Translation

Finansiel **Stabilitet**

Annual Report **2017**

Contents

Highlights

Finansiel Stabilitet Group:

- Profit of DKK 669 million, mainly attributable to contributions to the Resolution Fund of DKK 748 million.
- Total assets of DKK 23.6 billion.
- Loans and guarantees of DKK 1.0 billion.
- Equity of DKK 22.4 billion.
- Finansiel Stabilitet recommends to the annual general meeting that dividend in the amount of DKK 2,550 million be distributed to the Danish State.

Bank Package I-V activities:

- Loss of DKK 69 million in 2017. The loss reflects the continued resolution of the remaining activities, including in particular the costs imposed in connection with the liability lawsuits regarding Roskilde Bank A/S and Amagerbanken A/S. Both judgments were appealed.
- Total assets of DKK 9.3 billion.
- At 31 December 2017, loans and guarantees amounted to DKK 973 million, financial assets amounted to DKK 266 million and properties amounted to DKK 3 million. In all, these assets were reduced by DKK 480 million in 2017.
- Equity amounted to DKK 7.4 billion.
- If the proposed dividend distribution is adopted, equity will be reduced to DKK 4.8 billion.

Guarantee Fund:

- Profit of DKK 15 million. The performance was affected by a non-recurring deposit of DKK 42 million and by the negative deposit rates paid by the Guarantee Fund on its funds placed in an account with Danmarks Nationalbank.
- Total assets of DKK 13.2 billion.
- The assets of the Guarantee Fund amounted to DKK 13.2 billion, of which DKK 8.8 billion was attributable to the Banking Department.

Resolution Fund:

- Profit of DKK 723 million. The profit was mainly attributable to contributions to the Resolution Fund. The performance was furthermore affected by the negative deposit rates paid by the Resolution Fund on its funds placed in an account with Danmarks Nationalbank.
- Total assets of DKK 1.8 billion.
- The assets of the Resolution Fund amounted to DKK 1.8 billion.
- On 31 May 2017, Andelskassen J.A.K. Slagelse under control deposited its licence to carry on banking and securities trading activities and was converted into FS Finans V A/S. At 31 December 2017, FS Finans V A/S had loans and guarantees of DKK 52 million and total assets of DKK 56 million.

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 objectives 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.

Finansiel Stabilitet's business areas comprise the remaining Bank Package I-V activities, the 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 Guarantee Fund or the Resolution Fund, and these are only liable for their own obligations and liabilities.

Group performance 2017

Finansiel Stabilitet posted a profit of DKK 669 million for 2017 (2016: DKK 1,142 million). The profit was primarily attributable to payment of DKK 748 million in contributions to the Resolution Fund. Overall, the Resolution Fund contributed DKK 723 million to the profit. The Bank Package I-V activities contributed a loss of DKK 69 million, and the Guarantee Fund contributed a profit of DKK 15 million.

The Group's total assets at 31 December 2017 amounted to DKK 23.6 billion (2016: DKK 23.3 billion). Of this amount, the Bank Package I-V activities accounted for DKK 9.3 billion, the Guarantee Fund accounted for DKK 13.2 billion, the Resolution Fund accounted for DKK 1.8 billion, while a negative amount of DKK 0.8 billion related to an intra-group balance. Total assets grew by DKK 350 million in 2017.

Total equity stood at DKK 22.4 billion (2016: DKK 21.7 billion), of which DKK 13.2 billion was attributable to the Guarantee Fund, DKK 7.4 billion to the Bank Package I-V activities and DKK 1.8 billion to the Resolution Fund.

At the general meeting, Finansiel Stabilitet will recommend that dividend in the amount of DKK 2,550 million be distributed to the Danish State, equal to Finansiel Stabilitet's receivable re. loss guarantee from the Danish State relating to Roskilde Bank. The dividend relates to the equity of the Bank Package I-V activities only, and the other funds will thus not be affected by the proposed distribution. The dividend distribution will not have any cash flow effect, as amounts due from the Danish State are reduced by a corresponding amount.

For a specification of the individual segment income statement items, see the following sections and notes 2 and 3 to the financial statements for a more detailed account.

Resolution of activities

At 31 December 2017, the remaining loans and guarantees, net amounted to DKK 1.0 billion (2016: DKK 1.2 billion), while the portfolio of financial assets amounted to DKK 266 million (2016: DKK 275 million) and properties amounted to DKK 3 million (2016: DKK 35 million). The majority of these activities related to the segment Bank Package I-V activities, while a minor portion of loans related to FS Finans V A/S (formerly Andelskassen J.A.K. Slagelse), which is being resolved under the Resolution Fund. Of the remaining activities, loans and guarantees of DKK 52 million in total was attributed to FS Finans V A/S.

The rest of the remaining loans mainly consist of receivables from estates in bankruptcy, other non-viable loansand guarantees. The speed with which the remaining loans are resolved depends largely on external factors such as the progress of trustees' estate administration and debt recovery process. Guarantees will be gradually phased out as they mature. Finansiel Stabilitet furthermore has the ongoing task of recovering debts previously written off. In 2017, this resulted in the recognition of approx. DKK 26 million in recovered amounts previously written off.

Loans and advances also include Finansiel Stabilitet's receivable from the financing institute for agriculture, Landbrugets Finansieringsinstitut, which at 31 December 2017 amounted to DKK 146 million. Previously, this receivable was classified as a receivable from a credit institution, but as the company no longer holds a licence to operate as a bank it is now classified under loans and advances.

As previously mentioned, Finansiel Stabilitet's securities portfolio at 31 December 2017 amounted to DKK 266 million. A large part of the remaining financial assets consist of sector shares as well as guarantee certificates acquired as partial consideration for Bank Package I. Overall, the portfolio of financial assets was reduced by DKK 19 million. This reduction included positive market value adjustments totalling DKK 56 million.

Finally, the portfolio of properties was reduced from a value of DKK 35 million at 1 January 2017 to DKK 3 million at 31 December 2017.

Lawsuits and disputes

FS is processing a substantial portfolio of lawsuits and other disputes which have arisen in connection with the takeover of failing banks.

Finansiel Stabilitet has instituted a number of liability lawsuits against the former managements, among others, of eight of the failing banks taken over.

The lawsuit against the former management of Capinordic Bank was the first liability lawsuit to be heard in court. In October 2015, a judgment was delivered in the matter by which the three defendant management members were ordered to pay damages in a total amount of DKK 90.5 million. The judgment was appealed first by the defendants and subsequently by Finansiel Stabilitet. The appeal will be considered by the Danish Supreme Court in November 2018.

In June 2017, a judgment was delivered in the liability lawsuit against the former management of Amagerbanken. The judgment was given in favour of the defendants, and Finansiel Stabilitet was ordered to pay legal fees of approximately DKK 77 million. Finansiel Stabilitet has appealed a part of the district court ruling. The appeal will be considered by the Eastern High Court during the period from January to March 2019.

In the lawsuit against the former management and auditors of Roskilde Bank, the Eastern High Court delivered a judgment in November 2017. The judgment was given in favour of all the defendants, and Finansiel Stabilitet was ordered to pay legal fees of approximately DKK 72.5 million. Finansiel Stabilitet has appealed the judgment with respect to the CEO and the Board of Directors.

In September 2017, trial hearings commenced in the ebh bank lawsuit, and in the matter regarding Eik Bank Danmark. The trial hearing in the liability lawsuit against ebh is expected to be finalised at the end of 2018, while the trial hearing in the Eik Bank Danmark case is expected to be finalised at the beginning of 2019.

Segment performance 2017

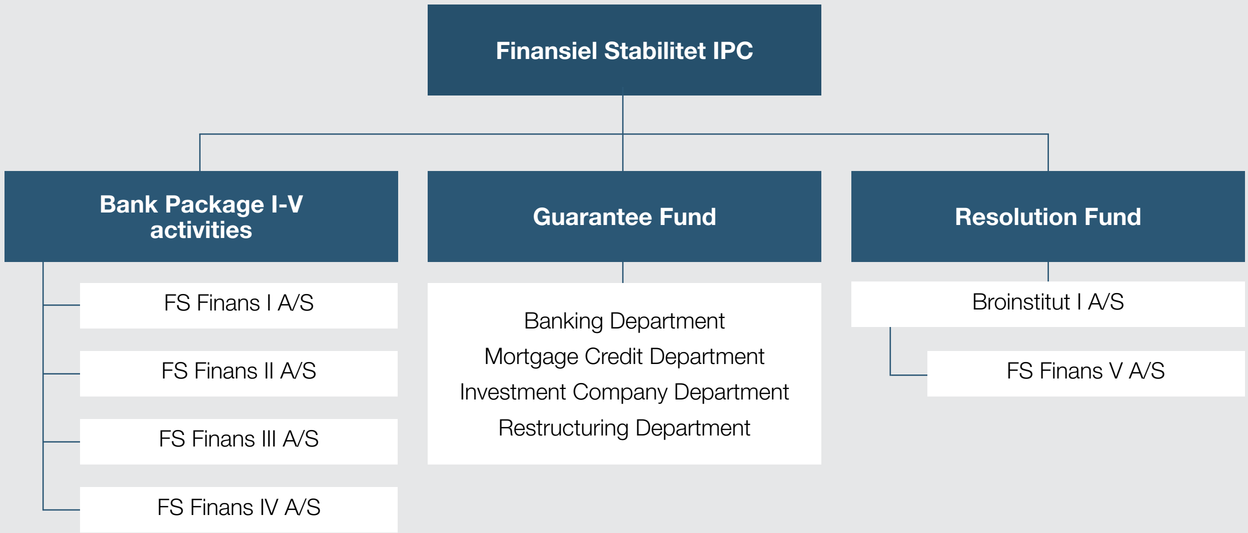
Finansiel Stabilitet
Profit: DKK 669 million
Total assets: DKK 23.6 billion
Equity: DKK 22.4 billion

Bank Package I-V activities
Profit/(loss): DKK (69) million
Equity: DKK 7.4 billion

Guarantee Fund
Profit: DKK 15 million
Equity: DKK 13.2 billion

Resolution Fund
Profit: DKK 723 million
Equity: DKK 1.8 billion

Business units



Bank Package I (Bank Package): For the period from October 2008 to 30 September 2010, the Danish State guaranteed the full amount 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 Finansiel Stabilitet, and in such case the former 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): Finansiel Stabilitet and the former 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 Finansiel 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.

Guarantee Fund: By Act no. 334 of 31 March 2015, the Guarantee Fund for Depositors and Investors was dissolved effective from 1 June 2015. The rights and obligations of the former Guarantee Fund were continued as the new Guarantee Fund, managed by Finansiel 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 Finansiel Stabilitet. The Resolution Fund may be used in connection with Finansiel Stabilitet's powers to implement resolution measures against businesses that are failing or are expected to fail and where it is in the public interest to do so.

Broinstitut I A/S: Subsidiary under the Resolution Fund whose objective is 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.

The trial hearing in the matter regarding Eik Bank Færøerne commenced in January 2018 and is expected to be finalised in mid-2019.

Expenses related to actions for damages brought against the former managements of banks taken over amounted to DKK 65 million in 2017. 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 DKK 323 million to date.

Bank Package I-V activities

Results in 2017

Finansiel Stabilitet's activities in relation to Bank Package I-V activities generated a loss of DKK 69 million in 2017. (2016: a profit of DKK 443 million). The performance reflects the continued resolution of the remaining activities. Reversal of impairment losses on loans, advances and receivables amounted to DKK 146 million in 2017. The performance was moreover affected by negative net interest income and recognised costs related to legal fees in connection with the liability lawsuits against the former managements of Amagerbanken A/S and Roskilde Bank A/S.

The individual bank packages impact the segment's results in different ways. Bank Packages I and II impact the segment results in full. Bank Packages III and IV are only recognised in part, however, as other creditors also have financial interests in the resolution results, including the 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 percentage proportion of the written-down creditors comprised at the time of takeover.

Bank Package V did not affect the results as regards FS Property Finance A/S, as this company was solvently liquidated in the first half of 2017.

In relation to Bank Package V, Finansiel Stabilitet is awaiting the European Court of Justice's final decision as to whether Finansiel Stabilitet's takeover of certain activities from FIH Erhvervsbank A/S constituted state aid and

Financial highlights FS Finans I-IV (Group)

(DKKm)	FS Finans I A/S 2017	FS Finans I A/S 2016	FS Finans II A/S 2017	FS Finans II A/S 2016	FS Finans III A/S 2017	FS Finans III A/S 2016	FS Finans IV A/S 2017	FS Finans IV A/S 2016
INCOME STATEMENT								
Profit/(loss) for the period	**0**	**0**	**0**	**0**	**0**	**0**	**30**	**(38)**
Profit/(loss) for the year before purchase price adjustment	3	60	15	11	(31)	(220)	-	-
BALANCE SHEET AT 31 DECEMBER								
Loans and advances	43	15	43	13	86	192	32	25
Other assets	292	329	149	184	1,497	1,523	130	114
Total assets	**335**	**344**	**192**	**197**	**1,583**	**1,715**	**162**	**139**
Purchase price adjustment	296	293	143	128	1,490	1,521	-	-
Other provisions	38	39	37	46	52	76	71	80
Other liabilities	0	11	11	22	40	117	19	17
Equity	1	1	1	1	1	1	72	42
Total equity and liabilities	**335**	**344**	**192**	**197**	**1,583**	**1,715**	**162**	**139**

whether the European Commission's ruling for an additional payment from FIH (FIH Erhvervsbank A/S and FIH Holding A/S) to Finansiel Stabilitet is to be upheld. In its judgment of September 2016, the court of first instance found that there was no basis for the decision and remitted the case for reconsideration by the European Commission. The European Commission subsequently appealed the judgment. On 28 November 2017, the European Court of Justice published a proposal for a decision in the case, stating that, due to error in the first instance, the appealed judgment should be reversed and the case be retried.

