion to the bank. Like the other creditors, Finansiel Stabilitet has received dividend in proportion to the liabilities calculated. The dividend has been calculated at 84.4%, equivalent to a loss of DKK 2.1 billion on the guarantees provided.

When Fjordbank Mors was transferred to Finansiel Stabilitet in June 2011, Finansiel Stabilitet had outstanding guarantees of DKK 4.1 billion to the bank. Like the other creditors, Finansiel Stabilitet has received dividend in proportion to the liabilities calculated. The dividend has been calculated at 86%, equivalent to a loss of DKK 0.6 billion on the guarantees provided.

The activities of Max Bank were transferred to a subsidiary of Finansiel Stabilitet in October 2011. The activities were transferred under the Consolidation Package, which is based on the general principle that no unsecured creditors should incur any loss on the winding up of a distressed bank, equalling a dividend of 100%. Accordingly, the Danish State is guarantor of the individual government guarantees, and the Guarantee Fund, by way of a dowry, covers any loss which unsecured creditors would have incurred in a transfer under the Exit Package. On behalf of the Danish State, Finansiel Stabilitet has therefore provided a dowry to Max Bank of DKK 0.8 billion, which was reduced to DKK 0.6 billion by repayment of 0.2 billion in Q2 2012.

The activities of Sparekassen Østjylland were transferred to a subsidiary of Finansiel Stabilitet in April 2012. The activities were transferred under the Consolidation Package.

Finansiel Stabilitet has provided a dowry to Sparebank Østjylland of DKK 0.1 billion on behalf of the Danish State.

As a result, the loss preliminarily expected on the individual government guarantees was DKK 3.4 billion at 30 June 2012. The loss may be reduced if the ultimate winding up of the individual subsidiaries results in a positive purchase price adjustment, which can be distributed to creditors that have not received full coverage of their claims. Losses and dowry are covered by way of a loss guarantee from the Danish State and therefore have no impact on the financial results of Finansiel Stabilitet.

### **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 2012, Finansiel Stabilitet had total assets of DKK 39 billion, of which loans and advances, the most material asset item, accounted for DKK 13.4 billion. Amounts due from central banks and credit institutions totalled DKK 8.6 billion, and amounts due from the Danish State relating to Roskilde Bank and individual government guarantees totalled DKK 7.8 billion.

Total assets declined by DKK 15 billion in H1 2012. This decline 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 16 billion. On the other hand, Finansiel Stabilitet took over new subsidiaries with total assets of DKK 5 billion, of which DKK 4 billion was wound up, resulting in a net increase of DKK 1 billion.

The most important activities affecting total assets in H1 2012 were:

- distribution of dividends to the Danish State of DKK 4.6 billion and concurrent reduction of receivable from the Danish State regarding Roskilde Bank;
- reduction of loans and advances by approximately DKK 4 billion; and
- reduction of cash and cash equivalents and bonds by approximately DKK 5 billion.

### **Contingent liabilities etc.**

Within the past 12 months, a considerable number of complaints have been brought before the Danish Financial Institutions' Complaints Board by customers of banks taken over by Finansiel Stabilitet. Finansiel Stabilitet is also party to a number of lawsuits and disputes. Moreover, Finansiel Stabilitet has instituted a number of liability and compensation proceedings against the former managements of the banks taken over. In aggregate, Finansiel Stabilitet is involved in cases representing a total amount of approximately DKK 6 billion at 30 June 2012.

Finansiel Stabilitet has assessed the overall risks facing the Group in connection with legal disputes, complaints and claims for damages. Finansiel Stabilitet has performed a financial risk assessment based on the legal assessments of the outcomes of the cases. The balance sheet as at 30 June 2012 included total provisions of DKK 1.4 billion.

### **Principal activities**

#### ***Takeover of Sparekassen Østjylland***

Effective at 21 April 2012, Finansiel Stabilitet concluded an agreement with Sparekassen Østjylland for the takeover of all assets and liabilities from the bank, except for guarantee capital and other subordinated debt. A new subsidiary of Finansiel Stabilitet was established to wind up around 80 principal customers, which were taken over because it was initially not possible to sell them to other banks.

Sparebank Østjylland af 2012 was established in the second quarter of 2012 as an independent subsidiary. Sparebank Østjylland af 2012 is currently completing a decentralised winding up of exposures, but a process has already been initiated to transfer the exposures for centralised winding up in the parent company.

#### ***Trustee of the agreement regarding Sparekassen Spar Salling***

Finansiel Stabilitet acted as trustee in connection with the handling of Sparekassen Spar Salling in April 2012. Since Finansiel Stabilitet had not made any agreements regarding individual government guarantee with Sparekassen Spar Salling, Finansiel Stabilitet was not otherwise involved in the transaction. The Guarantee Fund concluded

an agreement for the provision of dowry to Den Jyske Sparekasse in connection with the transfer of activities to Den Jyske Sparekasse.

### **Quarterly staff reductions**

Finansiel Stabilitet reduced its staff by 25 at 30 June 2012. The reduction is included in the number of employees under notice. See page 5. There are plans for further staff reductions in the autumn and each quarter for the next couple of years. Gradually reducing the number of employees in line with the winding up of activities has become a specific winding-up goal in the group strategy. Moreover, rationalisation gains are created by reorganising the group structure and centralising the winding-up process.

### **Subsequent events**

#### ***FS Property Finance***

On 2 March 2012, Finansiel Stabilitet signed an agreement with FIH Holding A/S on the takeover of property exposures and related financial instruments of approximately DKK 17 billion. The agreement was subject to approval by the European Commission and the Danish Competition and Consumer Authority. Both the European Commission and the Danish Competition and Consumer Authority approved the agreement.

