

Finansiel Stabilitet

Annual Report 2023

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Introduction

Anne Louise Eberhard

Chairman



Continued focus on the contingency set-up for efficient crisis management, with new tasks added

Finansielt Stabilitet is an institution that is critical to society in that it, together with the financial sector, the Danish FSA and Danmark's Nationalbank, contributes to ensuring financial stability in Denmark. If a financial institution is failing, Finansielt Stabilitet is ready to take it over and ensure that businesses and individuals still have access to accounts and payment infrastructure.

Although we have a strong financial sector in Denmark, in the spring of 2023, we witnessed the collapse of several international banks, including Silicon Valley Bank and First Republic Bank in the USA and Credit Suisse in Switzerland. This clearly demonstrated the need for a reliable and effective restructuring and resolution plan for failing financial institutions. When confidence in an institution is lost, prompt action is required to ensure the continuation of critical infrastructure and customers' access to accounts and financial services.

Finansielt Stabilitet's contingency set-up for crisis management requires preparation and practice. We are therefore continually updating our contingency set-up, and Finansielt Stabilitet is coordinating the preparation of a major exercise in 2024 concerning the financial authorities' contingency set-up for crisis management in the eight Nordic and Baltic countries.

International knowledge sharing and coordination are important elements in this respect. In the spring of 2023, the European Commission presented a proposal to amend the legal framework for crisis management, which in several areas corresponds to Danish practice. Finansielt Stabilitet is leading the Danish delegation in the current EU Council working group negotiations on the proposal, one aim of which is for the member countries' deposit guarantee schemes to take on a more prominent role. Furthermore, it is proposed that it should be more common for failing financial institutions in the EU to be wound up rather than for them to enter into bankruptcy proceedings. This would benefit customers of such institutions as well as financial stability in general.

The financial sector saves up contingency funds through the Deposit Guarantee Fund and the Resolution Fund, both managed by Finansielt Stabilitet. Our crisis management of financial institutions in Denmark is based on the fundamental

“International knowledge sharing and coordination are important elements in a reliable and strong contingency set-up”.

principles of fair implementation, safeguarding the public interest and minimising taxpayers' losses. This strengthens confidence in the financial system.

In 2023, the last liability claim arising from the financial crisis was settled, and in 2024 Finansielt Stabilitet expects to be able to wind up the last remaining subsidiaries of banks taken over by Finansielt Stabilitet in connection with the financial crisis.

Finansielt Stabilitet is ready to take on other relevant government tasks in addition to its core tasks and to contribute to value creation in our society. We already solve several tasks on behalf of the government where our expertise is useful, such as the issuance of government guarantees for loans to install heat pumps and to buy property in rural areas. In the autumn of 2023, the government furthermore resolved that Finansielt Stabilitet will be responsible for the liquidation of assets acquired by the state from industries related to mink industries.

In December 2023, the Council of the European Union and the European Parliament reached a preliminary agreement on a new Insurance Recovery and Resolution Directive (“IRRD”). The Directive aims to protect taxpayers' money and minimise the impact on the economy and the financial system in a crisis management situation. Finansielt Stabilitet is making preparations to take on this task when the Directive is adopted and is implemented in Denmark.

Our core task of ensuring a financial contingency set-up requires that the organisation's expertise and contingency set-up are maintained and continually developed, and we must remain able to attract, develop and retain talent to solve our tasks. We must be able to quickly scale up the contingency set-up and address the complexity of the next crisis, which we do not know the scope of in advance. Therefore, international sharing of experience, cooperation on contingency plans and crisis exercises are essential, and the new tasks contribute to maintaining and enhancing our expertise.

On behalf of the Board of Directors, I would like to extend my sincere thanks to our skilled employees and Management, our owner, business partners and the financial institutions for their competent and good collaboration in 2023.

Finansiel Stabilitet at a glance

Finansiel Stabilitet is an independent public company owned by the Danish State through the Danish Ministry of Industry, Business and Financial Affairs.

Finansiel Stabilitet is an institution that is critical to society in that it, together with the sector, the Danish FSA and Denmark's Nationalbank, contributes to ensuring financial stability in Denmark. If a financial enterprise becomes distressed, Finansiel Stabilitet is ready to take it over and ensure that businesses and individuals remain able to access accounts and payment infrastructure.

Finansiel Stabilitet was established in 2008 as part of the so-called Bank Package I to address the consequences of the international financial crisis and its effects on the financial sector. Although the financial situation in Denmark is very different today, the objective of Finansiel Stabilitet remains to contribute to ensuring financial stability in Denmark by restructuring and resolving failing financial enterprises if they are unable to continue operations on their own. In carrying out this task, Finansiel Stabilitet must ensure that customers have continued access to critical financial infrastructure. This entails that the customers must be able to make payments and have access to a significant part of their liquid assets. In this connection, Finansiel Stabilitet also handles the task under the deposit guarantee scheme of ensuring access to deposits, which are covered up to approximately DKK 745,000.

As opposed to other EU countries, where small banks that are failing often enter into bankruptcy proceedings, the approach taken in Denmark is that banks are being resolved by Finansiel Stabilitet rather than going into bankruptcy proceedings.

The financial sector has saved up contingency funds through the Deposit Guarantee Fund and the Resolution Fund, and the focus is on avoiding the use of government funds in a resolution. This contributes to strengthening confidence in the financial system. Finansiel Stabilitet manages the Deposit Guarantee Fund and the Resolution Fund by investing in low-risk securities and holding cash deposits with Danmarks Nationalbank.

Finansiel Stabilitet also has as its objective to initiate resolution of the remaining activities taken over from previously failing institutions. A substantial part of these has been divested, and two companies founded for the resolution of banks taken over were solvently liquidated in 2023. A small portfolio of exposures remains in the form of claims from estates in bankruptcy, small loans and guarantees and unsold plots of land and securities. The results of the resolution activities are included in the funds under Activities handled on behalf of the government under Bank Package activities.

In recent years, Finansiel Stabilitet has taken on a number of new tasks on behalf of the government. They include the issue of guarantees for loans to install heat pumps and to buy property in rural districts and the maintenance of a debt counselling scheme for former mink farmers who remain insolvent after having received compensation from the government. Most recently, Finansiel Stabilitet has been assigned the task of managing the sale and otherwise managing assets that the government takes over from mink-related businesses in continuation of the payment of compensation. The scheme is expected to be applied in 2024.

Finansiel Stabilitet's tasks may be summarised as follows:

- Contributing to ensuring financial stability in Denmark and ensuring that customers have access to critical financial infrastructure if a financial enterprise is failing.
- Maintaining a contingency set-up in the form of resolution plans, crisis simulation exercises and exchanging experiences with the resolution authorities in other countries.
- Managing the Danish Depositor and Investor Guarantee Scheme (the Deposit Guarantee Fund)
- Managing the assets of the Resolution Fund and the Deposit Guarantee Fund.
- Closing down the remaining Bank Package activities taken over from failing banks in connection with the financial crisis.
- Handling other activities on behalf of the government.

Review and results

Group results 2023

Finansiel Stabilitet posted a surplus of DKK 2,061 million in 2023 (2022: DKK 403 million), which was largely attributable to payment of contributions to the Resolution Fund and the Deposit Guarantee Fund in the amount of DKK 1,206 million (2022: DKK 1,146 million), a positive return on the securities portfolio and interest income on deposits with Danmarks Nationalbank.

In general, Finansiel Stabilitet's financial results can be broken down into the three funds managed by Finansiel Stabilitet, i.e. the Resolution Fund, the Deposit Guarantee Fund and Activities handled on behalf of the government, including the Bank Package activities.

The Resolution Fund generated a surplus of DKK 1,460 million in 2023. The surplus was predominantly attributable to payment of DKK 1,206 million in contributions. Interest income on the securities portfolio and on deposits with Danmarks Nationalbank amounted to DKK 156 million, and market value gains on the securities portfolio amounted to DKK 107 million. The overall return on the marketable portion of the portfolio under management was approximately 3.6%. The Resolution Fund's surplus was approximately DKK 150 million better than expected, mainly as a result of the return on the securities portfolio.

The Deposit Guarantee Fund generated a surplus of DKK 404 million. The result was attributable to interest income on the securities portfolio and deposits with Danmarks Nationalbank in the amount of DKK 108 million and market value gains on the securities portfolio of DKK 284 million. The overall return on the marketable portion of the portfolio under management was 4.7%. The surplus was approximately DKK 300 million better than expected owing to the increase in bond prices in 2023.

Activities handled on behalf of the government generated a surplus of DKK 197 million for the period. The surplus was attributable to interest income on deposits with Danmarks Nationalbank and reversed impairment losses. The surplus from this activity was approximately DKK 100 million better than expected, mainly as a result of reversed impairment losses and increased interest income on deposits with Danmarks Nationalbank.

The Group's total assets at 31 December 2023 amounted to DKK 25.9 billion (2022: DKK 23.9 billion). The Resolution Fund and the Deposit Guarantee Fund accounted for DKK 7.5 billion and DKK 12.3 billion of this amount respectively, while Activities handled on behalf of the government accounted for DKK 6.6 billion. DKK 0.5 billion related to an intra-group balance.

Total equity stood at DKK 25.3 billion, of which DKK 7.5 billion was attributable to the Resolution Fund, DKK 12.3 billion to the Deposit Guarantee Fund and DKK 5.5 billion to Activities handled on behalf of the government. For a specification of the three funds' income statement items, see the following sections and notes 2 and 3 to the financial statements.

At 31 December 2023, the remaining net loans and guarantees amounted to DKK 0.1 billion (2022: DKK 0.1 billion), while the portfolio of financial assets amounted to DKK 10.7 billion (2022: DKK 10.3 billion).

The rest of the assets mainly consisted of DKK 11.5 billion held on deposit with Danmarks Nationalbank (2022: DKK 9.9 billion) and commitments made by banks, etc. in relation to the Deposit Guarantee Fund amounting to DKK 3.2 billion, unchanged from 2022.

Deposits with Danmarks Nationalbank grew by DKK 1.6 billion in 2023, primarily related to a DKK 1.2 billion contribution to the Resolution Fund for the year and interest income for the year on deposits.

Two of the Group's subsidiaries were solvently liquidated during the year, FS Finans I A/S (resolution of the former Sparekassen Østjylland) and FS Finans II A/S (resolution of the former Max Bank A/S). In connection with the liquidation of the companies, loans and guarantees totalling DKK 56 million were transferred to Finansiel Stabilitet IPC.

The majority of the remaining loans and guarantees related to Activities handled on behalf of the government, while a minor portion of loans related to FS Finans V A/S (formerly Andelskassen J.A.K. Slagelse) and FS Finans VI A/S (formerly Københavns Andelskasse), which are wound up under the Resolution Fund. DKK 17 million of total loans and guarantees related to FS Finans V A/S and FS Finans VI A/S and DKK 134 million related to Activities handled on behalf of the government.

Other remaining exposures mainly consisted of receivables from estates in bankruptcy and guarantees. How fast the remaining loans will be wound up depends largely on external factors such as the progress of trustees' estate administration and the debt recovery process. Guarantees will be gradually phased out as they mature. Finansiel Stabilitet furthermore has the ongoing task of recovering previously written-off claims, which amounted to approximately DKK 8.9 billion at 31 December 2023. In 2023, this resulted in the recognition of income of approximately DKK 51 million.

(DKKm)	Group				
Financial highlights					
	2023	2022	2021	2020	2019
Net interest and fee income	447	119	89	116	44
Contributions Deposit Guarantee Fund & Resolution Fund	1,206	1,146	1,061	941	724
Market value adjustments	391	-859	-182	-51	-24
Other operating income and expenses, etc.	15	70	104	50	331
Staff costs and administrative expenses, etc.	74	135	99	113	138
Impairment losses on loans and advances, etc.	-76	-62	-78	-146	-131
Comprehensive income for the year	2,061	403	1,051	1,089	1,068
Balance sheet as at 31 December					
Assets					
Due from central banks and credit institutions	11,521	9,916	8,162	4,306	8,253
Loans and advances	53	33	91	247	311
Bonds and shares	10,716	10,258	11,627	14,410	9,752
Commitments made by banks, mortgage credit institutions and investment companies	3,218	3,218	3,217	3,218	3,218
Other asset items	419	467	390	343	272
Total assets	25,927	23,892	23,487	22,524	21,806
Equity and liabilities					
Other payables	347	369	322	363	637
Provisions	324	328	343	390	487
Equity					
Activities handled on behalf of the government	5,467	5,270	5,288	5,265	5,157
Deposit Guarantee Fund	12,323	11,919	12,435	12,429	12,379
Resolution Fund	7,466	6,006	5,099	4,077	3,146
Total equity	25,256	23,195	22,822	21,771	20,682
Total equity and liabilities	25,927	23,892	23,487	22,524	21,806

Portfolio management of the Resolution Fund and the Deposit Guarantee Fund

Finansiel Stabilitet must ensure the availability of cash funds for effective crisis management. The contingency set-up for crisis management is based on the two liquid funds, the Resolution Fund and the Deposit Guarantee Fund.

The two funds are based on contributions from financial institutions and are managed by Finansiel Stabilitet. Finansiel Stabilitet is responsible for the investment of the funds and the statutory use of the funds' assets for crisis management of failing financial institutions. It is important to Finansiel Stabilitet that the management and investment of the two funds generate a market-conform return with low currency, interest rate and credit risk, and that the available financial resources of each fund are at all times proportional to the fund's potential liabilities. Finansiel Stabilitet has developed portfolio management policies for the two funds.

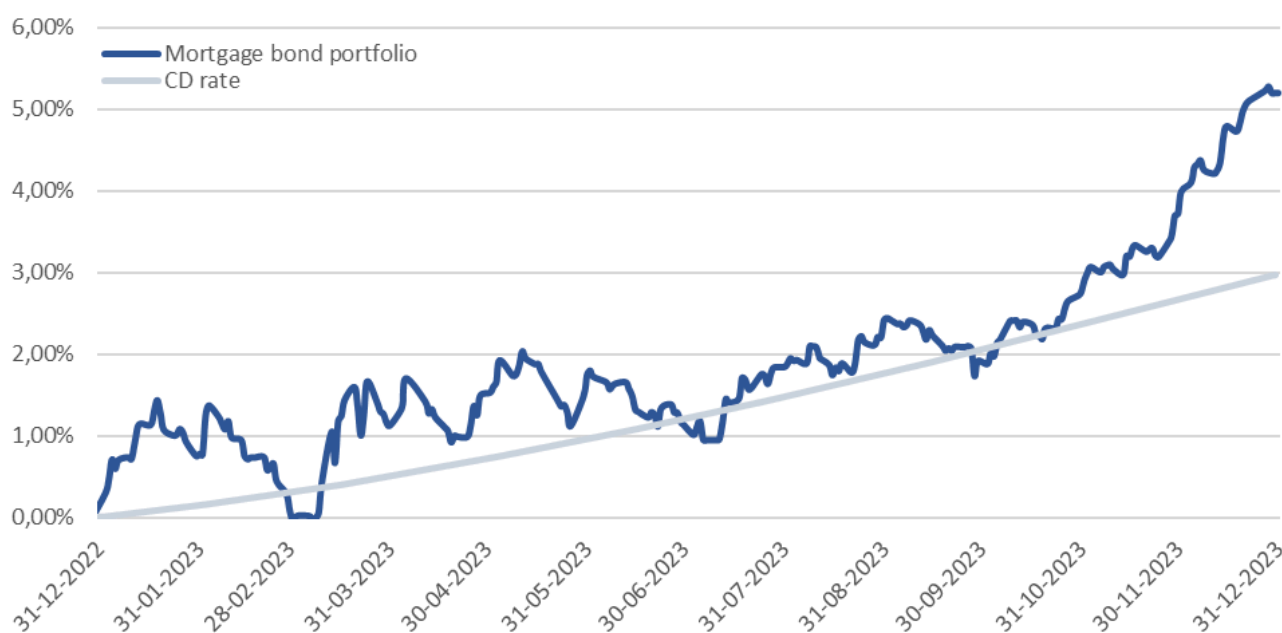
For assets placed in securities, a risk profile has been defined with an interest rate risk of about 2.5 years. In theory, a higher return can be achieved by placing in assets a couple of years

out the yield curve without significantly reducing liquidity. At the same time, the intention of the investment strategy is to make long-term investments, meaning that short-term fluctuations do not warrant significant adjustment of the strategy. On this basis, no adjustments were made to the portfolio in 2022, when interest rate increases resulted in unrealised market value losses.

The trend reversed in 2023, and while the major central banks continued to raise their policy rates, the slightly longer interest rates fell. Danmarks Nationalbank most recently changed its rates on 14 September, when the CD rate was raised by 0.25 percentage points to 3.6%.

In the period leading up to the most recent change in interest rates, the mortgage bond portfolio generated a return equivalent to the CD rate, but in the fourth quarter the portfolio outperformed the CD rate, as illustrated in the chart below. The excess return is attributable to the sharp fall in government and mortgage bond yields. At the end of the year, we had thus generated a positive return of 5.2% compared to a return of 3.0% on placement at the CD rate.

