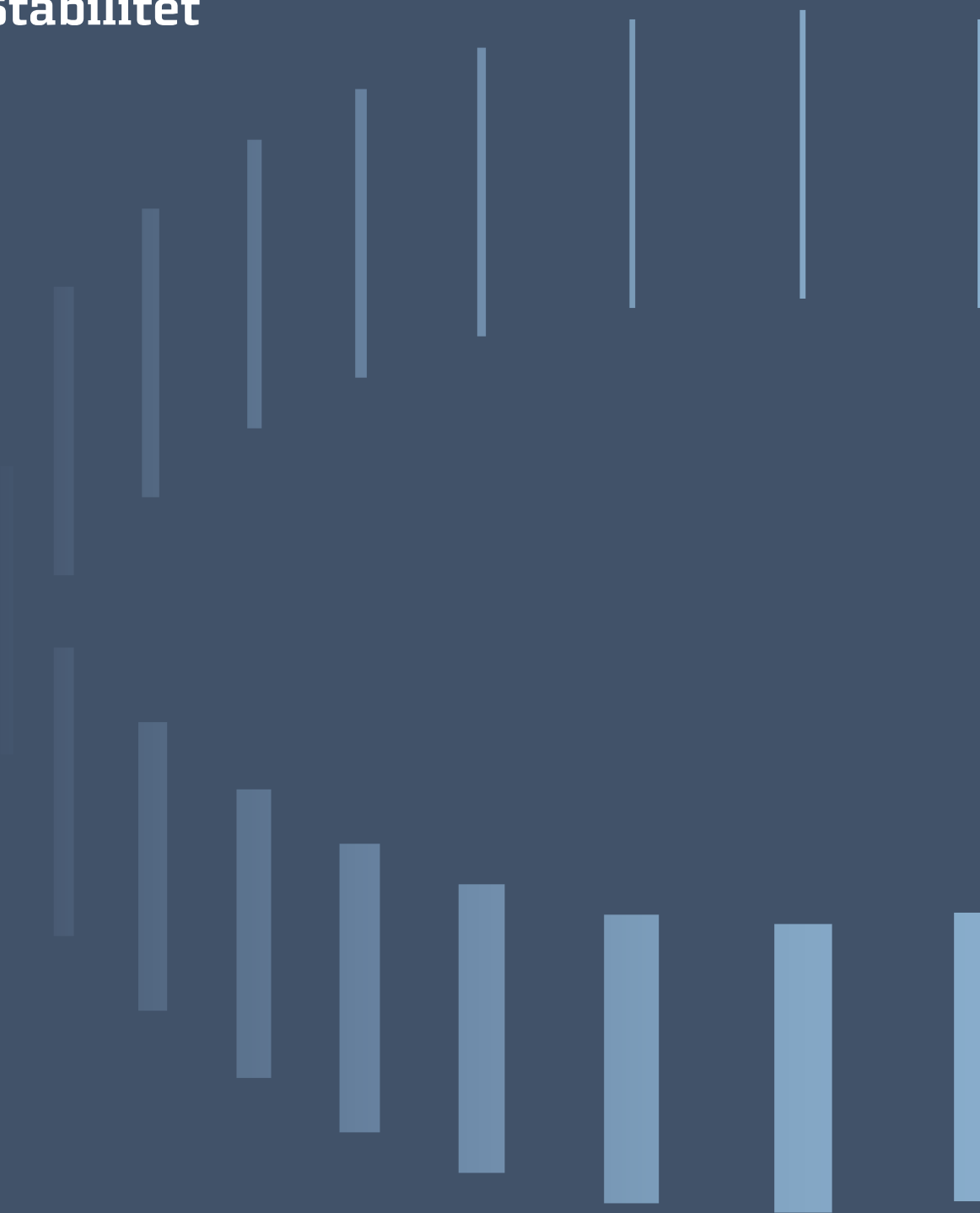


Finansiel Stabilitet



Contents

Management's review

Highlights	3
Review and results	4
Corporate governance	22
Corporate social responsibility	26

Financial statements

Income statement	29
Comprehensive income statement	29
Balance sheet	30
Statement of changes in equity	32
Cash flow statement	33
Notes to the parent company and consolidated financial statements	34

Statement by Management	72
Independent auditor's report	73
Board of Directors	76
Management Board	77
Company details	78

Highlights

Finansiel Stabilitet Group:

- Surplus of DKK 1,089 million, mainly attributable to contributions to the Resolution Fund of DKK 941 million.
- The DKK 1.1 billion surplus meant an increase in equity to DKK 21.8 billion.
- Total assets of DKK 22.5 billion – largely unchanged from 2019.

Bank Package I-V activities:

- Surplus of DKK 108 million, reflecting the result of the continuing resolution of the remaining activities. Reversal of impairment losses on loans, advances and receivables for the year amounted to DKK 143 million.
- The surplus caused equity to grow to DKK 5.3 billion.
- Total assets were reduced by DKK 0.2 billion to DKK 6.8 billion.
- On 31 December 2020, gross loans and guarantees amounting to DKK 2.6 billion were valued at DKK 432 million, financial assets amounted to DKK 2,408 million and properties amounted to DKK 10 million. Financial assets included treasury bills for an amount of DKK 2,206 million.

Deposit Guarantee Fund:

- Surplus of DKK 50 million, which was mainly attributable to the overall surplus of FS Finans I-IV, in which the Deposit Guarantee Fund has financial interests.
- The fund thus grew to DKK 12.4 billion. Of this amount, DKK 8.9 billion was attributable to the Banking Department. Collection of contributions to the Deposit Guarantee Fund was not required.
- Total assets of DKK 12.5 billion.

Resolution Fund:

- Surplus of DKK 931 million, mainly attributable to contributions to the Resolution Fund of DKK 941 million in 2020.
- The fund thus grew to DKK 4.1 billion.
- As a result of the contributions, total assets grew correspondingly to DKK 4.1 billion.

Review and results

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.

The objects of Finansiel Stabilitet are to:

- contribute to ensuring financial stability in Denmark;
- handle the responsibilities and powers assigned to it pursuant to the Act on Restructuring and Resolution of Certain Financial Enterprises;
- handle its responsibilities and powers assigned to it pursuant to the Act on a Depositor and Investor Guarantee Scheme; and
- handle any other responsibilities and powers assigned to it pursuant to legislation or by the Minister for Industry, Business and Financial Affairs. In continuation of the political agreement on compensation for mink farmers etc., a special Finansiel Stabilitet entity is expected to be established in 2021, which will, for example, be tasked with arranging advisory services for certain mink farmers.

Finansiel Stabilitet's business areas comprise the remaining Bank Package I-V activities, the Deposit Guarantee Fund and the Resolution Fund, but with a statutory requirement for the separate management of the assets of the individual segments. Finansiel Stabilitet is not liable for the Deposit Guarantee Fund or the Resolution Fund, and these are only liable for their own obligations and liabilities.

Group results 2020

Finansiel Stabilitet posted a surplus of DKK 1,089 million for 2020 (2019: DKK 1,068 million). The surplus was primarily attributable to payment of DKK 941 million in contributions to the Resolution Fund. Overall, the Resolution Fund generated a surplus of DKK 931 million. The Bank Package I-V activities and the Deposit Guarantee Fund contributed DKK 108 million and DKK 50 million respectively to the result for the year.

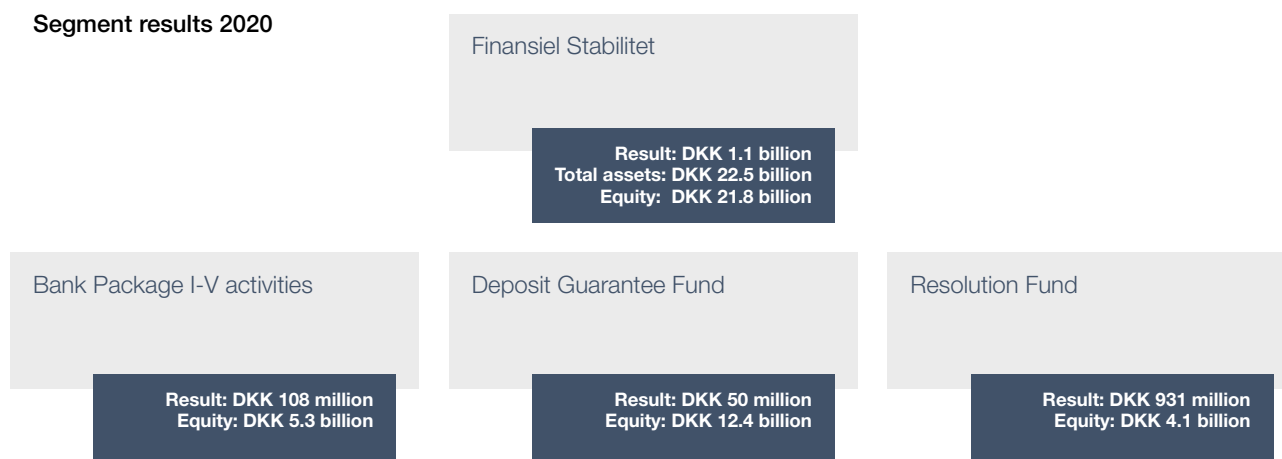
The Group's total assets as of 31 December 2020 amounted to DKK 22.5 billion (2019: DKK 21.8 billion). Of this amount, the Bank Package I-V activities accounted for DKK 6.8 billion, the Deposit Guarantee Fund accounted for DKK 12.5 billion, the Resolution Fund accounted for DKK 4.1 billion, while a negative amount of DKK 0.9 billion related to an intra-group balance.

Total equity stood at DKK 21.8 billion, of which DKK 12.4 billion was attributable to the Deposit Guarantee Fund, DKK 5.3 billion to the Bank Package I-V activities and DKK 4.1 billion to the Resolution Fund. For a specification of the three segments' income statement items, see the following sections and notes 2 and 3 to the financial statements for a more detailed account.

Resolution of activities

As of 31 December 2020, the remaining loans and guarantees, net amounted to DKK 0.5 billion (2019: DKK 0.6 billion), while the portfolio of financial assets amounted

Segment results 2020



to DKK 14.4 billion (2019: DKK 9.7 billion) and properties amounted to DKK 10 million (2019: DKK 2 million).

The rest of the assets mainly consisted of DKK 4.2 billion held on deposit with Danmarks Nationalbank (2019: DKK 8.2 billion) and commitments made by banks, etc. in relation to the Deposit Guarantee Fund in the amount of DKK 3.2 billion, which was unchanged from 2019.

The significant increase in the portfolio of financial assets was due to the investment strategy introduced in 2018 for the assets of the Deposit Guarantee Fund and the Resolution Fund, under which funds are invested in relatively liquid short-term mortgage bonds. The portfolio of related financial assets at 31 December 2020 amounted to DKK 12.0 billion. Furthermore, in the Bank Package I-V activities segment DKK 2.2 billion was invested in treasury bills. Similarly, in the Resolution Fund DKK 0.9 billion was invested in treasury bills. These funds were previously placed on deposit in Finansielt Stabilitet's account with Danmarks Nationalbank.

Other than that, financial assets consisted of capital instruments, including sector shares and guarantee certificates and cooperative share certificates received as partial consideration for guarantee commission under Bank Package I.

The majority of the remaining loans and guarantees related to the segment Bank Package I-V activities, while a minor portion of loans related to FS Finans V (formerly Andelskassen J.A.K. Slagelse) and FS Finans VI (formerly Københavns Andelskasse), which is wound up under the Resolution Fund. DKK 42 million of total loans and guarantees related to FS Finans V and FS Finans VI.

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. Finansielt Stabilitet furthermore has the ongoing task of recovering previously non-performing debts, which amounted to approximately DKK 11 billion as of 31 December 2020. In 2020, this resulted in the recognition of approximately DKK 78 million in recovered amounts previously depreciated or written off.

Lawsuits

The objects of Finansielt Stabilitet were originally to contribute to ensuring financial stability in Denmark, in particular through the resolution of certain failing financial enterprises during the financial crisis.

The financial crisis had a huge impact on society, financial enterprises and, not least, the customers of the financial enterprises subject to resolution. To illustrate this, Finansielt Stabilitet has wound up loans and guarantees for approximately DKK 100 billion since its formation.

Finansielt Stabilitet's business is governed by the bank packages described in this annual report. The costs of these operations are covered, among other things, by payments of DKK 25 billion from the financial enterprises to Finansielt Stabilitet.

The comprehensive financial issues were caused by overall developments – but also by unusual management decisions made in the individual banks subject to resolution.

As a result, it has been relevant to investigate and decide whether the former managements may be held liable for the losses caused by the failures.

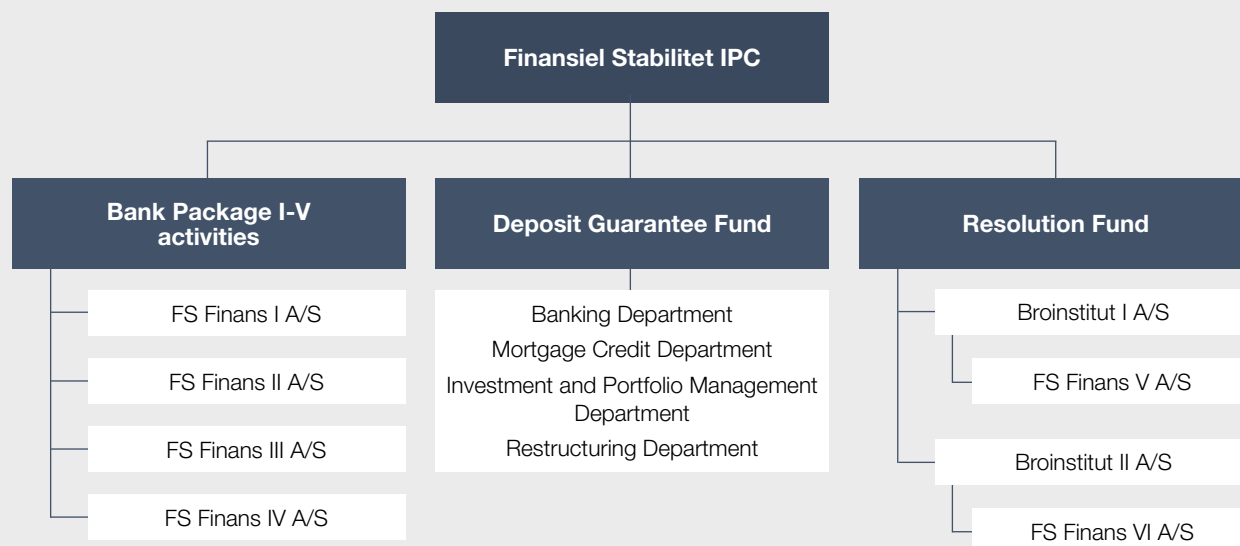
Finansielt Stabilitet has instituted a number of liability lawsuits against, among others, the former managements of nine of the failing banks taken over. They are Roskilde Bank, ebh bank, Løkken Sparekasse, Capinordic Bank, Amagerbanken, Eik Bank Danmark, Eik Bank Færøerne, Andelskassen J.A.K. Slagelse and Københavns Andelskasse. Finansielt Stabilitet institutes liability lawsuits when it is believed to be more likely than not that a court of law will give a decision in favour of Finansielt Stabilitet.

The management members' ability to pay, which is often an unknown factor, is not considered when deciding whether to bring an action for damages.

In Sparekassen Østjylland, Max Bank, Fjordbank Mors, Fionia Bank and Gudme Raaschou Bank, which were taken over by Finansielt Stabilitet, Finansielt Stabilitet has not brought any action for damages.

The lawsuit against the former management of Capinordic Bank was the first liability lawsuit to be tried in court. In October 2015, the Eastern High Court delivered a deci-

Business units



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.

Bank Package II (Credit Package): From February 2009 until 31 December 2010, Danish banks and mortgage credit institutions could apply for individual government guarantees with maturities of up to three years and for state-funded capital injections.

Bank Package III (Exit Package): Guarantee was again only provided for up to EUR 100,000 for depositors. Failing banks could elect to be resolved by Finansiell Stabilitet, and in such case the former Deposit Guarantee Fund would provide a loss guarantee to prevent the Danish State from incurring losses in connection with the resolution.

Bank Package IV (Consolidation Package): Finansiell Stabilitet and the former Deposit Guarantee Fund could contribute 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 could be extended after the expiry in 2013 in case of merger/takeover between two banks.

Bank Package V (Development Package): From March 2012, efforts were made to strengthen the access of small and medium-sized enterprises to funding through initiatives such as the establishment of Landbrugets FinansieringsBank and by Finansiell Stabilitet A/S taking over FIH's portfolio of property exposures.

FS Finans I A/S: Financing company established on 28 September 2012 based on Sparebank Østjylland af 2012 A/S after the company had deposited its banking licence with the Danish FSA.

FS Finans II A/S: Financing company established on 1 November 2012 based on Max Bank af 2011 A/S after the company had deposited its banking licence with the Danish FSA.

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.