As a result, as at 2 July 2012 Finansiel Stabilitet was able to take over the subsidiary established by FIH with the above-mentioned property exposures. FS Property Finance has entered into an agreement with FIH Erhvervsbank on the administration of the property exposures taken over.

#### ***Landbrugets FinansieringsBank***

On 22 May 2012, the Ministry of Business and Growth announced that an agreement had been concluded between Finansiel Stabilitet, the Danish Bankers Association, the Danish Agriculture & Food Council, Nykredit and DLR Kredit for the establishment of a financing institute for agriculture, Landbrugets FinansieringsBank (LFB). Finansiel Stabilitet has made a commitment to subscribe for share capital in the amount of DKK 75 million of the total commitment of DKK 230 million. In addition, a commitment has been made to provide a subordinated loan of up to DKK 70 million.

LFB will contribute to alleviating the current credit squeeze within agricultural financing by providing capital investment funding for efficiently operated farms and for young farmers who possess the skills to participate in a generational change but who are unable to attract the necessary bank funding.

Finansiel Stabilitet estimates that it will be possible to transfer around 90 agricultural exposures in the amount of approximately DKK 700 million from the Group to LFB. After the transfer to LFB, Finansiel Stabilitet will have agricultural exposures for which:

- the possibilities of transfer to a commercial bank have been exhausted;
- financing through LFB is not an option; or for which
- reconstruction is not considered an option.

These agricultural exposures will be wound up by Finansiel Stabilitet in a controlled environment and generally within a 12-month horizon. To the extent possible, the winding up will take place in close collaboration with the farm owner in order to achieve a solution which is acceptable to all parties.

The winding up of the agricultural exposures is not expected to result in a greater need for additional credit granting. Finansiel Stabilitet can provide liquidity where this would ensure the viability of the farm, e.g. to ensure animal welfare, with the aim of facilitating a sale of the farm at the most opportune time of the year.

### **Significant risks**

Most of Finansiel Stabilitet's risks are related to the risk of losses on non-performing exposures and lawsuits and disputes.

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 a minor exposure to market risks. Moreover, Finansiel Stabilitet has low liquidity risk due to the access to the state-funded re-lending scheme.

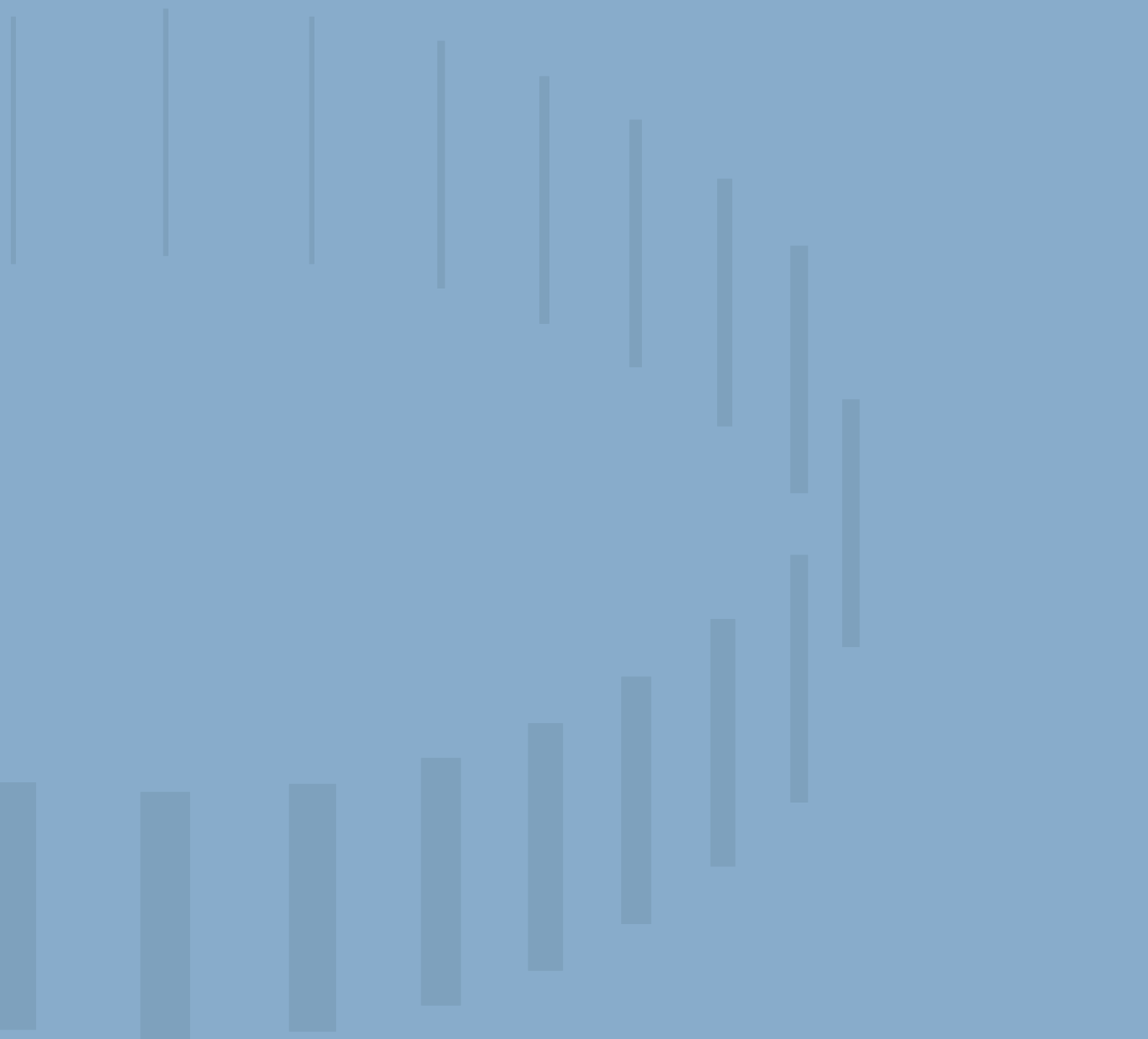
Finansiel Stabilitet has received a re-guarantee from the Danish State in connection with the issuance of the individual government guarantees, which implies that Finansiel Stabilitet is not liable for losses concerning individual government guarantees and that net income from the scheme mainly in the form of guarantee commission is transferred on an ongoing basis to the Danish State through the Ministry of Business and Growth.