Figure 1: Returns 2023: Mortgage bond portfolio and CD rate

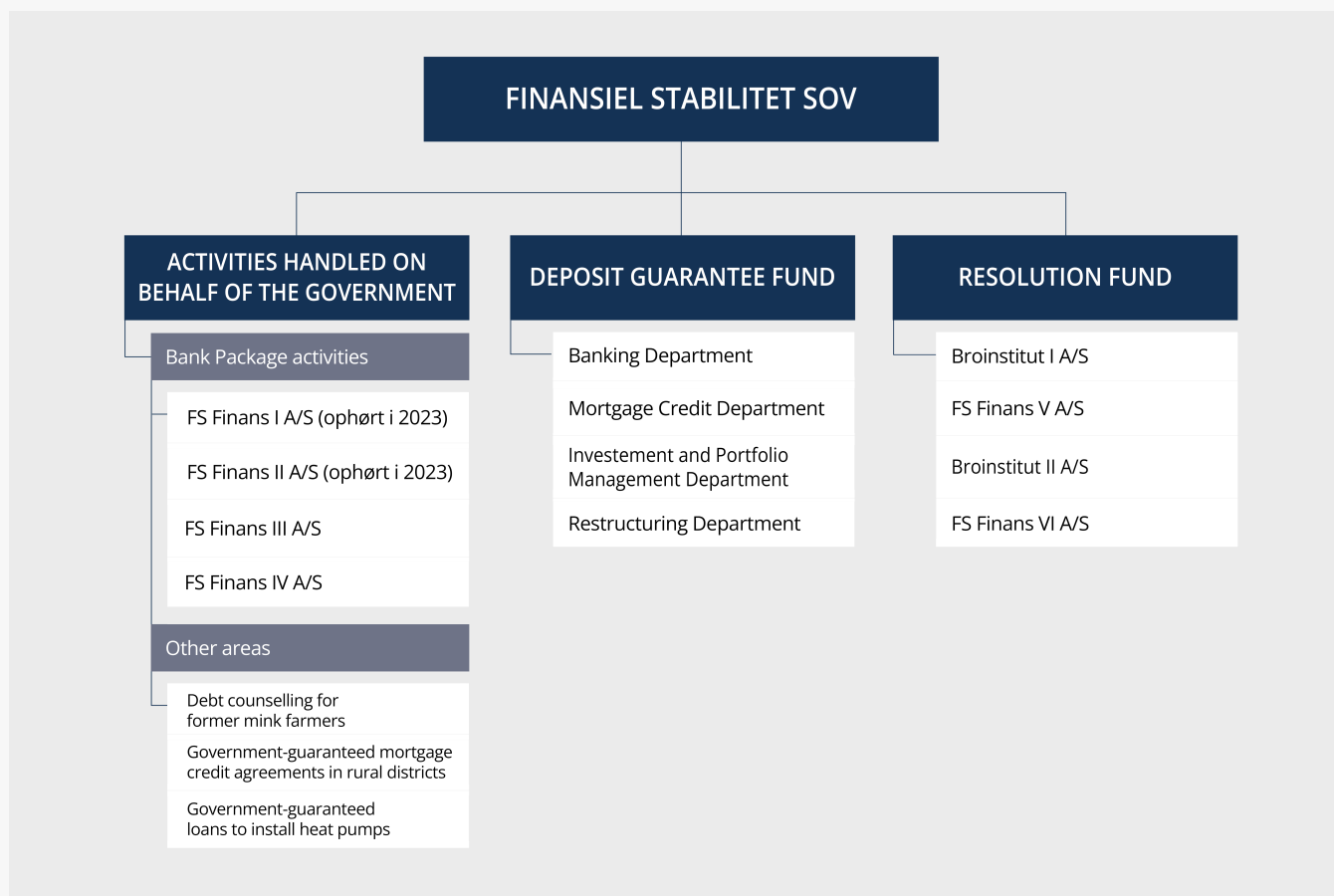


The total return in 2023 on the managed mortgage credit mandates amounted to DKK 517 million, of which DKK 126 million was interest income and DKK 391 million market value gains. Compared with placement at the CD rate in Danmarks Nationalbank, the funds generated a positive excess return of DKK 221 million in 2023.

At 31 December 2023, the Resolution Fund and Deposit Guarantee Fund investments in short-term mortgage bonds totalled DKK 10.7 billion. In addition, the two funds had DKK 5 billion in cash deposits with Danmarks Nationalbank. Taking into account these cash deposits, the Deposit Guarantee Fund and the Resolution Fund posted total returns for 2023 of 3.6% and 4.7% respectively.

GROUP STRUCTURE

Finansiel Stabilitet is organised with three business areas that are based on the main objectives, Activities handled on behalf of the government, the Deposit Guarantee Fund and the Resolution Fund, as illustrated in the figure below:



Companies and activities

ACTIVITIES HANDLED ON BEHALF OF THE GOVERNMENT:

Bank Package activities:

Bank Package I (Bank Package): For the period from October 2008 to 30 September 2010, the Danish State guaranteed timely payment of unsecured creditors' claims against Danish banks paying guarantee commission under the scheme.

Bank Package III (Exit Package): Guarantee was again only provided for up to EUR 100,000 for depositors. Failing banks were generally resolved via Finansiel Stabilitet, and in such case the former Guarantee Fund would contribute a loss guarantee to prevent the Danish State from incurring losses in connection with the resolution.

Bank Package IV (Consolidation Package): Finansiel Stabilitet and the former Guarantee Fund contributed a dowry if a viable bank took over all (model 1) or parts (model 2) of a failing bank. This was done without any loss being incurred by uncovered, unsecured creditors. Individual government guarantees were

extended after the expiry in 2013 in case of merger/takeover between two banks. In connection with the solvent liquidation of FS Finans I A/S and FS Finans II A/S in 2023, no banks taken over under Bank Package IV remained.

FS Finans III A/S: Financing company established on 15 March 2013 based on Amagerbanken af 2011 A/S after the company had deposited its banking licence with the Danish FSA.

FS Finans IV A/S: Financing company established on 27 March 2013 based on Fjordbank Mors af 2011 A/S after the company had deposited its banking licence with the Danish FSA.

Other areas:

This segment covers other activities handled on behalf of the government, for the account and risk of the government.

Debt counselling for former mink farmers: On 1 June 2021, the Danish parliament passed an Act to amend the Act on Restructuring and Resolution of Certain Financial Enterprises, under which Finansiel Stabilitet is required to set up an entity

to provide debt counselling free of charge to former mink farmers.

Government-guaranteed mortgage credit agreements in rural districts: On 7 June 2022, the Danish parliament adopted an act on the establishment of a government guarantee on part of the mortgage credit agreements in rural districts. Finansiel Stabilitet manages the government guarantee scheme on behalf of the Danish State.

Government-guaranteed loans to install heat pumps: On 24 March 2023, the Danish parliament adopted an act on the establishment of a government guarantee on loans for the replacement of oil or gas-fired furnaces in rural districts. Finansiel Stabilitet manages the government guarantee scheme on behalf of the Danish State.

Assets taken over from mink-related industries: Pursuant to the Executive Order on the scheme for the sale and other management of assets taken over from mink-related industries, Finansiel Stabilitet is to assist the government with the management and sale of assets arising from mink-related industries which have received government compensation. The scheme is established in the subsidiary FS Ejendomsselskab A/S for the account and risk of the government.

DEPOSIT GUARANTEE FUND:

By Act no. 334 of 31 March 2015, the Guarantee Fund for Depositors and Investors was dissolved effective from 1 June

2015. The rights and obligations of the former Guarantee Fund were continued under the new Deposit Guarantee Fund, managed by Finansiel Stabilitet. The Deposit Guarantee Fund consists of four funds: the Banking Department, the Mortgage Credit Department, the Investment and Portfolio Management Department and the Restructuring Department.

RESOLUTION FUND:

By adoption of the Act on Restructuring and Resolution of Certain Financial Enterprises, a resolution financing scheme (the Resolution Fund) was established, which is managed by Finansiel Stabilitet. The Resolution Fund may be used in connection with Finansiel Stabilitet's powers to implement resolution measures against businesses that are failing or are expected to fail and where it is in the public interest to do so.

Broinstitut I A/S: Subsidiary under the Resolution Fund whose objects are to own shares in FS Finans V A/S.

FS Finans V A/S: Financing company established on 31 May 2017 based on Andelskassen J.A.K. Slagelse after the company had deposited its banking licence with the Danish FSA.

Broinstitut II A/S: Subsidiary under the Resolution Fund whose objects are to own shares in FS Finans VI A/S.

FS Finans VI A/S: Financing company established on 28 June 2019 based on Københavns Andelskasse after the company had deposited its banking licence with the Danish FSA.

Activities handled on behalf of the government

Bank Package activities

Results in 2023

Bank Package activities generated a surplus of DKK 197 million in 2023 (2022: DKK 12 million). The surplus was primarily attributable to a higher CD rate in 2023. The rate of interest on deposits with Danmarks Nationalbank thus developed from a negative rate of 0.6% in the first half of 2022 to 3.6% at 31 December 2023. Interest income from Danmarks Nationalbank consequently contributed DKK 187 million to the surplus for 2023. In 2023, impairment losses on loans, advances and receivables of DKK 77 million were reversed, compared with the reversal of DKK 59 million in 2022. Operating expenses amounted to DKK 39 million in 2023, compared with DKK 99 million in 2022. The level of expenses in 2022 was particularly affected by costs for a number of the now completed management liability lawsuits.

Income statement for the Bank Package activities

(DKKm)	2023	2022
Result before costs etc.	159	47
Operating expenses*	-39	-99
Reversed impairment losses	77	59
Income from investments in associates	0	5
Comprehensive income for the year	197	12

*The segment's actual operating expenses for 2023 amounted to DKK 39 million (2022: DKK 99 million), DKK 31 million (2022: DKK 30 million) being covered by other segments. See note 2.

The individual Bank Packages impact the result in different ways. Bank Package I is fully recognised in the results. Bank Packages III and IV (FS Finans I-IV A/S) are only recognised in part, however, as other creditors also have financial interests in the resolution results, including the Deposit Guarantee Fund. In relation to Bank Package III (FS Finans III and IV A/S) and Bank Package IV (FS Finans I and II A/S), only a share of changes in the purchase price adjustment affects the result. This share is determined as the part of total unsecured claims taken over by the government through Finansielt Stabilitet.

In 2023, the subsidiaries FS Finans I-III A/S reported a total result of DKK 55 million before purchase price and dowry adjustment. FS Finans I and II A/S were solvently liquidated in the autumn of 2023. In that connection, purchase price adjustment was paid out to Finansielt Stabilitet and the Deposit Guarantee Fund in the amount of DKK 15 million and DKK 31 million, respectively.

As Finans I and II were liquidated, the final result of the winding up of the two banks (Sparekassen Østjylland and Max Bank A/S) could be calculated. In connection with Finansielt Stabilitet's takeovers of Sparekassen Østjylland and Max Bank A/S, the claims of simple creditors were satisfied. The remaining loss was shared between Finansielt Stabilitet (Bank Package activities) and the Deposit Guarantee Fund.

Calculation of purchase price adjustment

(DKKm)	Bank Package activities	Deposit Guarantee Fund
FS Finans I A/S		
Contributed 2012	88	421
Distributed 2021-2023	52	254
Loss	36	167
Dividend	95.3%	95.3%
FS Finans II A/S		
Contributed 2012	822	911
Distributed 2012-2023	287	319
Loss	535	592
Dividend	83.9%	83.9%

The dividend was originally fixed at approximately 75% in the two banks. Based on the final resolution, the Danish State via Finansielt Stabilitet (Bank Package activities) and the Deposit Guarantee Fund achieved dividends of 95% and 84%, respectively.

There was no purchase price adjustment in FS Finans IV A/S, as the dividend was originally fixed at a higher amount than what was warranted. The resulting loss was covered by the Restructuring Department of the Guarantee Scheme. FS Finans IV posted a deficit of DKK 2 million for 2023, increasing the total deficit of the Restructuring Department to DKK 503 million.

Total assets of the Bank Package activities at the end of 2023 amounted to DKK 6.6 billion (2022: DKK 6.5 billion). At 31 December 2023, loans and guarantees totalled DKK 134 million (2022: DKK 131 million), financial assets totalled DKK 4 million (2022: DKK 13 million) and properties totalled DKK 11 million (2022: DKK 12 million).

Financial highlights FS Finans I-IV

(DKKm)	FS Finans I A/S (liquidated 2023)		FS Finans II A/S (liquidated 2023)		FS Finans III A/S		FS Finans IV A/S*	
	2023	2022	2023	2022	2023	2022	2023	2022
INCOME STATEMENT								
Result for the year	0	0	0	0	0	0	-2	5
Result for the year before purchase price adjustment**	0	0	3	3	52	2	-	-
BALANCE SHEET AT 31 DECEMBER								
Loans and advances	0	0	0	1	2	2	1	0
Other assets	0	29	0	39	1,924	1,870	76	87
Total assets	0	29	0	40	1,926	1,872	77	87
Purchase price adjustment	0	20	0	23	1,904	1,852	-	-
Other provisions	0	8	0	16	0	1	0	0
Other payables	0	0	0	0	21	18	39	43
Equity	0	1	0	1	1	1	38	44
Total equity and liabilities	0	29	0	40	1,926	1,872	77	87

* There is no purchase price adjustment in FS Finans IV

** A significant part of the result of FS Finans I-IV is included in the results of the Finansielt Stabilitet Group's segments (Bank Package activities and the Deposit Guarantee Fund).

Other areas

Debt counselling for former mink farmers

On behalf of the government, Finansielt Stabilitet in June 2021 set up an entity to provide debt counselling free of charge to former mink farmers who are, or are presumed to be, insolvent after having received damages and compensation pursuant to the Act on the culling of mink and temporary ban on mink farming. The scheme is established for the account and risk of the government.

The scheme involves debt counselling of natural persons. Individuals with a personally owned business are not eligible to receive debt counselling under the scheme, unless the personally owned business has been discontinued and no business activities are consequently carried on in the business.

At 31 December 2023, the scheme had not been utilised.

Government-guaranteed mortgage credit agreements in rural districts

Effective from July 2022, a scheme was set up on behalf of the government for the establishment of government guarantees for a part of the mortgage credit agreements in rural districts. The purpose of the act is to improve the possibilities for financing residential property, particularly in rural districts, through a government guarantee for the top part of home loans for certain residential properties. Mortgage providers have subsequently been able to submit applications for government guarantees for specific loan agreements. At 31 December 2023, 40 agreements on terms and conditions had been concluded with mortgage providers.

The target group for the government guarantee scheme is consumers who are considered creditworthy, but have difficulty obtaining a home loan due to matters related to the location or marketability of the property. With a guarantee scheme, some of the risk of home financing is shifted from the mortgage providers to the government, giving mortgage providers an improved incentive to provide financing for such residential properties.

Finansielt Stabilitet manages the government guarantee scheme on behalf of the Danish State. The scheme is established for the account and risk of the government, but Finansielt Stabilitet includes in its financial statements information on the application of the scheme, including information about guarantee commission received and payments made under the guarantees.

At 31 December 2023, two guarantees had been issued for a total amount of DKK 966 thousand, while commission income amounted to DKK 13 thousand.

Government-guaranteed loans to install heat pumps

On 1 April 2023, a scheme was established on behalf of the government on the establishment of a government guarantee on loans for the replacement of oil or gas-fired furnaces in rural districts off the central heating grid with a different source of heating. The purpose of the act is to make it easier to obtain financing for the replacement of oil or gas-fired furnaces with heat pumps in cases where it may be difficult to obtain a loan on normal terms without a government guarantee.

Mortgage providers have subsequently been able to submit

applications for government guarantees for specific loan agreements. At 31 December 2023, seven agreements on terms and conditions had been concluded with mortgage providers.

The government guarantee scheme targets consumers and cooperative housing societies that are considered creditworthy but have difficulty obtaining financing for the replacement of oil or gas-fired furnaces with heat pumps due to uncertainty concerning the long-term value of their properties. The residential property or cooperative housing association must furthermore be situated in an area that is not, and is not scheduled to be, connected to the central heating grid. With a guarantee scheme, some of the financing risk is shifted from the mortgage providers to the government, giving mortgage providers an improved incentive to provide loans to the consumers and cooperative housing societies concerned.

Finansiel Stabilitet manages the government guarantee scheme on behalf of the Danish State. The scheme is established for the account and risk of the government, but in its financial statements Finansiel Stabilitet discloses information on the application of the scheme, including information about guarantee commission received and payments made under the guarantees.

No guarantees had been issued under the scheme at 31 December 2023.

In 2023, Finansiel Stabilitet incurred internal costs of DKK 1 million in connection with the management of the above-mentioned guarantee schemes, which costs were covered by payments from the government.