FIH has maintained the amount of DKK 351 million deposited with Finansiel Stabilitet. Due to uncertainty about the outcome of the case, the deposited amount cannot be recognised as income.

In 2017, the subsidiaries FS Finans I-III reported a total loss of DKK 13 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 currently warranted. Losses in excess of this were covered by the Restructuring Department of the Guarantee Scheme. At 31 December 2017, a total loss of DKK 613 million had been covered by the Restructuring Department of the Guarantee Scheme. FS Finans IV posted a profit of DKK 30 million after tax in 2017, reducing the loss by a corresponding amount.

In 2017, the segment's total assets were reduced by DKK 0.2 billion to DKK 9.3 billion by the ongoing resolution of the remaining activities, including loans and investment properties and financial assets. At 31 December 2017, the segment had loans and guarantees totalling DKK 973 million (2016: DKK 1.1 billion), financial assets totalling DKK 266 million (2016: DKK 275 million) and properties totalling DKK 3 million (2016: DKK 29 million).

Guarantee Fund

Departments

At 31 December 2017, the Guarantee Fund covered 145 companies: 89 banks (8 foreign banks), 7 mortgage credit institutions, 37 investment companies, 5 investment management companies and 7 managers of alternative investment funds. The companies are distributed on the four departments:

- the Banking Department
- the Mortgage Credit Department
- the Investment Company Department (investment companies and certain investment management companies and managers of alternative investment funds)
- the Restructuring Department

Results in 2017

The Guarantee Fund produced a profit of DKK 15 million in 2017 (2016: a loss of DKK 31 million). The performance was adversely affected by the negative deposit rates paid

Income statement for the Guarantee Fund

(DKKm)	2017	2016
Yields of listed bonds	0	5
Net interest income in connection with coverage activities	(53)	0
Value adjustment of bond portfolio	0	(6)
Premium income from banks	42	0
Other operating income	0	32
Purchase price adjustment from resolution of banks	2	(1)
Profit/(loss) of loss guarantees	30	(55)
Administrative expenses	6	6
Profit/(loss) for the year	**15**	**(31)**

by the Guarantee Fund relating to its funds deposited in an account with Danmarks Nationalbank. On the other hand, the profit for 2017 was positively affected by Danske Bank A/S' decision to convert its Finnish subsidiary (Danske Bank Plc.) into a branch effective from at 31 December 2017, causing the Finnish deposit guarantee scheme to transfer the payment made by Danske Bank Plc. to the Finnish deposit guarantee scheme in 2017. Although the transfer was not made until January 2018, it is effective for accounting purposes at 31 December 2017.

The profit for 2017 was positively affected by the DKK 2 million adjustment of purchase price adjustment in FS Finans I-III and the DKK 30 million profit in FS Finans IV, which will be credited to the Guarantee Fund's Restructuring Department, which in the past covered losses in FS Finans IV.

At 31 December 2017, the Guarantee Fund had total assets of DKK 13.2 billion. Of these assets, the Banking Department accounted for DKK 8.8 billion and the Restructuring Department accounted for DKK 4.4 billion, DKK 4.2 billion of which consisted of guarantees.

Activities

In 2017, it was not necessary to collect contributions for the Banking Department, as the assets of the Fund exceed its target level. As usual, however, an annual redistribution of contributions was made among the Mortgage Credit Department, the Investment Company Department and the Restructuring Department.

Moreover, as mentioned above, the Banking Department received transferred contributions from the Finnish deposit guarantee scheme.

Loss guarantees provided

The Restructuring Department has issued loss guarantees to Finansiel 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 capitalised.

Financing of the 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 lev-

Balance sheet for the Guarantee Fund

(DKKm)	2017	2016
ASSETS		
Deposits with banks and Danmarks Nationalbank	8,100	8,817
Guarantees provided by banks, mortgage credit institutions and investment companies	4,215	4,215
Purchase price and dowry adjustment receivable	707	705
Other receivables	207	135
Total assets	**13,229**	**13,872**
EQUITY AND LIABILITIES		
Assets of the Guarantee Fund	13,229	13,214
Provision for losses on loss guarantees	-	643
Amounts owed to group enterprises	-	15
Total equity and liabilities	**13,229**	**13,872**

el 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 risk-based contribution model.

At 31 December 2017, the assets of the Banking Department amounted to DKK 8.8 billion, against a determined target level of DKK 5.7 billion. The target level for 2017 has been calculated inclusive of the covered deposits of the former company Nordea Bank Danmark A/S, which was converted into a branch effective from 1 January 2017. The target level for 2018 will be reduced as the former company Nordea Bank Danmark A/S is no longer included in the calculation of the target level. On the other hand, the target level will be increased as a result of Danske Bank A/S' conversion of Danske Bank Plc., Finland to a branch. The target level for 2018 is expected to be calculated at DKK 4.9 billion and will further increase to DKK 5.2 billion in 2019 without any other changes. The increase is due to the gradual effect resulting from the change for Danske Bank.

The Mortgage Credit Department and the Investment Company Department, respectively, are 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.

The total assets of the Restructuring Department must amount to at least DKK 3.2 billion by way of guarantees from banks that have an obligation to pay contributions. In addition, the department must have assets of DKK 1 billion earmarked for restructuring, including for coverage of costs in connection with withdrawal from data centres. This part of the assets must consist of guarantees or cash payments from the banks required to pay contributions.

Income statement by department for 2017

DKK'000	Total	Banking Department	Mortgage Credit Department	Investment Company Department	Restructuring Department
General distribution					
Interest on deposits with Danmarks Nationalbank	(53,790)				
Net financials	**(53,790)**	**(52,698)**	**(23)**	**(30)**	**(1,039)**
Costs:					
Management fee, Finansiel Stabilitet	(5,381)				
Other management costs	(83)				
Total shared costs	**(5,464)**	**(3,646)**	**(4)**	**(5)**	**(1,809)**
Total general distribution	**(59,254)**	**(56,344)**	**(27)**	**(35)**	**(2,848)**
Specific distribution					
Premium income from banks	42,281	42,281			
Profit from the resolution of banks etc.	2,000	2,000			
Provision for losses on loss guarantees	30,060				30,060
Costs directly attributable to legal and auditing assistance	(369)	(369)			
Total specific distribution	**73,972**	**43,912**			**30,060**
Profit/(loss) for the year	**14,718**	**(12,432)**	**(27)**	**(35)**	**27,212**

Financial position

Liquid assets totalled DKK 8.1 billion at 31 December 2017. The overall investment strategy is based on investments being made in liquid, low-risk assets. In 2017, the cash and cash equivalents of the Guarantee Fund were placed exclusively with Danmarks Nationalbank.

As a result of the current interest rate environment and the aim to ensure appropriate portfolio management, Finansiel Stabilitet has defined a new investment strategy. Going forward, the investment strategy will encompass the purchase of short-term mortgage bonds and covered bonds as well as Danish government bonds.

Investment in mortgage bonds and covered bonds could potentially represent a conflict of interest, as Finansiel Stabilitet would be acting as both resolution authority and investor. This potential conflict of interest has been resolved by engaging an external portfolio manager to manage the mortgage bond portfolio.

Accordingly, in December 2017 Finansiel Stabilitet invited tenders for two portfolio management mandates on behalf of the Guarantee Fund and the Resolution Fund. The two mandates are identical and relate to short-term mortgage bonds and covered bonds with maturities of up to five years. In March 2018, Finansiel Stabilitet entered into an agreement with Jyske Bank A/S on portfolio management of both mandates.

If the funds of the individual department have been depleted, the Guarantee Fund's departments may raise loans in the market against a guarantee provided by the Danish State. The Guarantee Fund also has the option of borrowing funds from Finansiel Stabilitet, which may be financed through the raising of state-funded re-lending.

Area of coverage

The 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 managers of alternative investment funds for certain losses in connection with reconstruction or bankruptcy. It also provides coverage to Danish branches of foreign banks that have applied for supplementary coverage to the guarantee scheme in their home country.

The Act on a Depositor and Investor Guarantee Scheme furthermore provides an option for the Restructuring Department to contribute to a reconstruction, among other things by covering costs associated with withdrawal from a data centre in connection with the merger of a failing bank or the takeover of assets under the Act on Restructuring and Resolution of Certain Financial Enterprises. However, this option has not been approved by the European Commission in accordance with the rules on state aid, which is a prerequisite for applying this scheme.

Scope of coverage

The 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 capital pension schemes, are fully covered. Moreover, increased coverage is provided for a number of special deposits for a period of 6-12 months. Consequently, 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.

Coverage is calculated net of the depositor's liabilities due to the relevant institution.

Securities

The Guarantee Fund also manages the investor guarantee scheme. This means that investors may receive coverage of up to EUR 20,000 (approximately DKK 150,000) 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 institutions are generally covered by the deposit guarantee scheme applicable in the home country of the foreign institution. It is possible for such branches to apply for supplementary coverage under the Danish scheme. The supplementary coverage covers pension accounts and the special deposits which are subject to increased coverage for a period of 6-12 months after the amount was deposited with the bank.

Branches in Denmark of Nordea Bank AB, Svenska Handelsbanken AB, Swedbank AB, Nordnet Bank AB, Skandinaviska Enskilda Banken AB, Ikano Bank AB, Carnegie Investment Bank AB and Banque Internationale á Luxembourg S.A. have applied for coverage under the 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 Guarantee Fund, which is to make disbursements to depositors on behalf of the guarantee scheme of the home country in connection with the resolution of a branch.

Additional information on the Guarantee Fund's coverage is provided on www.gii.dk.

Legislative framework

The legislative framework governing the Guarantee Fund is Consolidation Act no. 917 of 8 July 2015 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 Guarantee Fund is governed by Executive Order no. 820 of 3 July 2015 on the Guarantee Fund's coverage of depositors and investors and Executive Order no. 1483 of 2 December 2016 on a Depositor and Investor Guarantee Scheme.

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.

The act has not yet been put into force for Greenland. As a result, institutions registered in Greenland are covered in accordance with the previous coverage rules which were put into force by Order no. 685 of 28 June 2012 on the coming into force in Greenland of the Act on a Guarantee Fund for Depositors and Investors.

Resolution Fund

Results in 2017

The Resolution Fund produced a profit of DKK 723 million in 2017 (2016: DKK 730 million). The profit was attributable to payment of contributions to the Resolution Fund of DKK 748 million. The performance was also affected by the negative deposit rates paid by the Resolution Fund on its funds placed in an account with Danmarks Nationalbank.

Assets by department for 2017

DKK'000	Guarantee Fund, total	Banking Department	Mortgage Credit Department	Investment Company Department	Restructuring Department
Contributions					
Contributions received	2,471	-	-	2,471	-
Balance at 31 Dec. 2017	**2,471**	**-**	**-**	**2,471**	**-**
Guarantees provided (unchanged in 2017)	**4,214,912**	**-**	**7,500**	**7,412**	**4,200,000**
Retained earnings					
Balance at 1 Jan. 2017	8,996,424	8,816,117	3,848	2,625	173,834
Profit/(loss) for the year	14,718	(12,432)	(27)	(35)	27,212
Balance at 31 Dec. 2017	**9,011,142**	**8,803,685**	**3,821**	**2,590**	**201,046**
Assets at 31 Dec. 2017	**13,228,525**	**8,806,685**	**11,321**	**12,473**	**4,401,046**

In 2017, the Resolution Fund's administrative expenses amounted to DKK 18 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 SIFIs and building up of the Resolution Fund.

Including the contribution collected for 2017 of DKK 748 million, a total of DKK 1,829 million has been collected. In 2017, banks contributed DKK 494 million, mortgage credit institutions contributed DKK 254 million and investment companies I contributed DKK 55 thousand. Of the total contribution, DKK 746 million was related to risk-adjusted collection of contributions from 30 institutions. The remaining part of DKK 2 million was paid by the remaining 60 institutions.

Activities

In 2017, resolution plans were prepared for all Danish banks, mortgage credit institutions and the investment companies covered by the Act on Restructuring and Resolution of Certain Financial Enterprises. These resolution plans contribute to ensuring that an institution may be resolved or restructured without extraordinary public financial support and, in so far as possible, with limited disruption of financial stability. This work forms part of a common European effort to ensure that public authorities handle failing banks in a trustworthy manner entailing that the institutions' owners 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 2018 and the period to 2020.

Finansiel Stabilitet also participates in international resolution colleges for the purpose of preparing resolution plans for cross-border SIFIs, where these have significant branches or subsidiaries in Denmark. For cross-border SIFIs 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 focused 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. In future, Finansiel Stabilitet and the Danish FSA will together perform the testing of contingency resolution measures.