Deposit Guarantee Fund: By Act no. 334 of 31 March 2015, the Deposit Guarantee Fund for Depositors and Investors was dissolved effective from 1 June 2015. The rights and obligations of the former Deposit Guarantee Fund were continued under the new Deposit Guarantee Fund, managed by Finansiell Stabilitet.

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 Finansiell Stabilitet. The Resolution Fund may be used in connection with Finansiell 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.

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.

sion against the three defendant management members, who were ordered to pay damages in a total amount of DKK 90.5 million. The decision was appealed by the defendants and subsequently by Finansiel Stabilitet. The Danish Supreme Court in January 2019 delivered its decision, which was in reality an affirmation of the High Court's judgment. Final damages were established at approximately DKK 89 million, plus statutory interest accrued from December 2010. At the time of the Supreme Court decision, the total amount of damages including statutory interest was approximately DKK 141 million.

In the case, Finansiel Stabilitet had served notice on additional management members, and in June 2019 an action was brought against four of these executives with respect to their liability for participating in the granting of facilities. The Supreme Court established liability in damages in this case.

The court delivered a judgment by default against one of the defendants, who was ordered to pay Finansiel Stabilitet DKK 19 million plus statutory interest. Furthermore, an agreement was entered into with one of the other defendants on acknowledgement of debt and settlement of the case. The case against the last two defendants is pending before the Court of Lyngby, and hearings in the case have been scheduled for August 2021.

In June 2017, a decision was delivered in the liability lawsuit against the former management of Amagerbanken. The court found in favour of the defendants. Finansiel Stabilitet subsequently appealed part of the district court's decision. In June 2019, the Eastern High Court delivered its decision in the case.

The Eastern High Court reversed the district court's decision to the extent that eight of the former members of management were to pay damages of approximately DKK 225.5 million plus statutory interest. Finansiel Stabilitet was ordered to pay legal costs for the district and high court in the amount of approximately DKK 40 million.

The executives found liable applied to the Danish Appeals Permission Board for permission to appeal the case to the Supreme Court, and further thereto Finansiel Stabilitet also sent an application to the Appeals Permission Board. In October 2019, Finansiel Stabilitet and the eight executives found liable entered into an agreement to settle the liability lawsuit. As part of the agreement, the eight management

members found liable will pay DKK 255.5 million, and both parties will withdraw their application to the Appeals Permission Board. The agreement was made in full and final settlement of any claims, and the executives found liable will distribute the amount to be paid among themselves.

In the lawsuit against the former management and auditors of Roskilde Bank, the Eastern High Court delivered its decision in November 2017.

The decision was given in favour of all the defendants, and Finansiel Stabilitet was ordered to pay legal costs of approximately DKK 72.5 million. Finansiel Stabilitet appealed the decision with respect to the CEO and the Board of Directors. The case has not yet been scheduled for trial.

The external auditors had been granted permission to appeal the high court decision on legal costs separately. This appeal case was processed by way of written proceedings. In April 2019, the Supreme Court delivered a decision in the appeal case regarding legal costs. The auditors were awarded an additional amount of DKK 11 million in legal costs.

In October 2018, the Eastern High Court delivered a decision in the lawsuit against the former management and auditors of Eik Bank Danmark, by which the four management members were ordered to pay damages in the amount of DKK 28.6 million plus statutory interest, for a total amount of approximately DKK 42.6 million. The court found in favour of the two other members of management and the auditors. Finansiel Stabilitet was ordered to pay legal costs in the amount of DKK 39 million. The four members of management found liable have appealed the decision to the Supreme Court, and Finansiel Stabilitet has subsequently appealed the decision in respect of all six members of management. The scope of the appeal was limited to two exposures. The Supreme Court delivered its decision on 22 June 2020, finding in favour of the members of management previously found liable, and Finansiel Stabilitet was ordered to repay the damages received and to pay DKK 17.7 million in legal costs.

The external auditors were granted permission to appeal the High Court's decision on legal costs separately. In October 2020 the Danish Supreme Court delivered its decision in this case, upholding the High Court's judgment on legal costs.

In November 2019, a decision was delivered in the case against the former management and auditors of Eik Bank Færøerne, by which four defendant management members were ordered to pay damages in the total amount of DKK 150 million plus statutory interest. The court found in favour of one management member, and Finansiel Stabilitet was ordered to pay DKK 8.9 million in legal costs. The four management members found liable have appealed the decision to the Eastern High Court.

In connection with the decision, the court also decided on the issue of legal costs in relation to the discontinued lawsuit against the external auditors. Finansiel Stabilitet was ordered to pay DKK 12 million in legal costs. Finansiel Stabilitet has appealed the issue of legal costs, it being

noted that Finansiel Stabilitet has paid DKK 3.6 million, which is the amount Finansiel Stabilitet believes will have to be paid with certainty.

On 31 January 2020, a decision was delivered by the Western High Court in the case against the former management and auditors of ebh bank. One former management member – the CEO – was ordered to pay a little more than DKK 2 million plus statutory interest. The court found in favour of the other management members, and Finansiel Stabilitet was ordered to pay legal costs of approximately DKK 121 million. On 26 February 2020, Finansiel Stabilitet appealed parts of the decision against the management member found liable with a claim for DKK 100 million.

Overview of liability claims

Liability claims filed	Time of filing	Court and time of judgment	Damages awarded*	Status
Capinordic Bank	December 2010	Eastern High Court October 2015	DKK 89 million	Completed
		Supreme Court (appeal) January 2019		
Amagerbanken	March 2013	The Court of Lyngby June 2017	DKK 225.5 million	Completed
		Eastern High Court (appeal) June 2019		
Roskilde Bank	February 2010	Eastern High Court November 2017	Decision was given in favour of the defendants	Under appeal before the Supreme Court
Eik Bank Danmark	December 2011	Eastern High Court October 2018	DKK 28.6 million	Under appeal before the Supreme Court
		Supreme Court (appeal) 22 June 2020	Decision was given in favour of the defendants	Completed
Eik Banki	September 2012	The Court of the Faroe Islands November 2019	DKK 150 million	Under appeal before the Eastern High Court
ebh bank	December 2010	Western High Court January 2020	DKK 2 million	Under appeal before the Supreme Court
Løkken Sparekasse	December 2010	Western High Court February 2020	Decision was given in favour of the defendants	The period allowed for appeal expired on 27 March 2020
		Supreme Court (appeal) 22 June 2020		Under appeal before the Supreme Court
J.A.K Slagelse	December 2016	Court of Glostrup November 2019	DKK 1 million	Under appeal before the Eastern High Court
Københavns Andelskasse	May 2019			Trial hearing in spring/summer 2021

* Plus statutory interest

On 28 February 2020, a decision was delivered by the Western High Court in the case against the former management and external auditors of Løkken Sparekasse. The decision was given in favour of the defendants, and Finansiel Stabilitet was ordered to pay approximately DKK 34 million. On 26 March 2020, Finansiel Stabilitet appealed parts of the decision against the former management member found liable with a claim for DKK 50 million.

On 15 November 2019, a decision was delivered in the lawsuit against the former management of Andelskassen J.A.K. Slagelse. One former management member was ordered to pay approximately DKK 1.2 million in damages, while another management member was ordered to pay DKK 200,000 in damages jointly and severally with the first-mentioned management member. Finansiel Stabilitet was ordered to pay a total amount of DKK 700,000 in legal costs to the public funds. One of the defendants who was found liable has appealed the case to the Eastern High Court. Trial hearings are scheduled for June 2021.

With respect to Københavns Andelskase, lawsuits have been filed against members of the former management in relation to two onerous transactions. Trial hearings are scheduled for March, April and June 2021.

Expenses related to actions for damages brought against the former managements of banks taken over amounted to about DKK 23 million in 2020. Finansiel Stabilitet expects to continue to incur considerable expenses on such cases in the years ahead. Accumulated expenses related to actions for damages brought against former bank managements have run into approximately DKK 516 million to date, including costs of preparing legal enquiries. To this amount should be added legal costs that Finansiel Stabilitet has been ordered to pay in the approximate amount of DKK 345 million. Accumulated legal costs thus amount to DKK 861 million.

In the nine compensation proceedings, Finansiel Stabilitet has so far been awarded damages, which including statutory interest as of mid-January 2021 amount to a total of approximately DKK 759 million.

The Danish government has set up a committee on assessment of stricter liability for management members, etc. in financial enterprises. Finansiel Stabilitet has a seat on the committee, allowing it to draw attention to matters based on experience from the compensation proceedings. The liability committee issued its report on 27 January 2021.

Financial highlights FS Finans I-IV (Group)

(DKK)m	FS Finans I A/S		FS Finans II A/S		FS Finans III A/S		FS Finans IV A/S*	
	2020	2019	2020	2019	2020	2019	2020	2019
INCOME STATEMENT								
Result for the year	0	0	0	0	0	0	-22	69
Result for the year before purchase price adjustment**	-4	2	94	-5	-10	260	-	-
BALANCE SHEET AT 31 DECEMBER								
Loans and advances	17	21	16	32	53	56	39	48
Other assets	290	289	253	222	1,824	1,840	35	94
Total assets	307	310	269	254	1,877	1,896	74	142
Purchase price adjustment	296	300	240	146	1,820	1,830	-	-
Other provisions	10	9	26	24	32	43	44	20
Other payables	0	0	2	83	25	22	12	13
Equity	1	1	1	1	1	1	18	109
Total equity and liabilities	307	310	269	254	1,877	1,896	74	142

* 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 Finansiel Stabilitet Group's segments (Bank Package I-V activities and the Deposit Guarantee Fund)

Bank Package I-V activities

Results in 2020

Finansiel Stabilitet's activities in relation to Bank Package I-V activities generated a surplus of DKK 108 million in 2020 (2019: DKK 229 million). The result reflects the continued resolution of the remaining activities. Reversal of impairment losses on loans, advances and receivables amounted to DKK 143 million in 2020. The result includes contributions totalling DKK 38 million from FS Finans I-IV.

The individual bank packages impact the segment's results in different ways. Bank Packages I and II are fully recognised in segment results. Bank Packages III and IV 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) and Bank Package IV (FS Finans I and II), only a share of changes in the purchase price adjustment affects the segment's results. This share is determined as the part of total unsecured claims taken over by Finansiel Stabilitet.

In 2020, the subsidiaries FS Finans I-III reported a total financial result of DKK 80 million before purchase price and dowry adjustment.

There was no purchase price adjustment in FS Finans IV, as the dividend was originally fixed at a higher amount than what is currently warranted. The resulting loss was covered by the Restructuring Department of the Guarante

tee Scheme. FS Finans IV posted a deficit of DKK 22 million for 2020, increasing its total deficit to DKK 527 million.

The segment's total assets were reduced by DKK 0.2 billion in 2020 to DKK 6.8 billion. As of 31 December 2020, the segment had loans and guarantees totalling DKK 432 million (2019: DKK 570 million), financial assets totalling DKK 2,408 million (2019: DKK 145 million) and properties totalling DKK 10 million (2019: DKK 2 million). In 2020, financial assets included treasury bills for an amount of DKK 2,206 million previously held in Finansiel Stabilitet's account with Danmarks Nationalbank.

Deposit Guarantee Fund

Departments

In 2020, the Deposit Guarantee Fund covered 147 companies: 75 banks (8 foreign banks having applied for topping up in Denmark and 5 banks in the Faroe Islands and Greenland), 7 mortgage credit institutions, 48 investment companies, 4 investment management companies and 13 managers of alternative investment funds. The companies are distributed on the 4 departments:

- the Banking Department (75 banks)
- the Mortgage Credit Department (7 institutions)
- the Investment and Portfolio Management Department (investment companies and certain investment management companies and managers of alternative investment funds (65 companies and investment funds)
- the Restructuring Department (67 institutions)

Income statement for the Deposit Guarantee Fund

(DKKm)	2020	2019
Interest on deposits with Danmarks Nationalbank	-2	-17
Yields of listed bonds	80	58
Value adjustment of bond portfolio	-75	-28
Premium income from banks	0	0
Purchase price adjustment from resolution of banks	43	67
Result of loss guarantee	-22	69
Adjustment of expected dividend etc. from the estate in bankruptcy re. Fjordbank Mors and CapiNordic.	33	-29
Administrative expenses	7	6
Result for the year	50	114

Results in 2020

The Deposit Guarantee Fund generated a surplus of DKK 50 million in 2020 (2019: DKK 114 million). The surplus, which was DKK 64 million less than in 2019, was primarily attributable to a return on listed bonds of DKK 5 million, against DKK 30 million in 2019, and to a minor positive contribution from the financial interests in FS Finans I-IV.

As in previous years, the result for 2020 was adversely affected by the negative deposit rates paid by the Deposit Guarantee Fund relating to its funds deposited in an account with Danmarks Nationalbank. In 2020, the new investment strategy introduced in 2018 further reduced the negative deposit rates and continued to generate a positive return. For more information, see pages 18-19.

As of 31 December 2020, the Deposit Guarantee Fund had total assets of DKK 12.4 billion. Of these assets, the Banking Department accounted for DKK 8.9 billion and the Restructuring Department accounted for DKK 3.5 billion, DKK 3.2 billion of which consisted of commitments.

Activities

In 2020, it was not necessary to collect contributions to the Banking Department, as the assets of the Deposit Guarantee Fund exceeded its target level. As usual, however, an annual redistribution of contributions and commitments was made among the Mortgage Credit Department, the Investment and Portfolio Management Department and the Restructuring Department.

Loss guarantees provided

The Restructuring Department issued loss guarantees to Finansielt Stabilitet in connection with the resolution of Amagerbanken af 2011 (FS Finans III), Fjordbank Mors af 2011 (FS Finans IV), Max Bank af 2011 (FS Finans II) and Sparebank Østjylland af 2012 (FS Finans I). Of these, only the loss guarantee regarding FS Finans IV was activated.

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.

As of 31 December 2020, the assets of the Banking Department amounted to DKK 8.9 billion, against a determined target level of DKK 5.7 billion. As the assets exceeded the target level with an excess coverage of DKK 3.1 billion, no contributions were collected for the Banking Department in 2020. 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 deposits serving certain social purposes in Denmark amount to some DKK 150-200 billion. When these are

Balance sheet for the Deposit Guarantee Fund

(DKKm)	2020	2019
ASSETS		
Deposits with banks and Danmarks Nationalbank	69	1,183
Bonds	8,136	6,999
Commitments made by banks, mortgage credit institutions and investment companies	3,218	3,218
Purchase price / dowry adjustment receivable	844	801
Other receivables	189	180
Total assets	12,456	12,381
EQUITY AND LIABILITIES		
Deposit Guarantee Fund	12,429	12,379
Other payables	27	2
Total equity and liabilities	12,456	12,381

added to the calculation of the Banking Department's target level, the level grows to approximately DKK 7 billion, substantially reducing the excess coverage. It should also be mentioned that covered deposits have seen significant growth in recent years, which also reduces the excess coverage over time.

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. Finansielt Stabilitet only adjusts commitments for an amount totalling DKK 7.5 million.

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 significant losses in 2020, it was not necessary to collect cash contributions. Instead, commitments were redistributed among the banks in the Department.

Area of coverage

The Deposit Guarantee Fund provides financial coverage to depositors and investors of all Danish banks, mortgage credit institutions and investment companies as well as certain investment management companies and manag-

Income statement by department for 2020

(DKK'000)	Total	Banking Department	Mortgage Credit Department	Investment and Portfolio Manage- ment Department	Restruc- turing Department
General distribution					
Interest and value adjustment	3,424				
Costs of asset management	-3,438				
Net financials	-14	-14	-	-	-
Costs:					
Management fee, Finansielt Stabilitet	-4,059				
Total shared costs	-4,059	-2,902	-4	-4	-1,149
Total general distribution	-4,073	-2,916	-4	-4	-1,149
Specific distribution					
Adjustment of expected dividend etc. from estate in bankruptcy	33,000	33,000			
Surplus from the resolution of banks etc.	43,407	43,407			
Provision for losses on loss guarantee	-22,146				-22,146
Various directly attributable costs /income	-20	-20			
Total specific distribution	54,241	76,387	-	-	-22,146
Result for the year	50,168	73,471	-4	-4	-23,295

ers of alternative investment funds for certain losses in connection with reconstruction or bankruptcy. 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 EUR 100,000 (approximately DKK 745,000) for each depositor with each bank.

Pension funds, e.g. cash deposits into annuity pension and retirement pension schemes, are fully covered. Also, certain special deposits with increased coverage are covered for a limited period, e.g. deposits which serve social purposes and are linked to particular life events are covered by EUR 150,000 for a period of six months and 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.

Securities

The Deposit Guarantee Fund also manages the investor guarantee scheme. This means that investors may re-

ceive coverage of up to EUR 20,000 (approximately DKK 150,000) per investor in the event of difficulties in having securities delivered from an institution in reconstruction or bankruptcy, provided that the failing institution is comprised by the investor guarantee scheme.