Deposit Guarantee Fund

Departments

In 2023, the Deposit Guarantee Fund covered 135 companies: 65 banks (of which 6 foreign banks having applied for supplementary coverage in Denmark and 5 banks in the Faroe Islands and Greenland), 6 mortgage credit institutions, 49 investment companies, 4 investment management companies and 11 managers of alternative investment funds. The companies are distributed on 4 departments:

- the Banking Department (65 banks)
- the Mortgage Credit Department (6 institutions)
- the Investment and Portfolio Management Department (investment companies and certain investment management companies and managers of alternative investment funds (64 companies and investment funds)
- The Restructuring Department (59 institutions which are already included in the Banking Department)

Results in 2023

The Deposit Guarantee Fund generated a surplus of DKK 404 million in 2023 (2022: a deficit of DKK 516 million). The surplus was attributable to interest income on the securities portfolio and deposits with Danmarks Nationalbank in the amount of DKK 108 million and market value gains on the securities portfolio of DKK 284 million.

At 31 December 2023, the Deposit Guarantee Fund had total assets of DKK 12.3 billion. Of these assets, the Banking Department accounted for DKK 8.8 billion and the Restructuring Department accounted for DKK 3.5 billion, DKK 3.2 billion of which consisted of commitments. In addition, the Mortgage Credit Department had assets of DKK 11 million and the Investment and Portfolio Management Department had assets of DKK 12 million.

Loss guarantees provided

The Restructuring Department issued loss guarantees to Finansiel Stabilitet in connection with the resolution of Amagerbanken af 2011 (FS Finans III A/S) and Fjordbank Mors af 2011 (FS Finans IV A/S), with the loss guarantee regarding FS Finans IV A/S having been capitalised.

Financing of the Deposit Guarantee Fund

The assets of the Banking Department must equal 0.8% of the banks' covered deposits. The annual contribution is determined as the amount required to meet the target level within a period of up to six years. If the assets exceed the determined target level, the obligation to contribute will cease. The obligation to contribute will resume if the assets fall below the determined target level. The individual contributions of the comprised banks is determined on the basis of a ratio-based contribution model.

At 31 December 2023, the assets of the Banking Department amounted to DKK 8.8 billion, against a determined target level of DKK 6.9 billion. As the assets exceeded the target level by an excess coverage of DKK 1.9 billion, no contributions were collected for the Banking Department in 2023. Based on applicable rules in the area, the calculation of the target level of total assets currently does not take into account deposits serving certain social purposes.

Previous studies have shown that special covered deposits in Denmark amount to approximately DKK 200 billion. When these are added to the calculation of the Banking Department's target level, the level grows to approximately DKK 8 billion, substantially reducing the excess coverage.

The Investment and Portfolio Management Department is required to have total assets of at least DKK 10 million, consisting entirely of commitments. No cash contributions are collected, but adjustments are made to the commitments.

The Restructuring Department is required to have total assets of DKK 3.2 billion in commitments for resolution purposes. As the Department incurred no losses in 2023, it was not necessary to collect cash contributions. Instead, commitments were redistributed among the banks in the Department.

The Mortgage Credit Department is required to have total assets of at least DKK 10 million. However, the part of the assets collected on the basis of the covered funds must total at least DKK 2.5 million of the total assets. As the assets have reached the target level and Danish mortgage credit institutions no longer have covered cash funds, no cash contributions are collected. Finansiel Stabilitet only carries out an adjustment of commitments totalling DKK 7.5 million.

Income statement for the Deposit Guarantee Fund

(DKKm)	2023	2022
Contributions to the Deposit Guarantee Fund	0	22
Interest on deposits with Danmarks Nationalbank	16	0
Yield of listed bonds	92	84
Value adjustment of bond portfolio	284	-630
Purchase price adjustment from resolution of banks	17	0
Result of loss guarantee	-2	5
Adjustment of expected dividend etc. from the estates in bankruptcy re. Fjordbank Mors and CapiNordic.	3	8
Administrative expenses	-6	-5
Result for the year	404	-516

Balance sheet for the Deposit Guarantee Fund

(DKKm)	2023	2022
ASSETS		
Deposits with banks and Danmarks Nationalbank	564	478
Bonds	7,792	7,467
Commitments made by banks, mortgage credit institutions and investment companies	3,218	3,218
Purchase price / dowry adjustment receivable	495	508
Other receivables	256	248
Total assets	12,325	11,919
EQUITY AND LIABILITIES		
Other liabilities	2	0
Deposit Guarantee Fund	12,323	11,919
Total equity and liabilities	12,325	11,919

Area of coverage

The Deposit Guarantee Fund provides financial coverage to depositors and investors of Danish banks, mortgage credit institutions and investment companies as well as certain investment management companies and managers of alternative investment funds. It also provides coverage to depositors in Danish branches of foreign banks that have applied for supplementary coverage to the guarantee scheme in their country of residence.

Scope of coverage

The Deposit Guarantee Fund covers deposits and cash funds up to an amount of EUR 100,000 (approximately DKK 745,000).

In addition, certain special deposits with increased coverage are covered for a limited period, for example deposits which pursuant to legislation have social objects, and which are associated with special life events are covered up to an amount of EUR 150,000 for a period of six months from the amount being deposited. Furthermore, deposits resulting from real estate transactions relating to non-traders are covered by up to EUR 10 million for a period of 12 months from the date on which the deposit was made.

Pension funds, e.g. cash deposits into annuity pension and retirement pension schemes, are fully covered.

Securities

The Deposit Guarantee Fund also manages the investor guarantee scheme. For investors, this means that coverage is provided up to EUR 20,000 (approximately DKK 150,000) per investor, if the institution fails to return financial instruments which belong to the investor and which are held or managed by the institution.

Branches

Danish branches of foreign banks that are resident in another EU or EEA country are generally covered by the deposit guarantee scheme applicable in the foreign bank's country of residence. It is possible for such branches to apply for supplementary coverage under the Danish scheme. The supplementary coverage is triggered in cases where the Danish scheme provides better coverage than that of the country of residence, e.g. pension accounts and the special deposits subject to increased coverage for a period of 6 to 12 months after the amount was deposited with the bank.

Branches in Denmark of Nordea Bank Abp, Nordnet Bank AB, Ikano Bank AB and Carnegie Investment Bank AB have applied for coverage under the Deposit Guarantee Fund as a supplement to the coverage provided by the national guarantee schemes.

It is the guarantee scheme of the host country which is to make disbursements to depositors on behalf of the guarantee scheme of the country of residence in connection with the resolution of a branch. In certain situations, the Deposit Guarantee Fund may be required to make disbursements on behalf of deposit guarantee schemes of other countries.

For branches of credit institutions that are residents in non-EU or EEA member states, the branch must be a member of the Danish deposit guarantee scheme if the coverage of depositors and investors in the country in which the branch is resident does not equal the coverage of depositors and investors in Denmark.

Additional information on the legislative framework governing the Deposit Guarantee Fund's coverage is provided on www.fs.dk.

Income statement by department for 2023

(DKK'000)	Deposit Guarantee Fund, total	Banking Department	Mortgage Credit Department	Investment and Portfolio Management Department	Restructuring Department
General distribution					
Interest and value adjustment	391,660				
Costs of asset management	-1,188				
Net financials	390,472	377,343	159	107	12,863
Costs					
Management fee, Finansiel Stabilitet	-4,788				
Total shared costs	-4,788	-3,378	-4	-5	-1,401
Total general distribution	385,684	373,965	155	102	11,462
Specific distribution					
Adjustment of expected dividend etc. from estate in bankruptcy	2,750	2,750			
Surplus from the resolution of banks etc.	16,946	16,946			
Provision for losses on loss guarantees	-1,517				-1,517
Various directly attributable costs/income	-24	-24		-	
Total specific distribution	18,155	19,672	-	-	-1,517
Result for the year	403,839	393,637	155	102	9,945

Assets by department for 2023

(DKK'000)	Deposit Guarantee Fund, total	Banking Department	Mortgage Credit Department	Investment and Portfolio Management Department	Restructuring Department
Contributions at 31 December 2023	0	0	0	0	0
Commitments made					
Balance at 1 January 2023	3,217,500		7,500	10,000	3,200,000
Balance at 31 December 2023	3,217,500		7,500	10,000	3,200,000
Retained earnings					
Balance at 1 January 2023	8,701,623	8,409,042	3,544	2,391	286,646
Result for the year	403,839	393,637	155	102	9,945
Balance at 31 December 2023	9,105,462	8,802,679	3,699	2,493	296,591
Assets at 31 December 2023	12,322,962	8,802,679	11,199	12,493	3,496,591

Resolution Fund

Results in 2023

The Resolution Fund generated a surplus of DKK 1,460 million in 2023 (2022: DKK 907 million). The surplus was mainly attributable to payment of contributions to the Resolution Fund of DKK 1,206 million. Interest on the securities portfolio and on deposits with Danmarks Nationalbank amounted to DKK 156 million, and market value gains on the securities portfolio amounted to DKK 107 million.

In 2023, the Resolution Fund's administrative expenses amounted to DKK 20 million, roughly offset by income allotted through the Finance and Appropriation Act. The administrative tasks relate to, among other things, legal work, work involved in

preparing resolution plans, participation in resolution colleges for cross-border SIFs and building up of the Resolution Fund.

Including the contribution collected in 2023 of DKK 1,206 million, the fund has assets of DKK 7.5 billion. In 2023, banks contributed DKK 791 million, mortgage credit institutions contributed DKK 415 million and investment companies contributed DKK 267 thousand. Of the total contribution, DKK 1,204 million was related to ratio-based collection of contributions from the 32 largest institutions. The remaining approximately DKK 2 million was paid by the remaining 41 institutions.

Income statement for the Resolution Fund

(DKKm)	2023	2022
Contributions to the Resolution Fund	1,206	1,124
Other income and expenses	274	-200
Result of net financials and coverage activities	1,480	924
Administrative expenses etc.	-20	-17
Result for the year	1,460	907

Balance sheet for the Resolution Fund

(DKKm)	2023	2022
ASSETS		
Demand deposits with central banks	4,524	3,204
Securities	2,920	2,778
Investments in subsidiaries, associates, etc.	75	78
Other assets	23	21
Total assets	7,542	6,081
EQUITY AND LIABILITIES		
Other liabilities	68	69
Provisions	8	6
Total liabilities	76	75
Resolution Fund	7,466	6,006
Total equity and liabilities	7,542	6,081

Activities

In 2023, the work to develop resolution plans for Danish, Faroese and Greenland banks, mortgage credit institutions and the investment companies covered by the Act on Restructuring and Resolution of Certain Financial Enterprises continued.

This work forms part of a common European effort to ensure the credibility of the way member states manage failing banks and mortgage credit institutions etc., so that the institutions' crisis management bears the full responsibility for the operation and capital position of the institutions. A central part of the resolution plans is setting out a preferred resolution strategy to facilitate the continuity of a failing institution's critical functions, which is considered when the Danish FSA determines the requirement for eligible liabilities. In collaboration with the Danish FSA, Finansielt Stabilitet has prepared a description of how a resolution process is to be executed. This description is available at www.fs.dk. The resolution plans will be regularly reviewed and, if necessary, adjusted. This entails collaboration with the institutions and greater focus on establishing actual scripts to ensure that the resolution plan is operational.

Finansielt Stabilitet also participates in international resolution colleges for the purpose of preparing resolution plans for cross-border SIFs, where these have significant branches or subsidiaries in Denmark. For cross-border SIFs domiciled in Denmark, the group resolution authority is Danish, and Denmark is in charge of the resolution college.

In addition to these activities, Finansielt Stabilitet continually focuses on testing the contingency resolution measures of the institutions. In order to achieve the resolution objectives it is vital from a practical perspective that Finansielt Stabilitet quickly gets access to all relevant data. The testing evaluates whether the institutions have procedures and data access that will enable them to supply Finansielt Stabilitet with data in a time-critical resolution situation. Finansielt Stabilitet and the Danish FSA together perform the testing of contingency resolution measures.

Resolution of FS Finans V A/S' activities

In 2015, Finansielt Stabilitet assumed control of Andelskassen J.A.K. Slagelse, as the institution was failing and needed crisis management. As part of the takeover, all shareholders and a relevant part of the creditors were written down, as a valuation carried out by an independent valuation expert had shown that there were insufficient funds to cover these liabilities. On 31 May 2017, Andelskassen J.A.K. Slagelse under control deposited its licence to carry on banking and securities trading activities. The bank was at the same time converted into a financing company with the name of FS Finans V A/S, from which the resolution of remaining loans was to take place.

At 31 December 2023, FS Finans V A/S had loans and guarantees representing a total carrying amount of DKK 9

million and total assets of DKK 29 million.

At the end of 2023, the Resolution Fund had a total deficit of DKK 1 million in relation to the resolution of Andelskassen J.A.K. Slagelse.

Resolution of FS Finans VI A/S' activities

In 2018, Finansielt Stabilitet assumed control of Københavns Andelskasse, as the institution was failing and needed crisis management. As part of the takeover, shareholders and a part of the creditors were written down, as a valuation carried out by an independent valuation expert had shown that there were insufficient funds to cover all creditors. On 28 June 2019, Københavns Andelskasse under control deposited its licence to carry on banking and securities trading activities. The bank was at the same date converted into a financing company with the name of FS Finans VI A/S, from which the winding up of remaining loans will take place.

In May 2019, Finansielt Stabilitet filed two liability lawsuits against the former management of Københavns Andelskasse before the District Court of Copenhagen.

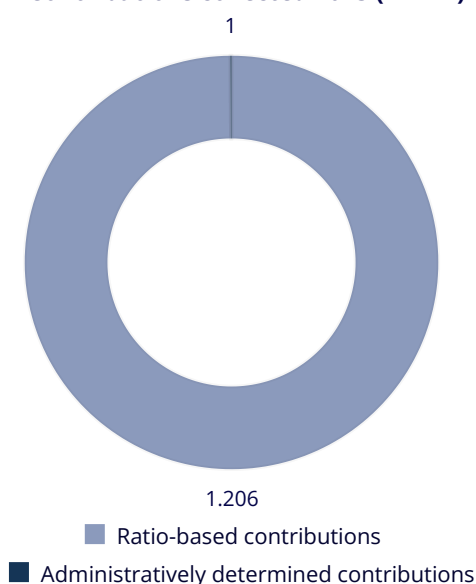
One of these lawsuits concerns Københavns Andelskasse's acquisition of the company OTC-listen. In this case, the District Court of Copenhagen on 25 May 2022 delivered a decision, by which the claims against all management members were dismissed. Finansielt Stabilitet was ordered to pay legal costs in the amount of DKK 5.7 million. FS Finans VI A/S appealed the decision to the High Court of Eastern Denmark on 8 June 2022. The trial hearing in the case is scheduled for August 2024.

In the other lawsuit, which concerns management's liability in connection with losses on 2 loan exposures, the District Court of Copenhagen on 16 August 2022 delivered a decision, by which two management members were ordered to pay damages of DKK 2.5 million in respect of one of the loan exposures. FS Finans VI A/S was ordered to pay legal costs of DKK 700,000 to the management members against whom the claim was dismissed. The two management members found liable were ordered to pay legal costs of approximately DKK 400,000 to FS Finans VI A/S. The two management members found liable appealed the decision to the High Court of Eastern Denmark. FS Finans VI A/S subsequently appealed the decision, claiming that the decision of the District Court be upheld, and appealed the dismissal of the claim related to the other loan exposure with respect to one of the management members. The trial hearing in the case is scheduled for February 2025.

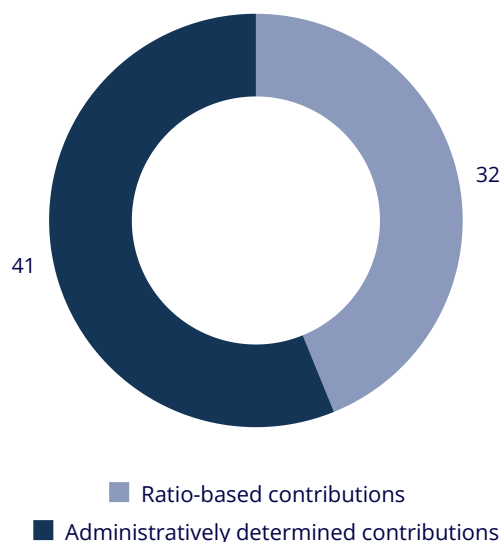
At 31 December 2023, FS Finans VI A/S had net loans and guarantees representing a total carrying amount of DKK 8 million and total assets of DKK 37 million.

At the end of 2023, the Resolution Fund had a total deficit of DKK 0.4 million in relation to the resolution of Københavns Andelskasse.

Contributions collected 2023 (DKKm)



No. of institution



Financing of the Resolution Fund

In the period to 2024, the Resolution Fund is to build up assets to a level ensuring that it has financial means equivalent to 1% of the covered deposits of all institutions comprised by the Resolution Fund.

The build-up must be distributed as evenly as possible until the target level has been reached, always with due consideration for the economic climate and the potential effects of pro-cyclical contributions on the financial position of contributing institutions.