Due to the loss guarantee provided by the Winding-up Department of the Guarantee Fund, Finansiel Stabilitet and hence also the Danish State bear no risk in connection with the winding up of subsidiaries taken over as part of the Exit and Consolidation Packages. Moreover, the re-guarantee from the Danish State concerning individual government guarantees contributes to ensuring that Finansiel Stabilitet has no risk in relation to subsidiaries taken over under the Consolidation Package. The risk on the part of the Danish State is also limited, as the Winding-up Department of the Guarantee Fund guarantees the dividend initially calculated.

### **Outlook for 2012**

The full-year performance relies on developments in the activities taken over by Finansiel Stabilitet under the Bank Package, including in particular the valuation of exposures and the outcomes of lawsuits and disputes. Finansiel Stabilitet expects to report a profit for the full year 2012. Seen in isolation, the other areas of activity do not impose any significant risk on Finansiel Stabilitet.

# Financial statements





# Income statement

(DKKm)	Group		Parent	
	H1 2012	H1 2011	H1 2012	H1 2011
Note				
4 Interest income	563	879	262	511
5 Interest expense	277	369	168	242
<b>Net interest income</b>	<b>286</b>	<b>510</b>	<b>94</b>	<b>269</b>
Share dividends etc.	10	4	2	0
Fees and commissions received	665	861	667	856
Fees and commissions paid	777	927	765	925
<b>Net interest and fee income</b>	<b>184</b>	<b>448</b>	<b>15</b>	<b>200</b>
6 Market value adjustments	(202)	(201)	(105)	(32)
Other operating income	941	268	251	91
7 Staff costs and administrative expenses	505	524	252	256
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	8	15	1	3
Other operating expenses	50	103	14	25
8 Impairment losses on loans, advances, receivables etc.	(115)	3,549	(613)	3,293
Profit/(loss) from investments in associates and subsidiaries	0	22	(32)	(336)
Loss guarantee from the Danish State relating to individual government guarantees	(54)	3,220	(54)	3,220
<b>Profit/(loss) for the period before tax</b>	<b>421</b>	<b>(434)</b>	<b>421</b>	<b>(434)</b>
Tax	0	0	0	0
<b>Profit/(loss) for the period</b>	<b>421</b>	<b>(434)</b>	<b>421</b>	<b>(434)</b>

# Statement of comprehensive income

(DKKm)	Group		Parent	
	H1 2012	H1 2011	H1 2012	H1 2011
Profit/(loss) for the period	421	(434)	421	(434)
Other comprehensive income after tax	0	0	0	0
<b>Total comprehensive income</b>	<b>421</b>	<b>(434)</b>	<b>421</b>	<b>(434)</b>

# Balance sheet

DKKm	Group		Parent			
	30.06. 2012	31.12. 2011	30.06. 2011	30.06. 2012	31.12. 2011	30.06. 2011
Note						
<b>Assets</b>						
Cash in hand and demand deposits with central banks	4,739	7,992	12,739	3,920	5,273	8,372
Due from credit institutions and central banks	3,874	3,474	7,186	884	519	2,765
Loans, advances and other receivables at fair value	1,077	1,089	994	1,010	1,021	994
Loans, advances and other receivables at amortised cost	13,395	17,535	26,974	5,922	7,913	9,956
Bonds at fair value	1,419	3,524	5,678	226	210	325
Shares, etc.	1,514	1,467	1,779	991	1,049	1,209
Investments in associates	400	400	464	351	350	414
Investments in subsidiaries	-	-	-	3,753	4,871	4,488
Intangible assets	1	1	450	1	1	1
Total land and buildings	1,758	1,566	1,994	112	0	1
Investment properties	1,744	1,553	1,891	112	-	1
Domicile properties	14	13	103	-	-	-
Other property, plant and equipment	49	45	134	7	7	6
Current tax assets	0	0	2	-	-	-
Assets held temporarily	1,035	2,226	2,206	0	102	241
Receivable re. loss guarantee from the Danish State relating to Roskilde Bank	4,331	8,931	8,931	4,331	8,931	8,931
Receivable re. loss guarantee from the Danish State relating to individual government guarantees	3,494	3,549	3,220	3,494	3,549	3,220
Other assets	1,847	2,648	3,279	1,289	743	1,032
Prepayments	22	19	28	4	12	4
<b>Total assets</b>	<b>38,955</b>	<b>54,466</b>	<b>76,058</b>	<b>26,295</b>	<b>34,551</b>	<b>41,959</b>