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, Svenska Handelsbanken AB, Swedbank AB, Nordnet Bank AB, Skandinaviska Enskilda Banken AB, Ikano Bank AB, Carnegie Investment Bank AB and Banque Internationale à Luxembourg S.A. have applied for coverage under the

Assets by department for 2020

(DKK'000)	Guarantee Fund, total	Banking Department	Mortgage Credit Department	Investment and Portfolio Manage- ment Department	Restruc- turing Department
Contributions at 31 December 2020	0	0	0	0	0
Commitments made					
Balance at 1 January 2020	3,217,500		7,500	10,000	3,200,000
Balance at 31 December 2020	3,217,500		7,500	10,000	3,200,000
Retained earnings					
Balance at 1 January 2020	9,161,535	8,849,303	3,805	2,572	305,855
Result for the year	50,168	73,471	-4	-4	-23,295
Balance at 31 December 2020	9,211,703	8,922,774	3,801	2,568	282,560
Assets at 31 Dec. 2020	12,429,203	8,922,774	11,301	12,568	3,482,560

Deposit Guarantee Fund as a supplement to the coverage provided by the national guarantee schemes.

It is the guarantee scheme of the host country, in Denmark the Deposit Guarantee Fund, 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.

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 Deposit Guarantee Fund's coverage is provided on www.fs.dk.

Legislative framework

The legislative framework governing the Deposit Guarantee Fund is Consolidation Act no. 356 of 2 April 2020 on a Depositor and Investor Guarantee Scheme, as amended.

The Deposit Guarantee Schemes Directive (Directive 2014/49/EU of 16 April 2014) (DGSD) was implemented by Act no. 334 of 31 March 2015.

In addition, the Deposit Guarantee Fund is governed by Executive Order no. 820 of 3 July 2015 on the Deposit Guarantee Fund's coverage of depositors and investors and Amending Executive Order no. 518 of 17 May 2018. The Act on a Depositor and Investor Guarantee Scheme has been put into force for the Faroe Islands by Order no. 1584 of 19 December 2017 and for Greenland at 1 January 2020 by Order no. 1326 of 6 December 2019.

Income statement for the Resolution Fund

(DKKm)	2020	2019
Premium income	941	724
Other income and expenses	9	15
Result of net financials and coverage activities	950	739
Administrative expenses etc.	19	14
Result for the year	931	725

Resolution Fund

Results in 2020

The Resolution Fund generated a surplus of DKK 931 million in 2020 (2019: DKK 725 million). The surplus was mainly attributable to payment of contributions to the Resolution Fund of DKK 941 million.

In 2020, the Resolution Fund's administrative expenses amounted to DKK 19 million, offset by corresponding income allotted through the Finance and Appropriation Act. The administrative tasks relate to, among other things, legal work, work involved in preparing resolution plans, participating in resolution colleges for cross-border SIFs and building up of the Resolution Fund.

Including the contribution collected for 2020 of DKK 941 million, a total of DKK 4.1 billion has been collected since the inception. In 2020, banks contributed DKK 714 million, mortgage credit institutions contributed DKK 227 million and investment companies contributed DKK 63 thousand. Of the total contribution, DKK 940 million was related to ratio-based collection of contributions from the 34 largest institutions. The remaining part of approximately DKK 1 million was paid by the remaining 51 institutions.

Activities

In 2020, significant progress was made in several areas of the work on 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.

This work forms part of a common European effort to ensure the credibility of the way member states handle failing banks and mortgage credit institutions etc., so that

the institutions' owners and creditors bear 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, which is taken into account when the Danish FSA determines the requirement for eligible liabilities in order to facilitate the continuity of a failing institution's critical functions. These resolution plans will be developed further in 2021 and up until 2024.

Finansiel 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, Finansiel Stabilitet continually focuses on testing the contingency resolution measures of the institutions. In order to achieve the resolution objectives it is from a practical perspective vital that Finansiel 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 data to Finansiel Stabilitet in a time-critical resolution situation. Finansiel Stabilitet and the Danish FSA together perform the testing of contingency resolution measures.

Resolution of FS Finans V A/S' activities

In 2015, Finansiel Stabilitet implemented resolution measures in relation to Andelskassen J.A.K. Slagelse. 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 will take place.

As of 31 December 2020, FS Finans V A/S had loans and guarantees representing a total carrying amount of DKK 12 million and total assets of DKK 26 million.

At the end of 2020, the Resolution Fund had a total deficit of DKK 3 million in relation to the resolution of Andelskassen J.A.K. Slagelse.

Resolution of FS Finans VI A/S' activities

On 13 September 2018, the Danish FSA notified Finansiel Stabilitet that Københavns Andelskasse was expected to be failing and that there was no prospect of finding a private resolution to the co-operative bank's difficulties.

Finansiel Stabilitet assumed control of the co-operative bank and implemented the required resolution measures. Finansiel Stabilitet made a preliminary valuation, which

Balance sheet for the Resolution Fund

(DKKm)	2020	2019
ASSETS		
Demand deposits with central banks	153	528
Securities	3,900	2,641
Investments in associates etc.	85	84
Other assets	20	17
Total assets	4,158	3,270
EQUITY AND LIABILITIES		
Other liabilities	70	111
Provisions	11	13
Total liabilities	81	124
Resolution Fund	4,077	3,146
Total equity and liabilities	4,158	3,270

revealed further losses relating to the co-operative bank's assets and liabilities as well as significant uncertainty regarding the distribution on the relevant creditor classes. Against this background, the claims of all creditors except covered deposits were written off. In relation to this, Finansiell Stabilitet formed a new subsidiary, Broinstitut II A/S, which assumed ownership of Københavns Andelskasse under kontrol.

On 28 June 2019, Københavns Andelskasse under kontrol deposited its licence to carry on banking and securities trading activities. The licence was deposited as part of the resolution of Københavns Andelskasse under kontrol and as a consequence of the fact that it no longer performs activities requiring a licence, including acceptance of deposits. At the same date, Københavns Andelskasse under kontrol was converted into a financing company with the name of FS Finans VI A/S, under which the remaining activities will be wound up.

In March 2020, Finansiell Stabilitet received the final valuation made by independent valuer H.S. Krogh of PWC. H.C. Krogh was appointed as independent valuer after a tender process. The report showed that, if applying a going concern assumption (valuation I), the share capital and part of the subordinated capital would be lost.

When resolution measures are taken, these should generally be based on a more conservative valuation that comprises all the bank's expected financial losses (valuation II). The final valuation report indicated that there are insufficient funds to cover the claims of all the bank's creditors, which meant that both share capital and subordinated capital were written off. At the same time, the report also indicated that preferential deposits not covered by the Guarantee fund will receive full coverage. In addition, unsecured creditors will receive coverage of 34% of their claims. Based on the report, Finansiell Stabilitet has started the process of paying the creditors who have not already received payment for their receivable in accordance with the final valuation report.

The valuation report prepared has also been used as part of the foundation for preparing the financial statements of FS Finans VI. The report shows a surplus of approximately DKK 1 million after tax for 2020. The result should be seen in the context that some activities were wound up more favourably than assumed in the valuation report. For 2021, the budget assumes a minor deficit in FS Finans VI.

As of 31 December 2020, FS Finans VI A/S had net loans and guarantees representing a total carrying amount of DKK 30 million and total assets of DKK 92 million.

Financing of the Resolution Fund

In the period from 2016 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.

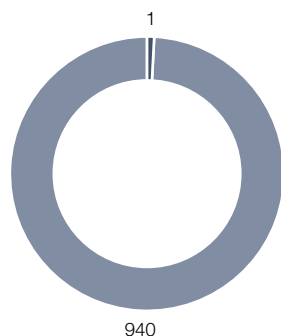
Over this period, the build-up must be distributed as evenly as possible until the target level has been reached, always with due consideration for the economic climate and the potential effects of pro-cyclical contributions on the financial position of contributing enterprises.

Pursuant to Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements, the Resolution Fund is funded through an annual contribution. For small institutions, the contribution is generally determined as an administratively determined contribution, 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 Fund are not sufficient to cover losses, costs or other expenses in connection with the resolution of an institution or entity, Finansiell Stabilitet may request payment of extraordinary contributions. Such extraordinary contributions may not exceed three times the most recent annual contribution paid. In addition, in case of insufficient funds, the Resolution Fund may raise loans in the market or from the corresponding resolution financing schemes of other countries. Moreover, Finansiell Stabilitet may raise state-funded re-lending to be used as loan financing of the Resolution Fund.

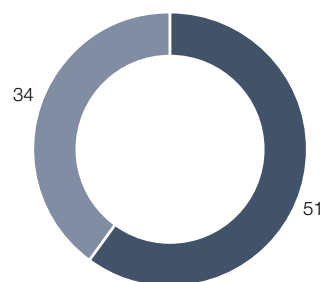
As of 31 December 2020, the assets of the Resolution Fund amounted to DKK 4.1 billion, against a determined target level of DKK 7.9 billion. In recent years, Finansiell Stabilitet has observed annual increases in the covered deposits in Danish banks. In 2020, Finansiell Stabilitet therefore decided to determine the target level on the basis of an estimated projection of covered deposits to 2024, which means that the target level of the Resolution Fund was raised. This practice is expected to be used

Contributions collected 2020 (DKKm)



■ Administratively determined contributions
 ■ Ratio-based contributions

No. of institutions



■ Administratively determined contributions
 ■ Ratio-based contributions

in 2021 as well. Accordingly, an increase in contributions from the comprised institutions is to be expected.

Financial position

The Resolution Fund's liquid assets totalled DKK 4.1 billion as of 31 December 2020. 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 was the case for the Deposit Guarantee Fund, an overall investment profile has been adopted that is based on investments being made in liquid, low-risk assets. For more information, see pages 18-19.

Scope

Finansielt Stabilitet may initiate a restructuring or resolution process if the Danish FSA identifies that (i) a company fails or is expected to fail, and (ii) there is no prospect within a reasonable time frame of solutions other than bankruptcy or Finansielt Stabilitet assuming control and starting a resolution process, and Finansielt Stabilitet assesses that (iii) a resolution is necessary in the public interest.

In the case of restructuring and resolution, Finansielt Stabilitet may e.g. assume control over the enterprise, effect a full or partial sale 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, no creditor may be placed at a financial disadvantage 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. See below. 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 Fund may also be used in special circumstances directly to cover losses in an enterprise, provided liabilities have first been written down or converted in an amount equivalent to at least 8% of the enterprise's liabilities. In such situation, the Fund may contribute assets equivalent to up to 5% of the enterprise's liabilities. However, in the preparation of resolution plans this option is not assumed to be used.

Legislative framework

The legislative framework of the Resolution Department and the Resolution Fund 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 as well as on Finansielt Stabilitet's use of resolution measures.

The Act became effective on 1 June 2015, and the executive orders were issued shortly thereafter. 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) and 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 is to issue a number of delegated acts and implementing acts in this area. Finansielt Stabilitet participates e.g. in the work of the European Banking Authority (EBA) to prepare the acts for the European Commission.

A number of provisions of the Act on Restructuring and Resolution of Certain Financial Enterprises were amended by Act no. 2110 of 22 December 2020 pursuant to the implementation of the BRRD II Directive in Danish legislation. The provisions amended include Finansielt Stabilitet's authorisation to suspend obligations and rights relating to contracts concluded by companies in the process of resolution. This authorisation may now be applied at an earlier stage upon initiation of a resolution process and now also extends to contributions. Furthermore, Finansielt Stabilitet's obligation to make write-downs or conversions

in a company under resolution before applying resolution tools or other resolution measures has been extended to include certain eligible liabilities.

With the amendment to BRRD as implemented in Danish law in December 2020, the risk of unsecured creditors suffering losses in a crisis situation has become greater. The Danish FSA previously required Danish banks to meet the MREL requirement entirely with subordinated liabilities, i.e. liabilities which absorb losses ahead of unsecured claims. Subordinated liabilities comprise share capital, subordinated capital instruments and senior non-preferred debt. The amendment (BRRD II) introduces a subordination cap, which for systemically important financial institutions (SIFIs) means that a smaller part of the MREL requirement can expectedly be covered through liabilities included in the creditor class of unsecured claims.

Portfolio management of the Resolution and Deposit Guarantee Funds

In 2018, Finansielt Stabilitet decided to change the investment strategy of both the Deposit Guarantee Fund and the Resolution Fund to a more active management strategy. Finansielt Stabilitet has chosen to pursue a conservative investment strategy, under which the risks assumed primarily relate to future interest rate movements and, to a

Returns – externally managed investment portfolios of the Deposit Guarantee Fund and the Resolution Fund

(DKK m)	Investable funds 2020	Total return 2020	Investable funds 2019	Total return 2019
Portion managed	11,201	6	9,693	24
Of which:				
– Return on bonds		8		37
– Return until initiation of management		-2		-13
Amounts held on deposit in account with Danmarks Nationalbank	0	0	1,584	-11
Total		6		13

Note: The portion managed may be divided into return after investment and return before investment, when the funds were held on deposit in an account with Danmarks Nationalbank. The statement excludes expenses. The investable funds are stated at their market value.

lesser degree, credit conditions. No changes were made to the investment strategy in 2020.

Finansiel Stabilitet has chosen to outsource the management of its investment portfolios. Two EU tenders were completed – for two mortgage bond mandates and one flexible mandate. The flexible mandate is identical to the two mortgage bond mandates, with the exception that the manager of the flexible investment mandate can also invest in Danish government bonds if the interest rate exposure is kept within the same fixed risk limit.

The investment mandates for mortgage bonds initially included a total investment volume of DKK 7.5 billion. A further DKK 540 million was added to the mortgage bond mandates in November 2019, bringing the total investment scope to DKK 8.1 billion. The flexible mandate initially amounted to DKK 3.2 billion, of which DKK 1.6 billion was invested in December 2019 and a further DKK 1.6 billion was added to investments in February 2020.

The market uncertainty caused by the COVID-19 pandemic had a brief negative impact on the return of the portfolio, causing the value of the portfolio to decline by 0.78% in the first quarter. However, since then, the portfolio return has shown a generally positive trend.

In 2020, investment portfolios under external management yielded a total return of DKK 8 million (or 0.07%). This return was approximately DKK 76 million (or 0.69%) higher than it would have been if the portfolio under management had been placed at Danmarks Nationalbank's CD rate, which would have given rise to negative interest income of approximately DKK 68 million.

The overall realised return on all investable funds of the Resolution Fund and the Deposit Guarantee Fund for 2020 was DKK 6 million.

Since it was established in 2018, the portfolio management has yielded a return of DKK 60 million. Compared with an alternative placement with Danmarks Nationalbank, returns in the period from 2018 to 2020 have improved by DKK 200 million.

Significant risks

The principal risks affecting Finansiel Stabilitet concern the uncertainty related to the resolution of activities taken over by Finansiel Stabilitet under Bank Packages I-V and the risk of future losses as a result of the restructuring and resolution of failing banks etc. resulting in losses on contributed equity.

To reflect the financial distribution between Bank Package I-V activities, the Deposit Guarantee Fund and the Resolution Fund, Finansiel Stabilitet's risks are similarly distributed among the three segments.

The principal risks affecting the different segments are described below. For further information on risks and risk management, see note 24 to the financial statements.

Bank Package I-V activities

Risks under Bank Package I-V activities are to a considerable extent influenced by the special tasks involved in taking over and resolving failing banks under Bank Packages I-V. As the customer exposures have been significantly reduced, the most significant risks in this segment relate to the outcomes of lawsuits and disputes. Risks also remain in respect of the resolution of the remaining loans and guarantees.

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 of FS Finans I-IV 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, the only additional losses recorded under Bank Package III relate to the resolution of FS Finans IV A/S.

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 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.

Notwithstanding a continued low risk profile, the future investment strategy will be subject to higher risk, because the yield on bonds will depend on the general interest rate developments and the timing of any purchases and sales.

Resolution Fund

The principal risks of 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.

Moreover, the investment of the Resolution Fund's investable funds will be subject to risk, depending on the chosen investment profile. The Act on Restructuring and Resolution of Certain Financial Enterprises stipulates that the Resolution Fund's investable funds must be invested in low-risk assets. Each year, Finansiel Stabilitet's Board of Directors defines the investment strategy for the 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.

Notwithstanding a continued low risk profile, the future investment strategy will be subject to higher risk compared with funds being placed in an account with Danmarks Nationalbank, because the yield on bonds will depend on the general interest rate developments and the timing of any purchases and sales.

Events after the balance sheet date

In connection with the merger between Den Jyske Sparekasse and Vestjysk Bank in January 2021, Finansiel Stabilitet sold shares with a gain of DKK 15 million.

In continuation of the political agreement on compensation for mink farmers etc., a special entity is expected to be established in Finansiel Stabilitet in 2021 to arrange advisory services for certain mink farmers. The costs of such advisory services, which under the agreement are to be defrayed by the Finansiel Stabilitet entity, are expected to amount to approximately DKK 30 million including VAT. It is also expected that the Minister for Industry, Business and Financial Affairs will be authorised to confer other responsibilities on Finansiel Stabilitet related to the sale of properties and other assets, where sales assistance is deemed to be required.

No other events have occurred after the balance sheet date.

