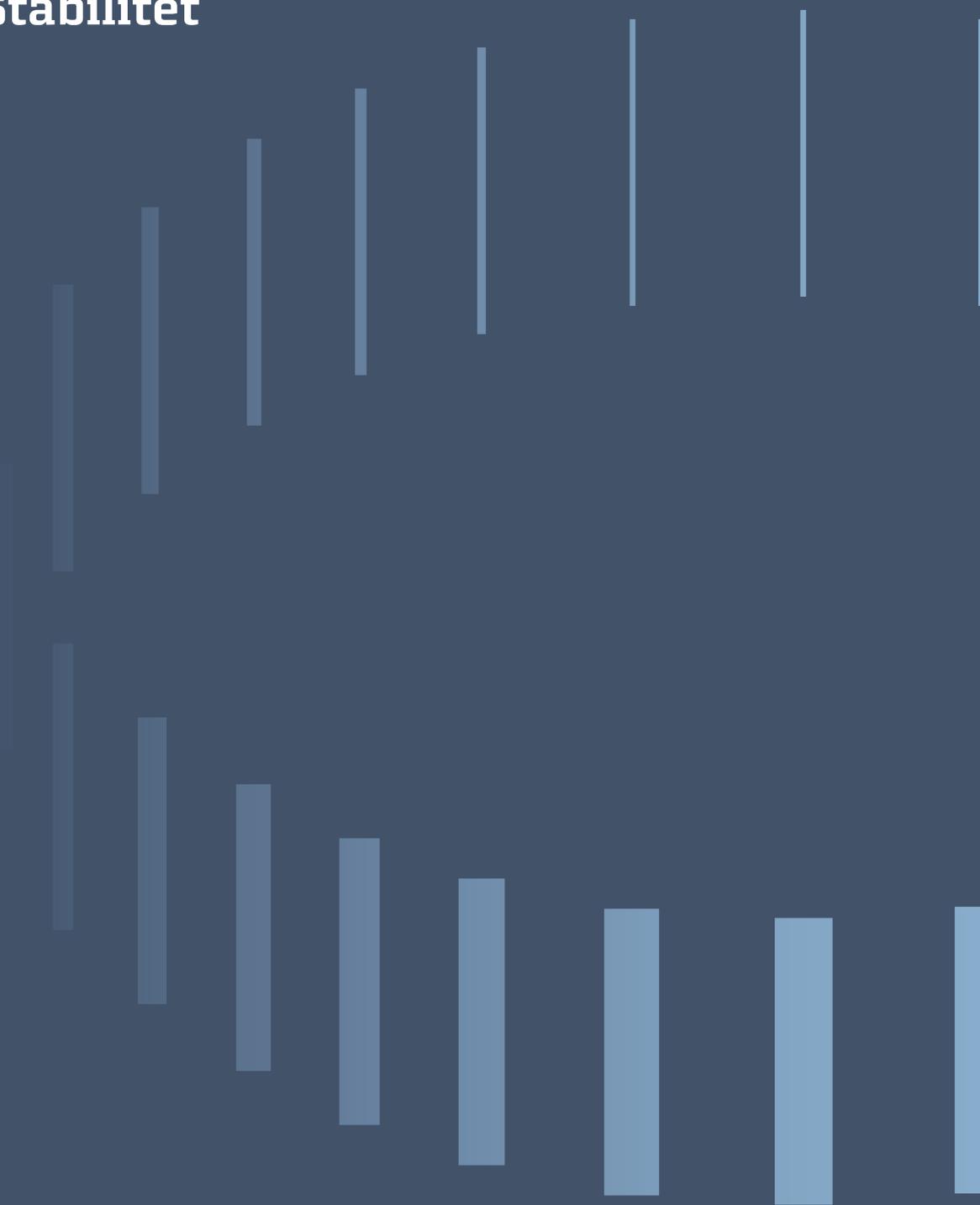


Finansiel Stabilitet



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Highlights

Finansiel Stabilitet Group:

- Surplus of DKK 1,068 million, mainly attributable to contributions to the Resolution Fund of DKK 724 million
- Total assets of DKK 21.8 billion
- Equity of DKK 20.7 billion

Bank Package I-V activities:

- Surplus of DKK 229 million, reflecting the result of the continuing resolution of the remaining activities. Reversal of impairment losses on loans, advances and receivables for the period amounted to DKK 128 million.
- Decisions in the two actions for damages brought against the former managements of ebh bank and Løkken Sparekasse, respectively, reduced the 2019 results by a total of DKK 155 million, while the agreement with the management members of Amagerbanken found liable had a DKK 155 million positive impact on the results.
- In addition, the ruling of the European Commission in the FIH case resulted in the recognition of income of DKK 206 million in 2019.
- Total assets of DKK 7.0 billion.
- At 31 December 2019, loans and guarantees amounted to DKK 570 million, financial assets amounted to DKK 145 million and properties amounted to DKK 2 million.
- Equity of DKK 5.2 billion

Guarantee Fund:

- Surplus of DKK 114 million, which was mainly attributable to the overall surplus of FS Finans I-IV, in which the Guarantee Fund has financial interests.
- Due to a legislative amendment, guarantees provided to the Restructuring Department have been reduced by DKK 1 billion, resulting in a corresponding reduction of equity.
- Total assets of DKK 12.4 billion.
- The assets of the Fund amounted to DKK 12.4 billion, of which DKK 8.8 billion was attributable to the Banking Department.