# Balance sheet

DKKm	Group			Parent		
	30.06. 2012	31.12. 2011	30.06. 2011	30.06. 2012	31.12. 2011	30.06. 2011
Note						
<b>Equity and liabilities</b>						
<b>Liabilities</b>						
Due to credit institutions and central banks	616	977	956	1,316	1,971	2,681
Deposits and other payables	3,585	4,090	13,334	13	1,419	794
Loans through the state-funded re-lending scheme	12,557	14,567	20,017	12,557	14,567	20,017
Issued bonds at amortised cost	6,236	13,431	15,790	2	2	2
Due to mortgage credit institutions	188	206	519	0	0	0
Other liabilities	2,183	3,069	6,841	1,263	1,109	2,699
Deferred income	8	4	625	0	0	0
<b>Total liabilities</b>	<b>25,373</b>	<b>36,344</b>	<b>58,082</b>	<b>15,151</b>	<b>19,068</b>	<b>26,193</b>
<b>Provisions</b>						
Provision for losses on guarantees	751	880	844	443	522	575
Purchase price adjustment (earn-out)	1,419	1,569	869			
9 Other provisions	2,012	2,094	2,108	1,301	1,382	1,036
<b>Total provisions</b>	<b>4,182</b>	<b>4,543</b>	<b>3,821</b>	<b>1,744</b>	<b>1,904</b>	<b>1,611</b>
<b>Total liabilities</b>	<b>29,555</b>	<b>40,887</b>	<b>61,903</b>	<b>16,895</b>	<b>20,972</b>	<b>27,804</b>
<b>Equity</b>						
Share capital	1	1	1	1	1	1
Retained earnings	13,578	8,978	14,588	13,578	8,978	14,588
Proposed dividend	-	4,600	-	-	4,600	-
Dividend	(4,600)	-	-	(4,600)	-	-
Profit/(loss) for the period	421	-	(434)	421	-	(434)
<b>Total equity</b>	<b>9,400</b>	<b>13,579</b>	<b>14,155</b>	<b>9,400</b>	<b>13,579</b>	<b>14,155</b>
<b>Total equity and liabilities</b>	<b>38,955</b>	<b>54,466</b>	<b>76,058</b>	<b>26,295</b>	<b>34,551</b>	<b>41,959</b>

# Statement of changes in equity

DKKm	Share capital	Retained earnings	Proposed dividend	Total equity	2011
<b>Group</b>					
<b>Equity as at 1 January</b>	<b>1</b>	<b>8,978</b>	<b>4,600</b>	<b>13,579</b>	<b>14,589</b>
Changes in equity during the period	-	-	-	-	-
Dividend paid	-	-	(4,600)	(4,600)	-
Comprehensive income for the period	-	421	-	421	(434)
<b>Equity as at 30 June</b>	<b>1</b>	<b>9,399</b>	<b>-</b>	<b>9,400</b>	<b>14,155</b>

DKKm	Share capital	Retained earnings	Proposed dividend	Total equity	2011
<b>Parent</b>					
<b>Equity as at 1 January</b>	<b>1</b>	<b>8,978</b>	<b>4,600</b>	<b>13,579</b>	<b>14,589</b>
Changes in equity during the period	-	-	-	-	-
Dividend paid	-	-	(4,600)	(4,600)	-
Comprehensive income for the period	-	421	-	421	(434)
<b>Equity as at 30 June</b>	<b>1</b>	<b>9,399</b>	<b>-</b>	<b>9,400</b>	<b>14,155</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.

In 2011, there were no changes in equity other than retained earnings.

# Cash flow statement

DKKm	Group	
	H1 2012	H1 2011
Profit/(loss) for the period after tax	421	(434)
Adjustment for non-cash operating items	3,942	2,860
Loss guarantee from the Private Contingency Association/the Danish State	54	6,780
Cash flows from operating capital	(1,937)	1,529
<b>Cash flows from operating activities</b>	<b>2,480</b>	<b>10,735</b>
Net investment in subsidiaries	1,084	883
Purchase/sale of property, plant and equipment	44	24
<b>Cash flows from investing activities</b>	<b>1,128</b>	<b>907</b>
Re-lending	1,861	(2,310)
Dividend	(4,600)	-
<b>Cash flows from financing activities</b>	<b>(6,461)</b>	<b>(2,310)</b>
<b>Change in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the period	10,910	10,445
Change during the period	(2,853)	9,332
<b>Cash and cash equivalents at the end of the period</b>	<b>8,057</b>	<b>19,777</b>

Cash flows from issued bonds have been reclassified from financing to operating activities in accordance with the cash flow statement for 2011.

# 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 2011, 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 2012. None of these have affected recognition and measurement in the first half of 2012 or are expected to affect Finansiel Stabilitet.

### Business acquisitions/combinations

The former subsidiaries FS Finans, FS Pantebrevsselskab and FS Ejendomsselskab, were merged with the parent company, Finansiel Stabilitet effective from 1 January 2012. As the transaction was in the form of a vertical merger, recognition and measurement is based on the uniting of interests method. When applying the uniting of interests method, the individual asset and liability items of the merging enterprises are unchanged, and any difference is adjusted directly on equity without recognition of negative or positive goodwill. The comparative figures of the parent company have been restated to reflect the new structure.

### Loans, advances and receivables at amortised cost

During the first half of 2012, the FSA clarified the existing rules on impairment of loans, advances and receivables. The new rules have not given rise to any changes to the Group's existing practice concerning impairment losses.

### 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 2011.

Through the newly established subsidiary Sparebank Østjylland af 2012, Finansiel Stabilitet has taken over all remaining assets in the estate in bankruptcy of Sparekassen Østjylland, as detailed in note 3.