Outlook for 2021

The outlook for 2021 is determined for each of the three segments of the Finansiel Stabilitet Group. For the Resolution Fund, a surplus of approximately DKK 0.9 billion is expected, corresponding to the expected payments from the institutions that have an obligation to pay contributions to the Resolution Fund. The Bank Package I-V activities and the Deposit Guarantee Fund are expected to post small deficits. The expected deficit for the Bank Package I-V activities includes costs of advisory services for mink farmers, see above. Any change in interest rates could have a material impact on the financial results of the Deposit Guarantee Fund and the Resolution Fund.

The outlook is generally subject to some uncertainty due to the continued substantial uncertainty about the 2021 results of the activities relating to the Bank Package I-V activities. Accordingly, the guidance provided above does not include any potential effect on operations of value adjustments of assets, should the resolution results prove either higher or lower than the carrying amounts. Moreover, the outcome of contingent liabilities, including lawsuits and disputes, is subject to substantial uncertainty.

In addition, the outbreak of COVID-19 in Denmark could affect the company's results. Finansiel Stabilitet monitors developments and not least the economic consequences.



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 corporate governance recommendations to the widest extent possible, even though Finansiel Stabilitet is not directly comprised by the recommendations. Finansiel Stabilitet also on an ongoing basis considers developments in the corporate governance recommendations applicable to listed companies. This annual report includes reporting on compliance with the Corporate Governance Recommendations, which were updated in 2017 and are effective for financial years beginning on or after 1 January 2018.

The 2017 recommendations were updated in 2020, effective for financial years beginning on or after 1 January 2021. Finansiel Stabilitet will assess what the new recommendations mean in terms of changes or adjustments for the coming financial year.

At least once a year, the Board of Directors and the Management Board review the principles defined for the management of Finansiel Stabilitet and make ongoing adjustments as and when needed to ensure that the Company complies with good practice in the area.

The overall objectives are defined by the Ministry of Industry, Business and Financial Affairs and, therefore, decisions on acceptance of risk are not left to the Board of Directors as would normally be the case. As the Company's objects and the achievement thereof are defined by law, it is not relevant to comply with the Committee's corporate governance recommendations in relation to risk management. 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. Within the given framework,

the Board of Directors of Finansiel Stabilitet has sought to enhance the risk management efficiency of the assets taken over.

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 Concept 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. Finansiel Stabilitet thereby 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 16 board meetings were held in 2020, including 9 extraordinary board meetings. A total of 12 board meetings were held in 2019.

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. The Board of Directors furthermore maintains a continuous dialogue with the general management on the cases against the former managements, etc. of the banks taken over.

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 or a risk 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. In 2020, the evaluation was performed with external assistance.

Composition of the Board of Directors

On 31 December 2020, 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 30 April 2020, Peter Engberg Jensen, Anne Louise Eberhard, Ulrik Rammeskov Bang-Pedersen and Bente Overgaard were re-elected to the Board of Directors. Ole Selch Bak was elected as a new member of the Board. Peter Engberg Jensen was re-elected as Chairman, and Anne Louise Eberhard was elected as the new Deputy Chairman. Bent Naur and Bendt Wedell both resigned from the Board of Directors.

At the extraordinary general meeting held on 30 June 2020, Morten Sommerfeldt was elected to the Board of

Directors. Peter Engberg Jensen, Anne Louise Eberhard, Ulrik Rammeskov Bang-Pedersen, Bente Overgaard and Ole Selch Bak were re-elected to the Board of Directors.

On 11 August 2020, Nina Dietz Legind resigned from the Board, and at the extraordinary general meeting held on 11 December 2020, Jesper Rangvid was elected as a new member of the Board.

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 is composed of Henrik Bjerre-Nielsen, CEO. The Management Board along with Marianne Simonsen, EVP Legal and Credit, and Jens Verner Andersen, EVP Finance and IT are in charge of 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 and for the distribution of powers and responsibilities between the Board of Directors and the Management Board are laid down in instructions to the Management Board.

In December 2020, Henrik Bjerre-Nielsen, CEO, announced his resignation and subsequent retirement. He also announced that he would continue as CEO until his successor takes up the position in 2021. The Board of Directors of Finansiel Stabilitet has started the process of finding a successor to the current CEO.

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 2020, the remuneration paid to the Board of Directors amounted to DKK 1,200,680, including DKK 525,000 to the Chairman and the Deputy Chairman. For more information on this, see note 9.

The remuneration of the Management Board is determined by the Board of Directors, and in 2020 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 total remuneration paid to the Management Board amounted to DKK 3.2 million in 2020 (2019: DKK 3.1 million), comprising DKK 3.1 million in fixed salaries and DKK 0.1 million in tax on company-paid vehicles, etc.

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-authorised public accountant. The state-authorised 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-authorised 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 2020.

Corporate social responsibility

Corporate social responsibility

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 by restructuring and resolving failing banks. In performing this task, Finansiel Stabilitet assumes significant corporate social responsibility.

Focus is on minimising losses on assets taken over, minimising the Company's risks and contributing to ensuring stability, including in other sectors such as the property market and the agricultural sector. The Company aims for business with the Group's customers to continue under the auspices of other banks to the extent possible or under the auspices of purchasers who are obliged to manage the customer portfolio in accordance with the Executive Order on good business practice for financial undertakings.

In addition, the Company is focused on organising an adequate and expense-focused process for examining complaints and lawsuits and claims from creditors and ensuring that cases are handled in a legally correct manner.

The Company and its subsidiaries live up to their responsibility as employers, business partners and consumers of natural resources. However, the Company does not act as an intermediary for sales of products or services outside the Group, and it invests only in Danish government bonds and short-term Danish mortgage bonds. For this reason, the Company has not found it relevant to sign up to any specific CSR and ESG standards.

The Company has not defined any policies regarding the protection of human rights and the environment or regarding climate impact reduction.

Employees

Finansiel Stabilitet wants to contribute to a good and challenging working life for the employees during their employment with the Company. 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.

The staff is adjusted on an ongoing basis in relation to the scope of work. In 2020, the number of Finansiel Stabilitet's employees fell slightly. The number of employees in 2021 is expected to be on a level with 2020.

COVID-19

As was the case for many other workplaces, Finansiel Stabilitet's employees had to work from home during part of 2020 as a result of the COVID-19 pandemic. In autumn 2020, Finansiel Stabilitet's general management therefore decided to perform an extraordinary workplace assessment (APV) of home office conditions.

Gender composition of Management

Finansiel Stabilitet strives to achieve relevant diversity in terms of age, international experience and gender at the Group's management levels. 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 one third of the seats on the boards of directors. Of Finansiel Stabilitet's seven board members, two are women and five are men.

Candidates for Finansiel Stabilitet's Board of Directors generally have management experience from the financial sector. At the management level, the financial sector generally has an unequal gender composition with women being underrepresented, and this imbalance is reflected in the composition of Finansiel Stabilitet's Board of Directors. Finansiel Stabilitet thus does not meet its gender composition target for the Board of Directors.

Of the three board members of the subsidiaries Broinstitut I A/S, Broinstitut II A/S, FS Finans I A/S, FS Finans II A/S, FS Finans III A/S, FS Finans IV A/S, FS Finans V A/S and FS Finans VI A/S, two are female and one is male. In the subsidiary FS Ejendomsselskab A/S, the gender composition is one female and two male members. Finansiel Stabilitet thus meets its gender composition target with respect to the subsidiaries.

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. In addition, Finansiel Stabilitet aims to have an open and unbiased corporate culture allowing employees, regardless of gender, to optimise their skills and talents in the best possible way. Finansiel Stabilitet is focused on gender composition in connection with its employment and recruitment procedures. Achievement of the policy target is further supported by internal controls.

The gender composition of Finansiel Stabilitet's general management (CEO and executive vice presidents) in 2020 was one female and two male members. Finansiel Stabilitet thus meets its gender composition target for the general management.

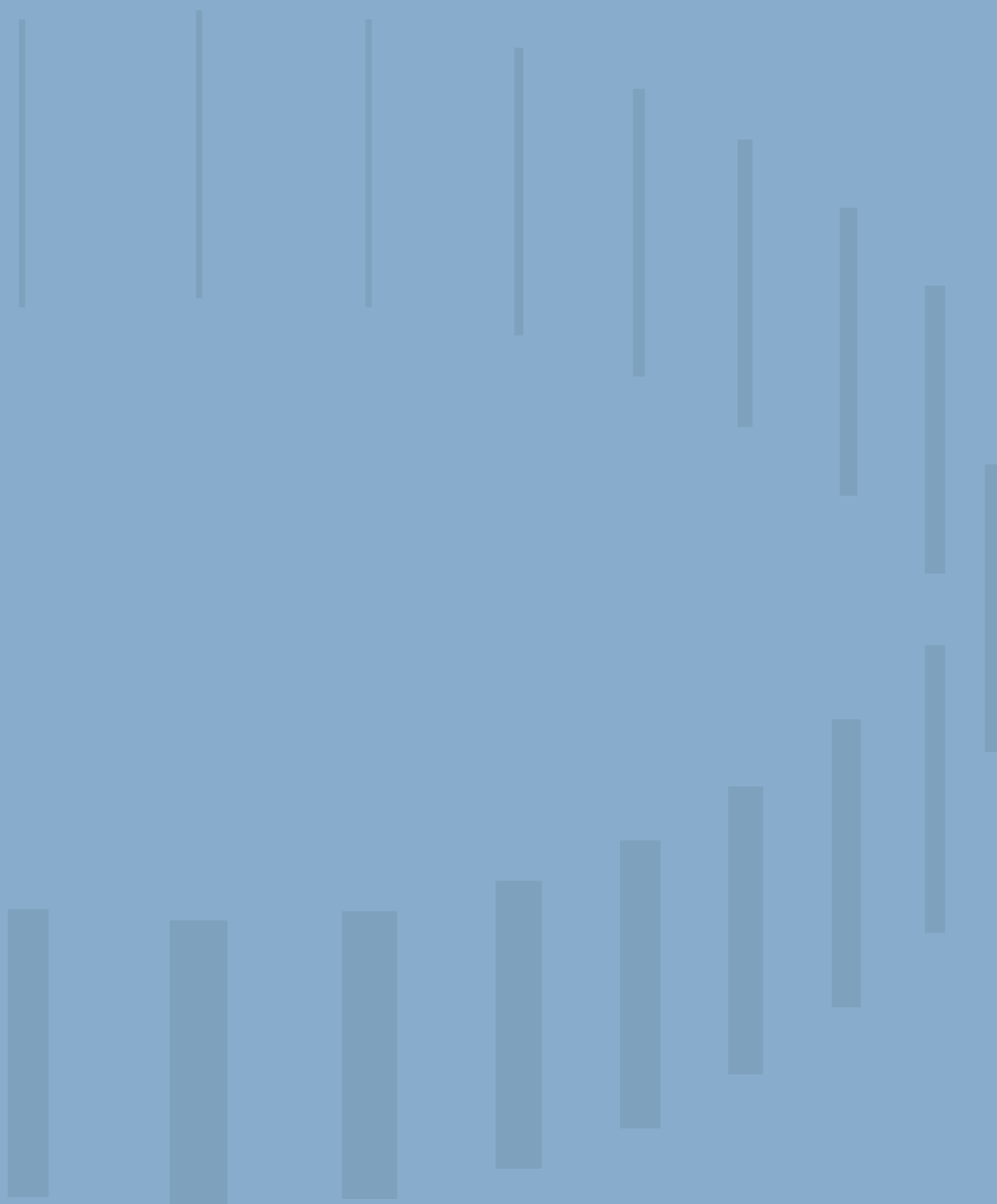
Business partners and suppliers

The Company is focused on using suppliers who comply with applicable and relevant standards in the specific area. This applies 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. However, such contracts are outside the scope of Finansiel Stabilitet's present objects.

Environmental and climate impact

In performing its business activities, Finansiel Stabilitet seeks to limit its environmental and climate impact. However, the Company's environmental and climate impact is limited due to its business volume, and no separate policies and business procedures have been drawn up in this respect.

Financial statements



Income statement and comprehensive income statement

(DKKm)	Note	Group		Parent company	
		2020	2019	2020	2019
Interest and fees					
Interest income calculated according to the effective interest method	4	45	30	34	39
Other interest income	4	109	76	109	76
Interest expense	5	41	67	41	67
Net interest income		113	39	102	48
Share dividends, etc.		0	1	0	1
Contributions to the Resolution Fund		941	724	941	724
Fees and commissions received	6	3	4	2	3
Net interest and fee income		1,057	768	1,045	776
Market value adjustments	7	-51	-24	-51	-34
Other operating income	8	100	488	142	224
Staff costs and administrative expenses	9	112	137	101	106
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		2	2	2	2
Other operating expenses	10	49	112	52	175
Impairment losses on loans, advances and receivables, etc.	11	-146	-131	-54	-90
Income from investments in associates and subsidiaries	12	0	0	-27	74
Purchase price and dowry adjustment	21	1	-36	81	221
Result for the year before tax		1,090	1,076	1,089	1,068
Tax	13	0	7	0	0
Result for the year		1,090	1,069	1,089	1,068
Other comprehensive income					
Actuarial losses		1	1	0	0
Tax on other comprehensive income		0	0	0	0
Total other comprehensive income		1	1	0	0
Total comprehensive income		1,089	1,068	1,089	1,068
Appropriation of surplus					
Deposit Guarantee Fund				50	114
Resolution Fund				931	725
Retained earnings				108	229
Total amount appropriated				1,089	1,068

Balance sheet

(DKKm)	Note	Group		Parent company	
		2020	2019	2020	2019
ASSETS					
Cash in hand and demand deposits with central banks		4,244	8,204	4,244	8,204
Due from credit institutions and central banks	14	62	49	31	39
Loans, advances and other receivables at amortised cost	11, 15	247	311	81	86
Bonds at fair value etc.	16	14,247	9,644	14,247	9,644
Shares, etc.	17	163	108	156	101
Investments in associates etc.	18	35	35	35	35
Investments in subsidiaries		0	0	597	693
Investment properties	19	10	2	10	2
Lease assets		7	9	7	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	2,101	2,020
Other assets		289	224	306	219
Prepayments		2	2	2	2
Total assets		22,524	21,806	25,035	24,272

(DKKm)	Note	Group		Parent company	
		2020	2019	2020	2019
EQUITY AND LIABILITIES					
Liabilities					
Lease liability		7	14	7	9
Current tax liabilities		0	4	0	0
Other liabilities	20	356	619	3,223	3,539
Total liabilities other than provisions		363	637	3,230	3,548
Provisions					
Provision for losses on guarantees		34	35	13	14
Purchase price adjustment (earn-out)	21	255	256	0	0
Other provisions	22	101	196	21	28
Total provisions		390	487	34	42
Total liabilities		753	1,124	3,264	3,590
Equity					
Finansiel Stabilitet		5,265	5,157	5,265	5,157
Deposit Guarantee Fund		12,429	12,379	12,429	12,379
Resolution Fund		4,077	3,146	4,077	3,146
Total equity		21,771	20,682	21,771	20,682
Total equity and liabilities		22,524	21,806	25,035	24,272

Other notes

Note 1 : Accounting policies

Note 2 : Segment information for the Group

Note 3 : Segment information for the parent company

Note 23: Contingent assets and liabilities

Note 24: Financial risk management

Note 25: Related parties

Note 26: Group overview

Note 27: Break-down of balance sheet items by contractual and expected terms to maturity

Note 28: Fair value disclosure

Note 29: Fair value of balance sheet items at amortised cost

Note 30: Return on financial instruments

Note 31: Lessor

Note 32: Finansiel Stabilitet 2016-2020 (financial highlights)

Statement of changes in equity

Group (DKKm)	2020					2019
	Finansiel Stabilitet			Resolution Fund	Total equity	
	Subordinated assets	Retained earnings	Deposit Guarantee Fund			
Equity at 1 January	1	5,156	12,379	3,146	20,682	20,614
Comprehensive income for the year		108	50	931	1,089	1,068
Cancelled commitments due to legislative amendment*		0	0	0	0	-1,000
Equity as at 31 December	1	5,264	12,429	4,077	21,771	20,682

Parent company (DKKm)	2020					2019
	Finansiel Stabilitet			Resolution Fund	Total equity	
	Subordinated assets	Retained earnings	Deposit Guarantee Fund			
Equity at 1 January	1	5,156	12,379	3,146	20,682	20,614
Comprehensive income for the year		108	50	931	1,089	1,068
Cancelled commitments due to legislative amendment*		0	0	0	0	-1,000
Equity as at 31 December	1	5,264	12,429	4,077	21,771	20,682

* Pursuant to legislative amendment of 1 July 2019, the Deposit Guarantee Fund will no longer cover restructuring costs, and commitments made by banks in the total amount of DKK 1 billion have consequently been released. As the commitment receivable was set up under the Deposit Guarantee Fund for Depositors and Investors and was treated as a transaction recognised directly in equity (the fund), it has been decided to reverse the receivable accordingly.