Resolution Fund:

- Surplus of DKK 725 million, mainly attributable to contributions to the Resolution Fund of DKK 724 million.
- Total assets of DKK 3.3 billion.
- The assets of the Fund amounted to DKK 3.1 billion.

Review and results

Finansiel Stabilitet at a glance

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

The 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 2019

Finansiel Stabilitet posted a surplus of DKK 1,068 million for 2019 (2018: DKK 757 million). The surplus was primarily attributable to payment of DKK 724 million in contribu-

tions to the Resolution Fund. Overall, the Resolution Fund generated a surplus of DKK 725 million. The Bank Package I-V activities and the Guarantee Fund contributed DKK 229 million and DKK 114 million, respectively to the result for the year.

The Group's total assets at 31 December 2019 amounted to DKK 21.8 billion (2018: DKK 21.9 billion). Of this amount, the Bank Package I-V activities accounted for DKK 7.0 billion, the Guarantee Fund accounted for DKK 12.4 billion, the Resolution Fund accounted for DKK 3.3 billion, while a negative amount of DKK 0.9 billion related to an intra-group balance.

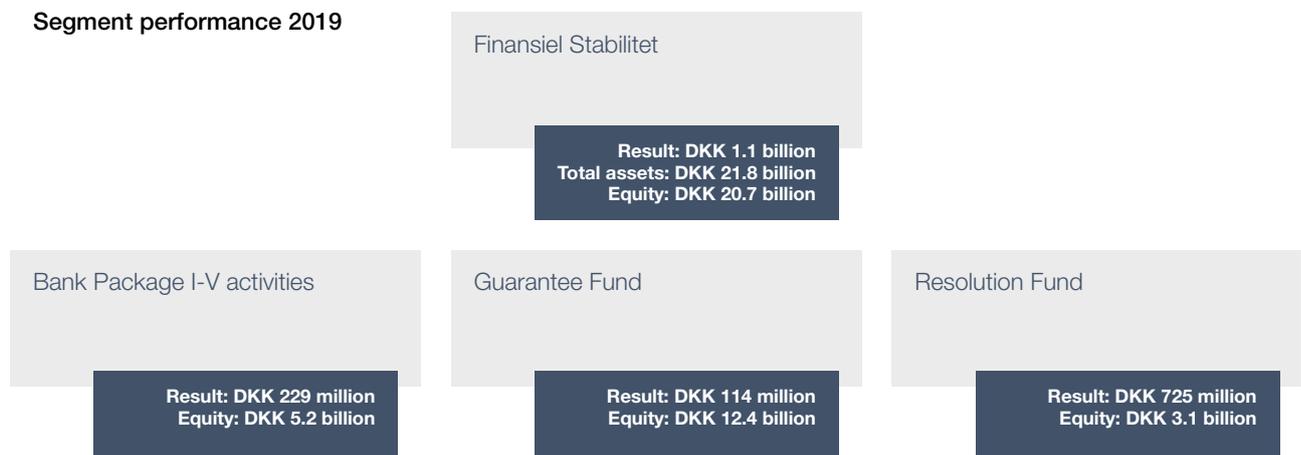
Total equity stood at DKK 20.7 billion, of which DKK 12.4 billion was attributable to the Guarantee Fund, DKK 5.2 billion to the Bank Package I-V activities and DKK 3.1 billion to the Resolution Fund. For a specification of the three segments' income statement items, see the following sections and notes 2 and 3 to the financial statements for a more detailed account.

Resolution of activities

At 31 December 2019, the remaining loans and guarantees, net amounted to DKK 0.6 billion (2018: DKK 1.0 billion), while the portfolio of financial assets amounted to DKK 9.7 billion (2018: DKK 5.9 billion), and properties amounted to DKK 2 million (2018: DKK 3 million).

The significant increase in the portfolio of financial assets was due to the new investment strategy in 2018, applied to the assets of the Guarantee Fund and the Resolution Fund, under which funds are invested in relatively liquid

Segment performance 2019



short-term mortgage bonds. The portfolio of related financial assets at 31 December 2019 amounted to DKK 9.4 billion. These funds were previously placed on deposit in Finansiel Stabilitet's account with Danmarks Nationalbank.

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

The majority of the remaining loans and guarantees are related to the segment Bank Package I-V activities, while a minor portion of loans relate to FS Finans V A/S (formerly Andelskassen J.A.K. Slagelse) and FS Finans VI (formerly Københavns Andelskasse), which is wound up under the Resolution Fund. DKK 68 million of total loans and guarantees relate to FS Finans V and FS Finans VI.