The Resolution Fund is funded through an annual contribution pursuant to Commission Delegated Regulation (EU) 2015/63. For small institutions, the contribution is generally determined administratively, while a ratio-based contribution is determined for large institutions.

If the assets of the Resolution Fund exceed 1% of the covered deposits, the obligation to contribute will cease. Conversely, if the assets of the Resolution Fund are not sufficient to cover losses, costs or other expenses in connection with the resolution of an institution, Finansielt Stabilitet may raise extraordinary contributions. Such extraordinary contributions may not exceed three times the most recent annual contribution paid. In addition, the Resolution Fund may raise loans in the market or from corresponding resolution financing schemes of other countries in case of insufficient funds. Moreover, Finansielt Stabilitet may raise state-funded re-lending to be used as loan financing of the Resolution Fund.

At 31 December 2023, the assets of the Resolution Fund amounted to DKK 7.5 billion, against the determined target level of DKK 8.6 billion. In recent years, Finansielt Stabilitet has

observed annual increases in the covered deposits in Danish banks.

When the contributions for 2024 have been received, the target level is expected to have been reached.

Financial position

The Resolution Fund's liquid assets totalled DKK 7.4 billion at 31 December 2023. Finansielt Stabilitet is responsible for ensuring that the available financial means of the Resolution Fund are from time to time proportionate with the Resolution Fund's potential liabilities. As is the case for the Deposit Guarantee Fund, an overall investment profile has been adopted that is based on investments being made in low-risk cash funds.

Scope

Finansielt Stabilitet may take resolution measures in accordance with the Act on Restructuring and Resolution of Certain Financial Enterprises if the following conditions are met: (1) the Danish FSA has informed Finansielt Stabilitet that the bank is failing or is likely to fail, (2) the Danish FSA has informed Finansielt Stabilitet that there is no prospect that other measures, including measures taken by the private sector or the Danish FSA, within an appropriate time frame would prevent a resolution of the enterprise, (3) Finansielt Stabilitet assesses that a resolution is necessary in the public interest.

When these conditions are met, Finansielt Stabilitet may e.g. assume control over the enterprise, effect a full or partial sale of the enterprise, transfer all or parts of the enterprise to a subsidiary of Finansielt Stabilitet (bridge institution or portfolio management company) or write down or convert the enterprise's liabilities.

In connection with restructuring and resolution, losses are generally to be borne in accordance with the order of priority of creditors. Moreover, the principle applies that no creditor may be placed at a financial disadvantage relative to a bankruptcy process.

This is to be assessed in a subsequent independent valuation. If it is assessed that there are creditors who have been placed at a disadvantage, they will be entitled to compensation from the Resolution Fund.

Depositors may also be affected by restructuring and resolution measures, but the value of their deposits will never be less than the amount of coverage provided under the Deposit Guarantee Fund.

The Resolution Fund may be used to provide guarantees and loans etc. in connection with the use of restructuring or resolution measures. The Resolution Fund may also in special circumstances be used to cover a company's losses when at least 8% of the company's liabilities and own funds have been written down or converted. In such situation, the Resolution Fund may contribute assets equivalent to up to 5% of the enterprise's liabilities and own funds. However, in the preparation of resolution plans, this option is not assumed to be used.

Legislative framework

The legislative framework of the Resolution Fund and Finansielt Stabilitet's restructuring and resolution activities is the Act on

Restructuring and Resolution of Certain Financial Enterprises, see Consolidation Act no. 24 of 4 January 2019 and Executive Order no. 823 of 3 July 2015 on the Resolution Fund. In addition, executive orders have been issued on resolution planning and contingency resolution measures, see Executive Order no. 2018 of 26 October 2021, and on Finansielt Stabilitet's use of resolution measures, see Executive Order no. 822 of 3 July 2015.

The Act on Restructuring and Resolution of Certain Financial Enterprises entered into force on 1 June 2015. The Act became effective for the Faroe Islands and Greenland on 1 January 2018 and 1 January 2020, respectively.

The rules implement Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 (BRRD) as amended by, among others, Directive 2019/879/EU of the European Parliament and of the Council of 20 May 2019 (BRRD II). With a view to achieving a uniform application of the rules, the European Commission issues delegated acts and implementing acts in this area.

On 11 August 2021, the Danish FSA decided that the Resolution Fund constitutes a public sector entity under Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and that exposures to the Resolution Fund are assigned a zero risk weighting pursuant to Article 116(4) of the Regulation.

Significant risks

The description of the principal risks affecting Finansiel Stabilitet is based on three segments, as described below. For further information on risks and risk management, see note 20 to the financial statements.

Activities handled on behalf of the government

Risks under Activities handled on behalf of the government may be subdivided into Bank Package activities and Other areas.

Bank Package activities are to a considerable extent influenced by the special tasks involved in taking over and resolving failing banks under Bank Packages I-IV. As the customer exposures and lawsuits have been significantly reduced, the risk of losses is considered to be relatively low.

Other areas handled on behalf of the government are operated for the account and risk of the government.

Deposit Guarantee Fund

Significant risks under the Deposit Guarantee Fund relate to the resolution of activities taken over by Finansiel Stabilitet under Bank Package III and the risk of future losses as a result of the restructuring and resolution of failing banks resulting in losses on covered deposits.

If the resolution of activities under FS Finans III-IV A/S produces a loss which had not been anticipated at the takeover date, such loss will have to be covered by the Depositor and Investor Guarantee Scheme. Based on the preliminary resolution, additional losses have been recorded under Bank Package III relating to the resolution of FS Finans IV A/S. It is considered unlikely that losses will occur in relation to FS Finans III A/S before the company's expected liquidation in 2024.

Moreover, the investment of the Deposit Guarantee Fund's investable funds will be subject to risk, depending on the chosen investment profile. The Act on a Depositor and Investor Guarantee Scheme stipulates that the investable funds of the Deposit Guarantee Fund must be invested in low-risk assets. Each year, Finansiel Stabilitet's Board of Directors defines the investment strategy for the Resolution Fund. The investment strategy must be determined so as to ensure that the available financial means of the Deposit Guarantee Fund are from time to time proportionate with the Deposit Guarantee Fund's potential liabilities.

Resolution Fund

Significant risks under the Resolution Fund relate to losses in connection with the restructuring or resolution of failing institutions in which the Resolution Fund has injected capital.

Currently, this risk is reflected in the ownership of FS Finans V A/S and FS Finans VI A/S, as any impairment of the remaining assets and lack of profitability will have an adverse effect on the Resolution Fund. Including the most recent results, the status of the Resolution Fund is close to break-even, i.e. the Resolution Fund has realised neither a gain nor a loss on the ownership.

Moreover, going forward, the investment of the Resolution Fund's investable funds will be subject to the same risk factors as those of the Deposit Guarantee Fund, as the investment strategies are identical.

Events after the balance sheet date

No events have occurred after the balance sheet date that have a significant effect on the Group's financial position.

Outlook for 2024

The outlook for 2024 is determined for each of the three funds of the Finansiel Stabilitet Group.

For the Resolution Fund, a surplus of approx. DKK 1.3 billion is expected, mainly arising from the expected payments from the institutions that have an obligation to pay contributions to the Resolution Fund.

For the Deposit Guarantee Fund, a surplus of approximately DKK 200 million is expected, mainly arising from returns on the securities portfolio.

For Activities handled on behalf of the government, a surplus of approximately 100 million is expected, mainly consisting of interest on deposits with Danmarks Nationalbank.

The outlook is subject to considerable uncertainty.

Any changes in interest rates could affect the results of all three funds, but for the Resolution Fund and the Deposit Guarantee Fund in particular, the interest risk implies a risk of significant fluctuations in results.

The results for 2024 of Activities handled on behalf of the government also remain subject to uncertainty as the Bank Package activities may have a potential impact on operations due to value adjustment of assets, if the resolution of these either exceeds or falls short of the carrying amounts.

Furthermore, the geopolitical uncertainty may impact economic developments and, consequently, the Company's result for 2024.

Corporate governance

Finansiel Stabilitet structures the management of the Group and the performance of the Group's activities in accordance with the special obligation imposed on Finansiel Stabilitet to support financial stability in Denmark.

Finansiel Stabilitet complies with the recommendations for exercising ownership and practising corporate governance in state-owned public companies, as described in the ownership policy of the Danish State published in 2015. In addition, Finansiel Stabilitet has chosen to comply with the recommendations of the Committee on Corporate Governance to the widest extent possible, even though Finansiel Stabilitet is not directly comprised by the recommendations. This annual report includes reporting on compliance with the Corporate Governance Recommendations, which were updated in December 2020 and are effective for financial years beginning on or after 1 January 2021.

At least once a year, the Board of Directors and the Management Board review the principles defined for the management and organisation of Finansiel Stabilitet and ensures that the Company complies with good practice in this respect.

The overall objectives are defined by the Ministry of Industry, Business and Financial Affairs, including Finansiel Stabilitet's role as an institution critical to society which contributes to ensuring financial stability in Denmark. In light of the special tasks set out in the legislative framework, Finansiel Stabilitet is considered to comply with the recommendations on risk management. Obviously, certain of the usual matters relating to acceptance of risk will not be for the Board of Directors to decide on general business terms. For example, Finansiel Stabilitet will be able to take over from failing banks portfolios of exposures that do not have a balanced risk-return ratio. However, within the given framework, the Board of Directors of Finansiel Stabilitet seeks to enhance the risk management efficiency of the assets taken over.

Moreover, the Committee's recommendations on the handling of takeover bids have no relevance for Finansiel Stabilitet due to the Company's status as an independent public company. Likewise, the Company has chosen not to comply with a few other recommendations as described below.

Communication with the owner and stakeholders of the Company

The Ministry of Industry, Business and Financial Affairs on behalf of the Danish State is the Company's sole owner. Finansiel Stabilitet maintains an ongoing dialogue with its owner to ensure that the Minister for Industry, Business and Financial Affairs receives relevant information on matters related to Finansiel Stabilitet. The relationship between Finansiel Stabilitet and the Ministry of Industry, Business and Financial Affairs is furthermore governed by a Strategic

Governance Document for Finansiel Stabilitet, which also contains guidelines for exchange of information.

Finansiel Stabilitet publishes interim financial statements and releases quarterly announcements. The Company does not publish full interim financial statements for the first and third quarters. In this respect, Finansiel Stabilitet deviates from the recommendations of the Committee on Corporate Governance.

It is assessed that the release of quarterly financial statements would not contribute material new information relative to the information already released through the quarterly announcements and other announcements.

Finansiel Stabilitet is subject to the rules applying to state-owned companies, which implies, among other things, that in key areas the Company is subject to the same requirements as listed companies. Announcements and other information from Finansiel Stabilitet and its subsidiaries are released through the Danish Business Authority and through the Company's website, www.fs.dk. The website also provides information about the Company's structure, activities, etc.

General meeting

The general meeting is the Company's supreme decision-making body. The Ministry of Industry, Business and Financial Affairs has same powers at general meetings as those awarded to shareholders pursuant to the Companies Act. Representatives of the Ministry of Industry, Business and Financial Affairs, the Board of Directors, the Management Board, the National Audit Office and the Company's auditors attend the annual general meeting.

General meetings are open to the press. However, the Board of Directors of Finansiel Stabilitet may decide that a general meeting should be closed or partially closed to the press if motivated by considerations for the discharge of Finansiel Stabilitet's objects, powers and responsibilities. Notices convening general meetings are published and distributed to the Minister for Industry, Business and Financial Affairs or his proxy not less than two weeks and not more than four weeks prior to the date of the general meeting.

Management structure

Finansiel Stabilitet has a two-tier management structure, consisting of the Board of Directors and the Management Board. The two bodies are mutually independent and have no overlapping members.

Finansiel Stabilitet's subsidiaries are managed by independent management boards and boards of directors, which in part consist of Finansiel Stabilitet's general management. This structure entails that Finansiel Stabilitet is represented on the boards of directors of all subsidiaries.

Board work

The Board of Directors is responsible for the overall management of Finansiel Stabilitet. The general guidelines for the work of the Board of Directors have been defined in the rules of procedure for the Board of Directors, which are revised on an ongoing basis and as required. The rules of procedure in force from time to time are available at Finansiel Stabilitet's website, www.fs.dk. Due to the special objects and nature of Finansiel Stabilitet, the Board of Directors has flexible working methods and plans its work so as to accommodate the tasks at hand.

A total of 10 board meetings were held in 2023, including 3 extraordinary board meetings. A total of 12 board meetings were held in 2022.

The Board of Directors is continuously updated on the Company's situation. These updates take place through meetings as well as through written and oral reporting. The Board of Directors receives semi-annual reporting, including information about economic developments and the most important activities and transactions.

Finansiel Stabilitet deviates from the recommendations of the Committee on Corporate Governance with respect to board committees, as the Board of Directors has not to date found it necessary to set up an audit committee and, due to the close affiliation with the Minister for Industry, Business and Financial Affairs, has not found it necessary to set up remuneration and nomination committees.

The Board of Directors regularly and at least once a year evaluates the tasks and composition of the Board of Directors and the collaboration between the Board of Directors and the Management Board.

Composition of the Board of Directors

At 31 December 2023, the Board of Directors of Finansiel Stabilitet consisted of seven members.

The Minister for Industry, Business and Financial Affairs appoints the members of the Board of Directors, including the Chairman and the Deputy Chairman. Neither the employees of Finansiel Stabilitet nor the employees of Finansiel Stabilitet's subsidiaries are entitled to elect members to the Board of Directors of Finansiel Stabilitet.

The members of the Board of Directors are elected for a term of one year, but are eligible for re-election. At the annual general meeting held on 28 April 2023, Anne Louise Eberhard, Ulrik Rammeskov Bang-Pedersen Ole Selch Bak, Morten Sommerfeldt and Jesper Rangvid were re-elected to the Board of Directors.

Anne Louise Eberhard was re-elected as Chairman and Ole Selch Bak was re-elected as Deputy Chairman. At the extraordinary general meeting held on 27 June 2023, Ulrikke Ekelund was re-elected to the Board of Directors and Gitte

Lillelund Bech was elected to the Board of Directors. Pernille Vastrup resigned from the Board of Directors.

The Chairman of the Board of Directors may not undertake any offices on behalf of Finansiel Stabilitet which do not form a natural part of the office as chairman. However, if specifically required, the Chairman may perform tasks which he or she is requested to perform by and on behalf of the Board of Directors.

Candidates for the Board of Directors must possess relevant skills, and the Board of Directors as a whole must possess knowledge and experience of the key issues and challenges faced by Finansiel Stabilitet. Based on the Company's business model and related risks, the Board of Directors annually identifies the areas which it deems the Management Board and the Board of Directors of Finansiel Stabilitet should have knowledge of and experience with. The circumstances relating to the Company's management are adjusted as required on the basis of these assessments.

Prior to election of members to the Board of Directors at the general meeting, information must be provided on the experience and professional background of the individual candidates. As the candidates are nominated by the Company's sole owner, the Ministry of Industry, Business and Financial Affairs, it is assessed that there is no need to distribute information about the competences of the candidates together with the notice convening the general meeting. Finansiel Stabilitet thereby deviates from the recommendations of the Committee on Corporate Governance.

Information about the individual board members is provided in this Annual Report and on Finansiel Stabilitet's website, www.fs.dk.

Management Board

The Management Board of Finansiel Stabilitet is composed of Karsten Bilstoft, CEO. The Management Board along with Jens Verner Andersen (EVP Credit, Finance and IT), Attorney Carsten Oppermann (Deputy Director, Legal), Jeanette Bjørnlund Jensen (Head of Division, Credit, Research and Investment) and Karin Lykke Rasmussen (Head of the Management and Communication), are charged with the day-to-day management of Finansiel Stabilitet.

The guidelines for the Management Board's reporting and submission of decisions to the Board of Directors are laid down in instructions to the Management Board.

Remuneration of the Board of Directors and the Management Board

Each member of the Board of Directors receives a fixed annual remuneration, and the total annual emoluments paid to the Board of Directors are approved at the general meeting in connection with the approval of the annual report.

In the financial year 2023, remuneration paid to the Board of Directors amounted to DKK 1,425 thousand. The remuneration

of the Board of Directors is disclosed on www.fs.dk.

The remuneration of the Management Board is determined by the Board of Directors, and in 2023 the remuneration of the Management Board consisted of a basic salary.

Finansiel Stabilitet has no pension obligations towards the Management Board. Members of the Management Board are not covered by bonus schemes and do not receive a separate fee for directorships held in subsidiaries. The remuneration of the Management Board is disclosed on www.fs.dk.

The terms of employment of the Management Board, including remuneration and severance terms, are deemed to be consistent with ordinary standards for a position of this nature and do not entail any special obligations on the part of the Company.

Finansiel Stabilitet complies with the remuneration recommendations of the Danish State's ownership policy, and the Company's remuneration policy reflects these rules. This includes paying competitive – but not top-bracket – salaries compared with peer companies in the public and private sectors.

Finansiel Stabilitet abides by legally binding agreements with employees entered into in connection with the takeover of failing banks.