Resolution of FS Finans V A/S' activities

On 31 May 2017, Andelskassen J.A.K. Slagelse under control deposited its licence to carry on banking and securities trading activities. The licence was deposited as part of the resolution of the bank and as a consequence of the fact that the bank no longer performs activities requiring a licence, including acceptance of deposits. The bank was at the same time converted into a financing company with the name of FS Finans V A/S, from which

Income statement for the Resolution Fund

(DKKm)	2017	2016
Premium income	748	730
Other income and expenses	(7)	14
Profit on net financials and coverage activities	**741**	**744**
Administrative expenses etc.	18	14
Profit for the year	**723**	**730**

the resolution of remaining loans will take place. Until 1 August 2017, the company's address was in Slagelse, after which date, in line with the previously completed strategy of the group, the resolution of the activities was transferred to centralised resolution under Finansiel Stabilitet in Copenhagen.

At 31 December 2017, FS Finans V A/S had loans and guarantees representing a total carrying amount of DKK 52 million and total assets of DKK 56 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 possibly 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 a fixed annual contribution. For small institutions, the contribution is generally determined as a fixed amount, while a risk-adjusted contribution is determined for large institutions.

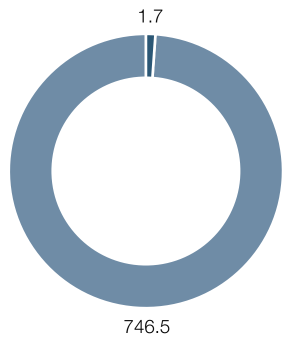
If the assets of the Resolution Fund exceed 1% of the covered deposits, the obligation to contribute will cease. Conversely, if the assets of the Fund are not sufficient to cover losses, costs or other expenses in connection with the resolution of an institution or entity, Finansiel Stabilitet may request payment of extraordinary contributions. However, such extraordinary contributions may not exceed three times the most recent annual contribution paid. I 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, Finansiel Stabilitet may raise state-funded re-lending to be used as loan financing of the Resolution Fund.

At 31 December 2017, the assets of the Resolution Fund amounted to DKK 1.8 billion, against a determined target level of DKK 7.1 billion. The target level for 2017 has been calculated inclusive of the former company Nordea Bank Danmark A/S, which was converted into a branch effec-

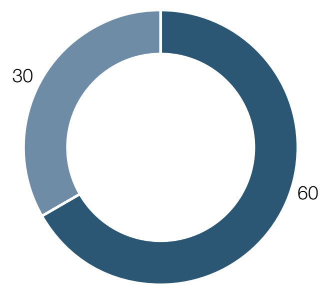
Balance sheet for the Resolution Fund

(DKKm)	2017	2016
ASSETS		
Demand deposits with central banks	1,762	1,047
Investments in associates, etc.	24	38
Other assets	31	25
Total assets	**1,817**	**1,110**
EQUITY AND LIABILITIES		
Other liabilities	0	14
Provisions	13	15
Total provisions	**13**	**29**
The Resolution Fund	1,804	1,081
Total equity and liabilities	**1,817**	**1,110**

Contributions collected 2017 (DKKm)



No. of institutions



tive from 1 January 2017. The target level for 2018 will be reduced as the former company Nordea Bank Danmark A/S is no longer included in the calculation of the target level. On the other hand, the target level will be increased as a result of Danske Bank A/S' conversion of Danske Bank Plc., Finland to a branch. The target level for 2018 is expected to be calculated at DKK 6.1 billion and will further increase to DKK 6.5 billion in 2019 without any other changes. The increase is due to the gradual effect resulting from the change for Danske Bank.

Financial position

The Resolution Fund's liquid assets totalled DKK 1.8 billion at 31 December 2017. Finansiel 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. Like for the Guarantee Fund, an overall investment profile has been adopted, which is based on investments being made in liquid, low-risk assets. Like those of the Guarantee Fund, the cash and cash equivalents of the Resolution fund have until now been placed with Danmarks Nationalbank.

To ensure that the available financial means of the Resolution Fund are proportionate with the Resolution Fund's potential liabilities, in 2017 Finansiel Stabilitet entered into an agreement on loan facilities which ensures that the Resolution Fund has access to financial means equivalent to its target level.

Going forward, the Resolution Fund will, like the Guarantee Fund, be covered by the new investment strategy.

Finansiel 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 of other solutions from e.g. the private sector or the Danish FSA within a reasonable time frame, and Finansiel Stabilitet assesses that (iii) a resolution is necessary in the public interest.

In the case of restructuring and resolution, Finansiel Stabilitet may e.g. assume control over the enterprise, effect a full or partial sale of the enterprise to a subsidiary of Finansiel 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 Guarantee Fund.

For use in the restructuring and resolution of failing enterprises, the build-up of a Resolution Fund has been initiated. See above.

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. In the preparation of resolution plans this option is not applicable, however.

Legislative framework

The legislative framework of the Resolution Department and the Resolution Fund is Act no. 333 of 31 March 2015 on Restructuring and Resolution of Certain Financial Enterprises, as amended, 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 Finansiel Stabilitet's use of resolution measures.

The act entered into force on 1 June 2015, and the executive orders were issued shortly thereafter. The Act was put into force for the Faroe Islands at 1 January 2018. The act has not yet been put into force for Greenland.

On 1 July 2017, an amendment entered into force whereby Finansiel Stabilitet may take into account set-off and avoidance principles under bankruptcy law in relation to restructuring or resolution of institutions.

The rules implement Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 (BRRD). 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.

Finansiel Stabilitet participates e.g. in the work of the European Banking Authority (EBA) to prepare the acts for the European Commission.

Significant risks

The principal risks affecting Finansiel Stabilitet relate to the resolution of activities that Finansiel Stabilitet has taken over 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 covered deposits.

To reflect the financial distribution between Bank Package I-V activities, the 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 29 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.

Guarantee Fund

The principal risks under the 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 Guarantee Fund's cash funds 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 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 Guarantee Fund are from time to time proportionate with the 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, as any impairment of the remaining assets and lack of profitability will have an adverse effect on the Resolution Fund.

Moreover, the future investment of the means 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.

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.

Events after 2017

In connection with the preliminary approval of Finansiel Stabilitet's takeover of a number of property-related loans from FIH, the European Commission announced in 2013 that it found the transaction to be compatible with its rules on state aid, provided that certain elements of the agreement were modified, including that FIH paid DKK 310 million to Finansiel Stabilitet. FIH has deposited a total amount, including interest, of DKK 351 million with Finansiel Stabilitet.

In 2014, FIH decided to appeal the ruling. In its judgment of 2016, the General Court found that there was no basis for the decision and remitted the case for reconsideration by the European Commission. The European Commission decided to appeal the judgment to the Court of Justice of the European Union. Due to the uncertainty about the outcome of the case, the DKK 351 million has not impacted Finansiel Stabilitet's profit.

On 6 March 2018, the Court of Justice of the European Union gave its final decision in the FIH case. The Court determined that the case must be referred back to the General Court for renewed consideration. The consequences of the judgment are being considered, including whether the deposited amount from FIH of DKK 351 million can be recognised as income in 2018.

No other events have occurred after the end of the financial year which could materially affect the financial position.

Outlook for 2018

The profit forecast for 2018 is determined for each of the three segments of the Finansiel Stabilitet Group. For the Resolution Fund, a profit of approximately DKK 600 million is forecast, corresponding to the expected payments from the institutions that have an obligation to pay contributions to the Resolution Fund. For the Bank Package I-V activities, without consideration to any recognition of parts of the deposited funds from FIH, Finansiel Stabilitet forecasts a loss. The Guarantee Fund is also expected to report a loss for 2018.

The outlook is subject to some uncertainty due to the continued substantial uncertainty about the 2018 results of the activities relating to the Bank Package I-V activities. Accordingly, the profit guidance provided above does not include any potential effect on operations of value adjustments of assets, should the resolution results prove either better or worse than the carrying amounts. Moreover, the outcome of contingent liabilities, including lawsuits and disputes, is subject to substantial uncertainty.

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. In this annual report, Finansiel Stabilitet reports on its compliance with the previous Recommendations on Corporate Governance as updated in May 2014. The updated Recommendations on Corporate Governance at 23 November 2017 are effective for financial years beginning on or after 1 January 2018, and in the annual report for 2018 Finansiel Stabilitet will report on its compliance with these new recommendations.

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, Finansiel Stabilitet does not 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 profit 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 profit 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.finansielstabilitet.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 consist fully or partly of the day-to-day management of Finansiel Stabilitet. 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.finansielstabilitet.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 18 board meetings were held in 2017, including 11 extraordinary board meetings. A total of 10 board meetings were held in 2016.

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 a regular semi-annual report, including information about the Company's financial performance 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 assesses the tasks and composition of the Board of Directors and the collaboration between the Board of Directors and the Management Board.

Composition of the Board of Directors

At 31 December 2017, the Board of Directors of Finansiel Stabilitet consisted of seven members. The e 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. There were no changes to the Board of Directors in 2017, and all members of the Board of Directors were re-elected at the extraordinary general meeting on 14 July 2017.

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.

Age is not deemed to be a disqualifying factor, and therefore no age limit has been determined for the members of the Board of Directors. Finansiel Stabilitet thereby deviates from the recommendations of the Committee on Corporate Governance.

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.finansielstabilitet.dk.

Management Board

The Management Board is composed of Henrik Bjerre-Nielsen, CEO. The Management Board along with Executive Vice Presidents Marianne Simonsen and Jens Verner Andersen 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.

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 2017, the remuneration paid to the Board of Directors amounted to DKK 1,275,000 (2016: DKK 1,060,000), including DKK 525,000 to the Chairman and the Deputy Chairman. The remuneration paid to the Board of Directors was unchanged from 2016.

The remuneration of the Management Board is determined by the Board of Directors, and in 2017 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 3.1 million in 2017 (2016: DKK 3.0 million), comprising DKK 3.0 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. 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.

Deloitte was appointed auditors of the Finansiel Stabilitet Group's activities in 2017.

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 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, free 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.

After recent years' adjustment of resources, the resolution of activities taken over under the Bank Package I-V activities is now so advanced that the organisation and headcount is considered to have reached a more stable level. If deemed necessary, Finansiel Stabilitet will on an ongoing basis make natural task and organisational adjustments. Likewise, in connection with the taking over of a failing bank, Finansiel Stabilitet will assess whether an adjustment of employee resources is required.

Gender composition of Management

Finansiel Stabilitet aims to have a balanced gender composition of its Management at Group level. Against this background, Finansiel Stabilitet has defined a policy to ensure this balance in management positions throughout the Group.

The ambition is for either gender to hold at least one third of the seats on the Company's Board of Directors. Of Finansiel Stabilitet's seven board members, three are women and four are men. Of the three board members of the subsidiaries Broinstitut I A/S, FS Finans I A/S, FS Finans II A/S, FS Finans III A/S, FS Finans IV A/S and FS Finans V A/S, two are women and one is a man. Accordingly, Finansiel Stabilitet meets its target.

The Company also aims to ensure an adequate 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 2017 was 33% women and 66% men.

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 realisation 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. Such contracts are outside the scope of Finansiel Stabilitet's present objective, however.

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

		Group		Parent	
(DKKm)	**Note**	**2017**	**2016**	**2017**	**2016**
Interest and fees					
Interest income	4	19	42	22	13
Interest expense	5	101	37	101	14
Net interest income		**(82)**	**5**	**(79)**	**(1)**
Share dividends, etc.		0	2	0	2
Contributions to the Guarantee Fund		42	0	42	0
Contributions to the Resolution Fund		748	730	748	730
Fees and commissions received	6	9	8	6	5
Fees and commissions paid	6	1	1	1	1
Net interest and fee income		**716**	**744**	**716**	**735**
Market value adjustments	7	49	(199)	37	(21)
Other operating income	8	35	547	44	497
Staff costs and administrative expenses	9	141	182	121	101
Other operating expenses	10	135	96	77	31
Impairment losses on loans, advances and receivables, etc.	11	(139)	(276)	(69)	(216)
Profit/(loss) from investments in associates and subsidiaries	12	1	3	10	(42)
Purchase price and dowry adjustment		4	39	(9)	(111)
Profit for the year before tax		**668**	**1,132**	**669**	**1,142**
Tax	13	(1)	(10)	0	0
Profit for the year		**669**	**1,142**	**669**	**1,142**
Comprehensive income statement					
Profit for the year		669	1,142	669	1,142
Other comprehensive income after tax		0	0	0	0
Total comprehensive income		**669**	**1,142**	**669**	**1,142**
Appropriation of profit					
Guarantee Fund				15	(31)
Resolution Fund				723	730
Proposed dividend				2,550	0
Retained earnings				(2,619)	443
Total amount appropriated				**669**	**1,142**

Balance Sheet

		Group		Parent	
(DKKm)	Note	2017	2016	2017	2016
ASSETS					
Cash in hand and demand deposits with central banks		15,796	15,034	15,796	15,034
Due from credit institutions and central banks	14	76	390	24	133
Loans, advances and other receivables at amortised cost	11, 15	442	482	139	135
Bonds at fair value, etc.	16	10	34	6	29
Shares, etc.	17	212	198	149	149
Investments in associates, etc.	18	44	43	44	43
Investments in subsidiaries		0	0	613	606
Investment properties	19	3	35	3	1
Other property, plant and equipment	20	0	0	0	0
Guarantees provided by banks, mortgage credit institutions and investment companies		4,215	4,215	4,215	4,215
Current tax assets		1	3		
Receivable re. loss guarantee from the Danish State relating to Roskilde Bank		2,550	2,550	2,550	2,550
Purchase price and dowry adjustment receivable		0	0	1,720	1,729
Other assets	21	225	267	281	249
Prepayments		1	2	1	2
Total assets		**23,575**	**23,253**	**25,541**	**24,875**