Other remaining exposures mainly consisted of receivables from estates in bankruptcy and guarantees. How fast the remaining loans will be wound up depends largely on external factors such as the progress of, trustees' estate administration and the debt recovery process. Guarantees will be gradually phased out as they mature. Finansiel Stabilitet furthermore has the ongoing task of recovering previously non-performing debts. In 2019, this resulted in the recognition of approximately DKK 88 million in recovered amounts previously written off.

Lawsuits

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

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

Finansiel Stabilitet's business is governed by the bank packages described in this annual report. The costs of these operations are covered, among other things, by payments of DKK 25 billion from the financial enterprises to Finansiel Stabilitet. Finansiel Stabilitet currently has equity of some DKK 5.2 billion, reflecting the result of resolution activity undertaken to date.

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

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

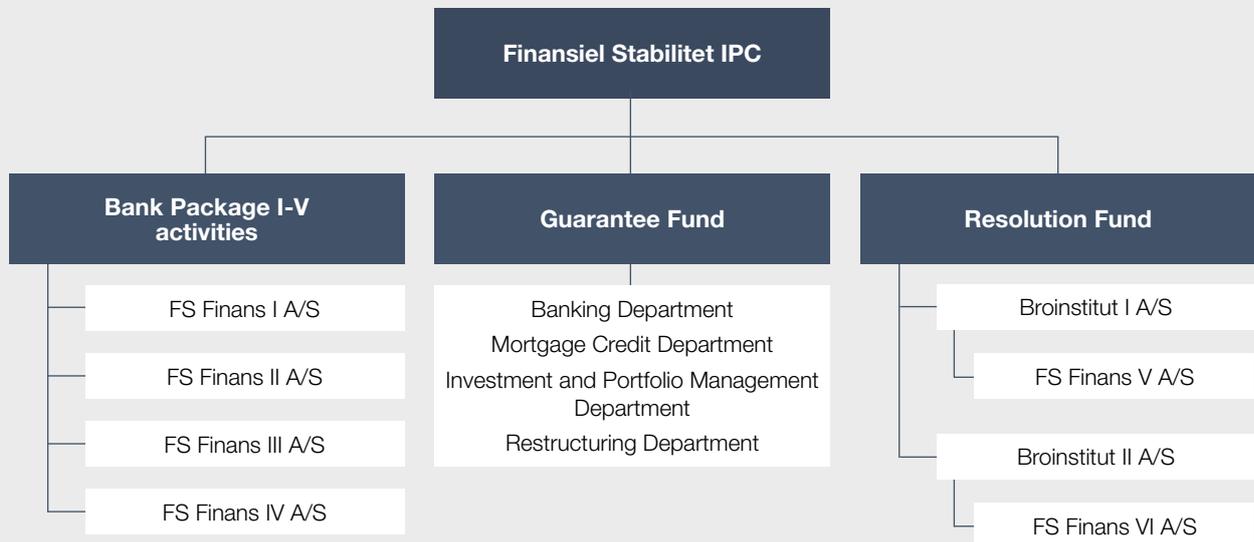
These decisions will contribute to assigning liability and determining what is applicable law in a very important area and thus create a foundation for assessing whether the applicable rules ought to be revised.

This is the reason why Finansiel Stabilitet has instituted a number of liability lawsuits against, among others, the former managements of nine of the failing banks taken over. They are Roskilde Bank, ebh bank A/S, Løkken Sparekasse, Capinordic Bank, Amagerbanken, Eik Bank Danmark, Eik Bank Færøerne, Andelskassen J.A.K. Slagelse and Københavns Andelskasse. Finansiel Stabilitet institutes liability lawsuits when it is believed to be more likely than not that a court of law will give a decision in favour of Finansiel Stabilitet. Bank managements hold fiduciary positions. When management fails to live up to its responsibility and causes the bank to incur a loss, Finansiel Stabilitet has a social responsibility to claim damages for the losses caused by the management. The management members' ability to pay, which is often an unknown factor, is not considered when deciding whether to bring action for damages.

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

The lawsuit against the former management of Capinordic Bank was the first liability lawsuit to be tried in court. In October 2015, the Eastern High Court delivered a decision against the three defendant management members, who were ordered to pay damages in a total amount of DKK 90.5 million. The decision was appealed by the defendants and subsequently by Finansiel Stabilitet. The Danish Supreme Court in January 2019 delivered its decision, which was in reality an affirmation of the High Court's judgment. Final damages were established at approximately DKK 89 million, plus statutory interest accrued from December 2010. At the time of the Supreme Court

Business units



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

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

Bank Package III (Exit Package): Guarantee was again only provided for up to EUR 100,000 for depositors. Failing banks could select to be resolved by Finansiell 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): Finansiell 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 a merger/takeover between two banks.

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

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

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

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

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

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

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

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

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

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

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

Resolution of activities under Bank Packages I-V

Finansiel Stabilitet's business area Bank Package I-V activities comprises the resolution of activities taken over during the financial crisis with respect to Bank Package I (EBH Bank, Løkken Sparekasse, Gudme Raaschou Bank, Fionia Bank, Capinordic Bank, Erik Banki, Eik Bank Danmark), issuance of individual government guarantees under Bank Package II¹, Bank Package III (Amagerbanken and Fjordbank Mors), Bank Package IV (Max Bank and Sparekassen Østjylland), Bank Package V (takeover of certain activities from FIH Erhvervsbank and Landbrugets Finansieringsbank etc.).