Internal control and risk management systems used in the financial reporting process

The Board of Directors and the Management Board check the financial reporting, including compliance with relevant legislation and other regulations related thereto. Finansiel Stabilitet has set up the necessary internal controls to ensure that the Company's financial reports give a true and fair view.

The Management Board maintains effective procedures to identify, monitor and report on risks, effective internal control procedures as well as satisfactory IT control and security measures. In order to prevent misstatements and irregularities in financial reporting, Finansiel Stabilitet assesses and adjusts its internal control and risk management systems on an ongoing basis.

Finansiel Stabilitet has established a whistleblower scheme for the Group, which is accessible via Finansiel Stabilitet's website, www.fs.dk. The objective of the whistleblower scheme is to ensure expedient and confidential reporting of offences – or suspicion of offences – to an independent and autonomous unit, which can evaluate what measures should be taken. Under the whistleblower scheme, employees and other Finansiel Stabilitet stakeholders can report, anonymously or not, on any serious misconduct.

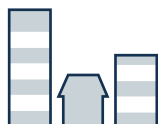
Auditors

The activities of Finansiel Stabilitet are audited by the Auditor General of Denmark and a state-authorized public accountant. The state-authorized public accountant is appointed for a term of one year at the general meeting and must be certified by the Danish FSA.

Before nominating a candidate for appointment at the general meeting, the Board of Directors makes an assessment of the state-authorized public accountant's independence, qualifications, etc.

The framework for the auditors' duties, including their remuneration, audit and non-audit assignments are written into a service contract. EY was appointed auditors of the Finansiel Stabilitet Group's activities in 2023.

Corporate social responsibility



Corporate social responsibility

In accordance with the legislative framework, Finansiel Stabilitet is required to contribute to ensuring financial stability in Denmark. This objective is achieved in part by preventive measures, including the establishment of a resolution fund, preparation of resolution plans and identification of any obstacles, and in part specifically by restructuring and resolving failing banks. In periods of financial turmoil, continued access to significant critical infrastructure is secured when Finansiel Stabilitet can take over failing banks and it is in the interest of the general public. In addition, crisis management is organised based on the principle that the risk of losses to taxpayers is to be minimised.

In crisis management, another focus area is securing the highest possible value of assets taken over, thus minimising losses incurred by creditors and owners, and contributing to ensuring financial stability in a broader context. Stability in a broader context is ensured in terms of winding up by Finansiel Stabilitet adapting the disposal of activities to prevailing market conditions.

Moreover, Finansiel Stabilitet aims for business with the Group's customers taken over from failing banks to continue under the auspices of other banks to the extent possible or under the auspices of purchasers who are obliged to manage the customers in accordance with the Executive Order on good business practice for financial undertakings.

Moreover, when Finansiel Stabilitet takes over failing banks, it is on the existing customer terms and conditions, and the main focus is on ensuring appropriate continuation of activities and subsequent resolution. Accordingly, other social considerations in the handling of customer relationships are not a focus area in the same way as for other banks.

Finansiel Stabilitet furthermore has a tax policy that sets out the framework for its conduct in relation to the sale of tax assets of subsidiaries. Finansiel Stabilitet is required, in the interests of any creditors or other stakeholders, to consider the value of any tax assets in connection with the resolution of failing institutions. At the same time, focus is on ensuring expedient handling from a social perspective.

Finansiel Stabilitet and its subsidiaries live up to their responsibility as employers, business partners and consumers of natural resources. The approach is based on its activities

being conducted in a manner that will minimise any negative environmental, social, human rights and anti-corruption impacts.

Finansiel Stabilitet has defined its principles in a CSR policy. As part of its corporate social responsibility work, Finansiel Stabilitet will comply with recognised standards.

Employees

Finansiel Stabilitet wants to contribute to a good and challenging working life for the employees during their employment. Finansiel Stabilitet's corporate culture is based on open, proper and equal dialogue with emphasis on measures of individual freedom under accountability and common sense. At the same time, Finansiel Stabilitet focuses on continuous skills enhancement for its employees in the form of courses and other relevant supplementary training.

Finansiel Stabilitet has combined the guidelines in a code of conduct, which is available on Finansiel Stabilitet's website. These guidelines provide clarity as to Finansiel Stabilitet's position on independence, conflicts of interest, etc.

The number of employees is adjusted on an ongoing basis to fit the scope of work. In 2023, Finansiel Stabilitet had an average of 43 employees.

Gender composition of Management

Finansiel Stabilitet strives to achieve relevant diversity in terms of e.g. age and gender at the Group's management levels. Against this background, Finansiel Stabilitet has adopted a policy on diversity and balanced gender composition on the Group's boards of directors and other management levels. This policy is available on Finansiel Stabilitet's website.

In terms of gender composition, the ambition is for either gender to hold at least 40% of the seats on the boards of directors. Of Finansiel Stabilitet's seven board members, three are women and four are men.

Of the three board members of the subsidiaries Broinstitut I A/S, Broinstitut II A/S, FS Finans III A/S, FS Finans IV A/S, FS Finans V A/S and FS Finans VI A/S, the gender composition is one woman and two men. Of the five board members of the subsidiary FS Ejendomsselskab A/S, the gender composition is three women and two men. Accordingly, Finansiel Stabilitet meets its target for boards of directors.

The Company also aims to ensure an appropriate gender composition at the Group's other management levels. The Group's employees should feel that they have the same career opportunities and opportunities to be considered for management positions, regardless of gender. The gender composition of Finansiel Stabilitet's general management is two

female and three male members. Finansiel Stabilitet thus meets its gender composition target for the general management.

Finansiel Stabilitet is focused on gender composition in connection with its employment and recruitment procedures.

Business partners and suppliers

The Company is focused on using suppliers who comply with applicable and relevant standards in the specific area. This applies e.g. to the property area in connection with completion of properties and projects taken over by Finansiel Stabilitet from failing banks or on enforcement of collateral. Finansiel Stabilitet will use labour clauses in new building and construction contracts irrespective of the contract amount in order to ensure that work is performed in accordance with Danish remuneration and employment terms.

Environmental and climate impact

Regardless of the relatively limited effect, Finansiel Stabilitet continually seeks to limit environmental and climate impacts in the performance of its activities. As the primary objective of Finansiel Stabilitet is the resolution of activities, Finansiel Stabilitet will not be able to safeguard the same incentive management considerations expected of other banks. Finansiel Stabilitet nonetheless makes efforts to measure environmental impacts and define targets for the Company's own operations.

Data ethics

In performing its activities, Finansiel Stabilitet seeks to support a high level of data ethics. Finansiel Stabilitet does not actively process data or use algorithms for data analyses in excess of what is to be expected in the conduct of the Company's central tasks. In order to ensure transparency and reliability in terms of data processing, Finansiel Stabilitet has drawn up a data ethics policy, which reflects the relatively simple use of data in the Company.



FINANCIAL
STATEMENTS 2023

Income statement and comprehensive income statement

(DKKm)	Note	Group		Parent company	
		2023	2022	2023	2022
Interest and fees					
Interest income calculated according to the effective interest method	4	327	3	325	2
Other interest income	4	126	114	126	114
Interest expense	5	7	0	69	0
Net interest income		446	117	382	116
Contributions to the Deposit Guarantee Fund		0	22	0	22
Contributions to the Resolution Fund		1,206	1,124	1,206	1,124
Fees and commissions received		1	2	1	1
Net interest and fee income		1,653	1,265	1,589	1,263
Market value adjustments	6	391	-859	391	-861
Other operating income	7	28	109	43	127
Staff costs and administrative expenses	8	75	136	68	127
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		3	3	3	3
Other operating expenses	9	4	29	1	41
Impairment losses on loans, advances and receivables, etc.	10	-76	-62	-66	-49
Income from investments in associates and subsidiaries	11	0	5	-4	2
Purchase price and dowry adjustment	17	-6	-12	49	-7
Result for the year before tax		2,060	402	2,062	402
Tax	19	0	0	0	0
Result for the year		2,060	402	2,062	402
Other comprehensive income					
Items that cannot be reclassified to the income statement					
Actuarial gains/losses		1	1	-1	1
Tax on other comprehensive income		0	0	0	0
Total other comprehensive income		1	1	-1	1
Total comprehensive income		2,061	403	2,061	403
Appropriation of surplus					
Deposit Guarantee Fund				404	-516
Resolution Fund				1,460	907
Activities handled on behalf of the government				197	12
Total amount appropriated				2,061	403

Balance sheet

(DKKm)	Note	Group		Parent company	
		2023	2022	2023	2022
ASSETS					
Cash in hand and demand deposits with central banks		11,515	9,911	11,515	9,911
Demand deposits with credit institutions		6	5	6	3
Loans, advances and other receivables at amortised cost	10.12	53	33	33	12
Bonds at fair value etc.	13	10,715	10,248	10,715	10,248
Shares, etc.	14	1	10	1	1
Investments in associates etc.	15	0	8	0	8
Investments in subsidiaries		0	0	158	166
Investment properties	16	11	12	11	12
Lease assets		14	9	14	9
Commitments made by banks, mortgage credit institutions and investment companies		3,218	3,218	3,218	3,218
Purchase price and dowry adjustment receivable		0	0	1,628	1,624
Other assets		391	436	401	455
Prepayments		3	2	3	2
Total assets		25,927	23,892	27,703	25,669

Balance sheet

(DKKm)	Note	Group		Parent company	
		2023	2022	2023	2022
EQUITY AND LIABILITIES					
Liabilities					
Lease liability		14	9	14	9
Other liabilities		333	360	2,393	2,442
Total liabilities other than provisions		347	369	2,407	2,451
Provisions					
Provision for pensions and similar liabilities	8	24	27	24	6
Provision for losses on guarantees		3	8	3	3
Purchase price adjustment (earn-out)	17	277	271	0	0
Other provisions	18	20	22	13	14
Total provisions		324	328	40	23
Total liabilities		671	697	2,447	2,474
Equity					
Activities handled on behalf of the government		5,467	5,270	5,467	5,270
Deposit Guarantee Fund		12,323	11,919	12,323	11,919
Resolution Fund		7,466	6,006	7,466	6,006
Total equity		25,256	23,195	25,256	23,195
Total equity and liabilities		25,927	23,892	27,703	25,669

Other notes

Note 1	Accounting policies
Note 2	Segment information for the Group
Note 3	Segment information for the parent company
Note 19	Contingent assets and liabilities
Note 20	Financial risk management
Note 21	Related parties
Note 22	Group overview
Note 23	Break-down of balance sheet items by contractual and expected terms to maturity
Note 24	Fair value disclosure
Note 25	Fair value of balance sheet items at amortised cost
Note 26	Return on financial instruments
Note 27	Finansiel Stabilitet 2019-2023 (financial highlights)

Statement of changes in equity

Group						
(DKKm)	Activities handled on behalf of the government			Deposit Guarantee Fund	Resolution Fund	Total equity
	Subordinated assets	Retained earnings	Proposed dividend			
Equity as at 1 January 2022	1	5,257	30	12,435	5,099	22,822
Comprehensive income for 2022		12	0	-516	907	403
Dividend paid		0	-30	0	0	-30
Equity as at 31 December 2022	1	5,269	0	11,919	6,006	23,195
Comprehensive income for 2023		197		404	1,460	2,061
Equity as at 31 December 2023	1	5,466	0	12,323	7,466	25,256

Parent company						
(DKKm)	Activities handled on behalf of the government			Deposit Guarantee Fund	Resolution Fund	Total equity
	Subordinated assets	Retained earnings	Proposed dividend			
Equity as at 1 January 2022	1	5,257	30	12,435	5,099	22,822
Comprehensive income for 2022		12	0	-516	907	403
Dividend paid		0	-30	0	0	-30
Equity as at 31 December 2022	1	5,269	0	11,919	6,006	23,195
Comprehensive income for 2023		197		404	1,460	2,061
Equity as at 31 December 2023	1	5,466	0	12,323	7,466	25,256

Cash flow statement

(DKKm)	Group	
	2023	2022
Cash flows from operating activities		
Comprehensive income for the year	2,061	403
Impairment of loans, etc., net (income)	-76	-62
Depreciation/amortisation	3	3
Unrealised market value adjustments of securities	-361	810
Other	0	-5
Total operating activities	1,627	1,149
Working capital		
Changes in loans, advances and other receivables	56	120
Changes in securities	10	567
Changes in other assets and liabilities	26	-35
Total working capital	92	652
Total cash flows from operating activities	1,719	1,801
Cash flows from investing activities		
Investment portfolio	-107	-8
Purchase/sale of property, plant and equipment	-7	-9
Total	-114	-17
Cash flows from financing activities		
Dividend	0	-30
Total	0	-30
Total cash flows for operating, investing and financing activities	1,605	1,754
Change in cash and cash equivalents		
Cash and cash equivalents, beginning of year	9,916	8,162
Change during the year	1,605	1,754
Cash and cash equivalents, end of year	11,521	9,916
Cash and cash equivalents comprise		
Cash in hand and demand deposits with central banks	11,515	9,911
Due from credit institutions and central banks within less than three months	6	5
Cash and cash equivalents, end of year	11,521	9,916

Notes

1. Accounting policies

Finansiel Stabilitet presents its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and with related interpretations issued by the Interpretations Committee (IFRIC).

The parent company, Finansiel Stabilitet IPC, presents its financial statements in accordance with the Danish Financial Business Act.

Certain disclosures have been omitted in order to provide a better overview and reduce the number of note disclosures. This has been the case where the amounts and qualitative information are regarded as insignificant.

As of 1 January 2023, the Finansiel Stabilitet Group has implemented the IFRS standards and interpretations that are effective in the EU for 2023. The implementation of the adopted amendments and new standards has not affected recognition or measurement for 2023.

Apart from the above, the accounting policies are consistent with those applied in 2022.

Standards and interpretations not yet in force

At the end of the financial year, a number of new or amended standards and interpretations had been issued that have not yet come into force or been adopted by the EU. Finansiel Stabilitet does not expect to implement the new accounting standards and interpretations until they become mandatory. None of the new standards or interpretations are expected to significantly affect the financial reporting of the Group.

Accounting estimates and judgments

The determination 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, 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 the estimates and assumptions made.

It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or as a result of new information or subsequent events.

Estimates significant to the financial reporting include the

Leases

All leases entered into (other than leases of short duration) in which the Group is the lessee are recognised in the balance sheet as a right-of-use asset and as a lease liability, measured at the present value of minimum lease payments over the term of the lease. The right-of-use asset is subsequently depreciated in the same way as other fixed assets, typically on a straight-line basis over the term of the lease, and interest is calculated on the lease liability.

Commitments made by banks, mortgage credit institutions and investment companies

The item comprises commitments made to the Deposit Guarantee Fund and measured at amortised cost, equivalent to nominal value, as the date when a commitment may be invoked cannot be reliably predicted or estimated.

Tax payable and deferred tax

Finansiel Stabilitet IPC is exempt from taxation and the subsidiaries of the Group are not subject to joint taxation.

Current tax liabilities and current tax receivables are recognised in the balance sheet as estimated tax on the taxable income for the year, adjusted for tax on prior years' taxable income and for tax paid under the on-account tax scheme.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and tax base of assets and liabilities.

Deferred tax assets are reviewed in connection with the year-end closing and recognised only to the extent that it is probable that they will be utilised.

Other assets

The item comprises assets not classified under any other asset item, including interest and commissions receivable.

Other liabilities

The item comprises liabilities not classified under any other liability item, including interest payable etc.

Provisions

The item Provisions comprises provisions made in connection with legal disputes, guarantees, employee benefits, etc.

Provision for losses on guarantees is measured by applying the expected loss model described under the accounting policy for loans and advances.

Other provisions are recognised when, as a consequence of an event occurring before or at the balance sheet date, the Group has a legal or constructive obligation, and it is probable that there may be an outflow of economic benefits to meet the obligation.