		Group		Parent	
(DKKm)	**Note**	**2017**	**2016**	**2017**	**2016**
EQUITY AND LIABILITIES					
Liabilities					
Due to credit institutions and central banks	22	0	5	0	0
Deposits and other payables	23	0	97	0	0
Other liabilities	24	699	866	3,048	3,015
Deferred income		1	0	0	0
Total liabilities		**700**	**968**	**3,048**	**3,015**
Provisions					
Provision for losses on guarantees		137	183	59	83
Purchase price adjustment (earn-out)	25	209	213	0	0
Other provisions	26	121	150	26	38
Total provisions		**467**	**546**	**85**	**121**
Total liabilities		**1,167**	**1,514**	**3,133**	**3,136**
Equity					
Finansiel Stabilitet		7,375	7,444	7,375	7,444
Guarantee Fund		13,229	13,214	13,229	13,214
Resolution Fund		1,804	1,081	1,804	1,081
Total equity		**22,408**	**21,739**	**22,408**	**21,739**
Total equity and liabilities		**23,575**	**23,253**	**25,541**	**24,875**

Other notes

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Statement of changes in equity

Group	2017						
	Finansiel Stabilitet						
(DKKm)	Sub-ordinated assets	Retained earnings	Proposed dividend	Guarantee Fund	Resolution Fund	Total equity	2016
Equity as at 1 January	**1**	**7,443**		**13,214**	**1,081**	**21,739**	**20,597**
Comprehensive income for the period	-	(69)		15	723	669	1,142
Proposed dividend	**-**	**(2,550)**	**2,550**	**-**	**-**	**-**	**-**
Equity as at 31 December	**1**	**4,824**	**2,550**	**13,229**	**1,804**	**22,408**	**21,739**

Parent company	2017						
	Finansiel Stabilitet						
(DKKm)	Sub-ordinated assets	Retained earnings	Proposed dividend	Guarantee Fund	Resolution Fund	Total equity	2016
Equity as at 1 January	**1**	**7,443**		**13,214**	**1,081**	**21,739**	**20,597**
Comprehensive income for the period	-	(69)		15	723	669	1,142
Proposed dividend	**-**	**(2,550)**	**2,550**	**-**	**-**	**-**	**-**
Equity as at 31 December	**1**	**4,824**	**2,550**	**13,229**	**1,804**	**22,408**	**21,739**

Cash flow statement

(DKKm)	Group 2017	2016
Cash flows from operating activities		
Profit/(loss) for the year after tax	669	1,142
Impairment of loans, etc., net (income)	(139)	(276)
Depreciation/amortisation	0	-
Other	(63)	28
Total operating activities	**467**	**894**
Working capital		
Changes in credit institutions, net	167	(1,281)
Changes in loans, advances and other receivables	179	724
Changes in securities	73	1,018
Change in deposits and other payables	(97)	(107)
Changes in other assets and liabilities	(201)	(626)
Total working capital	**121**	**(272)**
Total cash flows from operating activities	**588**	**622**
Cash flows from investing activities		
Purchase/sale of property, plant and equipment	32	218
Total	**32**	**218**
Cash flows from financing activities		
Loans through the state-funded re-lending scheme	-	(800)
Total	**-**	**(800)**
Total cash flows for operating, investing and financing activities	**620**	**40**
Change in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	15,227	15,187
Change during the year	620	40
Cash and cash equivalents at the end of the year	**15,847**	**15,227**
Cash and cash equivalents comprise:		
Cash in hand and demand deposits with central banks	15,796	15,034
Due from credit institutions and central banks within less than three months	51	193
Cash and cash equivalents at the end of the year	**15,847**	**15,227**

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.

In order to provide a better overview and to reduce the number of note disclosures the amounts and qualitative information of which are insignificant, certain disclosures have been omitted.

Effective as from 1 January 2017, Finansiel Stabilitet A/S has implemented the IFRS standards and interpretations taking effect in the EU for 2017. The implementation of the adopted amendments and new standards has not affected recognition or measurement in 2017. Amendments to IAS 7 Disclosure Initiative affect disclosures in relation to the cash flow statement, however.

Apart from the above, the accounting policies are consistent with those applied in 2016.

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.

Except for IFRS 9 Financial Instruments, none of the new standards or interpretations are expected to materially affect the financial reporting of the Group.

The financial reporting standard IFRS 9, which replaces IAS 39, significantly changes the applicable rules on classification and measurement of financial assets, impairment and, to a certain extent, the rules on hedge accounting. IFRS 9 is mandatory for financial years starting on or after 1 January 2018.

IFRS 9 on financial instruments determines as follows:

IFRS 9 classification and measurement:
According to IFRS 9, classification and measurement of financial assets is based on the business model for the financial assets and the contractual cash flow characteristics of the financial assets.

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. Where financial assets are held with the combined objectives of collecting contractual cash flows and of generating a return on a sale, and where the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, subsequent to initial recognition they are measured at fair value through other comprehensive income. On a subsequent sale, the change in fair value is recycled to the income statement. Other financial assets, including equities, loans, advances and receivables held for sale or managed on a fair value basis, are measured at fair value through profit or loss subsequent to initial recognition.

Finansiel Stabilitet's portfolio of financial assets was taken over from banks under Bank Packages I-V. Finansiel 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. Other financial assets are resolved through sales and must, according to this business model, be measured at fair value through profit or loss.

As a consequence of the above, the implementation of the measurement categories in IFRS 9 is not expected to result in any changes in the measurement principles applied in the Group's annual report for 2017.

IFRS 9 – impairment:
With IFRS 9, the existing impairment model based on incurred losses (the "incurred loss" model) is replaced by an impairment model based on expected credit losses (the "expected loss" model). Under the new expected loss model, on initial recognition of a financial asset, a loss allowance is recognised at an amount equal to the 12-month expected credit losses, and on granting of a guarantee, a provision is recognised at an amount equal to the 12-month expected credit losses (stage 1). In the

1. Accounting Policies (continued)

event of a subsequent significant increase in credit risk after initial recognition, a loss allowance and provision is recognised at an amount equal to the lifetime expected credit losses of the asset or the guarantee (stage 2). Where it is established that the asset is credit-impaired (stage 3), a loss allowance is recognised at an amount equal to the lifetime expected credit losses of the asset, which will be greater than in stage 2, and interest income is recognised in profit or loss according to the effective interest method relative to the impairment loss.

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. Consequently, any subsequent changes in the lifetime expected credit loss of the asset or the guarantee are recognised in profit or loss as an additional loss allowance or as a reversal of a loss allowance. Such assets and guarantees will remain in stage 3 throughout their remaining life.

After a long resolution process, the remaining loans and guarantees taken over by the Group from failing banks under Bank Packages I-V are considered to be stage 3 customers/facilities. The remaining customers 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 Group's other financial assets comprise amounts due from the Danish central bank, the Danish State and Danish credit institutions with high credit ratings, on which expected credit losses are considered to be insignificant.

Against this background, the change to the expected loss model under IFRS 9 is not expected to affect the Group's financial reporting for 2018.

IFRS 9 – Hedge accounting:
As Finansiel Stabilitet does not apply hedge accounting, the changed rules on hedge accounting do not affect the Group's financial reporting.

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

Notes

1. Accounting Policies (continued)

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.

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.

Financial instruments – general
At the date of recognition, financial assets and liabilities are divided into the following categories:

- trading portfolio, measured at fair value;
- loans, advances and receivables, measured at amortised cost;
- financial assets at fair value through profit and loss;
- other financial liabilities, measured at amortised cost.

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.

Certain contracts include terms and conditions similar to derivative financial instruments. Such embedded derivatives are recognised separately and measured at fair value if they differ significantly from the host contract, unless the entire contract is recognised and measured at fair value.

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 holding or having the disposal of more than 50% of the voting rights or otherwise exercising a controlling influence over the relevant enterprise.

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 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

1. Accounting Policies (continued)

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.

Loans, advances and receivables at amortised cost
Loans, advances and receivables are initially recognised at fair value plus transaction costs and less fees and commissions received that are directly related to the establishment. Subsequently, loans, advances and receivables are 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 will be amortised over the expected term to maturity.

Regular assessment is made of whether there is any objective evidence of impairment, whether at portfolio level or individually.

Objective evidence of impairment on an individual basis exists if at least one of the following events has occurred:

- the borrower is experiencing significant financial difficulty;
- the borrower's actions, such as default on interest or principal payments, lead to a breach of contract;
- the Group, for reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the Group would not otherwise have granted;
- it becomes probable that the borrower will enter bankruptcy or other financial reconstruction.

Individual write-down for impairment of loans, advances and receivables is made when there is objective evidence of impairment and the impairment loss can be calculated. The impairment loss is calculated 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 is used as discount rate. For floating-rate loans, the current effective interest rate on the loan is used.

Collective impairment write-downs are made when there is objective evidence of impairment at portfolio level and the impairment loss can be estimated.

Objective evidence of impairment at portfolio level exists when observable data indicate a fall in expected future cash flows from the group of loans, advances or receivables which can be reliably measured and which cannot be attributed to individual loans, advances or receivables in the group.

Collective impairment write-downs are calculated using rating and segmentation models. The model-based collective impairment write-downs are subsequently adjusted to the extent that it is found that events have occurred that the models do not take into account or that the historical loss experience on which the models are based does not reflect the actual circumstances.

Individual as well as collective write-downs are reversed through profit and loss if there is no longer any objective evidence of impairment or if a lower impairment loss is calculated.

Loan impairment losses are booked in allowance accounts. Loans and advances that are considered uncollectable are written off. The write-off is deducted from the allowance accounts.

Notes

1. Accounting Policies (continued)

For accounting purposes, interest on the individual loans and advances is recognised as income net of impairment losses.

Bonds, shares, etc.
Listed securities are recognised at fair value at the settlement 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 the like.

Unlisted securities are recognised at fair value using the fair value option, because management thereof is based on fair value which, accordingly, forms the basis for the internal management reporting. Fair values of unlisted securities are measured on the basis of models, agreed trading prices according to articles of association, or the like.

If it is assessed that the fair value cannot be determined with sufficient reliability, the securities are measured at cost adjusted for any impairment losses.

Leases
Leases are classified as finance leases when all significant risks and rewards of ownership of an asset are transferred to the lessee. All other leases are classified as operating leases.

Receivables from lessees in finance leases are recognised as loans in an amount corresponding to the net investment in the leases. Income from finance leases is accrued over the term of the lease so as to reflect a constant periodical return on the investment.

Where the Group is the lessor, operating lease assets are recognised as operating equipment and depreciated as the Group's other operating equipment. Income from operating leases is recognised on a straight-line basis over the term of the lease according to the effective interest method. Gains or losses on the sale of lease assets are recognised as other operating income.

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

Properties
Properties comprise investment properties.

Investment properties are properties owned for the purpose of receiving rent and/or obtaining capital gains. Fair value adjustments are recognised in Market value adjustments.

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.

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.

1. Accounting Policies (continued)

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 profits 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.

Guarantees provided by banks, mortgage credit institutions and investment companies
The item comprises the nominal value of guarantees provided to the Guarantee Fund.

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.

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, individual government guarantees for existing and new unsubordinated, unsecured debt in banks.

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.

Notes

1. Accounting Policies (continued)

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 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.

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

Contributions to the Guarantee Fund
The item comprises the banks' premium payments to the 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

1. Accounting Policies (continued)

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. Any changes other than pension payments for the period are adjusted through profit or loss/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.

Profit/(loss) from investments in associates
Profit/(loss) from investments in associates comprises the proportionate share of the net profit or loss of the individual enterprise, 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 profit 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.

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.

Notes

1. Accounting Policies (continued)

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 profit 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 performance follow-up. 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 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 Finansiel 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 comprises resolution activities relating to FS Property Finance.

Guarantee Fund
This segment comprises Finansiel Stabilitet's activities relating to the Guarantee Fund, which can be divided into four sub-departments: The Banking, Mortgage Credit, Investment Company and Restructuring Departments.

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 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 Guarantee Fund and the Resolution Fund.

Accordingly, the parent company's reporting segments are:

- Bank Package activities
  This segment comprises the original Bank Package I-V activities.

- The Guarantee Fund
  This segment comprises Finansiel Stabilitet's activities relating to the Guarantee Fund, which can be divided into four sub-departments: The Banking, Mortgage Credit, Investment Company and Restructuring Departments.