The accumulated equity in the business area Bank Package I-V activities, is thus a reflection of the earnings and the deficits generated by Finansiel Stabilitet in the period 2008-2019, in connection to the takeover of failing banks and in the period thereafter. This includes the recognition of income and expenses for the period, including net interest income, credit losses on loans and costs of completed and pending lawsuits. The Danish State's net earnings from Finansiel Stabilitet will not be known until all the activities under Bank Package I-V are finally wound up.

Since it was established, Finansiel Stabilitet has wound up a portfolio of approximately 465,000 customers, loans and guarantees of close to DKK 100 billion and deposits of some DKK 65 billion. Furthermore, Finansiel Stabilitet has been a party to a number of lawsuits and disputes; in part cases taken over from the distressed banks and in part actions for damages instituted by Finansiel Stabilitet against the former managements of nine of the banks taken over. Total litigation expenses related to actions for damages amount to DKK 821 million, and Finansiel Stabilitet has been awarded damages of approximately DKK 788 million, including statutory interest.

When Finansiel Stabilitet was established, in addition to start-up capital from the Danish State of DKK 1 billion, the company received aggregate payments of DKK 25 billion from the banks which had joined the general government guarantee scheme's coverage under Bank Package I. At 31 December 2019, Finansiel Stabilitet had equity of DKK 5.2 billion. This means Finansiel Stabilitet has accumulated a deficit of DKK 19.8 billion. It should be noted, however, that DKK 12.4 billion has been distributed in the period 2008-2019. This distribution covers the Dan-

ish State's loss on the loss guarantee for Roskilde Bank, and individual government guarantees for which Finansiel Stabilitet was not originally meant to cover deficits under Bank Package I. In reality, Finansiel Stabilitet has therefore also paid this deficit, although it is not recognised as a deficit in Finansiel Stabilitet.

The total use of capital of DKK 19.8 billion in relation to the winding up of the Bank Package I-V activities under the auspices of Finansiel Stabilitet, should be compared to Finansiel Stabilitet's estimated deficit of DKK 22.5 billion, including Roskilde Bank, calculated on the basis of the closing financial statements for Bank Package 1, which expired on 30 September 2019. To this amount should be added deficits from issued individual government guarantees, which were subsequently calculated at DKK 3.5 billion, for a total estimated deficit of DKK 26 billion. The improvement of some DKK 6 billion over this figure was due to the winding-up result being better than originally expected.

Finansiel Stabilitet – resolution and financial data

Resolution activities 2008-2019

Loans: approx. DKK 100 billion
Deposits: approx. DKK 65 billion
No. of customers: approx. 465,000 customers

Equity at beginning of period, Finansiel Stabilitet:

DKK 25 billion
(Guarantee commission received as part of Bank Package I)

Use of capital

Distribution to the Danish State: DKK 12.4 billion
(non-recognised deficits in Finansiel Stabilitet regarding Roskilde Bank and Bank Package II)

Other deficits and costs in Finansiel Stabilitet:

DKK 7.4 billion
(Credit losses on banks taken over, operating expenses, losses on lawsuits and litigation costs, etc)

Total amount used: DKK 19.8 billion

Equity at end of period, Finansiel Stabilitet:

DKK 5.2 billion

¹ Finansiel Stabilitet was only responsible for issuing individual government guarantees under Bank Package II, and a part of the guarantee commission is not included in Finansiel Stabilitet's calculations as they were settled with the Danish State in an ongoing process because Finansiel Stabilitet also had a loss guarantee from the Danish State. Proceeds from issuing additional tier 1 (AT1) capital under Bank Package II are also not included, as this part was handled by the Danish State. The above calculation therefore differs from the Danish State's combined calculation of results for the bank packages as described in the memo: Final calculation of surplus for the bank package, Ministry of Industry, Business and Financial Affairs.

decision, the total amount of damages including statutory interest was approximately DKK 141 million.

In its decision, the Supreme Court had the opportunity to consider the liability for bank management members, including issues of a more general nature. Among other things, the decision established that:

- Bank management members are not subject to a stricter liability norm.
- The courts should be cautious not to set aside the business estimate made by bank management members in connection with the granting of loans and credit facilities, unless the management members in that connection have taken extraneous considerations.
- However, the business estimate must be made on a prudent basis.
- Having made a specific overall assessment, the management members' credit assessment must include, among other things, the purpose of the loan or the credit facility, the customer's financial position, collateral provided and the customer's ability to run its business, including given the general macroeconomic conditions.
- If management members have set aside the bank's internal guidelines, this does not by itself give rise to liability.
- Where legislation has been set aside in connection with credit assessments, especially financial legislation, any assignment of liability will be decided on the basis of the specific considerations underlying each provision.
- If the Danish FSA has made an assessment of the credit quality of a loan in connection with its calculation of the bank's solvency need, it may impact the assessment of liability for damages for the management members, if such assessment is made in close connection with the time when the loan was granted.
- The bank's auditors' assessment of any loan impairment may also affect the assessment of potential liability.