2. Segment information for the Group

Activities for the financial year ended 31 December 2023

Group (DKKm)	Activities handled on behalf of the government	Deposit Guarantee Fund	Resolution Fund	Elimination:	Total
Net interest income	180	108	158		446
Contributions to Deposit Guarantee Fund & Resolution Fund	-	0	1,206		1,206
Other net fee income and market value adjustments, etc.	5	282	103	2	392
Purchase price and dowry adjustment	-23	17	-		-6
Other operating income/expenses, net	28	3	23	-33	21
Operating expenses	70	6	29	-31	74
Impairment losses on loans and guarantees etc.	-77	0	1		-76
Comprehensive income for the year	197	404	1,460		2,061
Total assets as at 31 December 2023	6,624	12,325	7,484	-506	25,927
Total liabilities as at 31 December 2023	1,157	2	18	-506	671

Activities for the financial year ended 31 December 2023

Activities handled on behalf of the government (DKKm)	Bank Package I	Bank Packages III and IV	Elimination:	Total
Net interest income	121	59		180
Other net fee income and market value adjustments, etc.	5	0		5
Purchase price and dowry adjustment	32	-55		-23
Other operating income/expenses, net	41	-3	-11	27
Operating expenses	67	14	-11	70
Income re. government-guaranteed loans in rural districts and heat pumps	1	-		1
Impairment losses on loans and guarantees etc.	-66	-11		-77
Income from investments in associates	-2	0	2	0
Comprehensive income for the year	197	-2	2	197
Total assets as at 31 December 2023	7,794	2,003	-3,173	6,624
Total liabilities as at 31 December 2023	2,327	1,964	-3,134	1,157

2. Segment information for the Group (continued)

Activities for the financial year ended 31 December 2022

Group (DKKm)	Activities handled on behalf of the government	Deposit Guarantee Fund	Resolution Fund	Elimination	Total
Net interest income	0	84	33		117
Contributions to Deposit Guarantee Fund & Resolution Fund	-	22	1,124		1,146
Other net fee income and market value adjustments, etc.	13	-625	-240	-5	-857
Purchase price and dowry adjustment	-12	0	-		-12
Other operating income/expenses, net	76	8	18	-25	77
Operating expenses	129	5	31	-30	135
Impairment losses on loans and guarantees etc.	-59	0	-3		-62
Income from investments in associates	5	0	0		5
Comprehensive income for the year	12	-516	907		403
Total assets as at 31 December 2022	6,471	11,919	6,023	-521	23,892
Investments in associates 31 Dec. 2021 at net asset value	8				8
Total liabilities as at 31 December 2022	1,201	0	17	-521	697

Activities for the financial year ended 31 December 2022

Activities handled on behalf of the government (DKKm) Bank Package I	Bank Package I	Bank Packages III and IV	Elimination	Total
Net interest income	0	0		0
Other net fee income and market value adjustments, etc.	10	3		13
Purchase price and dowry adjustment	-7	-5		-12
Other operating income/expenses, net	73	13	-11	75
Operating expenses	124	16	-11	129
Income re. government-guaranteed mortgages in rural districts	1	-		1
Impairment losses on loans and guarantees etc.	-49	-10		-59
Income from investments in associates	10	0	-5	5
Comprehensive income for the year	12	5	-5	12
Total assets as at 31 December 2022	7,626	2,028	-3,183	6,471
Investments in associates 31 Dec. 2022 at net asset value	8			8
Total liabilities as at 31 December 2022	2,356	1,983	-3,138	1,201

3. Segment information for the parent company

Activities 2023 (DKKm)	Activities handled on behalf of the government	Deposit Guarantee Fund	Resolution Fund	Elimination:	Total
Net interest income	120	108	154		382
Contributions to Deposit Guarantee Fund & Resolution Fund	-	0	1,206		1,206
Other net fee income and market value adjustments, etc.	5	282	103	2	392
Purchase price and dowry adjustment	32	17	-		49
Other operating income/expenses, net	42	3	20	-26	39
Operating expenses	67	6	20	-24	69
Impairment losses on loans and guarantees etc.	-66	0	0		-66
Income from investments in associates and subsidiaries	-1	0	-3		-4
Comprehensive income for the year	197	404	1,460		2,061
Total assets as at 31 December 2023	7,838	12,325	7,542	-2	27,703
Total liabilities as at 31 December 2023	2,371	2	76	-2	2,447

Activities 2022 (DKKm)	Activities handled on behalf of the government	Deposit Guarantee Fund	Resolution Fund	Elimination:	Total
Net interest income	0	84	32		116
Contributions to Deposit Guarantee Fund & Resolution Fund	-	22	1,124		1,146
Other net fee income and market value adjustments, etc.	10	-625	-240	-5	-860
Purchase price and dowry adjustment	-7	0	-		-7
Other operating income/expenses, net	74	8	16	-15	83
Operating expenses	124	5	17	-20	126
Impairment losses on loans and guarantees etc.	-49	0	0		-49
Income from investments in associates and subsidiaries	10	0	-8		2
Comprehensive income for the year	12	-516	907		403
Total assets as at 31 December 2022	7,669	11,919	6,081		25,669
Total liabilities as at 31 December 2022	2,399	0	75		2,474

(DKKm)	Group		Parent company	
	2023	2022	2023	2022
4. Interest income				
Due from credit institutions and central banks	325	2	325	2
Loans, advances and other receivables at amortised cost	2	1	0	0
Bonds	126	114	126	114
Other interest income	0	0	0	0
Total	453	117	451	116
Interest income relates to				
Assets at amortised cost	327	3	325	2
Assets at fair value	126	114	126	114
Total	453	117	451	116
5. Interest expense				
Other interest expense	7	0	69	0
Total	7	0	69	0
6. Market value adjustments				
Bonds	391	-864	391	-864
Shares, etc.	1	3	1	1
Investment properties	-1	2	-1	2
Total	391	-859	391	-861
Of this, market value adjustments of assets and liabilities at fair value	391	-859	391	-861
7. Other operating income				
Expected dividend	4	15	4	15
Sale of administrative services	1	4	1	4
Damages awarded through litigation and settlement	0	71	0	71
Income from group companies	0	0	18	21
Gain from disposal of exposures	3	1	0	0
Income from the Danish FSA	20	16	20	16
Other items	0	2	0	0
Total	28	109	43	127

(DKKm)	Group		Parent company	
	2023	2022	2023	2022
8. Staff costs and administrative expenses				
Remuneration, the Board of Directors, 7 members both years	1	1	1	1
Salary, Management Board, 1 member both years	3	3	3	3
Remuneration and salary, Board of Directors and Management Board	4	4	4	4
Staff costs				
Salaries	33	35	33	35
Pensions	4	4	3	4
Total	37	39	36	39
Other administrative expenses	34	93	28	84
Total	75	136	68	127
Average number of employees converted into full-time equivalent	43	41	43	41

Information about the remuneration of individual members of the Board of Directors and Management Board is available at Finansiell Stabilitet's website, www.fs.dk.

Other material risk takers

The Finansiell Stabilitet Group has identified one material risk taker in 2023. Information about salaries is omitted pursuant to the exemption provision in the applicable legislation. In 2022, there were two other material risk takers, and their total remuneration was DKK 4.2 million. For disclosure requirements in accordance with the Danish executive order on remuneration policy and public disclosure of salaries in financial institutions, etc. (not comprised by audits) see www.fs.dk.

Provisions for defined benefit plans

Pension provisions are calculated on the basis of the Danish FSA's yield curve and benchmark mortality rate. The defined benefit plans are unfunded, and Finansiell Stabilitet thus does not own any pension assets.

Total present value of pension obligations	24	27	24	6
Movements in provisions for defined benefit plans				
Provision, beginning of year	27	29	6	7
Additions	0	0	18	0
Calculated interest expenses	1	1	1	0
Actuarial gains/losses	-1	-1	1	0
Pensions paid	-2	-2	-2	-1
Provision, end of year (the figures may include rounding differences)	24	27	24	6
Defined benefit costs recognised in the income statement/ other comprehensive income				
Calculated interest expenses	1	1	1	0
Actuarial gains/losses	-1	-1	1	0
Defined benefit costs	0	0	2	0
Actuarial assumptions				
Discount rate	3.5%	4.0%	3.5%	4.0%
Pension adjustment rate	3.5%	3.5%	3.0%	3.5%
Fees to auditors appointed in general meeting				
Total fees to the auditors appointed in general meeting (EY) can be specified as follows:				
Statutory audit	0.5	0.4	0.5	0.4
Non-audit services	0.3	0.1	0.1	0.1
Total audit fees	0.8	0.5	0.6	0.5

(DKKm)	Group		Parent company	
	2023	2022	2023	2022
9. Other operating expenses				
Provision for litigation and settlement	1	25	1	37
Other operating expenses	3	4	0	4
Total	4	29	1	41

(DKKm)	Group
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10. Impairment losses on loans, advances and receivables, etc.

2023

Loans, advances and other receivables at amortised cost	Loans, etc. Stage 3 credit-impaired	Impact on operations
Impairment losses and provisions, beginning of year	846	
Amount lost on previously written-down debt	-307	
Impairment losses and provisions during the year	5	5
Reversed impairment losses and provisions	-30	-30
Impairment losses and provisions, end of year	514	-25
Amounts received on previously written-off claims etc.		-51
Impairment losses charged to income statement		-76

Impairment losses/adjustment for credit risk, end of year	Impairment losses, beginning of year	Finally lost	Impairment losses during the year	Reversed impairment losses	Impairment losses, end of year
Due from credit institutions	0	0	0	0	0
Loans and advances at amortised cost	838	-307	5	-25	511
Guarantees	8	0	0	-5	3
Total	846	-307	5	-30	514

All loans and guarantees have been taken over from distressed banks. As mentioned in the accounting policies, the remaining loans and guarantees are considered to be credit-impaired on acquisition and consequently to be stage 3 customers/facilities.

Financial assets measured at amortised cost are removed wholly or partly from the balance sheet if Finansiel Stabilitet no longer has expectations of full or partial recovery of outstanding amounts. Derecognition is based on an individual assessment. When a financial asset is removed in full or in part from the balance sheet, any impairment loss on the financial asset is also removed from the calculation of accumulated impairment losses.

Finansiel Stabilitet continues its collection efforts after the assets have been removed from the balance sheet. The measures depend on the individual situation. Over time, Finansiel Stabilitet has on an interim basis written off financial assets amounting to DKK 8.9 billion, which it continues to attempt to collect, including by suspension of the limitation period.

(DKKm)

Parent company

10. Impairment losses on loans, advances and receivables, etc. –
continued

2023

Loans, advances and other receivables at amortised cost	Loans, etc. Stage 3 credit- impaired	Impact on operations
Impairment losses and provisions, beginning of year	574	
Amount lost on previously written-down debt	-137	
Impairment losses and provisions during the year	2	2
Reversed impairment losses and provisions	-21	-21
Impairment losses and provisions, end of year	418	-19
Amounts received on previously written-off claims etc.		-47
Impairment losses charged to income statement		-66

Impairment losses/adjustment for credit risk, end of year	Impairment losses, beginning of year	Finally lost	Impairment losses during the year	Reversed impairment losses	Impairment losses, end of year
Due from credit institutions	0	0	0	0	0
Loans and advances at amortised cost	571	-140	2	-18	415
Guarantees	3	3	0	-3	3
Total	574	-137	2	-21	418

10. Impairment losses on loans, advances and receivables, etc. – continued

2022

			Loans, etc. Stage 3 credit- impaired	Impact on operations
Loans, advances and other receivables at amortised cost				
Impairment losses and provisions, beginning of year			1,295	
Amount lost on previously written-down debt			-420	
Impairment losses and provisions during the year			13	13
Reversed impairment losses and provisions			-42	-42
Impairment losses and provisions, end of year			846	-29
Amounts received on previously written-off claims etc.				-33
Impairment losses charged to income statement				-62

Impairment losses/adjustment for credit risk, end of year	Impairment losses, beginning of year	Finally lost	Impairment losses during the year	Reversed impairment losses	Impairment losses, end of year
Due from credit institutions	0	0	0	0	0
Loans and advances at amortised cost	1,282	-420	13	-37	838
Guarantees	13	0	0	-5	8
Total	1,295	-420	13	-42	846

(DKKm)

Parent
company

10. Impairment losses on loans, advances and receivables, etc. – continued

2022

Loans, advances and other receivables at amortised cost	Loans, etc. Stage 3 credit- impaired	Impact on operations
Impairment losses and provisions, beginning of year	918	
Amount lost on previously written-down debt	-322	
Impairment losses and provisions during the year	7	7
Reversed impairment losses and provisions	-29	-29
Impairment losses and provisions, end of year	574	-22
Amounts received on previously written-off claims etc.		-27
Impairment losses charged to income statement		-49

Impairment losses/adjustment for credit risk, end of year	Impairment losses, beginning of year	Finally lost	Impairment losses during the year	Reversed impairment losses	Impairment losses, end of year
Due from credit institutions	0	0	0	0	0
Loans and advances at amortised cost	912	-322	7	-26	571
Guarantees	6	0	0	-3	3
Total	918	-322	7	-29	574

(DKKm)

Group
2023

2022

Parent company
2023

2022

11. Income from investments in associates and subsidiaries

Income from investments in associates	0	5	0	5
Income from investments in subsidiaries	0	0	-4	-3
Total	0	5	-4	2

(DKKm)	Group		Parent company	
	2023	2022	2023	2022
12. Loans, advances and other receivables				
Loans, advances and other receivables at amortised cost	53	33	33	12
Impairment losses	511	838	415	571
Total loans, advances and other receivables before impairment losses	564	871	448	583
Break-down:				
Loans, advances and other receivables at amortised cost	294	369	224	199
Claims against estates in bankruptcy etc.	270	502	224	384
Total loans and advances, gross	564	871	448	583
Broken down by term to maturity				
On demand	533	838	440	579
3 months or less	1	1	0	0
Between 3 months and 1 year	3	3	2	1
Between 1 and 5 years	11	13	4	3
More than 5 years	16	16	2	0
Total	564	871	448	583

Credit risk

KCredit risk is defined as the risk of loss because customers or counterparties fail to meet all or part of their obligations. In consequence of Finansiel Stabilitet's objects of resolving or restructuring failing banks, the Company has taken over a considerable credit risk exposure.

During the period after Finansiel Stabilitet's takeover of subsidiaries, new credits have to a limited extent been granted in cases where this has been deemed to reduce the overall risk of losses. For further description of credit risk, see note 20.

Credit exposure				
Balance sheet items				
Cash in hand and demand deposits with central banks	11,515	9,911	11,515	9,911
Due from credit institutions and central banks	6	5	6	3
Loans, advances and other receivables at amortised cost	53	33	33	12
Total credit exposure recognised in balance sheet	11,574	9,949	11,554	9,926
Off-balance sheet items				
Loss guarantees for mortgage loans	98	116	96	59
Total credit exposure	11,672	10,065	11,650	9,985

Related collateral is set out further below in note 12.

12. Loans, advances and other receivables – continued

Credit institutions and central banks

Of the remaining credit exposure, DKK 11.5 billion relates to amounts due from central banks. No impairment losses have been recognised on amounts due from central banks. In respect of the DKK 6 million due from credit institutions, the estimated impairment loss is less than DKK 1 million.

Loans and advances at amortised cost and guarantees

The remaining part of the credit exposure relates to the Group's lending activities. In the following table, loans and guarantees, excluding claims against estates in bankruptcy, are broken down by line of business.

(DKKm)	2023	Group
Loans and guarantees (gross)		
2. Commercial sector		
2.1 Agriculture, hunting, forestry and fishing	6	1%
2.3 Energy supply	29	7%
2.4 Construction	2	1%
2.5 Trade	1	0%
2.8 Finance and insurance	71	18%
2.9 Property	66	17%
2.10 Other commercial sector	3	1%
Total commercial sector	178	45%
3. Retail sector	216	55%
Total	394	100%

The figures may include rounding differences.

Loans and advances at amortised cost are initially recognised at fair value. On takeover of existing loans and advances, any difference between amortised cost and fair value will be amortised over time. Consequently, loans and advances before impairment losses for exposures not resolved will increase.

Lending is concentrated around lending to the retail sector. The lending activity is largely limited to Danish customers.

As mentioned in the accounting policies, the remaining loans and guarantees are considered to be credit-impaired on acquisition and consequently to be stage 3 customers/facilities. The customers are thus considered either to be in financial difficulty or to be subject to debt collection or bankruptcy proceedings.

On the vast majority of the Group's loans, interest accrual has been suspended, see overleaf.

(DKKm)	Group		Parent company	
	2023	2022	2023	2022
12. Loans, advances and other receivables – continued				
Loans with suspended interest accrual				
Loans with suspended interest accrual	544	848	448	579
Amount hereof impaired	508	832	415	567
Loans with suspended interest accrual, recognised in balance sheet	36	16	33	12
Collateral security for loans and guarantees at fair value has been recognised at DKK 0.1 billion. The table below shows a break-down on main categories.				
Collateral security				
Mortgages on real property	114	135	98	57
Total	114	135	98	57

Enforcement of collateral security will generally happen on behalf of the borrower. However, in certain situations, the Group as the highest bidder will take over properties in forced sales.

As a result of the characteristics of loans, advances and guarantees and the limited collateral security, large impairment write-downs and provisions have been made, shown by line of business below.

Properties thus taken over will either be sold quickly or be considered investment properties if the Group sees a potential increase in value. The Group has not had any properties temporarily taken over in recent years.

(DKKm)	Group				Parent company			
	2023		2022		2023		2022	
Impairment losses and provisions by line of business								
2. Commercial sector								
2.1 Agriculture, hunting, forestry and fishing	0	0%	0	0%	0	0%	0	0%
2.3 Energy supply	4	2%	18	6%	4	2%	18	9%
2.4 Construction	1	0%	1	0%	0	0%	0	0%
2.5 Trade	1	0%	1	0%	1	0%	1	1%
2.8 Finance and insurance	69	28%	79	23%	69	36%	69	36%
2.9 Property	16	7%	25	7%	16	8%	17	9%
2.10 Other commercial sector	0	0%	0	0%	0	0%	0	0%
Total commercial sector	91	37%	124	36%	90	46%	105	55%
3. Retail sector	157	63%	223	64%	105	54%	87	45%
Total	248	100%	347	100%	195	100%	192	100%

Excluding claims against estates in bankruptcy.