Cash flow statement

(DKKm)	Group	
	2020	2019
Cash flows from operating activities		
Comprehensive income for the year	1,089	1,068
Impairment of loans, etc., net (income)	-146	-131
Depreciation/amortisation	2	2
Other	15	29
Total operating activities	960	968
Working capital		
Changes in credit institutions, net	0	0
Changes in loans, advances and other receivables	210	308
Changes in securities	-3,112	78
Changes in deposits and other payables	0	-133
Changes in other assets and liabilities	-436	8
Total working capital	-3,338	261
Total cash flows from operating activities	-2,378	1,229
Cash flows from investing activities		
Investment portfolio	-1,561	-3,963
Purchase/sale of property, plant and equipment	-8	-10
Total	-1,569	-3,973
Total cash flows for operating, investing and financing activities	-3,947	-2,744
Change in cash and cash equivalents		
Cash and cash equivalents, beginning of year	8,253	10,997
Change during the year	-3,947	-2,744
Cash and cash equivalents, end of year	4,306	8,253
Cash and cash equivalents comprise:		
Cash in hand and demand deposits with central banks	4,244	8,204
Due from credit institutions and central banks within less than three months	62	49
Cash and cash equivalents, end of year	4,306	8,253

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

Effective as from 1 January 2020, the Finansiel Stabilitet Group has implemented the IFRS standards and interpretations taking effect in the EU for 2020. The implementation of the adopted amendments and new standards has not affected recognition or measurement for 2020.

Apart from the above, the accounting policies are consistent with those applied in 2019.

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 following:

- Impairment losses on loans and advances
- Provision for losses on guarantees and legal disputes, etc.
- Fair value of securities
- Contingent assets

Accounting policies for the Group

Foreign currency translation

The functional currency of the Financial Stabilitet Group is Danish kroner, which is also the presentation currency.

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the transaction date. Exchange differences arising between the exchange rate at the transaction date and the exchange rate at the payment date are recognised in the income statement as market value adjustments.

Receivables, payables and other monetary items in foreign currencies are translated to the functional currency at the exchange rates ruling at the balance sheet date. The difference between the exchange rate ruling at the balance sheet date and the exchange rate ruling at the date when the receivable or payable arose or the exchange rate applied in the most recent financial statements is recognised in the income statement as market value adjustments.

1. Accounting Policies (continued)

Offsetting

Receivables and payables are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle them on a net basis or to realise assets and settle the liability simultaneously.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that, as a result of past events, future economic benefits will flow to the business and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when the company has a legal or constructive obligation as a result of past events and it is probable that future economic benefits will flow from the business and the value of the liability can be reliably measured.

Financial instruments – general

Financial assets are classified and measured on the basis of Finansiel Stabilitet's business model and the underlying contractual cash flows related to the characteristics of the financial assets, and comprise the following categories:

- Amortised cost
- Fair value through other comprehensive income
- Fair value through the income statement

Subsequent to initial recognition, financial assets held with the objective of collecting contractual cash flows, and where the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, are measured at amortised cost. This category comprises loans, receivables from credit institutions, commitments made by banks, mortgage credit institutions and investment companies and related interest.

Bonds are measured at fair value through the income statement because they are part of an investment strategy based on fair values, and information about the liabilities is provided on that basis in the internal management reporting. Shares and derivative financial instruments are also measured at fair value through the income statement, as contractual cash flows from these instruments are not solely payments of principal and interest on the principal

amount outstanding. Finansiel Stabilitet has no financial instruments measured at fair value through other comprehensive income, as this requires that the instruments are held in a mixed business model and that contractual cash flows are solely payments of interest and principal on the principal amount outstanding.

Financial liabilities are classified and measured at amortised cost, with the exception of derivative financial instruments, which are measured at fair value and recognised in liabilities if their fair value is negative.

Derivative financial instruments

Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and positive and negative values are set off only when the Company has the right and the intention to settle several financial instruments on a net basis. Fair values of derivative financial instruments are determined on the basis of current market data and generally accepted valuation methods.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Finansiel Stabilitet IPC, and subsidiaries which the parent company controls. Control is achieved by directly or indirectly owning or having disposal of more than 50 % of the voting rights or otherwise having control of the company in question.

Enterprises in which the Group exercises significant influence, but not control, are classified as associates. Significant influence is generally achieved by directly or indirectly holding or having the disposal of more than 20%, but less than 50%, of the voting rights.

In assessing whether the parent company exercises control or significant influence, potential voting rights exercisable at the balance sheet date are taken into account.

The consolidated financial statements have been prepared consolidating the financial statements of the parent company and the individual subsidiaries stated under the Group's accounting policies, eliminating intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions. Unrealised gains on transactions with associates are eliminated in proportion to the Group's

Notes

1. Accounting Policies (continued)

share of the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, to the extent that no impairment has occurred.

Investments in subsidiaries are eliminated at the proportionate share of the subsidiaries' fair value of identifiable net assets and recognised contingent liabilities at the takeover date.

Balance sheet

Due from credit institutions and central banks

The item Due from credit institutions and central banks comprises amounts due from credit institutions and central banks. Reverse transactions, that is purchases of securities from credit institutions and central banks to be resold at a later date, are recognised as amounts due from credit institutions and central banks.

Amounts due from credit institutions and central banks are on initial recognition measured at fair value with the addition of directly attributable transaction costs and subsequently at fair value according to the effective interest method less impairment losses. As Finansiell Stabilitet uses credit institutions with high credit ratings only, credit risk is considered low, and consequently the need for impairment write-down is considered insignificant.

Loans, advances and receivables at amortised cost

The item consists of loans taken over from distressed banks.

Classification and measurement:

Subsequent to initial recognition, loans and advances held with the objective of collecting contractual cash flows, and where the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, are measured at amortised cost.

Finansiell Stabilitet is charged with resolving loans taken over in the best way possible. Accordingly, the business model regarding loans and advances is solely to collect outstanding amounts and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

Loans, advances and receivables are initially measured at fair value plus transaction costs and less fees and commissions received that are directly related to the establishment. As a result of the above-mentioned classification, loans, advances and receivables are subsequently measured at amortised cost using the effective interest method less write-downs for bad debt losses.

On takeover of existing loans, advances and receivables, any difference between the expected repayment price and fair value at the date of recognition will be amortised over the expected term to maturity as part of the effective rate of interest.

Impairment:

The rules on impairment of loans and provisions for financial guarantees and loan commitments are based on an expected loss model which implies earlier recognition of a loss allowance than the previous impairment model, under which there had to be objective evidence of impairment before an impairment loss could and had to be recognised.

Under the new expected credit loss rules, on initial recognition of a financial asset etc., a loss allowance will be recognised in an amount equivalent to the 12-month expected credit losses (stage 1). In the event of a subsequent significant increase in credit risk after initial recognition, a loss allowance will be recognised in an amount equivalent to the lifetime expected credit losses of the financial asset (stage 2). Where it is established that the instrument is credit-impaired (stage 3), a loss allowance is recognised at an amount equal to the lifetime expected credit losses of the asset, and interest income is recognised in the income statement according to the effective interest method in proportion to the impaired amount.

For assets and guarantees that are credit-impaired (stage 3) on acquisition, the lifetime expected credit loss of the asset or the guarantee is considered to be factored into the determined acquisition price. Such assets and guarantees will remain in stage 3 throughout their remaining life, and the effects of positive and negative changes in credit risk are recognised in the income statement as these occur.

As Finansiell Stabilitet is charged with resolving loans taken over in the best way possible, within a relatively

1. Accounting Policies (continued)

short period after the takeover remaining loans and advances will be designated as credit-impaired on acquisition, as all other loans and advances will have been repaid and replaced by the counterparty by new loans taken out with other credit institutions. Accordingly, Finansiel Stabilitet's portfolio of loans at the balance sheet date is generally considered to consist entirely of loans that were credit-impaired on acquisition. Consequently, Finansiel Stabilitet has not set out principles for the measurement of significant increases in credit risk or definitions of default and credit impairment, other than the above-mentioned assessment when loan portfolios are taken over.

After a long resolution process, the remaining loans and guarantees taken over by the Group from failing banks under Bank Packages I-V and from Andelskassen J.A.K. Slagelse and Københavns Andelskasse are considered to be stage 3 exposures. The remaining portfolio of loans are either in bankruptcy or their creditworthiness is so poor that no other banks have been willing to take over their exposures, and they are therefore also considered to be in stage 3 on acquisition.

Accordingly, loss allowances and provisions relating to the Group's loans and guarantees are treated in accordance with the IFRS 9 rules on assets and guarantees that are credit-impaired on acquisition.

The loss allowance is calculated on an individual basis for each exposure as the difference between the carrying amount of the loan and the present value of expected future cash flows from the loan. The expected future cash flows are determined based on the most probable outcome.

For fixed-rate loans, the original effective interest rate at the date of acquisition is used as discount rate. For floating-rate loans, the current effective interest rate on the loan is used.

Write-off:

Loans and advances are written off when it is assessed that there is no longer a reasonable expectation of full or partial recovery of the outstanding amount. At such time, the final loss is considered to have been incurred, and the loan is removed from the carrying amount of gross loans and accumulated impairment.

Finansiel Stabilitet continues its collection efforts after the loans have been written off, based on an individual assessment, including an assessment of the possibility of entering into a voluntary agreement with the customer, a renegotiation of terms or reconstruction of a business, so that debt collection or petition for bankruptcy is the ultimate measure of debt collection.

Bonds, shares, etc.

Listed securities are recognised at fair value at the trading date. Fair values are measured at closing prices at the balance sheet date. In a less active or inactive market, fair value may, however, be measured based on models or similar approaches.

Unlisted shares are stated at fair value. Fair values of unlisted securities are measured on the basis of models, agreed trading prices according to articles of association, or similar approaches.

Leases

Where the Group is the lessor, lease assets are recognised under loans and advances at the net investment in the leases less depreciation (payments), calculated according to the annuity principle over the term of the lease. Income from lease assets is recognised based on the effective interest rate in the lease, and is recognised in the income statement under Interest income. Gains or losses on the sale of lease assets are recognised as other operating income and other operating expenses, respectively.

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.

Associates

Associates are recognised at the lower of the proportionate share of net asset value and recoverable amount.

Properties

Properties comprise investment properties.

Notes

1. Accounting Policies (continued)

Investment properties are properties owned for the purpose of receiving rent and/or obtaining capital gains.

Investment properties are recognised at cost on acquisition and subsequently at fair value. Fair value is calculated on the basis of current market data based on a rate of return model. The fair value of each property is reassessed annually, taking into consideration current rental market conditions and current return requirements. Fair value adjustments are recognised in Market value adjustments.

Land is not depreciated.

Other property, plant and equipment

Other property, plant and equipment includes operating equipment and fixtures, including IT equipment, which are measured at cost less depreciation. The assets are depreciated using the straight-line method based on their expected useful lives of between three and five years.

Impairment of property, plant and equipment

The carrying amount of property, plant and equipment is assessed regularly and is written down through the income statement if the carrying amount exceeds the expected future net income from the entity or the asset.

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.

Deferred tax assets and tax liabilities are offset if the enterprise has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current

tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Adjustment is made to deferred tax relating to eliminations of unrealised intra-group gains and losses.

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, will apply at the time the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

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.

Receivable re. loss guarantee from the Danish State relating to Roskilde Bank

The Company's loss relating to Roskilde Bank is stated as a receivable because of the government guarantee.

Other assets

The item comprises assets not classified under any other asset item, including positive market values of spot transactions and derivative financial instruments measured at fair value, interest and commissions receivable.

Financial liabilities

At the date of borrowing, deposits, issued bonds and amounts due to credit institutions, central banks, etc. are recognised at fair value less transaction costs. In subsequent periods, financial liabilities are measured at amortised cost, applying the "effective interest method", to the effect that the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan. Other financial liabilities are measured at amortised cost.

Other liabilities

The item comprises liabilities not classified under any other liability item, including negative market values of derivative financial instruments measured at fair value, interest due, etc. and is measured at amortised cost.

1. Accounting Policies (continued)

Provisions

The item Provisions comprises provisions made in connection with legal disputes, guarantees, undrawn irrevocable credit facilities, employee benefits, etc. The item also comprises guarantee commitments for unsecured debt in banks.

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.

Provisions are measured as Management's best estimate of the amount which is expected to be required to settle the liability.

In the measurement of provisions, the costs required to settle the liability are discounted if such discounting would have a material effect on the measurement of the liability. A pre-tax discount factor is used that reflects the general level of interest rates with the addition of risks specific to the provision. The changes in present values for the financial year are recognised in financial expenses.

A provision for onerous contracts is recognised when the unavoidable costs under a contract exceed the expected benefits to the Group from the contract.

Purchase price adjustment

Purchase price adjustment comprises the potential additional dividend payable to creditors and providers of dowry in the banks taken over under Bank Packages III-IV. Purchase price adjustment is included in provisions.

Equity

Finansiel Stabilitet's assets, the Deposit Guarantee Fund and the Resolution Fund are shown as three separate items. Danish legislation provides that Finansiel Stabilitet's assets and the two funds are only liable for their own obligations.

Proposed dividend

Proposed dividend is recognised as a liability at the time of adoption at the annual general meeting (the declaration date). Dividend expected to be paid in respect of the financial year is stated as a separate line item under equity.

Interim dividend is recognised as a liability at the date of decision.

Contingent assets and liabilities

Contingent assets and liabilities consist of possible assets and liabilities arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Finansiel Stabilitet Group.

Contingent assets are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are disclosed when an outflow of economic resources from the Group is possible but not probable. Disclosure also includes current liabilities which have not been recognised because it is not probable that the liability will entail an outflow of economic resources or where the liability cannot be reliably measured.

Income statement

Interest income and expense

Interest income and expense and current commission in respect of interest-bearing financial instruments measured at amortised cost are recognised in the income statement applying the effective interest method based on the cost of the financial instrument.

Interest includes amortisation of fees which are an integral part of the effective yield of the financial instrument, including origination fees, and amortisation of any additional difference between cost and redemption price.

Interest income and expense include interest on financial instruments carried at fair value, including forward premiums on forward contracts.

Recognition of interest on loans and advances with individual impairment write-downs is made on the basis of the value net of impairment.

Notes

1. Accounting Policies (continued)

Interest expense includes all interest-like expenses, including statutory interest arising from lawsuits.

Contributions to the Deposit Guarantee Fund

The item comprises the banks' premium payments to the Deposit Guarantee Fund.

Contributions to the Resolution Fund

The item comprises the banks', mortgage credit institutions' and investment companies' premium payments to the Resolution Fund.

Fee and commission income, net

The item comprises fees, commissions, remuneration, etc. which are not an integral part of the effective yield of a financial instrument. Income and expenses for services provided over a period of time, such as guarantee commissions, are accrued over the period. Transaction fees, such as brokerage and custody fees, are recognised at the transaction date.

Market value adjustments

Market value adjustments comprise value adjustments of assets and liabilities measured at fair value. The item also includes exchange rate adjustments.

Other operating income

Other operating income comprises income of a secondary nature in relation to the Group's activities and gains on the sale of activities, property, plant and equipment and the like.

Staff costs and administrative expenses

Staff costs and administrative expenses comprise salaries, social security costs, holiday allowances, pension costs, etc.

Most of the Group's employees are covered by defined contribution plans. Under defined contribution plans, the Group makes regular contributions to pension funds or pension companies, and the contributions are recognised as expenses as they are earned by the employees.

With a few former members of Management, the Group has entered into defined benefit plans. The pension liability in this respect is based on an actuarial assessment of the present value of expected benefits. Present value is calculated on the basis of the most recent yield curve of

the Danish FSA and benchmark mortality rates, etc. Any changes other than pension payments for the period are adjusted through the income statement/other comprehensive income.

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation, amortisation and impairment of intangible assets and property, plant and equipment comprises depreciation, amortisation and impairment losses for the year.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Group's activities, including losses on the sale of intangible assets and property, plant and equipment, properties taken over and operating expenses relating to letting activities, etc.

Impairment losses on loans, advances and receivables

The item comprises losses and impairment write-downs on loans, advances and receivables as well as provisions for guarantees and undrawn credit facilities. See the description under impairment of loans.

Income from investments in associates

Income from investments in associates comprises the proportionate share of the net results of the individual enterprises, adjusted for any impairment.

Tax

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the result for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Special accounting issues relating to the parent company financial statements

Purchase price and dowry adjustment receivable

The parent company's expected receivables in FS Finans I-IV.

Tax payable and deferred tax

Finansiel Stabilitet IPC is exempt from taxation.

1. Accounting Policies (continued)

Consolidated cash flow statement

The cash flow statement shows cash flows for the year distributed on operating, investing and financing activities, net changes for the year in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

The cash flow effect of takeovers and divestments of enterprises is shown separately under cash flows from investing activities. In the cash flow statement, cash flows concerning enterprises taken over are recognised from the takeover date, while cash flows concerning divested companies are recognised until the date of divestment.

Cash flows from operating activities are calculated according to the indirect method as the result for the year adjusted for non-cash operating items and changes in working capital.

Cash flows from investing activities comprise payments made in connection with the takeover and divestment of enterprises and activities and the purchase and sale of intangible assets, property, plant and equipment and other non-current assets.

Cash flows from financing activities comprise changes in the size or composition of share capital, subordinated debt, re-lending and distribution of dividend.