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

Notes

2. Segment information for the Group

Activities for the financial year ended 31 December 2017

Group (DKKm)	Bank packages I-V	Guarantee Fund	Reso-lution Fund	Elimina-tions	Total
Net interest income	(25)	(53)	(4)		(82)
Contributions to Guarantee Fund & Resolution Fund	-	42	748		790
Other net fee income and market value adjustments, etc.	59	30	(2)	(30)	57
Purchase price and dowry adjustment	2	2	0		4
Other operating income/expenses, net	(123)	0	17	6	(100)
Operating expenses	130	6	29	(24)	141
Impairment losses on loans and guarantees etc.	(146)	0	7		(139)
Profit/(loss) from investments in associates	1	0	0		1
Profit/(loss) for the period before tax	**(70)**	**15**	**723**	**0**	**668**
Tax	(1)	0	0		(1)
Profit/(loss) for the period	**(69)**	**15**	**723**	**0**	**669**
Total assets at 31 December 2017	9,298	13,229	1,840	(792)	23,575
Investments in associates 31 Dec. 2017 at net asset value	44				44
Total liabilities at 31 December 2017	1,923	0	36	(792)	1,167

Activities for the financial year ended 31 December 2017

Bank Packages I-V (DKKm)	Bank packages I and II	Bank packages III and IV	Bank package V	Elimi-nations	Total
Net interest income	(20)	(5)	0		(25)
Contributions to Guarantee Fund & Resolution Fund	-	-	-		-
Other net fee income, market value adjustments, etc.	44	15	0		59
Purchase price and dowry adjustment	(11)	13	0		2
Other operating income/expenses, net	(64)	(49)	0	(10)	(123)
Operating expenses	121	19	0	(10)	130
Impairment losses on loans and guarantees etc.	(69)	(77)	0		(146)
Profit/(loss) from investments in associates	31	0	0	(30)	1
Profit/(loss) for the period before tax	**(72)**	**32**	**0**	**(30)**	**(70)**
Tax	(3)	2	0		(1)
Profit/(loss) for the period	**(69)**	**30**	**0**	**(30)**	**(69)**
Total assets at 31 December 2017	10,035	2,272	0	(3,009)	9,298
Investments in associates 31 Dec. 2017 at net asset value	44				44
Total liabilities at 31 December 2017	2,660	2,198	0	(2,935)	1,923

2. Segment information for the Group (continued)

Activities for the financial year ended 31 December 2016

Group (DKKm)	Bank packages I-V	Guarantee Fund	Resolution Fund	Eliminations	Total
Net interest income	(12)	5	12		5
Contributions to Guarantee Fund & Resolution Fund	-	0	730		730
Other net fee income and market value adjustments, etc.	(183)	(61)	(1)	55	(190)
Purchase price and dowry adjustment	40	(1)	0		39
Other operating income/expenses, net	473	32	21	(75)	451
Operating expenses	163	6	33	(20)	182
Impairment losses on loans and guarantees etc.	(279)	0	3		(276)
Profit/(loss) from investments in associates	3	0	0		3
Profit/(loss) for the period before tax	**437**	**(31)**	**726**	**0**	**1,132**
Tax	(6)	0	(4)		(10)
Profit/(loss) for the period	**443**	**(31)**	**730**	**0**	**1,142**
Total assets at 31 December 2016	9,542	13,872	1,216	(1,377)	23,253
Investments in associates 31 Dec. 2016 at net asset value	43	0	0		43
Total liabilities at 31 December 2016	2,073	658	160	(1,377)	1,514

Activities for the financial year ended 31 December 2016

Bank Packages I-V (DKKm)	Bank packages I and II	Bank packages III and IV	Bank package V	Eliminations	Total
Net interest income	10	(24)	2		(12)
Contributions to Guarantee Fund & Resolution Fund	-	-	-		-
Other net fee income and market value adjustments etc.	(13)	(160)	(10)		(183)
Purchase price and dowry adjustment	(109)	149	0		40
Other operating income/expenses, net	436	53	3	(19)	473
Operating expenses	100	78	4	(19)	163
Impairment losses on loans and guarantees etc.	(216)	(60)	(3)		(279)
Profit/(loss) from investments in associates	3	0	0		3
Profit/(loss) for the period before tax	**443**	**0**	**(6)**	**0**	**437**
Tax	0	0	(6)		(6)
Profit/(loss) for the period	**443**	**0**	**0**	**0**	**443**
Total assets at 31 December 2016	10,044	2,396	46	(2,944)	9,542
Investments in associates 31 Dec. 2016 at net asset value	43				43
Total liabilities at 31 December 2016	2,575	2,353	45	(2,900)	2,073

Notes

3. Segment information for the parent company

Activities 2017 (DKKm)	**Bank Package activities**	**Guarantee Fund**	**Resolution Fund**	**Elimina-tions**	**Total**
Net interest income	(17)	(53)	(9)		(79)
Contributions to Guarantee Fund & Resolution Fund	-	42	748		790
Other net fee income and market value adjustments, etc.	45	30	(3)	(30)	42
Purchase price and dowry adjustment	(11)	2	0		(9)
Other operating income/expenses, net	(59)	0	17	9	(33)
Operating expenses	120	6	16	(21)	121
Impairment losses on loans and guarantees etc.	(69)	0	0		(69)
Profit/(loss) from investments in associates and subsidiaries	24	0	(14)		10
Profit/(loss) for the period	**(69)**	**15**	**723**		**669**
Total assets at 31 December 2017	10,524	13,229	1,817	(29)	25,541
Total liabilities at 31 December 2017	3,149	0	13	(29)	3,133

Activities 2016 (DKKm)	**Bank Package activities**	**Guarantee Fund**	**Resolution Fund**	**Elimina-tions**	**Total**
Net interest income	(6)	5	0		(1)
Contributions to Guarantee Fund & Resolution Fund	-	0	730		730
Other net fee income and market value adjustments, etc.	(9)	(61)	0	55	(15)
Purchase price and dowry adjustment	(110)	(1)	0		(111)
Other operating income/expenses, net	493	32	14	(73)	466
Operating expenses	99	6	14	(18)	101
Impairment losses on loans and guarantees etc.	(216)	0	0		(216)
Profit/(loss) from investments in associates and subsidiaries	(42)	0	0		(42)
Profit/(loss) for the period	**443**	**(31)**	**730**	**0**	**1,142**
Total assets at 31 December 2016	10,558	13,872	1,110	(665)	24,875
Total liabilities at 31 December 2016	3,114	658	29	(665)	3,136

	Group		Parent	
(DKKm)	2017	2016	2017	2016

4. Interest income

Due from credit institutions and central banks	3	5	0	1
Loans, advances and other receivables at amortised cost	13	28	3	4
Bonds	0	5	0	5
Total derivative financial instruments	0	1	0	0
Interest rate contracts	0	1	0	0
Other interest income	3	3	19	3
Total	**19**	**42**	**22**	**13**
Interest income relates to:				
Liabilities at amortised cost	1	0	17	0
Assets at amortised cost	18	36	5	8
Assets at fair value	0	6	0	5
Total	**19**	**42**	**22**	**13**

5. Interest expense

Due from credit institutions and central banks	101	0	101	0
Deposits and other payables	0	1	0	0
Loans through the state-funded re-lending scheme	0	16	0	16
Other interest expense	0	20	0	(2)
Total	**101**	**37**	**101**	**14**

6. Fees and commissions

Fees and commissions received				
Guarantees	9	8	6	5
Total	**9**	**8**	**6**	**5**
Fees and commissions paid				
Other fees and commissions paid	1	1	1	1
Total	**1**	**1**	**1**	**1**

Notes

	Group		Parent	
(DKKm)	**2017**	**2016**	**2017**	**2016**

7. Market value adjustments

Adjustment for credit risk for loans and advances at fair value	0	0	0	0
Bonds	(2)	15	(2)	15
Shares, etc.	56	(202)	41	(40)
Investment properties	(1)	(1)	0	5
Currency	0	9	0	0
Foreign exchange, interest rate, share, commodity and other contracts and derivative financial instruments	(5)	(14)	(2)	(1)
Other assets and liabilities	1	(6)	0	0
Total	**49**	**(199)**	**37**	**(21)**
Market value adjustments relate to				
Assets and liabilities at fair value	49	(193)	37	(21)
Other assets and liabilities	0	(6)	0	0
Total	**49**	**(199)**	**37**	**(21)**

8. Other operating income

Rental income, property	1	7	0	0
Damages awarded through litigation	2	0	2	0
Income from group companies	-	-	14	22
Reversed provisions for litigation/settlement	0	445	0	407
Income from the Danish FSA	18	14	18	14
Other items	14	81	10	54
Total	**35**	**547**	**44**	**497**

(DKKm)	Group 2017	Group 2016	Parent 2017	Parent 2016
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	30	28	26	20
Severance pay	0	4	0	4
Provisions for salaries during release period	0	1	0	1
Pensions	4	4	2	1
Total	**34**	**37**	**28**	**26**
Other administrative expenses	103	141	89	71
Total	**141**	**182**	**121**	**101**
Average number of employees during the financial year converted into full-time equivalent	42	47	35	33
Board emoluments paid (DKK'000)				
Peter Engberg Jensen (Chairman) - appointed 2015	300	300	300	300
Bent Naur (Deputy Chairman)	225	225	225	225
Nina Dietz Legind – appointed 2015	150	150	150	150
Bente Overgaard – appointed 2016	150	62	150	62
Bendt Wedell – appointed 2016	150	62	150	62
Anne Louise Eberhard – appointed 2016	150	62	150	62
Ulrik Rammeskow Bang-Pedersen – appointed 2016	150	62	150	62
Anette Eberhard – resigned 2016	-	49	-	49
Erik Sevaldsen – resigned 2016	-	88	-	88
Total emoluments	**1,275**	**1,060**	**1,275**	**1,060**
Management Board remuneration paid (DKK'000)				
Henrik Bjerre-Nielsen (November 2008 -)				
Fixed salary	2,926	2,875	2,926	2,875
Tax on company-paid vehicles, etc.	133	133	133	133
Total	**3,059**	**3,008**	**3,059**	**3,008**

The Management Board is not covered by bonus plans.

Other material risk takers

The Finansiel Stabilitet Group has identified 2 other material risk takers. Salaries include fixed remuneration to these in the total amount of DKK 3.6 million (2016: DKK 3.6 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.finansielstabilitet.dk.

Notes

(DKKm)	Group 2017	Group 2016	Parent 2017	Parent 2016
9. Staff costs and administrative expenses – continued				
Provisions for defined benefit plans				
Present value of pension obligations	31	33	9	11
Fair value of pension assets	0	0	0	0
Total	**31**	**33**	**9**	**11**
Movements in provisions for defined benefit plans				
Provision, beginning of year	33	36	11	15
Calculated interest expenses	1	1	0	0
Actuarial gains/losses	0	0	0	(1)
Pensions paid	(4)	(4)	(2)	(3)
Provisions, end of year*	**31**	**33**	**9**	**11**
Defined benefit costs recognised in the income statement/other comprehensive income				
Standard costs	0	0	0	0
Calculated interest expenses	1	1	0	0
Actuarial gains/losses	0	0	0	(1)
Defined benefit costs	**1**	**1**	**0**	**(1)**
Actuarial assumptions:				
Discount rate	3.0%	3.0%	3.0%	3.0%
Pension adjustment rate	1.5%	1.5%	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	1	1	1	0
Assurance engagements	0	0	0	0
Tax advice	0	0	0	0
Non-audit services	0	0	0	0
Total audit fees	**1**	**1**	**1**	**0**

* The figures include rounding differences.

	Group		Parent	
(DKKm)	2017	2016	2017	2016

10. Other operating expenses

Provision for litigation	129	63	73	2
Property management costs	1	9	1	2
Other operating expenses	5	24	3	27
Total	**135**	**96**	**77**	**31**

(DKKm)	Group

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

2017

Loans, advances and other receivables at amortised cost

	Loans, etc., individual impairment	Loans, etc., collective impairment	Total	Impact on operations
Impairment losses and provisions, beginning of year	5,415	115	5,530	
Impairment losses and provisions during the period	21	4	25	25
Reversed impairment losses and provisions	(1,059)	(49)	(1,108)	(1,108)
Impairment losses and provisions, end of year	**4,377**	**70**	**4,447**	**(1,083)**
Losses recorded, etc.				944
Impairment losses charged to income statement				**(139)**

Impairment losses/adjustment for credit risk, end of year

	Impairment losses beginning of year	Impairment losses during the period	Reversed impair-ment losses	Impairment losses end of year
Due from credit institutions	0	0	0	0
Loans and advances at amortised cost	5,347	11	(1,048)	4,310
Guarantees	183	14	(60)	137
Total	**5,530**	**25**	**(1,108)**	**4,447**

Notes

(DKKm) **Parent**

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

2017

Loans, advances and other receivables at amortised cost

	Loans, etc., individual impairment	Loans, etc., collective impairment	Total	Impact on operations
Impairment losses and provisions, beginning of year	2,629	59	2,688	
Impairment losses and provisions during the period	7	0	7	7
Reversed impairment losses and provisions	(603)	(25)	(628)	(628)
Impairment losses and provisions, end of year	**2,033**	**34**	**2,067**	**(621)**
Losses recorded, etc.				552
Impairment losses charged to income statement				**(69)**

Impairment losses/adjustment for credit risk, end of year

	Impairment losses beginning of year	Impairment losses during the period	Reversed impair-ment losses	Impairment losses end of year
Due from credit institutions	0	0	0	0
Loans and advances at amortised cost	2,605	7	(600)	2,008
Guarantees	83	0	(28)	59
Total	**2,688**	**7**	**(628)**	**2,067**

Gross loans	2,147
Loans valued at zero	(1,705)
Gross loans with a value greater than zero	**442**
Impairment losses	2,008
Impairment losses where loans valued at zero	(1,705)
Impairment losses where loan value greater than zero	**303**
Loans, carrying amount	**139**