# Notes

## 2 Segment information for the Group

DKKm	Bank package	Credit package	Exit and Consoli- dation packages	Total
<b>Activities for the six months ended 30 June 2012</b>				
Net interest income	121	(7)	172	286
Guarantee commission on government guarantees	(4)	662	(39)	619
Other net fee income/(expenses) and market value adjustments	(65)	(689)	(169)	(923)
Movements in purchase price adjustment	-	-	106	106
Other operating income/(expenses), net	78	30	517	625
Operating expenses	273	7	233	513
Impairment losses on loans, advances, guarantees etc.	(564)	(65)	514	(115)
Profit/(loss) from investments in subsidiaries and associates	0	-	0	0
Loss guarantee from the Danish State relating to individual government guarantees	-	(54)	-	(54)
Loss guarantee from the Private Contingency Association	-	-	160	160
<b>Profit/(loss) for the period before tax</b>	<b>421</b>	<b>0</b>	<b>0</b>	<b>421</b>
Tax	0	0	0	0
<b>Profit/(loss) for the period</b>	<b>421</b>	<b>0</b>	<b>0</b>	<b>421</b>
<b>Total segment assets</b>	<b>20,642</b>	<b>3,495</b>	<b>14,818</b>	<b>38,955</b>
<b>Activities for the six months ended 30 June 2011</b>				
Net interest income	284	(17)	243	510
Guarantee commission on 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	-	-	22
Loss guarantee from the Danish State relating to individual government guarantees	-	3,220	-	3,220
Loss guarantee from the Private Contingency Association	-	-	0	0
<b>Profit/(loss) for the period before tax</b>	<b>(452)</b>	<b>0</b>	<b>0</b>	<b>(434)</b>
Tax	(18)	-	-	(18)
<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>

# Notes

## 3 Takeover of enterprises - the Group

In performing its objects under the Act on Financial Stability, Finansiel Stabilitet has taken over all assets and either a proportionate share or all unsubordinated liabilities of distressed banks pursuant to the Exit and Consolidation Packages, respectively.

Under the Exit Package, the role of Finansiel Stabilitet 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 shall take over all employees of the bank and may take over other bilateral contracts pursuant 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 FSR – Danish Auditors, which is used to determine the initial dividend and thus adjustment of the liabilities taken over. If the finalisation of the winding up produces a profit exceeding Finansiel Stabilitet's contribution with the addition of a statutory market-based return requirement, this profit will be used for an increase of dividend and thus coverage of the liabilities not transferred to the subsidiaries. No distressed banks were taken over under the Exit Package during the first half of 2012.

The Consolidation Package applies two different models: Model 1 is used in situations where a viable bank takes over a distressed bank and receives a dowry from Finansiel Stabilitet and the Guarantee Fund. This model has not been applied yet.

Model 2 provides the framework for Finansiel Stabilitet to take over a distressed bank and divest the saleable part.

The newly established subsidiary of Finansiel Stabilitet receives a dowry from the Guarantee Fund. The subsidiary also receives a dowry from Finansiel Stabilitet corresponding to the losses on the individual government guarantees which would have materialised if the distressed bank had been wound up under the Exit Package. At the same time, the saleable part of the distressed bank is taken over by another bank. This is done without any loss being incurred by uncovered, unsecured creditors, including depositors. During the first half of 2012, Sparebank Østjylland af 2012 was taken over under the Consolidation Package.

Finansiel Stabilitet has received a loss guarantee from the Danish Guarantee Fund for Depositors and Investors, which covers any loss that Finansiel Stabilitet may suffer on capitalisation, financing and any loss in connection with the winding up of Sparebank Østjylland af 2012. Finansiel Stabilitet is required to pay a risk premium on the loss guarantee to the Winding-up Department of the Guarantee Fund to ensure that Finansiel Stabilitet does not have any net earnings in connection with the winding up.

In connection with the takeovers, the activities are to the widest possible extent to be transferred or continued with a view to winding up. Sparebank Østjylland af 2012 is working on winding up the remaining activities with a view to achieving the optimum financial result.

The hypothetical revenue and financial performance of the Group calculated as if the takeover of Sparebank Østjylland af 2012 had been effected at 1 January 2012 is not disclosed, given the practical difficulties and lack of relevance of providing such information.



# Notes

## Takeovers in the first half of 2012

### **Sparebank Østjylland af 2012 A/S**

Effective at 21 April 2012, Finansiel Stabilitet took over all assets in the estate in bankruptcy of Sparekassen Østjylland through a newly established subsidiary, Sparebank Østjylland af 2012. Immediately after this, the viable parts of the bank, including all retail customers, were sold to Sparekassen Kronjylland. The sale comprised some 39,000 customers with total deposits of DKK 3.9 billion and loans totalling DKK 2.5 billion. The remaining assets primarily comprised a loan portfolio and portfolios of cash deposits and securities.

The Group has incurred total transaction costs of DKK 9 million in connection with the takeover.

The fair value of loans, advances and other receivables at amortised cost taken over has been calculated at

DKK 3,073 million, and the nominal residual debt amounts to DKK 4,568 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 Sparebank Østjylland af 2012, Finansiel Stabilitet has contributed equity of DKK 350 million and provided a subordinated loan of DKK 200 million.

During the period from the takeover date until 30 June 2012, a profit of DKK 5.8 million was recognised.

The estimated fair values at the takeover date have been calculated as follows:

<b>DKKm</b>	
<b>Estimated fair values at takeover date</b>	
Cash in hand and balances at call with central banks	582
Balances due from credit institutions	502
Loans, advances and other receivables at amortised cost (loans and advances with nominal residual debt of DKK 4,568 million)	3,073
Bonds at fair value and shares, etc.	682
Intangible assets and other property, plant and equipment	69
Other assets and prepayments	79
Due to credit institutions and central banks	(408)
Deposits and issued bonds	(4,622)
Other liabilities	111
Other provisions	(1,108)
<b>Net assets taken over</b>	<b>(1,162)</b>
<b>Dowry from the Guarantee Fund for Depositors and Investors</b>	<b>962</b>
<b>Dowry from Finansiel Stabilitet</b>	<b>200</b>
<b>Loss at the takeover date</b>	<b>0</b>

# Notes

## Takeovers after the balance sheet date

### FS Property Finance A/S

On 2 March 2012, Finansiel Stabilitet signed an agreement with FIH Holding A/S on the takeover of property exposures and related financial instruments of approximately DKK 17 billion. The agreement was subject to approval by the European Commission and the Danish Competition and Consumer Authority. Both parties approved the agreement.