In the case at hand, Finansiel Stabilitet had served notice on additional management members, and in June 2019, an action was brought against four of these executives with respect to their liability for participating in the granting of facilities. The Supreme Court established liability in damages in this case. The court delivered a judgment by default against one of the defendants who was ordered to pay Finansiel Stabilitet DKK 19 million, plus statutory

interest. The case against the other defendants has not yet been scheduled.

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

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

The executives found liable applied to the Danish Appeals Permission Board for permission to appeal the case to the Supreme Court, and further thereto Finansiel Stabilitet also sent an application to the Appeals Permission Board.

In October 2019, Finansiel Stabilitet and the eight executives found liable entered into an agreement to settle the liability lawsuit. As part of the agreement, the eight management members found liable will pay DKK 255.5 million, and both parties will withdraw their application to the Appeals Permission Board. The agreement was made in full and final settlement of any claims, and the executives found liable will distribute the amount to be paid among themselves.

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

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

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

were awarded an additional amount of DKK 11 million in legal costs.

In October 2018, the Eastern High Court delivered a decision in the case against the former management and auditors of Eik Bank Danmark, by which the four management members were ordered to pay damages in the amount of DKK 28.6 million, plus statutory interest, for a total amount of approximately DKK 42.6 million. The court found in favour of the two other members of management and the auditors. Finansiel Stabilitet was ordered to pay legal costs in the amount of DKK 39 million. The four members of management found liable have appealed the decision to the Supreme Court, and Finansiel Stabilitet has subsequently appealed the decision in respect of all

six members of management. The lawsuit is scheduled for trial hearing from 11 May to 19 May 2020.

The external auditors have been granted permission to appeal the high court decision on legal costs separately. A Supreme Court judgment in this lawsuit is expected to be delivered in 2020.

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

Overview of liability claims

Liability claims filed	Time of filing	Court and time of judgment	Damages awarded*	Status
Capinordic Bank	December 2010	Eastern High Court October 2015 Supreme Court (appeal) January 2019	DKK 89 million	Completed
Amagerbanken	March 2013	The Court of Lyngby June 2017 Eastern High Court (appeal case) June 2019	DKK 225.5 million	Completed
Roskilde Bank	February 2010	Eastern High Court November 2017	The decision was given in favour of the defendants.	Under appeal before the Supreme Court
Eik Bank Danmark	December 2011	Eastern High Court October 2018	DKK 28.6 million	Under appeal before the Supreme Court
Eik Banki	September 2012	The Court of the Faroe Islands November 2019	DKK 150 million	Under appeal before the Eastern High Court
EBH Bank	December 2010	Western High Court January 2020	DKK 2 million	Under appeal before the Supreme Court
Løkken Sparekasse	December 2010	Western High Court February 2020	The decision was given in favour of the defendants.	The period allowed for appeal will expire on 27 March 2020
J.A.K Slagelse	December 2016	Court of Glostrup November 2019	DKK 1 million	Under appeal before the Eastern High Court
Københavns Andelskasse	May 2019			Trial hearing not yet scheduled

* Plus statutory interest

four management members found liable have appealed the decision to the Eastern High Court.

In connection with the decision, the court also decided on the issue of legal costs in relation to the discontinued lawsuit against the external auditors. Finansiel Stabilitet was ordered to pay DKK 12 million in legal costs. Finansiel Stabilitet has appealed the issue of legal costs, it being noted that Finansiel Stabilitet has paid DKK 3.6 million, which is the amount Finansiel Stabilitet believes will have to be paid with certainty.

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

On 28 February 2020, a decision was delivered by the Western High Court in the case against the former management and external auditors of Løkken Sparekasse. The decision was given in favour of the defendants, and Finansiel Stabilitet was ordered to pay approximately DKK 34 million. The deadline for appeal expires on 27 March 2020.

On 15 November 2019, a decision was delivered in the lawsuit against the former management of Andelskassen J.A.K. Slagelse. One former management member was ordered to pay approximately DKK 1.2 million in damages, while another management member was ordered to pay DKK 200,000 in damages jointly and severally with the first-mentioned management member. Finansiel Stabilitet was ordered to pay a total amount of DKK 700,000 in legal costs to the public funds. One of the defendants who was found liable has appealed the case to the Eastern High Court. Trial hearings have not yet been scheduled.

With respect to Københavns Andelskase, lawsuits have been filed against members of the former management in relation to two onerous transactions. Trial hearings have not yet been scheduled.

Expenses related to actions for damages brought against the former managements of banks taken over amounted to about DKK 44 million in 2019. Finansiel Stabilitet expects to continue to incur considerable expenses on such cases in the years ahead. Accumulated expenses related to actions for damages brought against former bank managements have run into approximately DKK 494 million to date, including costs of preparing legal enquiries. To this amount should be added legal costs which Finansiel Stabilitet is ordered to pay, including DKK 121 million relating to ebh bank, in a total amount of approximately DKK 293 million. Furthermore, on 28 February 2020, Finansiel Stabilitet was ordered to pay legal costs of DKK 34 million in relation to Løkken Sparekasse. Accumulated legal costs thus amount to DKK 821 million.