Cash and cash equivalents comprise cash as well as securities with a term to maturity of less than three months at the purchase date which can readily be converted to cash and are only subject to an insignificant risk of value changes.

Cash and cash equivalents consist of cash in hand and demand deposits with central banks, amounts due from credit institutions and central banks with remaining terms to maturity of less than three months and bonds with remaining terms to maturity of less than three months.

Segment information for the Group

Segment reporting is based on the internal operating segments applied in the management reporting which

the executive operational management uses for resource allocation and follow-up on results. Segment information is prepared on the basis of the accounting policies applied by the Group.

Inter-segment transactions are settled on market terms. Costs incurred such as salaries, rent, depreciation, amortisation, etc. are allocated to individual segments based on direct and proportionate consumption.

There are three principal reporting segments: Bank Package I-V activities, the Deposit Guarantee Fund under the Depositor and Investor Guarantee Scheme and the Resolution Fund.

Accordingly, the Group's reporting segments are:

Bank Package I-V activities

- *Bank Packages I and II*
This segment comprises the activities under the original Bank Package I and the activities under Bank Package II. These two areas of activity were combined as from 2015 in connection with Finansiell Stabilitet's assumption of the risk associated with individual government guarantees according to agreement with the Danish State.
- *Bank Packages III and IV*
This segment comprises the former activities related to banks taken over under Bank Packages III and IV, i.e. FS Finans I (Sparebank Østjylland af 2012), FS Finans II (Max Bank af 2011), FS Finans III (Amagerbanken af 2011) and FS Finans IV (Fjordbank Mors af 2011).
- *Bank Package V*
This segment comprised resolution activities relating to FS Property Finance. As this company has been wound up, there are no longer any effects thereof.

Deposit Guarantee Fund

This segment comprises Finansiell Stabilitet's activities relating to the Deposit Guarantee Fund, which can be divided into four sub-departments: the Banking Department, the Mortgage Credit Department, the Investment and Portfolio Management Department and the Restructuring Department.

Notes

1. Accounting Policies (continued)

Resolution Fund

This segment comprises Finansiel Stabilitet's activities relating to the Resolution Fund.

Segment information for the parent company

In connection with the conversion of Finansiel Stabilitet into an independent public company and the takeover of the Deposit Guarantee Fund for Depositors and Investors, the parent company's former segmentation has been changed to the effect that there are now three principal segments: Bank Package activities, the Deposit Guarantee Fund and the Resolution Fund.

Accordingly, the parent company's reporting segments are:

- Bank Package I-V activities
This segment comprises the original Bank Package I-V activities.
- The Deposit Guarantee Fund
This segment comprises Finansiel Stabilitet's activities relating to the Deposit Guarantee Fund, which can be divided into four sub-departments: The Banking, Mortgage Credit, Investment and Portfolio Management and Restructuring departments.
- The Resolution Fund
This segment comprises Finansiel Stabilitet's activities relating to the Resolution Fund.

2. Segment information for the Group

Activities for the financial year ended 31 December 2020

Group (DKKm)	Bank Package I-V	Deposit Guarantee Fund	Resolution Fund	Elimina- tions	Total
Net interest income	5	78	30		113
Contributions to Deposit Guarantee Fund & Resolution Fund	-	0	941		941
Other net fee income and market value adjustments, etc.	64	-97	-37	22	-48
Purchase price and dowry adjustment	-42	43	0		1
Other operating income/expenses, net	42	33	29	-53	51
Operating expenses	104	7	35	-31	115
Impairment losses on loans, advances, guarantees etc.	-143	0	-3		-146
Income from investments in associates	0	0	0		0
Comprehensive income for the year before tax	108	50	931		1,089
Tax	0	0	0		0
Comprehensive income for the year	108	50	931		1,089
Total assets at 31 December 2020	6,821	12,456	4,133	-886	22,524
Investments in associates 31 Dec. 2020 at net asset value	35				35
Total liabilities at 31 December 2020	1,556	27	56	-886	753

Activities for the financial year ended 31 December 2020

Bank Packages I-V (DKKm)	Bank Package I and II	Bank Package III and IV	Bank Package V	Elimina- tions	Total
Net interest income	-7	12			5
Other net fee income and market value adjustments, etc.	63	1			64
Purchase price and dowry adjustment	38	-80			-42
Other operating income/expenses, net	80	-22		-16	42
Operating expenses	98	22		-16	104
Impairment losses on loans, advances, guarantees etc.	-54	-89			-143
Income from investments in associates	-22	0		22	0
Comprehensive income for the year before tax	108	-22		22	108
Tax	0	0			0
Comprehensive income for the year	108	-22		22	108
Total assets at 31 December 2020	7,955	2,527		-3,661	6,821
Investments in associates 31 Dec. 2020 at net asset value	35				35
Total liabilities at 31 December 2020	2,690	2,507		-3,641	1,556

Notes

2. Segment information for the Group (continued)

Activities for the financial year ended 31 December 2019

Group (DKK m)	Bank Package I-V	Deposit Guarantee Fund	Resolution Fund	Elimina- tions	Total
Net interest income	-20	41	18		39
Contributions to Deposit Guarantee Fund & Resolution Fund	-	0	724		724
Other net fee income and market value adjustments, etc.	27	41	-18	-69	-19
Purchase price and dowry adjustment	-103	67	0		-36
Other operating income/expenses, net	323	-29	40	42	376
Operating expenses	120	6	41	-27	140
Impairment losses on loans, advances, guarantees etc.	-128	0	-3		-131
Income from investments in associates	0	0	0		0
Comprehensive income for the year before tax	235	114	726		1,075
Tax	6	0	1		7
Comprehensive income for the year	229	114	725		1,068
Total assets at 31 December 2019	7,000	12,381	3,260	-835	21,806
Investments in associates 31 Dec. 2019 at net asset value	35				35
Total liabilities at 31 December 2019	1,843	2	114	-835	1,124

Activities for the financial year ended 31 December 2019

Bank Packages I-V (DKK m)	Bank Package I and II	Bank Package III and IV	Bank Package V	Elimina- tions	Total
Net interest income	-8	-12			-20
Other net fee income and market value adjustments, etc.	17	10			27
Purchase price and dowry adjustment	154	-257			-103
Other operating income/expenses, net	11	323		-11	323
Operating expenses	104	27		-11	120
Impairment losses on loans, advances, guarantees etc.	-90	-38			-128
Income from investments in associates	69	0		-69	0
Comprehensive income for the year before tax	229	75		-69	235
Tax	0	6			6
Comprehensive income for the year	229	69		-69	229
Total assets at 31 December 2019	8,157	2,602		-3,759	7,000
Investments in associates 31 Dec. 2019 at net asset value	35				35
Total liabilities at 31 December 2019	3,000	2,491		-3,648	1,843

3. Segment information for the parent company

Activities 2020 (DKKm)	Bank Package activities	Deposit Guarantee Fund	Resolution Fund	Elimina- tions	Total
Net interest income	-4	78	28		102
Contributions to Deposit Guarantee Fund & Resolution Fund	-	0	941		941
Other net fee income and market value adjustments, etc.	63	-97	-37	22	-49
Purchase price and dowry adjustment	38	43	-		81
Other operating income/expenses, net	81	33	18	-42	90
Operating expenses	97	7	19	-20	103
Impairment losses on loans, advances, guarantees etc.	-54	0	0		-54
Income from investments in associates and subsidiaries	-27	0	0		-27
Comprehensive income for the year	108	50	931		1,089
Total assets at 31 December 2020	8,447	12,456	4,158	-26	25,035
Total liabilities at 31 December 2020	3,182	27	81	-26	3,264

Activities 2019 (DKKm)	Bank Package activities	Deposit Guarantee Fund	Resolution Fund	Elimina- tions	Total
Net interest income	-4	41	11		48
Contributions to Deposit Guarantee Fund & Resolution Fund	-	0	724		724
Other net fee income and market value adjustments, etc.	17	41	-19	-69	-30
Purchase price and dowry adjustment	154	67	-		221
Other operating income/expenses, net	10	-29	14	54	49
Operating expenses	103	6	14	-15	108
Impairment losses on loans, advances, guarantees etc.	-90	0	0		-90
Income from investments in associates and subsidiaries	65	0	9		74
Comprehensive income for the year	229	114	725		1,068
Total assets at 31 December 2019	8,655	12,381	3,270	-34	24,272
Total liabilities at 31 December 2019	3,498	2	124	-34	3,590

Notes

(DKKm)	Group		Parent company	
	2020	2019	2020	2019
4. Interest income				
Loans, advances and other receivables at amortised cost	5	26	1	17
Bonds	109	76	109	76
Other interest income	40	4	33	22
Total	154	106	143	115
Interest income relates to:				
Liabilities at amortised cost	0	2	19	20
Assets at amortised cost	45	28	15	19
Assets at fair value:	109	76	109	76
Total	154	106	143	115
5. Interest expense				
Due from credit institutions and central banks	36	67	36	67
Other interest expense	5	0	5	0
Total	41	67	41	67
6. Fees and commissions				
Fees and commissions received				
Guarantees	3	4	2	3
Total	3	4	2	3
7. Market value adjustments				
Bonds	-108	-38	-108	-38
Shares, etc.	57	12	57	2
Other assets and liabilities	0	2	0	2
Total	-51	-24	-51	-34
Market value adjustments relate to				
Assets and liabilities at fair value	-51	-24	-51	-34
Total	-51	-24	-51	-34

(DKKm)	Group		Parent company	
	2020	2019	2020	2019
8. Other operating income				
Expected dividend	48	0	71	-35
The FIH case	1	206	1	206
Damages awarded through litigation and settlement	20	229	20	4
Income from group companies	-	-	27	23
Sale of management services (to external companies)	0	7	0	7
Gain from disposal of exposures	8	27	0	0
Income from the Danish FSA	18	14	18	14
Other items	5	5	5	5
Total	100	488	142	224
9. Staff costs and administrative expenses				
Salaries and remuneration to Board of Directors and Management Board:				
Management Board	3	3	3	3
Board of Directors	1	1	1	1
Total	4	4	4	4
Staff costs:				
Salaries	34	38	34	35
Pensions	2	2	2	2
Total	36	40	36	37
Other administrative expenses	72	93	61	65
Total	112	137	101	106
Average number of employees during the financial year converted into full-time equivalent	44	51	44	46
Board emoluments paid (DKK'000)				
Peter Engberg Jensen (Chairman) – appointed 2015	300	300	300	300
Anne Louise Eberhard (Deputy Chairman) – appointed 2016	200	150	200	150
Bente Overgaard – appointed 2016	150	150	150	150
Ulrik Rammeskov Bang-Pedersen – appointed 2016	150	150	150	150
Ole Selch Bak – appointed May 2020	100	0	100	0
Morten Sommerfeldt – appointed July 2020	75	0	75	0
Jesper Rangvid – appointed December 2020	9	0	9	0
Nina Dietz Legind – resigned August 2020	92	150	92	150
Bent Naur (former Deputy Chairman) – resigned April 2020	75	225	75	225
Bendt Wedell – resigned April 2020	50	150	50	150
Total emoluments	1,201	1,275	1,201	1,275

Notes

(DKKm)	Group		Parent company	
	2020	2019	2020	2019
9. Staff costs and administrative expenses – continued				
Management Board remuneration paid (DKK'000)				
Henrik Bjerre-Nielsen (November 2008 -)				
Fixed salary	3,094	3,030	3,094	3,030
Tax on company-paid vehicles, etc.	123	119	123	119
Total	3,217	3,149	3,217	3,149
The Management Board is not covered by bonus plans.				
Other material risk takers				
The Finansielt Stabilitet Group has identified 2 other material risk takers. Salaries include fixed remuneration to these in the total amount of DKK 3.9 million. (2019: DKK 3.8 million). For disclosure requirements in accordance with the Danish executive order on remuneration policy and public disclosure of salaries in financial institutions and financial holding companies (not comprised by audits) see www.fs.dk.				
Provisions for defined benefit plans				
Present value of pension obligations	29	29	7	7
Total	29	29	7	7
Movements in provisions for defined benefit plans				
Provision, beginning of year	29	29	7	7
Calculated interest expenses	1	1	0	0
Actuarial gains/losses	1	1	0	0
Pensions paid	-2	-2	-1	-1
Provision, end of year*	29	29	7	7
Defined benefit costs recognised in the income statement/other comprehensive income				
Calculated interest expenses	1	1	0	0
Actuarial gains/losses	1	1	0	0
Defined benefit costs	2	2	0	0
Actuarial assumptions:				
Discount rate	3.0%	3.0%	3.0%	3.0%
Pension adjustment rate	2.0%	2.0%	1.5%	1.5%
Pension provisions are calculated on the basis of the Danish FSA's yield curve and benchmark mortality.				
Fees to auditors appointed in general meeting				
Total fees to the auditors appointed in general meeting can be specified as follows:				
Statutory audit	0.5	0.5	0.5	0.5
Non-audit services	0.3	0.1	0.3	0.0
Total audit fees	0.8	0.6	0.8	0.5

* The figures include rounding differences.

(DKKm)	Group		Parent company	
	2020	2019	2020	2019
10. Other operating expenses				
Provision for litigation and settlement	8	120	14	175
Other operating expenses	41	-8	38	0
Total	49	112	52	175

(DKKm)	Group		
11. Impairment losses on loans, advances and receivables etc.			
2020			
Loans, advances and other receivables at amortised cost			
		Loans, etc. Stage 3 credit impaired	
		Impact on operations	
Impairment losses and provisions, beginning of year		2,751	
Amount lost on previously written-down debt		-469	
Impairment losses and provisions during the year		14	14
Reversed impairment losses and provisions		-82	-82
Impairment losses and provisions, end of year		2,214	-68
Amounts received on previously written-off claims etc.			-78
Impairment losses charged to income statement			-146

Impairment losses/adjustment for credit risk, end of year					
	Impair- ment losses beginning of year	Finally lost	Impairment losses dur- ing 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	2,716	-465	8	-79	2,180
Guarantees	35	-4	6	-3	34
Total	2,751	-469	14	-82	2,214

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. Inclusion ceases on the basis of 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 in the amount of DKK 11 billion, which it continues to attempt to collect, including by suspension of the limitation period.

Notes

(DKKm)

Parent company

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

2020

Loans, advances and other receivables at amortised cost

	Loans, etc. Stage 3 credit impaired	Impact on operations
Impairment losses and provisions, beginning of year	1,470	
Amount lost on previously written-down debt	-292	
Impairment losses and provisions during the year	3	3
Reversed impairment losses and provisions	-41	-41
Impairment losses and provisions, end of year	1,140	-38
Amounts received on previously written-off claims etc.		-16
Impairment losses charged to income statement		-54

Impairment losses/adjustment for credit risk, end of year

	Impair- ment losses beginning of year	Finally lost	Impairment losses dur- ing 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	1,456	-290	1	-40	1,127
Guarantees	14	-2	2	-1	13
Total	1,470	-292	3	-41	1,140

(DKKm)

Group

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

2019

Loans, advances and other receivables at amortised cost

	Loans, etc. Stage 3 credit impaired	Impact on operations
Impairment losses and provisions, beginning of year	4,006	
Amount lost on previously written-down debt	-1,212	
Impairment losses and provisions during the year	35	35
Reversed impairment losses and provisions	-78	-78
Impairment losses and provisions, end of year	2,751	-43
Amounts received on previously written-off claims etc.		-88
Impairment losses charged to income statement		-131

Impairment losses/adjustment for credit risk, end of year

	Impair- ment losses beginning of year	Finally lost	Impairment losses dur- ing 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	3,944	-1,200	33	-61	2,716
Guarantees	62	-12	2	-17	35
Total	4,006	-1,212	35	-78	2,751

Notes

(DKKm)

Parent company

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

2019

Loans, advances and other receivables at amortised cost

	Loans, etc. Stage 3 credit impaired	Impact on operations
Impairment losses and provisions, beginning of year	1,930	
Amount lost on previously written-down debt	-429	
Impairment losses and provisions during the year	27	27
Reversed impairment losses and provisions	-58	-58
Impairment losses and provisions, end of year	1,470	-31
Amounts received on previously written-off claims etc.		-59
Impairment losses charged to income statement		-90

Impairment losses/adjustment for credit risk, end of year

	Impair- ment losses beginning of year	Finally lost	Impairment losses dur- ing 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	1,902	-429	25	-42	1,456
Guarantees	28	0	2	-16	14
Total	1,930	-429	27	-58	1,470

(DKKm)	Group		Parent company	
	2020	2019	2020	2019
12. Income from investments in associates and subsidiaries				
Income from investments in associates	0	0	0	0
Income from investments in subsidiaries	0	0	-27	74
Total	0	0	-27	74
13. Tax				
Estimated tax on income for the year	0	7		
Total	0	7		
Effective tax rate				
Corporate tax rate in Denmark	22.0%	22.0%		
Tax-exempt activities and unrecognised deferred tax assets	-22.0%	-21.3%		
Effective tax rate	0.0%	0.7%		
Finansiel Stabilitet A/S is exempt from taxation.				
14. Due from credit institutions and central banks				
Due from credit institutions – on demand	62	49	31	39
Total balances due from credit institutions and central banks	62	49	31	39

Notes

(DKKm)	Group		Parent company	
	2020	2019	2020	2019
15. Loans, advances and other receivables				
Loans, advances and other receivables at amortised cost	247	311	81	86
Impairment losses	2,180	2,716	1,127	1,456
Total loans, advances and other receivables before impairment losses	2,427	3,027	1,208	1,542
Broken down by term to maturity				
On demand	2,214	2,724	1,150	1,431
3 months or less	6	8	1	2
Between 3 months and 1 year	108	44	23	23
Between 1 and 5 years	60	125	24	47
More than 5 years	39	126	10	39
Total	2,427	3,027	1,208	1,542
Credit risk				
Credit 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 24.		
Credit exposure				
Balance sheet items:				
Cash in hand and demand deposits with central banks	4,244	8,204	4,244	8,204
Due from credit institutions and central banks	62	49	31	39
Loans, advances and other receivables at amortised cost	247	311	81	86
Total credit exposure recognised in balance sheet:	4,553	8,564	4,356	8,329
Off-balance sheet items:				
Guarantees	206	303	122	196
Other legally binding agreements	21	24	4	2
Credit exposure re. lending activity	4,780	8,891	4,482	8,527

Related collateral is set out later in note 15.