As a result, as at 2 July 2012 Finansiel Stabilitet was able to take over the subsidiary established by FIH with the above-mentioned property exposures (FS Property Finance A/S). In connection with the takeover of FS Property Finance, Finansiel Stabilitet has paid consideration in the amount of DKK 2 billion.

The sole object of the subsidiary will be to wind up the exposures taken over as quickly as possible, in a financially prudent, proper and fair manner. The winding up will follow the same strategy as that set out for Finansiel Stabilitet's other companies. FS Property Finance has entered into an agreement with FIH Erhvervsbank to handle the administration of the property exposures taken over.

In the third quarter of 2012, the property exposures and other activities and liabilities taken over will be assessed in order to determine their fair value. The agreement between Finansiel Stabilitet and FIH may result in financial gains for both parties, but under the agreement Finansiel Stabilitet is ensured an unlimited loss guarantee from FIH Holding in case of financial loss.

## Takeovers in the first half of 2011

DKKm	Take-over date	Fair value of net assets	Take-over costs	Loss at the takeover date	Profit/loss from takeover to 30 June 2011
	05.02.2011	0	12	0	56
	24.06.2011	0	12	0	0

DKKm	Amagerbanken af 2011	Fjordbank Mors af 2011
Cash in hand and balances at call with central banks	321	137
Due from credit institutions and central banks	2,177	572
Loans, advances and other receivables at amortised cost	13,459	4,965
Bonds and shares, etc. at fair value	6,493	2,270
Intangible assets and other property, plant and equipment	488	362
Other assets and prepayments	3,425	2,821
Due to credit institutions and central banks	(16,679)	(551)
Deposits and issued bonds at amortised cost	(7,235)	(9,819)
Other liabilities	(390)	(527)
Other provisions	(2,059)	(230)
<b>Net assets taken over</b>	<b>0</b>	<b>0</b>

# Notes

DKKm	Group		Parent	
	H1 2012	H1 2011	H1 2012	H1 2011
<b>4 Interest income</b>				
Due from credit institutions and central banks	41	70	30	136
Loans, advances and other receivables at amortised cost	435	552	168	294
Loans, advances and other receivables at fair value	59	186	54	57
Bonds	23	52	5	2
Total derivative financial instruments	(11)	(5)	(3)	(4)
Foreign exchange contracts	(11)	(6)	(3)	(3)
Interest rate contracts	0	1	-	(1)
Other interest income	16	24	8	26
<b>Total</b>	<b>563</b>	<b>879</b>	<b>262</b>	<b>511</b>
<b>5 Interest expense</b>				
Credit institutions and central banks	9	11	18	17
Deposits and other payables	21	51	4	24
Issued bonds	97	97	0	0
Loans through the state-funded re-lending scheme	145	193	145	193
Other interest expense	5	17	1	8
<b>Total</b>	<b>277</b>	<b>369</b>	<b>168</b>	<b>242</b>
<b>6 Market value adjustments</b>				
Adjustment for credit risk for loans and advances at fair value	(11)	5	(11)	(4)
Other adjustment for loans and advances at fair value	0	(3)	0	0
Bonds	(46)	(38)	0	(9)
Shares, etc.	(80)	(117)	(37)	(135)
Investment properties	44	(63)	28	0
Currency	23	(2)	17	27
Currency, interest, share, commodity and other contracts and derivative financial instruments	(16)	31	(7)	19
Other assets and liabilities	(116)	(14)	(95)	70
<b>Total</b>	<b>(202)</b>	<b>(201)</b>	<b>(105)</b>	<b>(32)</b>

# Notes

DKKm	Group		Parent	
	H1 2012	H1 2011	H1 2012	H1 2011
<b>7 Staff costs and administrative expenses</b>				
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>
<b>Staff costs</b>				
Salaries	183	248	106	124
Pensions	22	23	11	12
Social security costs	16	27	7	12
<b>Total</b>	<b>221</b>	<b>298</b>	<b>124</b>	<b>148</b>
Other administrative expenses	282	224	126	106
<b>Total</b>	<b>505</b>	<b>524</b>	<b>252</b>	<b>256</b>

Impairment losses	Impairment losses at 1 Jan.	Change in impairment losses	Impairment losses at 30 June	Impact on income statement
<b>8 Impairment losses on loans, advances and receivables, etc.</b>				
Loans and advances at amortised cost	15,097	(998)	14,099	
Guarantees	880	(129)	751	
<b>Impairment for H1 2012</b>	<b>15,977</b>	<b>(1,127)</b>	<b>14,850</b>	<b>(115)</b>
<b>Impairment for H1 2011</b>	<b>15,060</b>	<b>350</b>	<b>15,410</b>	<b>3,549</b>

DKKm	Group		Parent	
	H1 2012	H1 2011	H1 2012	H1 2011
<b>9 Other provisions</b>				
Litigation	1,357	1,709	1,132	969
Other provisions	655	1,268	169	67
<b>Total</b>	<b>2,012</b>	<b>2,977</b>	<b>1,301</b>	<b>1,036</b>

# Notes

## 10 Contingent assets and liabilities

### **Taxation**

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.