In the nine compensation proceedings, Finansiel Stabilitet has so far been awarded damages, which with the addition of statutory interest as of mid-February 2020, amount to a total of approximately DKK 788 million.

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

Bank Package I-V activities

Results in 2019

Finansiel Stabilitet's activities in relation to Bank Package I-V activities generated a surplus of DKK 229 million in 2019 (2018: DKK 103 million). The result reflects the continued resolution of the remaining activities. Reversal of impairment losses on loans, advances and receivables amounted to DKK 128 million in 2019.

Furthermore, the improved result was also to a significant extent attributable to the case between the European Commission and FIH, in which the General Court in a judgment of 19 September 2019 found for the Commission in all allegations except one. In respect to the one allegation, the Court found for FIH, stating that the Commission had applied an incorrect figure when assessing the capital relief for FIH, as a result of Finansiel Stabilitet's taking over a property loan portfolio in 2012. The judgment

has not been appealed, and Finansielt Stabilitet expects the Commission to make a new decision before long, taking into account the Court's judgment. Based on an overall assessment, DKK 100 million of the total amount deposited from FIH of DKK 351 million was recognised as income in 2018. On the basis of the Commission's expected final decision in the matter, an additional amount of DKK 206 million was recognised as income in 2019.

As mentioned in the section above on lawsuits, the results are affected by the actions for damages brought against the former managements of Løkken Sparekasse, ebh bank and Amagerbanken. While the cases against Løkken Sparekasse and ebh bank have resulted in deficits of DKK 121 million and DKK 34 million, respectively, the case against Amagerbanken has lifted the surplus by DKK 155 million in this segment.

The individual bank packages impact the segment's result in different ways. Bank Packages I and II are fully recognised in segment result. 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 part of total unsecured claims taken over by Finansielt Stabilitet.

In 2019, the subsidiaries FS Finans I-III reported a total financial result of DKK 257 million before purchase price and dowry adjustment.

There was no purchase price adjustment in FS Finans IV, as the dividend was originally fixed at a higher amount than what is currently warranted. The resulting loss was covered by the Restructuring Department of the Guarantee Scheme. FS Finans IV posted a financial result of DKK 69 million for 2019, reducing its total deficit to DKK 505 million.

As a result of the DKK 229 million surplus for the year in the segment, segment assets increased by DKK 0.2 billion to DKK 7.0 billion in 2019. At 31 December 2019, the segment had loans and guarantees totalling DKK 570 million (2018: DKK 816 million), financial assets totalling

Financial highlights FS Finans I-IV (Group)

(DKKm)	FS Finans I A/S		FS Finans II A/S		FS Finans III A/S		FS Finans IV A/S*	
	2019	2018	2019	2018	2019	2018	2019	2018
INCOME STATEMENT								
Result for the year	0	0	0	0	0	0	69	39
Result for the year before purchase price adjustment	2	2	-5	8	260	80	-	-
BALANCE SHEET AT 31 DECEMBER								
Loans and advances	21	28	32	39	56	62	48	56
Other assets	289	284	222	226	1,840	1,578	94	109
Total assets	310	312	254	265	1,896	1,640	142	165
Purchase price adjustment	300	298	146	151	1,830	1,570	-	-
Other provisions	9	14	24	28	43	46	20	68
Other payables	0	0	83	85	22	23	13	18
Equity	1	0	1	1	1	1	109	79
Total equity and liabilities	310	312	254	265	1,896	1,640	142	165

* There is no purchase price adjustment in FS Finans IV

DKK 145 million (2018: DKK 145 million) and properties totalling DKK 2 million (2018: DKK 3 million).

Guarantee Fund

Departments

In 2019, the Guarantee Fund covered 146 companies: 80 banks (8 foreign banks having applied for topping up in Denmark and five banks in the Faroe Islands and Greenland), 7 mortgage credit institutions, 47 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 and Portfolio Management Department (investment companies and certain investment management companies and managers of alternative investment funds.
- Restructuring Department

Results in 2019

The Guarantee Fund generated a surplus of DKK 114 million in 2019 (2018: DKK 36 million). The improvement over 2018 was primarily attributable to a positive return on listed bonds of DKK 30 million, and a positive contribution from purchase price adjustment in FS Finans I-III of DKK 67 million.

As in previous years, the result for 2019 was adversely affected by the negative deposit rates paid by the Guar-

tee Fund relating to its funds deposited in an account with Danmarks Nationalbank. In 2019, the changed strategy from 2018 further reduced the negative deposit rates and continued to generated a positive return. For more information, see pages 20-21.

At 31 December 2019, the Guarantee Fund had total assets of DKK 12.4 billion. Of these assets, the Banking Department accounted for DKK 8.8 billion and the Restructuring Department accounted for DKK 3.5 billion, DKK 3.2 billion of which consisted of guarantees.