15. Loans, advances and other receivables – continued

Credit institutions and central banks

Of the remaining credit exposure, DKK 4.2 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 62 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 are broken down by line of business.

(DKKm)	Group				Parent company			
	2020		2019		2020		2019	
Loans and guarantees (gross)								
1. Public authorities	2	0%	3	0%	2	0%	1	0%
2. Commercial sector								
2.1 Agriculture, hunting, forestry and fishing	347	13%	429	13%	57	4%	61	3%
2.2 Industry and raw materials extraction	4	0%	13	0%	0	0%	7	0%
2.3 Energy supply	206	8%	209	6%	79	6%	82	5%
2.4 Construction	68	3%	89	3%	3	0%	5	0%
2.5 Trade	6	0%	12	0%	4	0%	6	0%
2.6 Transport, hotel and restaurant business	28	1%	29	1%	25	2%	26	2%
7.2 Information and communication	1	0%	1	0%	0	0%	0	0%
2.8 Finance and insurance	573	21%	638	19%	156	12%	188	11%
2.9 Property	1,185	44%	1,636	48%	884	66%	1,224	70%
2.10 Other commercial sector	80	3%	86	3%	59	4%	63	4%
Total commercial sector	2,498	93%	3,142	93%	1,267	94%	1,662	95%
3. Retail sector	188	7%	244	7%	78	6%	91	5%
Total	2,688	100%	3,389	100%	1,347	100%	1,754	100%

The distributional percentages in the totals 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 commercial sector, particularly the property 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.

Notes

(DKKm)	Group		Parent company	
	2020	2019	2020	2019
15. Loans, advances and other receivables – continued				
Loans with suspended interest accrual				
Loans with suspended interest accrual	2,198	2,732	1,139	1,448
Amount hereof impaired	2,076	2,609	1,078	1,397
Loans with suspended interest accrual, recognised in balance sheet	122	123	61	51

Collateral security has been provided for loans and guarantees at a fair value of DKK 0.3 billion. The table below shows a break-down on main categories.

Collateral security				
Mortgages on real property	26	65	1	15
Other	295	355	152	193
Total	321	420	153	208

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.

Properties thus taken over will either be sold quickly or be considered investment properties if the Group sees a poten-

tial increase in value. The Group has not had any properties temporarily taken over in recent years.

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

(DKKm)	Group				Parent company			
	2020		2019		2020		2019	
Impairment losses and provisions by line of business								
1. Public authorities	0	0%	0	0%	0	0%	0	0%
2. Commercial sector								
2.1 Agriculture, hunting, forestry and fishing	226	10%	278	10%	26	2%	30	2%
2.2 Industry and raw materials extraction	4	0%	8	0%	0	0%	5	1%
2.3 Energy supply	205	9%	209	8%	79	7%	82	6%
2.4 Construction	64	3%	76	3%	2	0%	3	0%
2.5 Trade	3	0%	7	0%	2	0%	3	0%
2.6 Transport, hotel and restaurant business	2	0%	2	0%	2	0%	2	0%
7.2 Information and communication	1	0%	1	0%	0	0%	0	0%
2.8 Finance and insurance	515	23%	569	21%	154	14%	181	12%
2.9 Property	1,013	46%	1,373	50%	771	68%	1,044	71%
2.10 Other commercial sector	53	2%	57	2%	39	3%	43	3%
Total commercial sector	2,086	94%	2,580	94%	1,075	94%	1,393	95%
3. Retail sector	128	6%	171	6%	65	6%	77	5%
Total	2,214	100%	2,751	100%	1,140	100%	1,470	100%

For a more detailed description of the Group's credit risk management goals and policies, see note 24.

(DKKm)	Group		Parent company	
	2020	2019	2020	2019
16. Bonds at fair value etc.				
Listed	14,242	9,640	14,242	9,640
Unlisted	5	4	5	4
Total	14,247	9,644	14,247	9,644

17. Shares, etc.				
Shares/unit trust certificates listed on Nasdaq OMX Nordic Copenhagen	144	91	144	91
Unlisted shares at fair value	19	17	12	10
Total	163	108	156	101

18. Investments in associates				
Cost, beginning of year	58	58	58	58
Cost, end of year	58	58	58	58
Revaluations and impairment, beginning of year	-23	-23	-23	-23
Revaluations and impairment, end of year	-23	-23	-23	-23
Total	35	35	35	35

Investments in associates	Owner-ship	Domicile	Total assets	Total liabilities	Revenue	Result
Landbrugets Finansieringsinstitut A/S	33%	Copenhagen	249	156	10	0
EBH Tyskland 1 A/S	45%	Horsens	16	0	4	4

Financial information is provided in accordance with the companies' most recent annual report.

(DKKm)	Group		Parent company	
	2020	2019	2020	2019
19. Investment properties				
Investment properties				
Fair value, beginning of year	2	3	2	3
Additions	8	0	8	0
Disposals	0	1	0	1
Fair value, end of year	10	2	10	2

Net income from investment properties amounted to an operating deficit of DKK 0 million (2019: DKK 0 million).

Properties are valued by the Group's own expert valuers. The value is calculated on the basis of the net return expected and on the basis of the rate of return fixed.

Notes

(DKKm)	Group		Parent company	
	2020	2019	2020	2019
20. Other liabilities				
Deposit re. EU case FIH	0	45	0	45
Other liabilities	356	574	3,223	3,494
Total	356	619	3,223	3,539

21. Purchase price adjustment (earn-out)

Beginning of year	256	220		
Additions during the year	0	36		
Disposals during the year	1	0		
End of year	255	256		

Provisions for purchase price adjustment are determined based on an assessment of the potential additional dividend, which at present relates solely to external creditors of Amagerbanken.

22. Other provisions

Lawsuits	49	63	4	8
Other provisions	52	133	17	20
Total	101	196	21	28

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	63	76	8	12
Reversed	14	4	4	4
Used	0	9	0	0
End of year	49	63	4	8

Other provisions

Beginning of year	133	150	20	20
Additions during the year	4	2	0	2
Reversed	0	12	0	0
Used	85	7	3	2
End of year	52	133	17	20

(DKKm)	Group		Parent company	
	2020	2019	2020	2019
23. Contingent assets and liabilities				
Loss guarantee for mortgage loans	206	286	122	197
Other guarantees and commitments	21	41	4	1
Total	227	327	126	198

Tax

The Group has a deferred tax asset of DKK 0.4 billion (2019: DKK 0.4 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 six 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.

24. Financial risk management

The risk factors impacting Finansiel Stabilitet and the management thereof are to a significant extent influenced by special circumstances resulting from having taken over failing banks. Risk is managed separately for each segment: Bank Packages I-V activities; the Deposit Guarantee Fund and the Resolution Fund.

Bank Package I-V activities

Finansiel Stabilitet is exposed to a number of financial risks, including in particular credit, 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, at the end of 2020, Finansiel Stabilitet had resolved the majority of the loans and guarantees taken over, future risks will mainly be linked to the remaining lawsuits and disputes. For further information on risks related to lawsuits and disputes, see p. 5 of the management's review.

In addition to this, Finansiel Stabilitet is to a minor extent exposed to property and market risk. Property risk arises directly from ownership as well as indirectly through credit exposures to the property market.

Finansiel Stabilitet has no liquidity risk, as the Company has access to state-funded re-lending.

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

Credit risk

Finansiel Stabilitet's credit risk management builds 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, extend existing ones. 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.

As a result of the resolution of a considerable portion of exposures, the remaining risk has been significantly reduced relative to previous years. Moreover, a large part of the value of loans and guarantees net of impairment is covered by way of mortgages, dividends from estates in bankruptcy, etc. Against this background, 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 the Bank Package I-V segment's 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.

Notes

24. Financial risk management – continued

Interest rate risk

For the Bank Package I-V segment, the majority of the group companies' loans and advances carry floating rates of interest and are not exposed to changes in interest rates. The interest rate risk as of 31 December 2020 amounted to DKK 0 million (2019: DKK 0 million).

This segment has cash funds invested in treasury bills with maturities of 3-12 months. As of 31 December 2020, the investment amounted to DKK 2,206 million with an average duration of 0.45 year and interest rate risk amounting to DKK 10 million (2019: DKK 0 million).

Equity risk

Finansiel Stabilitet also has a number of shareholdings. The listed shares are being resolved, but the Group still has a few sector equities and minor, listed and unlisted, shareholdings in its balance sheet. Efforts are made on an ongoing basis to sell these shareholdings but, as a result of limited liquidity, this is typically a longer-horizon task. The greatest equity risk attaches to Finansiel Stabilitet's portfolio of bank shares, guarantee certificates and cooperative share certificates, which the Company has received as part of the payment under Bank Package I, and to a few sector equities. The portfolio of listed bank shares is being sold on an ongoing basis, thereby reducing the exposure.

The overall portfolio of shares etc. amounted to DKK 161 million as of 31 December 2020 (DKK 106 million as of 31 December 2019). Excluding the subsidiaries under Bank Packages III-V, the portfolio of shares etc. amounted to DKK 154 million (2019: DKK 99 million). A 10% drop in share prices would result in a DKK 15 million deterioration of Finansiel Stabilitet's result (2019: DKK 10 million).

See note 17, Shares, etc. for a specification of share positions. Associates, see note 18, are not included in the calculation of share positions and are not included in the calculation of the sensitivity to share price drops. Associates amounted to DKK 35 million (2019: DKK 35 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 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 of 31 December 2020, exchange rate indicator 1 was 0.0 %, calculated excluding EUR (31 December 2019: 0.3 %) 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 0 million (2019: DKK 1 million).

The overall currency position calculated in terms of exchange rate indicator 1 amounted to DKK 10 million as of 31 December 2020 (DKK 40 million as of 31 December 2019). Excluding the subsidiaries under Bank Packages III-V, the currency position amounted to DKK 10 million (DKK 25 million as of 31 December 2019). See also the calculation of currency risk at the end of note 24.

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 the Company 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. The terms are set out on the basis of the prevailing market conditions for government bond 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.

Deposit Guarantee Fund

The principal risks under the Depositor and Investor Guarantee Scheme 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.

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 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.

24. Financial risk management – continued

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.

During 2018-2020, the Deposit Guarantee Fund invested cash funds under bond mandates in 0-5-year mortgage bonds. As of 31 December 2020, the Fund had invested DKK 8,136 million. The average duration of the bonds at the end of 2020 was 2.98 years, and interest rate risk in the event of a 1% change in the level of interest rates was determined to be DKK 244 million (2019: DKK 203 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 means 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 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.

During 2018-2020, the Resolution Fund invested its cash funds under a bond mandate in 0-5-year mortgage bonds. As of 31 December 2020, the Fund had invested DKK 2,998 million. The average duration of bonds at the end of 2020 was 2.98 years, and interest rate risk in the event of a 1% change in the level of interest rates was determined to be DKK 90 million (2019: DKK 76 million).

The Resolution Fund has furthermore invested cash funds in treasury bills with maturities of 3-12 months. As of 31 December 2020, the investment amounted to DKK 902 million with an average duration of 0.34 year and interest rate risk in the amount of DKK 3 million (2019: DKK 0 million).

The Resolution Fund has limited exposure to equity, interest rate and currency risk from institutions taken over. As of 31 December 2020, equity risk in the event of a 10% price fall was DKK 0.2 million (2019: DKK 0.2 million), interest rate risk in the event of a 1% interest rate change was DKK 0 million (2019: DKK 0 million) and currency risk on a change of 2.25% in EUR and 10% in other currencies was DKK 1 million (2019: DKK 0 million).

Moreover, the Fund is exposed to credit risk on exposures not yet resolved from institutions taken over. For a description hereof, see the section under Bank Package I-V 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)	Group	
	2020	2019
Currency risk		
Total assets in foreign currency	10	40
Total liabilities in foreign currency	0	0
Exchange rate indicator 1	10	40
Exchange rate indicator 1 in per cent of equity	0%	0%
Interest rate risk		
Bank Packages I-V	10	0
Deposit Guarantee Fund	244	203
Resolution Fund	90	76
All positions	344	279

Notes

(DKKm)

Parent company

25. 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 10 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 2020	Balance sheet at 31/12/2020	Income/ expense 2019	Balance sheet at 31/12/2019
Parties exercising significant influence						
The Danish State	100% ownership of Finansielt Stabilitet IPC	Reimbursement, adm. expenses through Finance and Appropriation Act received from FSA	18	-11	14	-13
Subsidiaries						
FS Finans I A/S, Copenhagen	Subsidiary of Finansielt Stabilitet IPC	Deposits on market terms Management agreement	2 2	-287	2 2	-285 -
FS Finans II A/S, Copenhagen	Subsidiary of Finansielt Stabilitet IPC	Deposits on market terms Management agreement	1 4	-242	1 3	-217 -
FS Finans III A/S, Copenhagen	Subsidiary of Finansielt Stabilitet IPC	Deposits on market terms Management agreement	12 5	-1,819	11 3	-1,836 -
FS Finans IV A/S, Copenhagen	Subsidiary of Finansielt Stabilitet IPC	Deposits on market terms Management agreement	0 4	-27	1 3	-91 -
FS Finans V A/S, Copenhagen	Subsidiary of Broinstitutt I	Loans on market terms Management agreement	0 3	0	0 3	0 -
FS Finans VI A/S, Copenhagen	Subsidiary of Broinstitutt II	Deposits on market terms Management agreement	1 8	-58	0 8	-101 -
FS Ejendomsselskab A/S, Copenhagen	Subsidiary of Finansielt Stabilitet IPC	Deposits on market terms Management agreement	3 0	-495	3 0	-507 -
Other government entities						
Danmarks Nationalbank	Controlled by the Danish State	Deposit Treasury bills	-36 -8	4,244 2,206	-67 0	7,677 0

(DKKm)

Group

26. Group overview

	Share capital	Result	Equity	Ownership
Finansiel Stabilitet IPC, Copenhagen	1	1,089	21,771	
Broinstitut I A/S, Copenhagen	38	0	35	100%
Broinstitut II A/S, Copenhagen	10	0	50	100%
Significant subsidiaries:				
FS Ejendomsselskab A/S, Copenhagen	2	-6	492	100%
FS Finans I A/S, Copenhagen	1	0	1	100%
FS Finans II A/S, Copenhagen	1	0	1	100%
FS Finans III A/S, Copenhagen	1	0	1	100%
FS Finans IV A/S, Copenhagen	40	-22	18	100%
FS Finans V A/S, Copenhagen	38	0	26	100%
FS Finans VI A/S, Copenhagen	38	1	51	100%

Notes

(DKKm)

Group

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

2020	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	4,244	-	-	-	4,244
Due from credit institutions and central banks	62	-	-	-	62
Loans, advances and other receivables at amortised cost	146	1	55	45	247
Bonds at fair value	1,226	2,130	10,228	663	14,247
Shares, etc.	144	-	19	0	163
Investments in subsidiaries and associates, etc.	-	-	35	-	35
Investment properties	-	10	-	-	10
Lease assets	-	2	5	-	7
Commitments made by banks, mortgage credit institutions and investment companies	-	-	-	3,218	3,218
Other assets etc.	34	55	200	-	289
Prepayments	2	-	-	-	2
Total assets	5,858	2,198	10,542	3,926	22,524

2020	On demand 0-3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Equity and liabilities					
Lease liability	-	2	5	-	7
Other liabilities etc.	92	2	262	-	356
Provisions	-	-	390	0	390
Total liabilities	92	4	657	0	753

(DKKm)

Group

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

2019	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	8,204	-	-	-	8,204
Due from credit institutions and central banks	49	-	-	-	49
Loans, advances and other receivables at amortised cost	171	18	55	67	311
Bonds at fair value	-	147	9,018	479	9,644
Shares, etc.	-	-	108	-	108
Investments in subsidiaries and associates, etc.	-	-	35	-	35
Investment properties	-	2	-	-	2
Lease assets	-	2	7	-	9
Commitments made by banks, mortgage credit institutions and investment companies	-	-	-	3,218	3,218
Other assets etc.	71	1	152	-	224
Prepayments	2	-	-	-	2
Total assets	8,497	170	9,375	3,764	21,806

2019	On demand 0-3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Equity and liabilities					
Lease liability	-	6	8	-	14
Current tax liabilities	-	4	-	-	4
Other liabilities etc.	271	78	270	-	619
Provisions	-	90	397	-	487
Total liabilities	271	178	675	-	1,124

Notes

(DKKm)

Group

28. 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	2020			2019		
	Amor- tised cost	Fair value	Total	Amor- tised cost	Fair value	Total
Financial assets						
Cash in hand and demand deposits with central banks	4,244	0	4,244	8,204	0	8,204
Due from credit institutions and central banks	62	0	62	49	0	49
Loans, advances and other receivables at amortised cost	247	0	247	311	0	311
Bonds	0	14,247	14,247	0	9,644	9,644
Shares, etc.	0	163	163	0	108	108
Investment properties	0	10	10	0	2	2
Commitments made by banks, mortgage credit institutions and investment companies	3,218	0	3,218	3,218	0	3,218
Total financial assets	7,771	14,420	22,191	11,782	9,754	21,536

(DKKm)

Group

28. Fair value disclosure – continued

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 are valued using either DCF models or markets multiples models. Finansiel 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.