### **Individual government guarantees**

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 2012, the Company has provided guarantees in the amount of DKK 109 billion. Of this, DKK 9 billion concerns guarantees to subsidiaries.

The Danish State guarantees the Company's guarantee commitments under the scheme. At the end of the first half of 2012, the Company has a receivable of DKK 3,494 million.

### **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 taken over by Finansiell Stabilitet.

## 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.

# Notes

## 12 Merger of Finansiell Stabilitet, FS Finans, FS Pantebrevsselskab and FS Ejendomsselskab

### Statement of comparative figures for H1 2011

#### Summary financial statements of the merged companies for H1 2011 in DKKm.

	Finansiell Stabilitet	FS Ejen- doms- selskab	FS Finans	FS Pante- brevs- selskab	Elimina- tions	Parent company
Interest income	245	11	276	87	(108)	511
Interest expense	212	6	112	24	(112)	242
<b>Net interest income</b>	<b>33</b>	<b>5</b>	<b>164</b>	<b>63</b>	<b>4</b>	<b>269</b>
Fees and commissions received	847	0	8	5	(4)	856
Fees and commissions paid	917	0	6	2	0	925
<b>Net interest and fee income</b>	<b>(37)</b>	<b>5</b>	<b>166</b>	<b>66</b>	<b>0</b>	<b>200</b>
Market value adjustments	(122)	16	62	12	0	(32)
Other operating income	8	6	68	10	(1)	91
Staff costs and administrative expenses	32	9	171	45	(1)	256
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	1	0	1	1		3
Other operating expenses	0	0	17	8		25
Impairment losses on loans, advances, receivables etc.	3,211	0	114	(32)	-	3,293
Profit/(loss) from investments in associates and subsidiaries	(259)	(47)	(4)	(22)	(4)	(336)
Loss guarantee from the Danish State re. individual government guarantees	3,220	-	-	-		3,220
<b>Profit/(loss) for the period before tax</b>	<b>(434)</b>	<b>(29)</b>	<b>(11)</b>	<b>44</b>	<b>(4)</b>	<b>(434)</b>
Tax						-
<b>Profit/(loss) for the period</b>	<b>(434)</b>	<b>(29)</b>	<b>(11)</b>	<b>44</b>	<b>(4)</b>	<b>(434)</b>

# Notes

## 12 Merger of Finansiell Stabilitet, FS Finans, FS Pantebrevsselskab and FS Ejendomsselskab – continued

	Finansiell Stabilitet	FS Ejen- doms- selskab	FS Finans	FS Pante- brevs- selskab	Elimina- tions	Parent company
<b>Assets</b>						
Cash in hand and demand deposits with central banks	8,372	0	0	0		8,372
Due from credit institutions and central banks	2,397	14	189	165		2,765
Loans, advances and other receivables at fair value	0	0	-	994		994
Loans, advances and other receivables at amortised cost	4,801	1,033	8,254	608	(4,740)	9,956
Bonds at fair value	241	0	84	0		325
Shares, etc.	1,197	0	8	4		1,209
Investments in associates, etc.	381	0	33	0		414
Investments in subsidiaries	7,780	552	1	143	(3,988)	4,488
Intangible assets	0	0	0	1		1
Total land and buildings	0	0	1	0		1
Investment properties	-	-	1	-		1
Other property, plant and equipment	1	1	4	-		6
Assets held temporarily	0	0	9	232		241
Receivable re. loss guarantee from the Danish State	8,931	-	-	-		8,931
Receivable re. loss guarantee from the Danish State relating to individual government guarantees	3,220	-	-	-		3,220
Other assets	367	0	464	239	(38)	1,032
Prepayments	2	0	0	2		4
<b>Total assets</b>	<b>37,690</b>	<b>1,600</b>	<b>9,047</b>	<b>2,388</b>	<b>(8,766)</b>	<b>41,959</b>

# Notes

## 12 Merger of Finansiell Stabilitet, FS Finans, FS Pantebrevsselskab and FS Ejendomsselskab – continued

	Finansiell Stabilitet	FS Ejendoms-selskab	FS Finans	FS Pantebrevs-selskab	Eliminations	Parent company
<b>Equity and liabilities</b>						
<b>Liabilities:</b>						
Due to credit institutions and central banks	2,672	0	9	0		2,681
Deposits and other payables		520	2,546	1,468	(3,740)	794
Loans through the state-funded re-lending scheme	20,017	-	-	-		20,017
Issued bonds at amortised cost	0	0	2	0		2
Other liabilities	790	10	1,852	85	(38)	2,699
<b>Total liabilities</b>	<b>23,479</b>	<b>530</b>	<b>4,409</b>	<b>1,553</b>	<b>(3,778)</b>	<b>26,193</b>
<b>Provisions</b>						
Provision for losses on guarantees	0	0	575	0		575
Other provisions	56	0	942	38	-	1,036
<b>Total provisions</b>	<b>56</b>	<b>0</b>	<b>1,517</b>	<b>38</b>	<b>-</b>	<b>1,611</b>
<b>Total liabilities</b>	<b>23,535</b>	<b>530</b>	<b>5,926</b>	<b>1,591</b>	<b>(3,778)</b>	<b>27,804</b>
<b>Subordinated capital</b>			<b>1,000</b>		<b>(1,000)</b>	<b>0</b>
<b>Equity</b>						
Share capital	1	60	733	271	(1,064)	1
Retained earnings	14,588	1,039	1,399	482	(2,920)	14,588
Profit/(loss) for the period	(434)	(29)	(11)	44	(4)	(434)
<b>Total equity</b>	<b>14,155</b>	<b>1,070</b>	<b>2,121</b>	<b>797</b>	<b>(3,988)</b>	<b>14,155</b>
<b>Total equity and liabilities</b>	<b>37,690</b>	<b>1,600</b>	<b>9,047</b>	<b>2,388</b>	<b>(8,766)</b>	<b>41,959</b>