(DKKm)	Group

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

2016

Loans, advances and other receivables at amortised cost

	Loans, etc., individual impairment	Loans, etc., collective impairment	Total	Impact on operations
Impairment losses and provisions, beginning of year	7,087	174	7,261	
Impairment losses and provisions during the period	177	15	192	192
Reversed impairment losses and provisions	(1,849)	(74)	(1,923)	(1,923)
Impairment losses and provisions, end of year	**5,415**	**115**	**5,530**	**(1,731)**
Losses recorded, etc.				1,455
Impairment losses charged to income statement				**(276)**

Impairment losses/adjustment for credit risk, end of year

	Impairment losses beginning of year	Impairment losses during the period	Reversed impair-ment losses	Impairment losses end of year
Due from credit institutions	0	0	0	0
Loans and advances at amortised cost	6,962	191	(1,806)	5,347
Loans and advances at fair value	13	0	(13)	0
Guarantees	299	1	(117)	183
Total	**7,274**	**192**	**(1,936)**	**5,530**

Notes

(DKKm) **Parent**

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

2016

Loans, advances and other receivables at amortised cost

	Loans, etc., individual impairment	Loans, etc., collective impairment	Total	Impact on operations
Impairment losses and provisions, beginning of year	3,128	102	3,230	
Impairment losses and provisions during the period	4	0	4	4
Reversed impairment losses and provisions	(503)	(43)	(546)	(546)
Impairment losses and provisions, end of year	**2,629**	**59**	**2,688**	**(542)**
Losses recorded, etc.				326
Impairment losses charged to income statement				**(216)**

Impairment losses/adjustment for credit risk, end of year

	Impairment losses beginning of year	Impairment losses during the period	Reversed impairment losses	Impairment losses end of year
Due from credit institutions	0	0	0	0
Loans and advances at amortised cost	3,102	3	(500)	2,605
Loans and advances at fair value	13	0	(13)	0
Guarantees	128	1	(46)	83
Total	**3,243**	**4**	**(559)**	**2,688**

Gross loans	2,740
Loans valued at zero	(2,160)
Gross loans with a value greater than zero	**580**
Impairment losses	2,605
Impairment losses where loans valued at zero	(2,160)
Impairment losses where loan value greater than zero	**445**
Loans, carrying amount	**135**

	Group		Parent	
(DKKm)	2017	2016	2017	2016

12. Profit/(loss) from investments in associates and subsidiaries

Profit/(loss) from investments in associates	1	3	1	3
Profit/(loss) from investments in subsidiaries	0	0	9	45
Total	**1**	**3**	**10**	**(42)**

13. Tax

Estimated tax on the profit for the year	2	0		
Prior-year tax adjustments	(3)	(10)		
Total	**(1)**	**(10)**		
Effective tax rate				
Corporate tax rate in Denmark	22.0%	22.0%		
Tax-exempt activities and unrecognised deferred tax assets	(22.0%)	(22.0%)		
Effective tax rate	**0.0%**	**0.0%**		

Finansiel Stabilitet A/S is exempt from taxation.

14. Due from credit institutions and central banks

Due from credit institutions	76	390	24	133
Total balances due from credit institutions and central banks	**76**	**390**	**24**	**133**
Broken down by term to maturity				
Demand deposits	51	193	24	84
3 months or less	0	0	0	0
Between 3 months and 1 year	25	16	0	3
Between 1 and 5 years	0	66	0	17
More than 5 years	0	115	0	29
Total	**76**	**390**	**24**	**133**

Notes

	Group		Parent	
(DKKm)	**2017**	**2016**	**2017**	**2016**

15. Loans, advances and other receivables

	Group 2017	Group 2016	Parent 2017	Parent 2016
Loans, advances and other receivables at amortised cost	442	482	139	135
Impairment losses	4,310	5,347	2,008	2,605
Total loans, advances and other receivables before impairment losses	**4,752**	**5,829**	**2,147**	**2,740**
Broken down by term to maturity				
On demand	4,285	5,203	1,962	2,552
3 months or less	21	23	4	5
Between 3 months and 1 year	46	51	15	14
Between 1 and 5 years	232	327	131	158
More than 5 years	168	225	35	11
Total	**4,752**	**5,829**	**2,147**	**2,740**

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 objective 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 29.

Credit exposure	Group 2017	Group 2016	Parent 2017	Parent 2016
Balance sheet items:				
Cash in hand and demand deposits with central banks	15,796	15,034	15,796	15,034
Due from credit institutions and central banks	76	390	24	133
Loans, advances and other receivables at amortised cost	442	482	139	135
Total credit exposure recognised in balance sheet	**16,314**	**15,906**	**15,959**	**15,302**
Off-balance sheet items:				
Guarantees	582	676	327	355
Credit exposure re. lending activity	**16,896**	**16,582**	**16,286**	**15,657**

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 15.9 billion relates to amounts due from credit institutions and central banks. No impairment losses have been recognised on amounts due from central banks and credit institutions.

Loans and advances at amortised cost and guarantees
The remaining part of the credit exposure relates to the Group's lending activities proper. In the following table, loans and guarantees are broken down by line of business.

(DKKm)	Group 2017		Group 2016		Parent 2017		Parent 2016	
Loans and guarantees (gross)								
1. Public authorities	8	0%	3	0%	2	0%	1	0%
2. Commercial sector								
2.1 Agriculture, hunting, forestry and fishing	710	13%	609	9%	151	5%	110	3%
2.2 Industry and raw materials extraction	37	1%	6	0%	0	0%	0	0%
2.3 Energy supply	290	5%	382	6%	191	8%	241	8%
2.4 Construction	122	2%	193	3%	13	1%	34	1%
2.5 Trade	37	1%	69	1%	12	0%	36	1%
2.6 Transport, hotel and restaurant business	98	2%	128	2%	54	2%	64	2%
2.7 Information and communication	0	0%	0	0%	0	0%	0	0%
2.8 Finance and insurance	917	17%	1,143	17%	303	12%	357	11%
2.9 Property	2,734	50%	3,457	52%	1,598	64%	2,076	65%
2.10 Other commercial sector	196	4%	257	4%	86	3%	97	3%
Total commercial sector	**5,141**	**94%**	**6,244**	**93%**	**2,408**	**95%**	**3,015**	**95%**
3. Retail sector	322	6%	441	7%	123	5%	162	5%
Total	**5,471**	**5,325**	**6,688**	**100%**	**2,533**	**100%**	**3,178**	**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.

In 2017, Landbrugets Finansieringsbank was converted into a finance institution. In that connection, Finansiel Stabilitet's receivable was reclassified from being an amount due from credit institutions to being a loan. Accordingly, the Group's and the parent company's loans and advances grew by DKK 146 million and DKK 38 million, respectively.

Lending is concentrated around lending to the commercial sector, particularly the property sector. The lending activity is largely limited to Danish customers.

Loans neither due nor impaired at 31 December 2017 amounted to DKK 32 million.

In relation to virtually all loans, loss risk has been identified. A break-down of loans by degree of security is shown below.

Notes

15. Loans, advances and other receivables – continued

(DKKm)	Group 2017	Group 2016	Parent 2017	Parent 2016
Break-down of loans by degree of security (partially based on estimates)				
Commercial sector				
Loans, completely unsecured	3,105	4,254	1,531	2,064
Loans secured on charges or other security:				
– secured in full	132	168	0	31
– secured in part	1,270	1,060	513	505
Total	**4,507**	**5,482**	**2,044**	**2,600**
Retail sector				
Loans, completely unsecured	204	335	102	137
Loans secured on charges or other security:				
– secured in full	3	3	1	3
– secured in part	38	9	0	0
Total	**245**	**347**	**103**	**140**
Total	**4,752**	**5,829**	**2,147**	**2,740**
The loan value of the collateral security received relates largely to real property. The table below shows a break-down on main categories.				
Collateral security				
Mortgages on real property	70	107	24	24
Mortgages on vehicles, ships, etc.	33	113	0	0
Security in deposits	0	12	0	11
Guarantees	0	0	0	0
Other	164	228	84	102
Total	**267**	**460**	**108**	**137**

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 potential 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.

15. Loans, advances and other receivables – continued

(DKKm)	Group 2017		Group 2016		Parent 2017		Parent 2016	
Impairment losses and provisions by line of business								
1. Public authorities	2	0%	0	0%	0	0%	0	0%
2. Commercial sector								
2.1 Agriculture, hunting, forestry and fishing	466	10%	517	9%	77	4%	83	3%
2.2 Industry and raw materials extraction	0	0%	6	0%	0	0%	0	0%
2.3 Energy supply	321	7%	357	6%	188	9%	226	8%
2.4 Construction	107	2%	134	2%	8	0%	29	1%
2.5 Trade	21	0%	42	1%	5	0%	20	1%
2.6 Transport, hotel and restaurant business	49	1%	65	1%	27	1%	27	1%
2.7 Information and communication	0	0%	0	0%	0	0%	0	0%
2.8 Finance and insurance	835	19%	1,048	19%	288	14%	331	12%
2.9 Property	2,212	50%	2,744	51%	1,288	62%	1,700	64%
2.10 Other commercial sector	155	3%	213	4%	52	3%	80	3%
Total commercial sector	**4,166**	**93%**	**5,126**	**93%**	**1,933**	**93%**	**2,496**	**93%**
3. Retail sector	209	5%	289	5%	100	5%	133	5%
Total	**4,377**	**98%**	**5,415**	**98%**	**2,033**	**98%**	**2,629**	**98%**
Collective impairment write-downs	70	2%	115	2%	34	2%	59	2%
Total	**4,447**	**100%**	**5,530**	**100%**	**2,067**	**100%**	**2,688**	**100%**

For a more detailed description of the Group's credit risk management goals and policies, see note 29.

(DKKm)	Group 2017	Group 2016	Parent 2017	Parent 2016
16. Bonds at fair value, etc.				
Bonds	10	34	6	29
Total	**10**	**34**	**6**	**29**
17. Shares, etc.				
Shares/unit trust certificates listed on Nasdaq OMX Copenhagen A/S	0	50	0	50
Unlisted shares at fair value	212	148	149	99
Total	**212**	**198**	**149**	**149**

Notes

	Group		Parent	
(DKKm)	**2017**	**2016**	**2017**	**2016**

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	(15)	(9)	(15)	(9)
Revaluations and impairment	1	(6)	1	(6)
Revaluations and impairment, end of year	(14)	(15)	(14)	(15)
Total	**44**	**43**	**44**	**43**

Investments in associates	Ownership (%)	Domicile	Total assets	Total liabilities	Revenue	Profit/(loss)
Landbrugets Finansieringsinstitut A/S*	33%	Copenhagen	399	265	7	0
EBH Tyskland 1 A/S	45%	Horsens	7	0	2	2

Financial information is provided in accordance with the companies' most recent annual report (*interim report).

19. Investment properties

Investment properties				
Fair value, beginning of year	35	252	1	44
Additions	0	1	2	1
Disposals	31	217	0	49
Value adjustments	(1)	(1)	0	5
Fair value, end of year	**3**	**35**	**3**	**1**

Rental income from investment properties amounted to DKK 1 million (2016: DKK 7 million). Direct costs in relation to investment properties generating revenue amounted to DKK 1 million, and in relation to investment properties not generating revenue amounted to DKK 1 million. The corresponding costs for 2016 were DKK 6 million and DKK 3 million.

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

20. Other property, plant and equipment

Cost, beginning of year	0	4	0	0
Disposals	0	4	0	0
Cost, end of year	**0**	**0**	**0**	**0**
Depreciation and impairment, beginning of year	0	3	0	0
Depreciation	0	0	0	0
Disposals during the year	0	3	0	0
Depreciation and impairment, end of year	0	0	0	0
Carrying amount, end of year	**0**	**0**	**0**	**0**

	Group		Parent	
(DKKm)	2017	2016	2017	2016
21. Other assets				
Positive market values of derivative financial instruments	1	4	0	4
Other assets	224	263	281	245
Total	**225**	**267**	**281**	**249**
22. Due to credit institutions and central banks				
Due to credit institutions	0	5	0	0
Total due to credit institutions and central banks	**0**	**5**	**0**	**0**
Broken down by term to maturity				
Due on demand	0	0	0	0
3 months or less	0	0	0	0
Between 3 months and 1 year	0	1	0	0
Between 1 and 5 years	0	2	0	0
More than 5 years	0	2	0	0
Total	**0**	**5**	**0**	**0**
23. Deposits and other payables				
On demand	0	35	0	0
Subject to term of notice	0	23	0	0
Time deposits	0	0	0	0
Special types of deposits	0	39	0	0
Total deposits	**0**	**97**	**0**	**0**
Broken down by term to maturity				
Due on demand	0	35	0	0
3 months or less	0	62	0	0
Between 3 months and 1 year	0	0	0	0
Total	**0**	**97**	**0**	**0**

Notes

	Group		Parent	
(DKKm)	**2017**	**2016**	**2017**	**2016**

24. Other liabilities

Deposit re. EU case FIH	351	351	351	351
Negative market values of derivative financial instruments	0	14	0	5
Other liabilities	348	501	2,697	2,659
Total	**699**	**866**	**3,048**	**3,015**

25. Purchase price adjustment (earn-out)

Beginning of year	213	252		
Disposals during the year	4	39		
End of year	**209**	**213**	**-**	**-**

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.