2020	Listed prices	Observable input	Non-observable input	Total
Fair value, Group				
Financial assets at fair value broken down into:				
Bonds	14,242	0	5	14,247
Shares, etc.	144	0	19	163
Investment properties	0	10	0	10
Total	14,386	10	24	14,420

Notes

(DKKm)

Group

28. Fair value disclosure – continued

2019	Listed prices	Observable input	Non-observable input	Total
Fair value, Group				
Financial assets at fair value broken down into:				
Bonds	9,640	0	4	9,644
Shares, etc.	91	0	17	108
Investment properties	0	2	0	2
Total	9,731	2	21	9,754

Fair value based on non-observable input	2020	2019
Beginning of year	21	34
Value adjustment through the income statement (note 7)	3	8
Disposals during the year (including reclassification)	0	-21
Fair value, end of year	24	21

29. 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.

	2020		2019	
	Amor-tised cost	Fair value	Amor-tised cost	Fair value
Financial assets				
Cash in hand and demand deposits with central banks	4,244	4,244	8,204	8,204
Due from credit institutions and central banks	62	62	49	49
Loans, advances and other receivables	247	247	311	311
Commitments made by banks, mortgage credit institutions and investment companies	3,218	3,218	3,218	3,218
Total financial assets	7,771	7,771	11,782	11,782

(DKKm)

Group

30. Return on financial instruments

	2020			2019		
	Assets and liabilities at cost	Assets and liabilities at fair value	Total	Assets and liabilities at cost	Assets and liabilities at fair value	Total
Interest income	45	109	154	30	76	106
Interest expense	41	0	41	67	0	67
Net interest income	4	109	113	-37	76	39
Share dividends, etc.	0	0	0	0	1	1
Fees and commissions received	3	0	3	4	0	4
Net interest and fee income	7	109	116	-33	77	44
Market value adjustments	0	-51	-51	0	-24	-24
Total	7	58	65	-33	53	20

31. Lessor

	2020	2019
The item Loans and advances at amortised cost comprises finance leases	0	9
Net investments in finance leases		
Terms up to 1 year	0	9
Total	0	9
Gross investments in finance leases		
Terms up to 1 year	0	17
Total	0	17
Write-down of finance leases	0	8

Leases in which the Group is the lessor comprise leases of operating equipment and commercial properties.

Notes

(DKKm)

Parent company

32. Finansiell Stabilitet 2016-2020

	2020	2019	2018	2017	2016
Summary income statement					
Net interest and fee income	1,045	776	589	716	735
Market value adjustments	-51	-34	25	37	-21
Other operating income	142	224	143	44	497
Staff costs and administrative expenses, etc.	103	108	126	121	101
Other operating expenses	52	175	60	77	31
Impairment losses on loans, advances and receivables, etc.	-54	-90	-75	-69	-216
Income from investments in associates and subsidiaries	-27	74	31	10	-42
Purchase price and dowry adjustment	81	221	79	-9	-111
Comprehensive income for the year	1,089	1,068	756	669	1,142
Balance sheet at 31 December					
Assets					
Cash in hand and demand deposits with central banks and credit institutions	4,275	8,243	10,879	15,820	15,167
Loans and advances	81	86	134	139	135
Securities	14,403	9,745	5,808	155	178
Investments in associates and subsidiaries	632	728	694	657	649
Commitments made by banks, mortgage credit institutions and investment companies	3,218	3,218	4,215	4,215	4,215
Loss guarantee from the Danish State, Roskilde Bank	0	0	0	2,550	2,550
Purchase price and dowry adjustment	2,101	2,020	1,799	1,720	1,729
Other asset items	325	232	249	285	252
Total assets	25,035	24,272	23,778	25,541	24,875
Equity and liabilities					
Loans through the state-funded re-lending scheme	0	0	0	0	0
Other payables	3,230	3,548	3,104	3,048	3,015
Total payables	3,230	3,548	3,104	3,048	3,015
Provisions	34	42	60	85	121
Equity	21,771	20,682	20,614	22,408	21,739
Total equity and liabilities	25,035	24,272	23,778	25,541	24,875
Off-balance sheet items					
Contingent liabilities	126	198	298	327	353
Financial ratios					
Return on equity before tax	5.1%	5.2%	3.5%	3.0%	5.4%
Return on equity after tax	5.1%	5.2%	3.5%	3.0%	5.4%

(DKKm)

Parent company

32. Finansiell Stabilitet 2016-2020 – continued

Finansiell Stabilitet 2020

(DKKm)	Bank Package activities	Deposit Guarantee Fund	Resolu- tion Fund	Elimina- tions	Total
Summary income statement					
Net interest and fee income	6	56	961	22	1,045
Market value adjustments	53	-75	-29	0	-51
Other operating income	133	33	18	-42	142
Staff costs, administrative expenses, depreciation and amortisation	97	7	19	-20	103
Other operating expenses	52	0	0	0	52
Impairment losses on loans, advances and receivables, etc.	-54	0	0	0	-54
Income from investment in subsidiaries and associates	-27	0	0	0	-27
Purchase price and dowry adjustment	38	43	0	0	81
Comprehensive income for the year	108	50	931	0	1,089
Balance sheet at 31 December					
Assets					
Cash in hand and demand deposits with central banks and credit institutions	4,053	69	153	0	4,275
Loans and advances	81	0	0	0	81
Securities	2,367	8,136	3,900	0	14,403
Investments in subsidiaries	547	0	85	0	632
Investment properties and lease assets	17	0	0	0	17
Commitments made by banks, mortgage credit institutions and investment companies	0	3,218	0	0	3,218
Purchase price and dowry adjustment receivable	1,257	844	0	0	2,101
Other assets	125	189	20	-26	308
Total assets	8,447	12,456	4,158	-26	25,035
Equity and liabilities					
Other liabilities	3,159	27	70	-26	3,230
Total payables	3,159	27	70	-26	3,230
Provision for losses on guarantees	13	0	0	0	13
Other provisions	10	0	11	0	21
Total provisions	23	0	11	0	34
Total liabilities	3,182	27	81	-26	3,264
Equity as at 1 January 2020	5,157	12,379	3,146	0	20,682
Comprehensive income for the year	108	50	931	0	1,089
Equity as at 31 December 2020	5,265	12,429	4,077	0	21,771
Total equity and liabilities	8,447	12,456	4,158	-26	25,035

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 2020.

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.

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 at 31 December 2020 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 2020.

The management's review includes a fair review of the development and performance of the business and the financial position of the Group and the Company, 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, 19 March 2021

Management Board

Henrik Bjerre-Nielsen
CEO

Board of Directors:

Peter Engberg Jensen
Chairman

Anne Louise Eberhard
Deputy Chairman

Bente Overgaard

Ole Selch Bak

Morten Sommerfeldt

Jesper Rangvid

Ulrik Rammeskov Bang-Pedersen

Independent auditors' report

To the Ministry of Industry, Business and Financial Affairs

Opinion

We have audited the consolidated and parent financial statements of the independent public company Finansiel Stabilitet for the financial year 1 January to 31 December 2020, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as 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 2020 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 2020 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 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.

The Auditor General is independent of Finansiel Stabilitet in accordance with section 1(6) of the Danish Auditor General's Act and the approved auditor is independent of Finansiel Stabilitet in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have both fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 financial statements unless Management either intends 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 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, 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 Group's and the Parent 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Danish Financial Business Act.

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 Danish Financial Statements Act.

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, 19 March 2021

EY

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

Lars Rhod Søndergaard
State-Authorised Public Accountant
mne28632

Thomas Hjortkjær Petersen
State-Authorised Public Accountant
mne33748

The National Audit Office of Denmark

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

Lone Lærke Strøm
Auditor General of Denmark

Marie Katrine Bisgaard Lindeløv
Head of Department

Board of Directors



Peter Engberg Jensen

- Chairman of the Board of Directors
- Joined the Board of Directors in 2015
- Born in 1953

Competencies:

Considerable financial sector experience, including as Group CEO of Nykredit and EVP of Danske Bank's Finance Department. Extensive experience in board work.

Member of the boards of directors of:

- Investeringsforeningen PFA Invest (Chairman)
- Den Sociale Kapitalfond (Chairman)
- Ordrup Gymnasium (Chairman)
- 15. JF Invest (Chairman)
- Pension Danmark Holding A/S
- Pensiondanmark Pensionsforsikringsaktieselskab
- Chr. Augustinus Fabrikker Aktieselskab
- CAF Invest A/S
- 15. juni Fonden
- Arborethusene A/S
- Foreningen Madens Topmøde

Other duties:

- Nordisk Investerings Bank Control Committee (Chairman)
- Member of the board of Business LF



Anne Louise Eberhard

- Deputy 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
- Topdanmark A/S
- Topdanmark Forsikring A/S
- Bavarian Nordic A/S
- Knud Højgaards Fond
- Ejendomsaktieselskabet Knud Højgaards Hus
- Højgaard Ejendomme A/S
- VL52 ApS

Other duties:

- CEO of EA Advice ApS
- Faculty member, Copenhagen Business School, Board programs



Bente Overgaard

- Joined the Board of Directors in 2016
- Born in 1964

Competencies:

Considerable financial sector experience, including as Group COO of Nykredit and EVP of Nykredit Erhverv. Extensive experience in board work.

Member of the boards of directors of:

- Arbejdsmarkedets Erhvervsforsikring (Chairman)
- Den Danske Naturfond (Deputy Chairman)
- Jyske Bank A/S
- Domea.dk
- SP Group A/S
- Tømmerhandler Johannes Fogs Fond
- Holberg Fenger Holding A/S and subsidiaries
- Holberg Fenger Invest A/S
- Holberg Fenger Administration A/S
- HP Projekt & Udvikling A/S
- Guldborgsundcentret A/S
- Indertofte A/S
- ProData Holding and subsidiaries
- ProData Consult A/S
- ProData BidCo A/S

Other duties:

- CEO of Overgaard Advisory ApS
- Program Director and lecturer, CBS Board Leadership Education, Finance



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
- Editor, Erhvervsjuridisk Tidsskrift
- Arbitrator, Danish Institute of Arbitration
- Member of the Danish Appeals Permission Board
- Chairman, Danish Bankruptcy Law Council



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 board of directors of:

- Teater GROB

Other duties:

- Communications Manager, Industriens Pension

Management Board



Ole Selch Bak

- 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 board of directors of:

- Sparekassen Vendsyssel



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:

- Grandhood ApS
- Grandhood Fondsmæglerselskab A/S
- Copenhagen Business School
- Danish Finance Institute

Other duties:

- Professor, Department of Finance, Copenhagen Business School (CBS)
- Chairman of the Danish Council for Return Expectations
- Member of the Faroese Systemic Risk Council
- Member of the Advisory Board of Forenet Kredit



Henrik Bjerre-Nielsen

- Chief Executive Officer
- Appointed in 2008
- Born in 1955

Chairman of the boards of directors of:

- FS Finans I A/S
- FS Finans II A/S
- 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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DK-1250 Copenhagen K

Phone: +45 70 27 87 47

Website: www.fs.dk

E-mail: mail@fs.dk

CVR no.: 30 51 51 45

Established: 13 October 2008

**Municipality of
registered office:** Copenhagen

Board of Directors

Peter Engberg Jensen (Chairman)
Anne Louise Eberhard (Deputy Chairman)
Bente Overgaard
Ole Selch Bak
Morten Sommerfeldt
Jesper Rangvid
Ulrik Rammeskov Bang-Pedersen

Management Board

Henrik Bjerre-Nielsen

Auditors

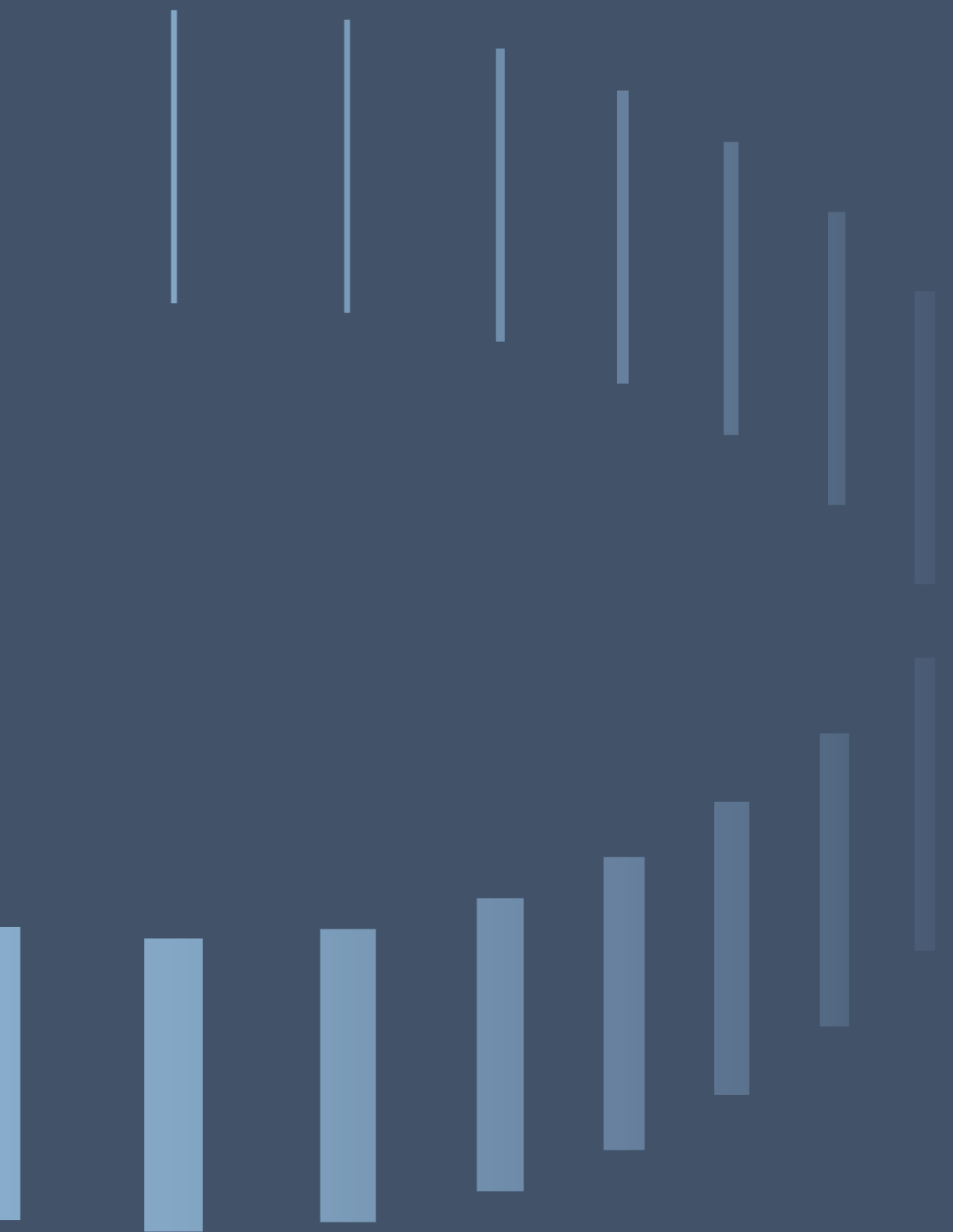
The National Audit Office of Denmark
Landgreven 4
DK-1301 Copenhagen K

EY

Godkendt Revisionspartnerselskab
Dirch Passers Allé 36, DK-2000 Fred-
eriksberg
Company reg. (CVR) no. 30 70 02 28

General meeting

Annual General Meeting to be held on
26 April 2021



Finansiel Stabilitet

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