# Notes

## 12 Merger of Finansiell Stabilitet, FS Finans, FS Pantebrevsselskab and FS Ejendomsselskab – continued

### Statement of comparative figures for 2011

#### Summary financial statements of the merged companies for 2011 in DKKm.

	Finansiell Stabilitet	FS Ejen- doms- selskab	FS Finans	FS Pante- brevs- selskab	Elimina- tions	Parent company
<b>Assets</b>						
Cash in hand and demand deposits with central banks	5,273	0	0	0		5,273
Due from credit institutions and central banks	352	0	70	97		519
Loans, advances and other receivables at fair value	0	0	0	1,021		1,021
Loans, advances and other receivables at amortised cost	3,610	947	6,145	673	(3,462)	7,913
Bonds at fair value	210	0		0		210
Shares, etc.	1,032	0	17	0		1,049
Investments in associates, etc.	350	0	0	0		350
Investments in subsidiaries	7,952	520	4	110	(3,715)	4,871
Intangible assets	0	0	0	1		1
Total land and buildings	0	0	0	0		0
Other property, plant and equipment	2	1	4	0		7
Assets held temporarily	0	0	102	0		102
Receivable re. loss guarantee from the Danish State relating to Roskilde Bank	8,931	-	-	-		8,931
Receivable re. loss guarantee from the Danish State	3,549	-	-	-		3,549
Other assets	525	1	90	127		743
Prepayments	5	1	4	2		12
<b>Total assets</b>	<b>31,791</b>	<b>1,470</b>	<b>6,436</b>	<b>2,031</b>	<b>(7,177)</b>	<b>34,551</b>

# Notes

## 12 Merger of Finansiell Stabilitet, FS Finans, FS Pantebrevsselskab and FS Ejendomsselskab – continued

	Finansiell Stabilitet	FS Ejen- doms- selskab	FS Finans	FS Pante- brevs- selskab	Elimina- tions	Parent company
<b>Equity and liabilities</b>						
<b>Liabilities:</b>						
Due to credit institutions and central banks	1,944	27	0	0		1,971
Deposits and other payables	1,415	392	1,858	1,216	(3,462)	1,419
Loans through the state-funded re-lending scheme	14,567	-	-	-		14,567
Issued bonds at amortised cost	0	0	2	0		2
Other liabilities	140	10	937	22		1,109
<b>Total liabilities</b>	<b>18,066</b>	<b>429</b>	<b>2,797</b>	<b>1,238</b>	<b>(3,462)</b>	<b>19,068</b>
<b>Provisions</b>						
Provision for losses on guarantees	0	0	522	0		522
Other provisions	146	0	1,203	33	-	1,382
<b>Total provisions</b>	<b>146</b>	<b>0</b>	<b>1,725</b>	<b>33</b>	<b>-</b>	<b>1,904</b>
<b>Total liabilities</b>	<b>18,212</b>	<b>429</b>	<b>4,522</b>	<b>1,271</b>	<b>(3,462)</b>	<b>20,972</b>
<b>Subordinated capital</b>						<b>0</b>
<b>Equity</b>						
Share capital	1	60	733	271	(1,064)	1
Retained earnings	8,978	981	1,181	489	(2,651)	8,978
Proposed dividend	4,600	0	0	0		4,600
<b>Total equity</b>	<b>13,579</b>	<b>1,041</b>	<b>1,914</b>	<b>760</b>	<b>(3,715)</b>	<b>13,579</b>
<b>Total equity and liabilities</b>	<b>31,791</b>	<b>1,470</b>	<b>6,436</b>	<b>2,031</b>	<b>(7,177)</b>	<b>34,551</b>

# Financial ratios

DKKm	Finansiel Stabilitet	
	H1 2012	H1 2011
<b>Financial highlights</b>		
Other interest and fee income, net	15	200
Market value adjustments	(105)	(32)
Other operating income	251	91
Costs	253	259
Other operating expenses	14	25
Impairment losses on loans and advances	(613)	3,293
Profit/(loss) from investments in subsidiaries and associates	(32)	(336)
Loss guarantee from the Danish State relating to individual government guarantees	(54)	3,220
Profit/(loss) for the period	421	(434)
Equity	9,400	14,155
Total assets	26,295	41,959
<b>Financial ratios</b>		
Return on equity before tax p.a.	7%	(6)%
Return on equity after tax p.a.	7%	(6)%
Income/cost ratio	(0.21)	0.88

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 Management

The Board of Directors and the Management Board have today considered and adopted the interim report of Finansiel Stabilitet A/S for the six months ended 30 June 2012.

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.

The interim report has been neither audited nor reviewed.

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 2012 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 2012.

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, 28 August 2012

## Management Board

Henrik Bjerre-Nielsen  
CEO

Lars Jensen  
CCO

Niels Olsen  
COO

## Board of Directors

Henning Kruse Petersen  
Chairman

Jakob Brogaard  
Deputy Chairman

Anette Eberhard

Flemming Hansen

Christian Th. Kjølbbye

Bent Naur

Birgitte Nielsen

# Company details

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CVR no.: 30 51 51 45

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

## Board of Directors

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

## Management Board

Henrik Bjerre-Nielsen (Chief Executive Officer)  
Lars Jensen (Chief Commercial Officer)  
Niels Olsen (Chief Operating Officer)

## Auditors

KPMG  
Statsautoriseret Revisionspartnerselskab  
Osvald Helmuths Vej 4  
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