Activities

In 2019, it was not necessary to collect contributions to the Banking Department, as the assets of the Fund exceeded its target level. As usual, however, an annual redistribution of contributions and guarantees was made among the Mortgage Credit Department, the Investment and Portfolio Management Department and the Restructuring Department.

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

Income statement for the Guarantee Fund

(DKKm)	2019	2018
Interest on deposits with Danmarks Nationalbank	-17	-39
Yields of listed bonds	58	21
Value adjustment of bond portfolio	-28	-9
Premium income from banks	0	5
Purchase price adjustment from resolution of banks	67	27
Result of loss guarantee	69	39
Adjustment of expected dividend etc. from the estate in bankruptcy re. Fjordbank Mors.	-29	0
Administrative expenses	6	8
Result for the year	114	36

target level within a period of up to six years. If the assets exceed the determined target level, the obligation to contribute will cease. The obligation to contribute will resume if the assets fall below the determined target level. The individual contributions of the comprised banks is determined on the basis of a ratio-based contribution model. On 31 December 2019, the assets of the Banking Department amounted to DKK 8.8 billion, against a determined target level of DKK 5.4 billion. As the assets exceeded the target level with an excess coverage of DKK 3.4 billion, no contributions were collected for the Banking Department in 2019. Based on applicable rules in the area, the calculation of the target level of total assets currently does not take into account the special covered deposits which are also comprised by coverage. Previous studies have shown that special covered deposits in Denmark amount to some DKK 150-200 billion. When these are added to the calculation of the Banking Department's target level, the level grows to approximately DKK 7 billion, substantially reducing the excess coverage.

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

carries out an adjustment of commitments totalling DKK 7.5 million.

The Investment and Portfolio Management Department is required to have total assets of at least DKK 10 million. On 1 January 2019, amendments entered into force for contribution collection to the Guarantee Fund's Investment and Portfolio Management Department due to implementation of Act No. 1520 of 18 December 2019 and Executive Order no. 1657 of 18 December 2018. For the department, three areas were changed as a result thereof: 1) a name change from the Investment Company Department to the Investment and Portfolio Management Department, 2) a change of distribution variables to a fixed commitment (DKK 75,000) and a variable commitment consisting of total assets less equity and the number of employees (both weighted 50%) and 3) a change of the composition of assets from 25% cash contributions and 75% commitments to 100% commitments. In this connection, cash contributions previously paid by the companies were repaid. As assets are made up 100% of commitments, an adjustment totalling DKK 10 million was made to commitments.

The assets of the Restructuring Department have been divided into assets for resolution purposes (commitments of DKK 3.2 billion) and assets for restructuring purposes (commitments of DKK 1 billion). It followed from the

Balance sheet for the Guarantee Fund

(DKKm)	2019	2018
ASSETS		
Deposits with banks and Danmarks Nationalbank	1,183	3,753
Bonds	6,999	4,391
Guarantees provided by banks, mortgage credit institutions and investment companies	3,218	4,215
Purchase price / dowry adjustment receivable	801	734
Other receivables	180	174
Total assets	12,381	13,267
EQUITY AND LIABILITIES		
Guarantee Fund	12,379	13,265
Provision for losses on loss guarantee	-	-
Other payables	2	2
Total equity and liabilities	12,381	13,267

amendment contained in Act no. 552 of 7 May 2019 to amend the Financial Business Act and various other acts, and to repeal the Act on State-Funded Capital Injections into Credit Institutions, with commencement at 1 July 2019, that the Restructuring Department is no longer to cover restructuring costs, including costs related to the withdrawal from data centres in connection with a merger in which one of the banks is distressed or expected to be distressed. As a result of the amendment, the banks comprised are no longer to make a DKK 1 billion commitment for restructuring purposes, and these commitments were therefore released in connection with the calculation of contributions in 2019. The Guarantee Fund's total funds for the Restructuring Department are to amount to commitments of DKK 3.2 billion for resolution purposes. As the department did not have any deficits in 2019 and no cash contributions were collected, commitments were redistributed among the banks comprised.

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 depositors in Danish branches of foreign banks that have applied for supplementary coverage to the guarantee scheme in their country of residence.

Scope of coverage

The 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. Also,

Income statement by department for 2019

DKK'000	Total	Banking Department	Mortgage Credit Department	Investment and Portfolio Manage- ment Department	Restruc- turing Department
General distribution					
Interest and value adjustment	13,059				
Costs of asset management	-3,252				
Net financials	9,807	9,540	4	5	258
Costs:					
Management fee, Finansielt Stabilitet	-3,447				
Total shared costs	-3,447	-2,288	-3	-3	-1,153
Total general distribution	6,360	7,252	1	2	-895
Specific distribution					
Adjustment of expected dividend etc. from estate in bankruptcy	-29,000	-29,000			
Surplus from the resolution of banks etc.	67,388	67,388			
Provision for losses on loss guarantee	69,224				69,224
Various directly attributable costs /income	-62	-62			
Total specific distribution	107,550	38,326			69,224
Result for the year	113,910	45,578	1	2	68,329

certain special deposits with increased coverage are covered for a limited period, e.g. amounts held in escrow in connection with a real estate transaction. Deposits which serve social purposes and are linked to particular life events are covered by EUR 150,000 for a period of six months and deposits resulting from real estate transactions relating to non-traders are covered by up to EUR 10 million for a period of 12 months from the date on which the deposit was made.