26. Other provisions

Litigation	59	82	1	4
Other provisions	62	68	25	34
Total	**121**	**150**	**26**	**38**

Provisions for litigation are determined based on an assessment of the risk in each individual case. Other provisions comprise pensions, onerous contracts, etc.

Litigation				
Beginning of year	82	789	4	672
Additions during the year	2	5	0	0
Reversed	23	445	2	407
Used	2	267	1	261
End of year	**59**	**82**	**1**	**4**

Other provisions				
Beginning of year	68	118	34	67
Additions during the year	3	11	0	10
Reversed	3	42	3	26
Used	6	19	6	17
End of year	**62**	**68**	**25**	**34**

	Group		Parent	
(DKKm)	2017	2016	2017	2016
27. Contingent assets and liabilities				
Financial guarantees	0	1	0	0
Loss guarantees for mortgage loans	546	620	323	347
Other	36	55	4	8
Total	**582**	**676**	**327**	**355**

Tax

The Group has a tax asset of DKK 0.4 billion (2016: 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.

FIH

In March 2012, Finansiel Stabilitet concluded an agreement with FIH for the takeover of a significant portfolio of property exposures with a view to resolution. In connection with the preliminary approval of the transaction, the European Commission announced in December 2013 that it found the transaction to be compatible with its rules on state aid, provided that certain elements of the transaction structure were modified, including that FIH paid DKK 310 million to Finansiel Stabilitet. FIH has deposited a total amount, including interest, of DKK 351 million with Finansiel Stabilitet. Against that background, the DKK 351 million has not impacted Finansiel Stabilitet's profit. The decision by the Court of Justice of the European Union of 6 March 2018 is discussed in the section Events after 2017, see page 17.

Lawsuits

Finansiel Stabilitet is a party to several lawsuits instituted by the company, including eight cases against the former managements, etc. of banks 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.

Notes

(DKKm) **Group**

28. Derivative financial instruments

	2017			2016		
Group	**Nominal value**	**Positive market value**	**Negative market value**	**Nominal value**	**Positive market value**	**Negative market value**
Foreign exchange contracts						
Forward/futures, purchase	0	0	0	0	0	0
Forward/futures, sale	44	1	0	154	0	10
Swaps	0	0	0	0	0	0
	44	**1**	**0**	**154**	**0**	**10**
Interest rate contracts						
Swaps	0	0	0	73	4	4
Options, purchase	0	0	0	0	0	0
Options, sale	0	0	0	0	0	0
	0	**0**	**0**	**73**	**4**	**4**
Total	**44**	**1**	**0**	**227**	**4**	**14**

29. 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 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 2017, 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. The portfolio of guarantees is of more average credit quality.

Moreover, the quality of the loans makes it impossible to achieve a well-balanced risk-return ratio. Most of the loans show objective evidence of impairment, which means that the individual payment ability is limited. For this reason, it is not possible to apply the normal risk management approach of a financial business. Management of credit risk at Finansiel

29. Financial risk management – continued

Stabilitet is incorporated as an integral part of the ongoing resolution of the assets, taking into consideration that a well-balanced portfolio will not be achievable due to market conditions.

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 loans and guarantees are covered by way of mortgages, dividends from estates in bankruptcy, etc. Against this background, the remaining risk relating to loans and guarantees, after recognition of impairment write-downs, 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 the Company is exposed to market risks, the intention is for the group companies to resolve activities that expose the Company to market risks or, alternatively, to hedge such exposures.

The Board of Directors has defined limits for the Group'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.

Interest rate risk
The market risks faced by Finansiel Stabilitet are in the form of interest rate risks arising in connection with differences in the maturities of assets and liabilities. Most of the group companies' loans and advances carry floating rates of interest, and Finansiel Stabilitet is therefore not exposed to interest rate fluctuations.

The Group's total interest rate risk at 31 December 2017 amounted to DKK 0 million (2016: 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 the Bank Package, and to 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 212 million at 31 December 2017 (DKK 241 million at 31 December 2016). Excluding the subsidiaries under Bank Packages III-V, the portfolio of shares etc. amounted to DKK 149 million (2016: DKK 198 million). A 10% drop in share prices would result in a DKK 15 million deterioration of Finansiel Stabilitet's profit/(loss) (2016: DKK 20 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 44 million (2016: DKK 43 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.

At 31 December 2017, exchange rate indicator 1 was 0.2%, calculated excluding EUR (2016: 0.1%) of Finansiel Stabilitet's equity.

Excluding banks taken over under Bank Packages III-V, exchange rate indicator 1, calculated excluding EUR, was 0.08% of equity (2016: 0.05%). A 2.25% change in the DKK/EUR exchange rate and a 10% change in all other exchange rates would affect Finansiel Stabilitet's profit/(loss) by DKK 2 million (2016: DKK 2 million).

The overall currency position calculated in terms of exchange rate indicator 1 amounted to DKK 67 million at 31 December 2017 (DKK 67 million at 31 December 2016). Excluding the subsidiaries under Bank Packages III-V, the currency position amounted to DKK 50 million (DKK 67 million at 31 December 2016). See also the calculation of currency risk at the end of note 29.

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.

Notes

29. Financial risk management – continued

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.

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 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 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 Guarantee Fund are from time to time proportionate with the Guarantee Fund's potential liabilities.

The investment of cash funds must take into account that all currency risk is hedged (euro positions are not included in this calculation), and interest rate risk must be within the limits set out in the investment strategy approved by the Board of Directors. For the time being, it has been decided that funds not already invested are placed in a current account with Danmarks Nationalbank.

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

Resolution Fund

The principal risks relate to losses in connection with the restructuring or resolution of institutions in which the Resolution Fund has injected capital. Moreover, the investment of the Resolution Fund will be subject to risk, depending on the chosen investment profile. The Act on Restructuring and Resolution of Certain Financial Enterprises stipulates that the assets of the Resolution Fund must be invested in low-risk assets. Each year, Finansiel Stabilitet's Board of Directors defines the investment strategy for the 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. The investment of cash funds must take into account that all currency risk is hedged (euro positions are not included in this calculation).

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)	2017	2016
Currency risk		
Total assets in foreign currency	110	225
Total liabilities in foreign currency	0	0
Exchange rate indicator 1	67	61
Exchange rate indicator 1 in per cent of equity	0%	0.9%
Interest rate risk		
Exposures in the trading portfolio:		
Swaps	-	-
Exposures outside the trading portfolio:		
On-balance sheet items, excluding positions with limited or hedged interest rate exposure	0	0
Positions with limited or hedged interest rate risk	-	-
All positions	**0**	**0**

(DKKm) **Group**

30. 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 9 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 2017	Balance sheet 31 Dec. 2017	Income/ expense 2016	Balance sheet 31 Dec. 2016
Parties exercising significant influence						
The Danish State	100% ownership of Finansiel Stabilitet IPC	Loans through the state-funded re-lending scheme Market rate of interest plus 0.15% commission	0	0	(16)	0
		Reimbursement, adm. expenses through Finance and Appropriation Act	18	(13)	14	(14)
Subsidiaries						
FS Finans I A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms	0	(282)	0	(271)
		Management agreement	1	–	2	–
FS Finans II A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms	0	(139)	0	(146)
		Management agreement	3	–	4	–
FS Finans III A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms	0	(1,449)	0	(1,384)
		Management agreement	3	–	8	–
FS Finans IV A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms	0	(54)	0	(30)
		Management agreement	3	–	5	–
FS Finans V A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Loans on market terms	1	31	0	25
		Deposits on market terms	0	0	0	(6)
		Management agreement	3	–	2	–
Other government entities						
Danmarks Nationalbank	Controlled by the Danish State	Deposit	(98)	15,796	0	15,034

Notes

(DKKm) **Group**

31. Group overview

	Share capital	Profit/(loss)	Equity	Ownership (%)
Finansiel Stabilitet IPC, Copenhagen	1	691	22,430	
Broinstitut I A/S, Copenhagen	38	(14)	38	100%
Significant subsidiaries:				
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	80	30	72	100%
FS Finans V A/S, Copenhagen	38	(13)	25	100%

(DKKm) **Group**

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

2017	On demand 0-3 mths.	Between 3 mths. and 1 year	Between 1 and 5 years	More than 5 years	Total
Assets					
Cash in hand and demand deposits with central banks	15,796	-	-	-	15,796
Due from credit institutions and central banks	51	25	-	-	76
Loans, advances and other receivables at amortised cost	189	29	111	113	442
Bonds at fair value	-	-	10	-	10
Shares etc.	-	-	212	-	212
Investments in subsidiaries and associates, etc.	-	-	44	-	44
Guarantees provided by banks, mortgage credit institutions and investment companies	-	-	-	4,215	4,215
Investment properties	-	3	-	-	3
Receivable re. loss guarantee from the Danish State relating to Roskilde Bank	2,550	-	-	-	2,550
Other assets, etc.	60	10	156	-	226
Prepayments	1	-	-	-	1
Total assets	**18,647**	**67**	**533**	**4,328**	**23,575**

2017	On demand 0-3 mths.	Between 3 mths. and 1 year	Between 1 and 5 years	More than 5 years	Total
Equity and liabilities					
Due to credit institutions and central banks	-	-	-	-	-
Deposits and other payables	-	-	-	-	-
Other liabilities, etc.	47	8	645	-	700
Provisions	-	-	467	-	467
Total liabilities	**47**	**8**	**1,112**	**-**	**1,167**

Pursuant to section 91 of the Executive Order on Financial Reporting, it is disclosed that the parent company's loans at amortised cost are distributed as follows on expected terms to maturity:

2017	On demand 0-3 mths.	Between 3 mths. and 1 year	Between 1 and 5 years	More than 5 years	Total
	65	4	44	26	139

Notes

(DKKm) **Group**

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

2016	On demand 0-3 mths.	Between 3 mths. and 1 year	Between 1 and 5 years	More than 5 years	Total
Assets					
Cash in hand and demand deposits with central banks	15,034	-	-	-	15,034
Due from credit institutions and central banks	193	16	66	115	390
Loans, advances and other receivables at amortised cost	257	33	134	58	482
Bonds at fair value	-	-	34	-	34
Shares, etc.	-	1	197	-	198
Investments in subsidiaries and associates, etc.	-	-	43	-	43
Guarantees provided by banks, mortgage credit institutions and investment companies	-	-	-	4,215	4,215
Investment properties	-	35	-	-	35
Receivable re. loss guarantee from the Danish State relating to Roskilde Bank	-	-	2,550	-	2,550
Other assets, etc.	36	16	218	-	270
Prepayments	2	-	-	-	2
Total assets	**15,522**	**101**	**3,242**	**4,388**	**23,253**

2016	On demand 0-3 mths.	Between 3 mths. and 1 year	Between 1 and 5 years	More than 5 years	Total
Equity and liabilities					
Due to credit institutions and central banks	-	1	2	2	5
Deposits and other payables	97	-	-	-	97
Other liabilities, etc.	179	78	609	-	866
Provisions	-	-	546	-	546
Total liabilities	**276**	**79**	**1,157**	**2**	**1,514**

Pursuant to section 91 of the Executive Order on Financial Reporting, it is disclosed that the parent company's loans at amortised cost are distributed as follows on expected terms to maturity:

2016	On demand 0-3 mths.	Between 3 mths. and 1 year	Between 1 and 5 years	More than 5 years	Total
	118	1	16	0	135

(DKKm) **Group**

33. 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

	2017			2016		
Group	**Amor-tised cost**	**Fair value**	**Total**	**Amor-tised cost**	**Fair value**	**Total**
Financial assets						
Cash in hand and demand deposits with central banks	15,796	0	15,796	15,034	0	15,034
Due from credit institutions and central banks	76	0	76	390	0	390
Loans, advances and other receivables at amortised cost	442	0	442	482	0	482
Bonds	0	10	10	0	34	34
Shares, etc.	0	212	212	0	198	198
Investment properties	0	3	3			
Guarantees provided by banks, mortgage credit institutions and investment companies	4,215	0	4,215	4,215	0	4,215
Receivable re. loss guarantee from the Danish State relating to Roskilde Bank	2,550	0	2,550	2,550	0	2,550
Derivative financial instruments	0	1	1	0	4	4
Total financial assets	**23,079**	**226**	**23,305**	**22,671**	**236**	**22,907**
Financial liabilities						
Due to credit institutions and central banks	0	0	0	5	0	5
Deposits and other payables	0	0	0	97	0	97
Derivative financial instruments	0	0	0	0	14	14
Total financial liabilities	**0**	**0**	**0**	**102**	**14**	**116**

Notes

(DKKm) **Group**

33. 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.

Investment properties measured at fair value at 31 December 2017 amounted to DKK 3 million (2016: DKK 35 million). The fair value of investment properties is based on a required rate of return of 8% (2016: 8%)

As draft sales agreements are in place for the majority of the remaining properties, the valuation is not considered to be subject to significant risk.