For a more detailed description of the Group's credit risk management goals and policies, see note 20.

(DKKm)	Group		Parent company	
	2023	2022	2023	2022
13. Bonds at fair value etc.				
Listed	10,712	10,245	10,712	10,245
Unlisted	3	3	3	3
Total	10,715	10,248	10,715	10,248
14. Shares, etc.				
Unlisted shares at fair value	1	10	1	1
Total	1	10	1	1
15. Investments in associates				
Cost, beginning of year	13	58	13	58
Disposals	-13	-45	-13	-45
Cost, end of year	0	13	0	13
Revaluations and impairment, beginning of year	-5	-23	-5	-23
Revaluations and impairment for the year	0	5	0	5
Disposals	5	13	5	13
Revaluations and impairment, end of year	0	-5	0	-5
Total	0	8	0	8
16. Investment properties				
Investment properties				
Fair value, beginning of year	12	10	12	10
Additions	0	0	0	0
Disposals	0	0	0	0
Value adjustment	-1	2	-1	2
Fair value, end of year	11	12	11	12
Net income from investment properties amounted to an operating surplus of DKK 0 million (2022: DKK 0 million). Properties are valued by the Group's own as well as external expert valuers. The value is calculated on the basis of the net return expected and on the basis of the determined rate of return and expected selling price.				
17. Purchase price adjustment (earn-out)				
Beginning of year	271	259		
Additions during the year	6	12		
Disposals during the year	0	0		
End of year	277	271		

(DKKm)	Group		Parent company	
	2023	2022	2023	2022
18. Other provisions				
Lawsuits	0	3	0	3
Other provisions	20	19	13	11
Total	20	22	13	14
Provisions for litigation are determined based on an assessment of the risk in each individual case. Other provisions comprise pensions, onerous contracts, etc.				
Lawsuits				
Beginning of year	3	18	3	0
Additions during the year	0	3	0	3
Reversed	0	-18	0	0
Used	-3	0	-3	0
End of year	0	3	0	3
Other provisions				
Beginning of year	19	24	11	12
Additions during the year	2	1	2	0
Reversed	0	-3	0	0
Used	-1	-3	0	-1
End of year	20	19	13	11
19. Contingent assets and liabilities				
Loss guarantees for mortgage loans	98	116	96	59
Total	98	116	96	59

Tax

Finansiel Stabilitet IPC is exempt from taxation.

The Group has a deferred tax asset of DKK 0.4 billion (2022: DKK 0.5 billion). Due to the uncertainty as to whether this can be utilised, the tax asset has not been recognised in the balance sheet.

Lawsuits

Finansiel Stabilitet is a party to several lawsuits instituted by the company, including two cases against the former managements, etc. of banks that have been taken over. Finansiel Stabilitet on an ongoing basis recognises legal costs and other expenses in relation to litigation, e.g. expenses for valuation experts. Action is brought only in instances where it is believed to be more likely than not that the ruling will be in the company's favour.

20. Financial risk management

The risk factors impacting Finansiel Stabilitet and the management thereof are influenced by special circumstances resulting from having taken over failing banks. Activities handled on behalf of the government may be subdivided into two segments, Bank Package activities and Other areas. The Other areas segment is handled for the account and risk of the government and is not included in the following. Risk is managed separately for each segment: Bank Package activities; the Deposit Guarantee Fund and the Resolution Fund.

Bank Package activities

Finansiel Stabilitet is exposed to a number of financial risks, including credit risk and, to a lesser extent, property and market risk. The overall risk management policy is determined centrally for the Group's companies and is aimed at minimising the losses that may arise as a consequence of unpredictable developments in the financial markets and other factors.

As Finansiel Stabilitet's Bank Package activities are in the course of being wound up, the absolute amount of risk is expected to be gradually reduced, all other things being equal.

Generally, Finansiel Stabilitet has no liquidity risk, as it has access to state-funded re-lending. As part of the risk management, Finansiel Stabilitet's activities are arranged so as to ensure that sufficient liquidity is available within the company.

Credit risk

Credit risk on the acquired exposures is managed based on the legislative framework governing Finansiel Stabilitet's business activities. Pursuant to this, Finansiel Stabilitet is not allowed to assume new exposures or, in general, to extend existing exposures. Credit risk is thus in all material respects limited to existing loans and guarantees and the development of these. The remaining credit risk is managed with due consideration for and in the context of Finansiel Stabilitet's resolution of activities, including the principles of ensuring that the resolution is conducted in a financially responsible, proper and fair manner. The remaining loans are of poor credit quality.

The remaining risk relating to loans and guarantees is assessed to be relatively limited.

Market risk

Finansiel Stabilitet pursues a general policy of minimising its exposure to market risks. To the extent that there is exposure to market risks, the intention is for the group companies to resolve activities that expose the Group to market risks or, alternatively, to hedge such exposures.

The Board of Directors has defined limits for Bank Package activities' total exposure to market risk (interest rate risk, equity risk and currency risk). Market risk is monitored on an ongoing basis, and the Board of Directors is kept informed of the Group's overall exposure.

Interest rate risk

The Bank Package activities are not exposed to changes in interest rates.

Equity risk

Finansiel Stabilitet has a few shareholdings. While the listed equities have been sold, the Group still has a few sector equities and minor unlisted shareholdings on its balance sheet.

Efforts are made on an ongoing basis to sell these shareholdings but, as a result of very limited liquidity, this is a longer-horizon task. The greatest equity risk attaches to Finansiel Stabilitet's portfolio of cooperative share certificates which it has received as part of the payment under Bank Package I.

See note 14, Shares, etc. for a specification of share positions and the calculation of interest rate risk at the bottom of note 20.

Associates, see note 15, amounted to DKK 0 million at 31 December 2023 (2022: DKK 8 million).

Currency risk

In connection with Finansiel Stabilitet's activities related to the resolution of failing banks, the Company is exposed to currency risk.

The currency risk is to the necessary extent hedged by the individual subsidiaries, and the overall currency exposure is thus limited. To the extent that foreign commercial interests are involved, including that customers have raised loans with a view to financing foreign activities, assets are hedged by way of similar financing in foreign currency. Finansiel Stabilitet does not hedge EUR.

As at 31 December 2023, exchange rate indicator 1, calculated excluding EUR, was 0.0% (31 December 2022: 0.0%) of Finansiel Stabilitet's equity.

A 2.25% change in the DKK/EUR exchange rate and a 10% change in all other exchange rates would affect Finansiel Stabilitet's result by DKK 1 million (2022: DKK 0 million).

See also the calculation of currency risk at the end of note 20.

Liquidity risk

Finansiel Stabilitet has access to funding itself via the state-funded re-lending scheme and, among other things, contributes liquidity to its subsidiaries. To obtain an overview of its cash flow position, Finansiel Stabilitet regularly prepares estimates of future cash requirements. This ensures that Finansiel Stabilitet has sufficient cash resources to meet future liabilities.

The access to the state-funded re-lending scheme means that, when necessary, Finansiel Stabilitet can contact Danish Government Debt Management at Danmarks Nationalbank in order to obtain loans. Having access to the re-lending scheme enables Finansiel Stabilitet to handle unforeseen large payments without necessarily having to maintain a very large demand deposit. Having access to the re-lending scheme enables Finansiel Stabilitet to handle unforeseen large payments without necessarily having to maintain a very large demand deposit.

20. Financial risk management - continued

Deposit Guarantee Fund

The principal risks under the Deposit Guarantee Fund relate to the resolution of activities that Finansiel Stabilitet has taken over under Bank Packages III-IV and the risk of future losses as a result of the restructuring and resolution of failing banks resulting in losses on covered deposits. If the resolution of activities under Bank Packages III and IV produces a loss which had not been anticipated at the time of fixing of the initial dividend at the takeover date, such loss will have to be covered by the Depositor and Investor Guarantee Scheme. Based on the preliminary resolution, the only additional losses recorded under Bank Package III relate to the resolution of FS Finans IV A/S.

At 31 December 2023, the Restructuring Department of the Deposit Guarantee Fund had commitments made by the banks in the amount of DKK 3.2 billion (2022: DKK 3.2 billion). These are not considered to be subject to credit risk.

Moreover, the future investment of the Deposit Guarantee Fund will be subject to risk, depending on the chosen investment profile. The Act on a Depositor and Investor Guarantee Scheme stipulates that the assets of the Deposit Guarantee Fund must be invested in low-risk assets. Each year, Finansiel Stabilitet's Board of Directors defines the investment strategy for the Resolution Fund.

The investment strategy must be determined so as to ensure that the available financial means of the Deposit Guarantee Fund are from time to time proportionate with the Deposit Guarantee Fund's potential liabilities.

Investment of cash funds must involve hedging of all currency risk (Euro positions are not included in this calculation), and interest rate exposure must be within the limits set out in the investment strategy approved by the Board of Directors. The strategy currently applies a target duration of 2-3 years for the invested part of the funds.

Since 2018, the Deposit Guarantee Fund has invested cash funds under bond mandates in 0-5-year mortgage bonds. As at

31 December 2023, the Deposit Guarantee Fund had invested DKK 7,792 million. The average duration of bonds at the end of 2023 was 2.38 years, and interest rate risk in the event of a 1% change in the level of interest rates was calculated at DKK 186 million (2022: DKK 190 million).

The Deposit Guarantee Fund is mainly funded by the Deposit Guarantee Fund's own assets. Additional funding is available by means of Finansiel Stabilitet's access to state-funded re-lending.

Resolution Fund

The principal risks relate to losses in connection with the restructuring or resolution of institutions in which the Resolution Fund has injected capital. Moreover, the investment of the Resolution Fund will be subject to risk, depending on the chosen investment profile. The Act on Restructuring and Resolution of Certain Financial Enterprises stipulates that the assets of the Resolution Fund must be invested in low-risk assets.

Each year, Finansiel Stabilitet's Board of Directors defines the investment strategy for the Resolution Fund. The investment strategy must be determined so as to ensure that the available financial means of the Resolution Fund are from time to time proportionate with the Resolution Fund's potential liabilities.

Investment of cash funds must involve hedging of all currency risk (Euro positions are not included in this calculation), and interest rate exposure must be within the limits set out in the investment strategy approved by the Board of Directors. The strategy currently applies a target duration of 2-3 years for the invested part of the funds.

Since 2018, the Resolution Fund has invested part of its cash funds under bond mandates in 0-5-year mortgage bonds. As at 31 December 2023, the Resolution Fund had invested DKK 2,920 million. The average duration of bonds at the end of 2023 was 2.38 years, and interest rate risk in the event of a 1% change in the level of interest rates was calculated at DKK 70 million (2022: DKK 71 million).

20. Financial risk management – continued

The Resolution Fund no longer has any equity, interest rate or currency risks from institutions taken over.

The Resolution Fund is exposed to a minor extent to credit risk on exposures not yet resolved from institutions taken over. For

a description hereof, see the section under Bank Package activities.

The Resolution Fund is mainly funded by the Resolution Fund's own assets. Additional funding is available by means of Finansiel Stabilitet's access to state-funded re-lending.

(DKKm)

Interest rate risk

Bank Packages I-IV

Deposit Guarantee Fund

Resolution Fund

Total interest rate risk

Equity risk

Share positions

Share positions ex. subsidiaries under Bank Packages III-IV

Associates

Equity risk exposure to a 10% drop in share prices

Currency risk

Total assets in foreign currency ex. EUR

Exchange rate indicator 1 ex. EUR

Exchange rate indicator 1 in % of equity

(DKKm)

Parent
company

21. Related parties

Related parties comprise the Danish State, including companies/institutions over which the Danish State exercises control. Related parties also comprise the Board of Directors, the Management Board and senior employees, see note 8 to the financial statements. 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. The table below shows the most significant related party transactions.

Related party	Relation	Transaction	Income/ expense 2023	Balance sheet 31 December 2023	Income/ expense 2022	Balance sheet 31 December 2022
Parties exercising significant influence						
The Danish State	100% ownership of Finansielt Stabilitet IPC	Administrative reimbursement, mink and home loans in rural districts	1	1	4	4
		Income from Finance and Appropriation Act	20	-8	16	
Subsidiaries						
FS Finans I A/S, Copenhagen Dissolved in 2023	Subsidiary of Finansielt Stabilitet IPC	Deposits on market terms	-1	-	0	-28
		Management agreement	1	-	0	
		Dowry adjustment	-	-	0	20
FS Finans II A/S, Copenhagen Dissolved in 2023	Subsidiary of Finansielt Stabilitet IPC	Deposits on market terms	-1	-	0	-36
		Management agreement	4	-	3	
		Dowry adjustment	3	-	2	23
FS Finans III A/S, Copenhagen	Subsidiary of Finansielt Stabilitet IPC	Deposits on market terms	-55	-1,920	0	-1,864
		Management agreement	4		4	
		Purchase price adjustment	46	1,628	1	1,581
FS Finans IV A/S, Copenhagen	Subsidiary of Finansielt Stabilitet IPC	Deposits on market terms	-2	-73	0	-84
		Management agreement	2		2	
FS Finans V A/S, Copenhagen	Subsidiary of Broinstitut I	Deposits on market terms	-1	-20	0	-19
		Management agreement	4		4	
FS Finans VI A/S, Copenhagen	Subsidiary of Broinstitut II	Deposits on market terms	-1	-39	0	-42
		Management agreement	4		5	
FS Ejendomsselskab A/S, Copenhagen	Subsidiary of Finansielt Stabilitet IPC	Deposits on market terms	-1	-44	0	-43
		Management agreement	0		0	
Other government entities						
Danmarks Nationalbank	Controlled by the Danish State	Deposit	325	11,515	-2	9,911

(DKKm)

22. Group overview

Finansiel Stabilitet IPC, Copenhagen

Broinstitut I A/S, Copenhagen

Broinstitut II A/S, Copenhagen

Significant subsidiaries:

FS Ejendomsselskab A/S, Copenhagen

FS Finans III A/S, Copenhagen

FS Finans IV A/S, Copenhagen

FS Finans V A/S, Copenhagen

FS Finans VI A/S, Copenhagen

(DKKm)

Group

23. Break-down of balance sheet items by contractual and expected terms to maturity

2023	On demand 0-3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Assets					
Cash in hand and demand deposits with central banks	11,515	0	0	0	11,515
Due from credit institutions and central banks	6	0	0	0	6
Loans, advances and other receivables at amortised cost	33	2	7	11	53
Bonds at fair value	1	240	10,201	273	10,715
Shares, etc.	0	0	1	0	1
Investment properties	0	11	0	0	11
Lease assets	1	2	11	0	14
Commitments made by banks, mortgage credit institutions and investment companies	0	0	3,200	18	3,218
Other assets etc.	78	313	0	0	391
Prepayments	3	0	0	0	3
Total assets	11,637	568	13,420	302	25,927
Equity and liabilities					
Lease liability	1	2	11	0	14
Other liabilities etc.	15	318	0	0	333
Provisions	0	277	47	0	324
Total liabilities	16	597	58	0	671

(DKKm)

Group

23. Break-down of balance sheet items by contractual and expected terms to maturity
– continued

2022	On demand 0-3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Assets					
Cash in hand and demand deposits with central banks	9,911	0	0	0	9,911
Demand deposits with credit institutions	5	0	0	0	5
Loans, advances and other receivables at amortised cost	16	1	7	9	33
Bonds at fair value	0	191	9,850	207	10,248
Shares, etc.	0	0	10	0	10
Investments in subsidiaries and associates, etc.	0	0	8	0	8
Investment properties	0	12	0	0	12
Lease assets	1	2	6	0	9
Commitments made by banks, mortgage credit institutions and investment companies	0	0	0	3,218	3,218
Other assets etc.	166	2	268	0	436
Prepayments	2	0	0	0	2
Total assets	10,101	208	10,149	3,434	23,892
Equity and liabilities					
Lease liability	1	2	6	0	9
Other liabilities etc.	48	39	273	0	360
Provisions	0	271	57	0	328
Total liabilities	49	312	336	0	697

24. Fair value disclosure

Financial instruments are recognised in the balance sheet at fair value or amortised cost. The following table for each item breaks down financial instruments according to valuation method.

Break-down of financial instruments by valuation method

Group	2023			2022		
	Amortised cost	Fair value	Total	Amortised cost	Fair value	Total
Financial assets						
Cash in hand and demand deposits with central banks	11,515	0	11,515	9,911	0	9,911
Demand deposits with credit Institutions	6	0	6	5	0	5
Loans, advances and other receivables at amortised cost	53	0	53	33	0	33
Bonds	0	10,715	10,715	0	10,248	10,248
Shares, etc.	0	1	1	0	10	10
Investment properties	0	11	11	0	12	12
Commitments made by banks, mortgage credit institutions and investment companies	3,218	0	3,218	3,218	0	3,218
Total financial assets	14,792	10,727	25,519	13,167	10,270	23,437

Instruments recognised at fair value

Fair value is the amount at which a financial asset can be traded between independent parties. If an active market exists, the market price in the form of a listed price or price quotation is used.