2017	Listed prices	Observable input	Non-observable input	Total
Fair value, Group				
Financial assets at fair value broken down into:				
Bonds	0	0	10	10
Shares, etc.	0	0	212	212
Investment properties	0	3	0	3
Derivative financial instruments	0	1	0	1
Total	**0**	**4**	**222**	**226**

(DKKm) **Group**

33. Fair value disclosure – continued

2016	Listed prices	Observable input	Non-observable input	Total
Fair value, Group				
Financial assets at fair value broken down into:				
Bonds	0	5	29	34
Shares, etc.	50	1	147	198
Investment properties	0	35	0	35
Derivative financial instruments	0	4	0	4
Total	**50**	**45**	**176**	**271**
Financial liabilities				
Derivative financial instruments	0	14	0	14
Total	**0**	**14**	**0**	**14**

Fair value based on non-observable input	2017	2016
Beginning of year	176	1,042
Additions during the year	10	0
Value adjustment through profit or loss (note 7)	56	(191)
Disposals during the year	(20)	(675)
Fair value, end of year	**222**	**176**

Notes

(DKKm) **Group**

34. 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.

	Amortised cost 2017	Fair value 2017	Amortised cost 2016	Fair value 2016
Financial assets				
Cash in hand and demand deposits with central banks	15,796	15,796	15,034	15,034
Due from credit institutions and central banks	76	76	390	390
Loans, advances and other receivables	442	442	482	482
Guarantees provided by banks, mortgage credit institutions and investment companies	4,215	4,215	4,215	4,215
Receivable re. loss guarantee from the Danish State relating to Roskilde Bank	2,550	2,550	2,550	2,550
Total financial assets	**23,079**	**23,079**	**22,671**	**22,671**
Financial liabilities				
Due to credit institutions and central banks	0	0	5	5
Deposits and other payables	0	0	97	97
Total financial liabilities	**0**	**0**	**102**	**102**

(DKKm) **Group**

35. Return on financial instruments

	2017			2016		
	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	19	0	19	36	6	42
Interest expense	101	0	101	37	0	37
Net interest income	(82)	0	(82)	(1)	6	5
Share dividends etc.	0	0	0	0	2	2
Fees and commissions received	9	0	0	8	0	8
Fees and commissions paid	1	0	1	1	0	1
Net interest and fee income	(74)	0	(74)	6	8	14
Market value adjustments	0	49	49	(6)	(193)	(199)
Total	**(74)**	**49**	**(25)**	**0**	**(185)**	**(185)**

36. Leases

	2017	2016
The item Loans and advances at amortised cost comprises finance leases	45	123
Net investments in finance leases		
Terms up to 1 year	27	39
Terms between 1 and 5 years	18	84
Terms of 5 years or more	0	0
Total	**45**	**123**
Gross investments in finance leases		
Terms up to 1 year	27	39
Terms between 1 and 5 years	30	96
Terms of 5 years or more	0	0
Total	**57**	**135**
Write-down of finance leases	12	12

Leases in which the Group is the lessor mainly comprise leases of operating equipment and, to a lesser extent, commercial properties. Containers are the main objects leased.

Notes

(DKKm) **Parent**

37. Finansiel Stabilitet 2013-2017

	2017	2016	2015	2014	2013
Summary income statement					
Net interest and fee income	716	735	2,535	188	11
Market value adjustments	37	(21)	134	(26)	(109)
Other operating income	44	497	330	363	449
Staff costs and administrative expenses	121	101	208	232	437
Other operating expenses etc.	77	31	180	263	1,102
Impairment losses on loans, advances and receivables, etc.	(69)	(216)	(199)	(716)	(544)
Profit/(loss) from investments in associates and subsidiaries	10	(42)	1	280	766
Purchase price and dowry adjustment	(9)	(111)	362	-	-
Loss guarantee from the Danish State	0	0	0	(60)	39
Profit/(loss) for the year	**669**	**1,142**	**3,173**	**966**	**161**
Balance sheet at 31 December					
Assets					
Cash in hand and demand deposits with central banks and credit institutions	15,820	15,167	15,011	1,421	2,733
Loans, advances and other receivables at fair value	0	0	8	40	53
Loans, advances and other receivables at amortised cost	139	135	309	4,408	9,036
Bonds at fair value and shares	155	178	820	744	866
Investments in associates and subsidiaries	657	649	726	3,308	3,518
Guarantees provided by banks, mortgage credit institutions and investment companies	4,215	4,215	4,215	-	-
Loss guarantee from the Danish State	2,550	2,550	2,550	7,820	7,880
Purchase price and dowry adjustment	1,720	1,729	1,840	-	-
Other assets	285	252	385	1,164	2,222
Total assets	**25,541**	**24,875**	**25,864**	**18,905**	**26,308**
Equity and liabilities					
Due to credit institutions and central banks	0	0	0	0	370
Deposits and other payables	0	0	0	0	420
Loans through the state-funded re-lending scheme	0	0	801	5,628	13,572
Other debt	3,048	3,015	3,599	1,711	806
Total debt	**3,048**	**3,015**	**4,400**	**7,339**	**15,168**
Provisions	85	121	867	849	1,389
Equity	22,408	21,739	20,597	10,717	9,751
Total equity and liabilities	**25,541**	**24,875**	**25,864**	**18,905**	**26,308**
Off-balance sheet items					
Contingent liabilities	327	353	457	1,410	5,716
Other commitments	0	0	0	0	0
Financial ratios					
Return on equity before tax	3.0%	5.4%	16.7%	9.4%	1.7%
Return on equity after tax	3.0%	5.4%	16.7%	9.4%	1.7%

(DKKm) **Parent**

37. Finansiel Stabilitet 2013-2017 – continued

Finansiel Stabilitet 2017

(DKKm)	Bank Package activities	Guarantee Fund	Resolution Fund	Elimina-tions	Total
Summary income statement					
Net interest and fee income	(9)	19	736	(30)	716
Market value adjustments	37	0	0		37
Other operating income	47	0	18	(21)	44
Staff costs and administrative expenses	120	6	16	(21)	121
Other operating expenses, depreciation and amortisation	106	0	1	(30)	77
Impairment losses on loans, advances and receivables, etc.	(69)	0	0		(69)
Profit/(loss) from investments in subsidiaries and associates	24	0	(14)		10
Purchase price and dowry adjustment	(11)	2	0		(9)
Profit/(loss) for the year	**(69)**	**15**	**723**		**669**
Balance sheet at 31 December					
Assets					
Cash in hand and demand deposits with central banks	5,935	8,099	1,762		15,796
Due from credit institutions and central banks	23	1	0		24
Loans and advances	139	0	0		139
Securities	155	0	0		155
Investments in subsidiaries	633	0	24		657
Investment properties	3	0	0		3
Guarantees provided by banks, mortgage credit institutions and investment companies	0	4,215	0		4,215
Receivable re. loss guarantee from the Danish State relating to Roskilde Bank	2,550	0	0		2,550
Purchase price and dowry adjustment receivable	1,013	707	0		1,720
Other assets	73	207	31	(29)	282
Total assets	**10,524**	**13,229**	**1,817**	**(29)**	**25,541**
Equity and liabilities					
Other liabilities	3,077	0	0	(29)	3,639
Total debt	3,077	0	0	(29)	3,048
Provision for losses on guarantees	59	0	0		59
Other provisions	13	0	13		26
Total provisions	72	0	13	0	85
Total liabilities	3,149	0	13	(29)	3,133
Equity as at 1 January 2017	7,444	13,214	1,081		21,739
Comprehensive income for the period	(69)	15	723		669
Equity as at 31 December 2017	7,375	13,229	1,804		22,408
Total equity and liabilities	**10,524**	**13,229**	**1,817**	**(29)**	**25,541**

Statement by Management

The Board of Directors and the Management Board have today considered and adopted the annual report of Finansiel Stabilitet for the financial year 1 January – 31 December 2017.

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 2017 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 2017.

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, 3 April 2018

Management Board

Henrik Bjerre-Nielsen
CEO

Board of Directors

Peter Engberg Jensen Chairman	Bent Naur Deputy Chairman	Nina Dietz Legind
Bente Overgaard	Bendt Wedell	Anne Louise Eberhard
Ulrik Rammeskow Bang-Pedersen		

Independent auditors' report

To the Ministry of Industry, Business and Financial Affairs

Auditors' report on the consolidated and parent company financial statements

Opinion
We have audited the consolidated and parent financial statements of the independent public company Finansiel Stabilitet for the financial year 1 January to 31 December 2017, 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 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 2017 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 2017 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 the standards on public auditingas 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 "Auditors' 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 consolidated and parent 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.

Auditors' 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 skepticism 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 conclusions are 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 do 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 Business Act.

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

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 and that due financial considerations have been made in the administration of the funds and the operation of the entities 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 select relevant subject matters for the compliance audit and the performance audit, respectively. 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 granted, 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, 3 April 2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Business reg. no. (CVR) 33 96 35 56

Henrik Wellejus
State-Authorised Public Accountant
Identifcation no. (MNE) mne24807

Christian Dalmose Pedersen
State-Authorised Public Accountant
Identification no. (MNE) mne24730

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

Member of the boards of directors of:
- Investeringsforeningen PFA Invest (Chairman)
- Den Sociale Kapital-fond
- Pension Danmark Holding A/S
- Pensiondanmark Pensionsforsikrings-selskab
- Ordrup Gymnasium (Chairman)
- Chr. Augustinus Fabrikker Aktieselskab
- CAF Invest A/S
- Aarhus Symposium 15. juni Fonden Arborethusene A/S

Other duties:
- Member of the board of Business LF

Bent Naur

- Deputy Chairman of the Board of Directors
- Joined the Board of Directors in 2012
- Born in 1947

Member of the boards of directors of:
- Nykredit Holding A/S
- Nykredit Realkredit A/S

Nina Dietz Legind

- Joined the Board of Directors in 2015
- Born in 1967

Member of the boards of directors of:
- Jurist- og Økonom-forbundets Forlag A/S (Chairman)
- Jurist- og Økonom-forbundets Forlags-fond (Chairman)
- Fionia Fond (Deputy Chairman)

Other duties:
- Vice Dean for Research, Syddansk Universitet

Bente Overgaard

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

Member of the boards of directors of:
- Den Danske Natur-fond
- Arena CPHX Kom-plementar A/S
- Arena CPHX P/S
- SP Group A/S
- SP Moulding A/S
- Energinet.dk

Other duties:
- CEO of Overgaard Advisory ApS
- Partner of Flensby & Partners
- Program Director of CBS Board Leader-ship Education for banking/mortgage credit and pension/ insurance

Bendt Wedell

- Joined the Board of Directors in 2016
- Born in 1975

Member of the boards of directors of:
- AIC A/S (Chairman)
- Lensgreve Karl Wedells og Comtesse Agnes' stiftelse (Chair-man)
- Selected car leasing A/S (Chairman)
- H. W-W ApS (Chairman)
- I. W-W ApS (Chairman)
- Patriotisk Selskab (Deputy Chair-man)
- A/S Det fynske landbocenter. Ejendomsselskab
- Donau Agro ApS
- TG Partners III A/S
- TG Partner H2 A/S
- TG Brentwood A/S
- I/S Brentwood Management
- WEFRI A/S
- WEFRI HOLDING ApS
- De 5 gaarde A/S
- Stroco Agro Aps

Other duties:
Executive Board member of the fol-lowing companies:
- Vicus P ApS
- VICUS Ejendomme ApS
- VICUS Slovakiet ApS
- VICUS M ApS
- VICUS Invest ApS
- VICUS B ApS
- Equity ApS
- NITRA ApS
- VICUS Biogas ApS
- VICUS D5G ApS
- VICUS Green ApS
- VICUS Der ApS
- De 5 Gaarde A/S
- WEFREE A/S
- WEFREE Holding ApS
- PBTHIW ApS

Board of directors

– continued

Anne Louise Eberhard

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

Member of the boards of directors of:

- FLSmidth A/S
- FLSmidth & Co A/S

Other duties:

- Chief Commercial Officer, member of General Management Team, Intrum Justitia AB
- Faculty member, Copenhagen Business School, Board programs

Ulrik Rammeskow Bang-Pedersen

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

Member of the boards of directors of:

- Danish Arbitration Association

Other duties:

- Professor, doctor of laws, Faculty of Law
- Editor, Erhvervsjuridisk Tidsskrift
- Arbitrator, Danish Institute of Arbitration
- Member of the Appeals Permission Board

Management Board

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 Ejendomsselskab A/S
- Broinstitut I A/S

Company details

Finansiel Stabilitet
Sankt Annæ Plads 13, 2nd floor left
DK-1250 Copenhagen K

Phone: +45 70 27 87 47
Fax: +45 33 93 13 33
Website: www.finansielstabilitet.dk
E-mail: mail@finansielstabilitet.dk
CVR no. 30 51 51 45
Established: 13 October 2008
Municipality of registered office: Copenhagen

Board of Directors
Peter Engberg Jensen (Chairman)
Bent Naur (Deputy Chairman)
Nina Dietz Legind
Bente Overgaard
Bendt Wedell
Anne Louise Eberhard
Ulrik Rammeskow Bang-Pedersen

Management Board
Henrik Bjerre-Nielsen

Auditors
The National Audit Office
Landgreven 4
DK-1301 Copenhagen K

Deloitte
Statsautoriseret Revisions-
partnerselskab
Weidekampsgade 6
DK-2300 Copenhagen S

General meeting
Annual General Meeting to be held on 19 April 2018

Finansiel Stabilitet

Sankt Annæ Plads 13, 2nd floor left
DK-1250 Copenhagen K

Phone:	+45 70 27 87 47
Fax:	+45 33 93 13 33
Website:	www.finansielstabilitet.dk
E-mail:	mail@finansielstabilitet.dk