If a financial instrument is quoted in a market that is not active, the valuation is based on the most recent transaction price.

Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations.

For a number of financial assets and liabilities, no market exists. In such situations, an estimated value is used instead, taking account of recent transactions in similar instruments, and discounted cash flows or other recognised estimation and assessment techniques based on the market terms existing at the balance sheet date.

In most cases, the valuation is largely based on observable input. The Group has based the valuation of unlisted shares in banking enterprises on prices in connection with sales and prices disclosed by the Association of Local Banks in Denmark.

Unlisted shares and bonds are valued using either DCF models or markets multiples models. Finansielt Stabilitet considers it less than likely that using an alternative pricing method to fair value measurement of unlisted shares would result in a significantly different fair value.

(DKKm)

Group

24. Fair value disclosure – continued

2023	Listed prices	Observable input	Non-observable input	Total
Fair value, Group				
Financial assets at fair value broken down into				
Bonds	10,712	0	3	10,715
Shares, etc.	0	0	1	1
Investment properties	0	11	0	11
Total	10,712	11	4	10,727

2022	Listed prices	Observable input	Non-observable input	Total
Fair value, Group				
Financial assets at fair value broken down into				
Bonds	9,333	912	3	10,248
Shares, etc.	0	0	10	10
Investment properties	0	12	0	12
Total	9,333	924	13	10,270

Fair value based on non-observable input

Beginning of year

Value adjustment through the income statement (note 6)

Disposals during the year (including reclassification)

Fair value, end of year

25. Fair value of balance sheet items at amortised cost

The vast majority of the Group's receivables, loans and deposits cannot be transferred without the customer's prior acceptance, and no active market exists for trading in such financial instruments. Estimated fair values are based on situations where changes in market conditions have been identified after initial recognition of the instrument, affecting the price that would have been agreed if the terms had been agreed at the balance sheet date. As a result, the fair values below are subject to considerable uncertainty.

	2023		2022	
	Amortised cost	Fair value	Amortised cost	Fair value
Financial assets				
Cash in hand and demand deposits with central banks	11,515	11,515	9,911	9,911
Demand deposits with credit institutions	6	6	5	5
Loans, advances and other receivables*	53	53	33	33
Commitments made by banks, mortgage credit institutions and investment companies	3,218	3,218	3,218	3,218
Total financial assets	14,792	14,792	13,167	13,167

*) Loans, advances and other receivables are considered to be stage 3 exposures, see note 10, and thus to be credit-impaired. Against this background, amortised cost and fair value are considered to be identical.

26. Return on financial instruments

	2023			2022		
	Assets/ liabilities at amortised cost	Assets and liabilities at fair value	Total	Assets/ liabilities at amortised cost	Assets and liabilities at fair value	Total
Interest income	327	126	453	3	114	117
Interest expense	7	0	7	0	0	0
Net interest income	320	126	446	3	114	117
Fees and commissions received	1	0	1	2	0	2
Net interest and fee income	321	126	447	5	114	119
Market value adjustments	0	391	391	0	-859	-859
Total	321	517	838	5	-745	-740

(DKKm)

Parent
company

27. Finansiell Stabilitet 2019-2023

	2023	2022	2021	2020	2019
Summary income statement					
Net interest and fee income	1,589	1,263	1,158	1,045	776
Market value adjustments	391	-861	-190	-51	-34
Other operating income	43	127	96	142	224
Staff costs and administrative expenses, etc.	72	129	91	103	108
Other operating expenses	1	41	5	52	175
Impairment losses on loans, advances and receivables, etc.	-66	-49	-31	-54	-90
Income from investments in associates and subsidiaries	-4	2	22	-27	74
Purchase price and dowry adjustment	49	-7	30	81	221
Comprehensive income for the year	2,061	403	1,051	1,089	1,068
Balance sheet as at 31 December					
Assets					
Cash in hand and demand deposits with central banks and credit institutions	11,521	9,914	8,156	4,275	8,243
Loans and advances	33	12	20	81	86
Securities	10,716	10,249	11,620	14,403	9,745
Investments in associates and subsidiaries	158	174	204	632	728
Commitments made by banks, mortgage credit institutions and investment companies	3,218	3,218	3,217	3,218	3,218
Purchase price and dowry adjustment	1,628	1,624	1,631	2,101	2,020
Other asset items	429	478	372	325	232
Total assets	27,703	25,669	25,220	25,035	24,272
Equity and liabilities					
Other payables	2,407	2,451	2,373	3,230	3,548
Total payables	2,407	2,451	2,373	3,230	3,548
Provisions	40	23	25	34	42
Equity	25,256	23,195	22,822	21,771	20,682
Total equity and liabilities	27,703	25,669	25,220	25,035	24,272
Off-balance sheet items					
Contingent liabilities	96	59	69	126	198
Financial ratios					
Return on equity before tax	8.5%	1.8%	4.7%	5.1%	5.2%
Return on equity after tax	8.5%	1.8%	4.7%	5.1%	5.2%

(DKKm)

Parent company

27. Finansiell Stabilitet 2019-2023 – continued

2023	Activities handled on behalf of the government	Deposit Guarantee Fund	Resolution Fund	Eliminations	Total
Summary income statement					
Net interest and fee income	125	106	1,356	2	1,589
Market value adjustments	0	284	107	0	391
Other operating income	46	3	20	-26	43
Staff costs, administrative expenses, depreciation and amortisation	70	6	20	-24	72
Other operating expenses	1	0	0	0	1
Impairment losses on loans, advances and receivables, etc.	-66	0	0	0	-66
Income from investment in subsidiaries and associates	-1	0	-3	0	-4
Purchase price and dowry adjustment	32	17	0	0	49
Comprehensive income for the year	197	404	1,460	0	2,061
Balance sheet as at 31 December					
Assets					
Cash in hand and demand deposits with central banks and credit institutions	6,433	564	4,524	0	11,521
Loans and advances	33	0	0	0	33
Securities	4	7,792	2,920	0	10,716
Investments in subsidiaries	83	0	75	0	158
Investment properties and lease assets	25	0	0	0	25
Commitments made by banks, mortgage credit institutions and investment companies	0	3,218	0	0	3,218
Purchase price and dowry adjustment receivable	1,133	495	0	0	1,628
Other assets	127	256	23	-2	404
Total assets	7,838	12,325	7,542	-2	27,703
Equity and liabilities					
Other liabilities	2,339	2	68	-2	2,407
Total payables	2,339	2	68	-2	2,407
Provision for losses on guarantees	3	0	0	0	3
Other provisions	29	0	8	0	37
Total provisions	32	0	8	0	40
Total liabilities	2,371	2	76	-2	2,447
Equity as at 1 January 2023	5,270	11,919	6,006	0	23,195
Comprehensive income for the year	197	404	1,460	0	2,061
Equity as at 31 December 2023	5,467	12,323	7,466	0	25,256
Total equity and liabilities	7,838	12,325	7,542	-2	27,703

Statement by Management

The Board of Directors and the Management Board have today considered and adopted the annual report of Finansielt Stabilitet for the financial year 1 January – 31 December 2023.

The annual report is presented in accordance with applicable legislation. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU in respect of the Group and in accordance with the Financial Business Act in respect of the parent company.

We believe that the consolidated and parent company financial statements give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at 31 December 2023 and of the results of the Group's and the Company's operations and of consolidated cash flows for the financial year 1 January – 31 December 2023.

We also believe that the transactions comprised by the financial reporting are in accordance with appropriations granted,

laws and other regulations and with agreements concluded and normal practice. Finally, we believe that due financial consideration has been taken in the management of the funds and the operation of the enterprises comprised by the financial statements and that, as part of this, we have established systems and processes that support economy, productivity and efficiency.

In our opinion, the management's review includes a fair review of the development and financial performance of the Group's and the Company's activities and the result and financial position for the year, together with a description of the principal risks and uncertainties that the Group and the Company face.

We recommend that the annual report be approved by the annual general meeting.

Copenhagen, 08 March 2024

Management Board

Karsten Bilotft
CEO

Board of Directors

Anne Louise Eberhard
Chairman

Ole Selch Bak
Deputy Chairman

Ulrik Rammeskov Bang-Pedersen

Morten Sommerfeldt

Jesper Rangvid

Ulrikke Ekelund

Gitte Lillelund Bech

Independent auditors' report

To the Ministry of Industry, Business and Financial Affairs

Auditors' report on the consolidated and Parent Company financial statements

Opinion

We have audited the consolidated and parent company financial statements of the independent public company Finansielt Stabilitet for the financial year 1 January to 31 December 2023, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including information about accounting policies, for the Group as well as for the Parent Company and the cash flow statement for the Group. The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, while the parent financial statements are presented in accordance with the Danish Financial Business Act.

In our opinion, the consolidated and parent financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2023 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January to 31 December 2023 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU in respect of the consolidated financial statements and in accordance with the Danish Financial Business Act in respect of the parent financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, and in accordance with standards on public auditing as the audit is conducted on the basis of the provisions of the Danish Act on Restructuring and Resolution of Certain Financial Enterprises and the Danish Auditor General's Act. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated and parent financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

The Auditor General is independent of Finansielt Stabilitet in accordance with section 1(6) of the Danish Auditor General's Act and the approved auditor is independent of Finansielt Stabilitet in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical

requirements applicable in Denmark. We have both fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the consolidated and parent financial statements

Management is responsible for the preparation and fair presentation of the consolidated and parent financial statements in accordance with International Financial Reporting Standards as adopted by the EU with respect to the consolidated financial statements and in accordance with the Danish Financial Business Act with respect to the parent financial statements. Management is also responsible for such internal control as Management determines is necessary to enable the preparation of consolidated and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting in the preparation of the consolidated and parent company financial statements unless Management intends either to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and additional requirements applicable in Denmark as well as the standards on public auditing, as the audit is conducted on the basis of the provisions of the Danish Act on Restructuring and Resolution of Certain Financial Enterprises and the Danish Auditor General's Act, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent financial statements.

As part of an audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark as well as the standards on public auditing, as the

audit is conducted on the basis of the provisions of the Danish Act on Restructuring and Resolution of Certain Financial Enterprises and the Danish Auditor General's Act, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors' report. However, future

events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent financial statements, including the disclosures in the notes, and whether the consolidated and parent financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated and parent financial statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and parent financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the consolidated and parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management's review provides the information required under the relevant legislation.

Based on the work we have performed, we conclude that the management's review is in accordance with the consolidated and parent financial statements and has been prepared in accordance with the requirements of the relevant legislation.

We did not identify any material misstatement of the management's review.

Report on other legal and regulatory requirements

Statement on compliance audit and performance audit

Management is responsible for ensuring that the transactions comprised by the financial reporting are in accordance with appropriations granted, laws and other regulations and with agreements concluded and normal practice. Management is also responsible for ensuring that due financial consideration has been taken of the management of the funds and the operation of the enterprises comprised by the financial statements. As part of this, Management is responsible for establishing systems and processes that support economy, productivity and efficiency.

In connection with our audit of the financial statements, our responsibility is in accordance with the standards on public auditing to perform a compliance audit and a performance audit, respectively, of selected subject matters. In a compliance

audit we verify with reasonable assurance in regards to the selected subject matters whether the transactions comprised by the financial reporting are in accordance with appropriations, laws and other regulations and with agreements concluded and normal practice. In a performance audit, we assess with reasonable assurance whether the examined systems, processes or transactions support due financial considerations in the administration of the funds and the operations of the entities comprised by the financial statements.

If, on the basis of the work performed, we conclude that this gives rise to material critical comments, we are required to report thereon.

We have no material critical comments to report in that respect.

Copenhagen, 08 March 2024

EY

Godkendt Revisionspartnerselskab
Business reg. no. (CVR) 30 70 02 28

Lars Rhod Søndergaard
State-Authorised Public Accountant
mne28632

Bjørn Würtz Rosendal
State-Authorised Public Accountant
mne40039

Rigsrevisionen

Business reg. no. (CVR) 77 80 61 13

Yvan Pedersen
Assistant Auditor General

Marie Katrine Bisgaard Lindeløv
Head of Department

Board of Directors



Anne Louise Eberhard

- Chairman of the Board of Directors
- Joined the Board of Directors in 2016
- Born in 1963

Competencies:

Considerable financial sector experience, including as Senior EVP of Corporate & Institutional Banking at Danske Bank and as Chief Commercial Officer of Intrum Justitia AB. Extensive experience in board work.

Member of the boards of directors of:

- Moneyflow Group A/S (Chairman)
- Moneyflow 1 A/S (Chairman)
- FLSmidth A/S
- FLSmidth & Co A/S (Chairman of audit committee)
- Bavarian Nordic A/S (Chairman of audit committee)
- Knud Højgaards Fond
- Simcorp A/S
- Den Danske Unicef Fond
- VL52 ApS

Øvrige hverv:

- CEO of EA Advice ApS
- Faculty member, Copenhagen Business School, Board programs
- Advisory board member, Center for strategisk CSR, Axcelfuture and EY



Ole Selch Bak

- Deputy Chairman of the Board of Directors
- Joined the Board of Directors in 2020
- Born in 1955

Competencies:

Considerable financial sector experience, including as CEO of Djurslands Bank. Extensive experience in board work.

Member of the boards of directors of:

- Eldrupgård Fonden (Chairman)
- Investeringsforeningen BankInvest
- Kapitalforeningen BankInvest Select
- Investeringsforeningen BI
- Investeringsforeningen BankInvest Engros



Ulrik Rammeskov Bang-Pedersen

- Joined the Board of Directors in 2016
- Born in 1970

Competencies:

Considerable insight into legislation in the financial and insolvency areas, including as professor of property, insolvency and enforcement law and considerable insight into civil procedure, including litigation. Extensive experience in board work.

Other duties:

- Professor, doctor of laws, Faculty of Law
- Chairman, Danish Bankruptcy Law Council
- Editor, Erhvervsjuridisk Tidsskrift
- Arbitrator, Danish Institute of Arbitration



Morten Sommerfeldt

- Joined the Board of Directors in 2020
- Born in 1975

Competencies:

Considerable insight into the financial sector, digital transformation, fintech operations, consumer affairs and political decision-making processes. Extensive experience in board work.

Member of the boards of directors of:

- Blaagaard Teater

Other duties:

- Communications Manager, Industriens Pension

Board of Directors – continued

Management Board



Jesper Rangvid

- Joined the Board of Directors in 2020
- Born in 1970

Competencies:

Considerable financial sector insight, including as professor of finance and as former chairman of the Danish Committee on the Causes of the Financial Crisis Extensive experience in board work.

Member of the boards of directors of:

- Formuepleje
- Advantage Investment Partners
- Copenhagen Business School
- Danish Finance Institute

Other duties:

- Professor, Department of Finance, Copenhagen Business School (CBS)
- Chairman of the Danish Council for Return Expectations



Ulrikke Ekelund

- Joined the Board of Directors in 2022
- Born in 1969

Competencies:

Considerable financial sector experience, including as Director of Communications and Press at PensionDanmark, Chief Economist at BRFKredit and as member of the boards of directors of Sampension and Alka Forsikring. Extensive experience in board work.

Member of the boards of directors of:

- Floating Power Plant A/S
- European Maritime Finance

Other duties:

- Member of the Board of Representatives of Realdania
- Chairman of Advisory Board Communication, Floating Power Plant
- Member of the Regions Advisory Board of Arbejdernes Landsbank



Gitte Lillelund Bech

- Joined the Board of Directors in 2023
- Born 1969

Competencies:

Considerable political experience as former defence minister and member of parliament, significant experience with communications, most recently as partner of Advice.

Member of the boards of directors of:

- WiLD (Women in Life Science Denmark)

Other duties:

- CEO, LillelundBech aps



Karsten Biltoft

- Chief Executive Officer
- Appointed in 2021
- Born 1961

Chairman of the boards of directors of:

- FS Finans III A/S
- FS Finans IV A/S
- FS Finans V A/S
- FS Finans VI A/S
- FS Ejendomsselskab A/S
- Broinstitut I A/S
- Broinstitut II A/S

Company details

Finansiel Stabilitet

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Phone: 70 27 87 47

Webside: www.fs.dk

E-mail: mail@fs.dk

Company reg. (CVR) 30 51 51 45

Established: 13. oktober 2008

Municipality of registered office:
Copenhagen

Board of Directors

Anne Louise Eberhard (Chairmann)
Ole Selch Bak (Deputy Chairmann)
Ulrik Rammeskov Bang-Pedersen
Morten Sommerfeldt
Jesper Rangvid
Ulrikke Ekelund
Gitte Lillelund Bech

Management Board

Karsten Bilstoft

Auditors

Rigsrevisionen

Landgreven 4
DK-1301 Copenhagen K

EY

Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
DK-2000 Frederiksberg
Company reg. (CVR) 30 70 02 28

General meeting

Annual General Meeting to be held on
25. April 2024.