Securities

The 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) per investor in the event of difficulties in having securities delivered from an institution in reconstruction or bankruptcy, provided that the failing institution is comprised by the investor guarantee scheme.

Branches

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

Branches in Denmark of Nordea Bank Abp, Svenska Handelsbanken AB, Swedbank AB, Nordnet Bank AB, Skandinaviska Enskilda Banken AB, Ikano Bank AB, Carnegie Investment Bank AB and Banque Internationale à Luxembourg S.A. have applied for coverage under the Guarantee Fund as a supplement to the coverage provided by the national guarantee schemes.

Assets by department for 2019

DKK'000	Guarantee Fund, total	Banking Department	Mortgage Credit Department	Investment and Portfolio Management Department	Restructuring Department
Contributions					
Contributions received at 1 January 2019	2,471	-	-	2,471	-
Payments due to legislative amendment	-2,471	-	-	-2,471	-
Balance at 31 December 2019	0	-	-	0	-
Commitments made					
Balance at 1 January 2019	4,214,912	-	7,500	7,412	4,200,000
Adjustments due to legislative amendments	-997,412	-	-	2,588	-1,000,000
Balance at 31 December 2019	3,217,500	-	7,500	10,000	3,200,000
Retained earnings					
Balance at 1 January 2019	9,047,624	8,803,725	3,804	2,569	237,526
Result for the year	113,952	45,578	1	44	68,329
Effect of legislative amendments in 2019	117	-	-	117	-
Balance at 31 December 2019	9,161,693	8,849,303	3,805	2,730	305,855
Assets at 31 Dec. 2019	12,379,193	8,849,303	11,305	12,730	3,505,855

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 country of residence in connection with the resolution of a branch.

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

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

Legislative framework

The legislative framework governing the Guarantee Fund is Consolidation Act no. 1155 of 19 September 2018 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.

Through an amendment to the Act by Act no. 552 of 7 May 2019, which came into force on 1 July 2019, the 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, was repealed.

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 Amending Executive Order no. 518 of 17 May 2018.

The Act on a Depositor and Investor Guarantee Scheme was put into force for the Faroe Islands by Order no. 1584 of 19 December 2017 and for Greenland at 1 January 2020 by Order no. 1326 of 6 December 2019.

Resolution Fund

Results in 2019

The Resolution Fund generated a surplus of DKK 725 million in 2019 (2018: DKK 617 million). The surplus was mainly attributable to payment of contributions to the Resolution Fund of DKK 724 million.

In 2019, the Resolution Fund's administrative expenses amounted to DKK 14 million, offset by corresponding income allotted through the Finance and Appropriation Act. The administrative tasks relate to, among other things, legal work, work involved in preparing resolution plans, participating in resolution colleges for cross-border SIFs and building up of the Resolution Fund.

Including the contribution collected for 2019 of DKK 724 million, a total of DKK 3.1 billion has been collected. In 2019, banks contributed DKK 478 million, mortgage credit institutions contributed DKK 246 million and investment companies contributed DKK 74 thousand. Of the total contribution, DKK 723 million was related to ratio-based collection of contributions from the 34 largest institutions. The remaining part of DKK 1 million was paid by the remaining 54 institutions.

Activities

In 2019, resolution plans were prepared for Danish and Faroese banks, mortgage credit institutions and the in-

Income statement for the Resolution Fund

(DKKm)	2019	2018
Premium income	724	618
Other income and expenses	15	17
Result of net financials and coverage activities	739	635
Administrative expenses etc.	14	18
Result for the year	725	617

vestment companies covered by the Act on Restructuring and Resolution of Certain Financial Enterprises.

This work forms part of a common European effort to ensure the credibility of the way member states handle failing banks and mortgage credit institutions etc., so that the institutions' owners and creditors bear the full responsibility for the operation and capital position of the institutions. A central part of the resolution plans is setting out a preferred resolution strategy, which is taken into account when the Danish FSA determines the requirement for eligible liabilities in order to facilitate the continuity of a failing institution's critical functions. These resolution plans will be developed further in 2020 and the period to 2022.

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

In addition to these activities, Finansiel Stabilitet continually focuses on testing the contingency resolution measures of the institutions. In order to achieve the resolution objectives it is from a practical perspective vital that Finansiel Stabilitet quickly gets access to all relevant data. The

testing evaluates whether the institutions have procedures and data access that will enable them to supply data to Finansiel Stabilitet in a time-critical resolution situation. Finansiel Stabilitet and the Danish FSA together perform the testing of contingency resolution measures.

Resolution of FS Finans V A/S' activities

In 2015, Finansiel Stabilitet implemented resolution measures in relation to Andelskassen J.A.K. Slagelse. On 31 May 2017, Andelskassen J.A.K. Slagelse under control deposited its licence to carry on banking and securities trading activities. The bank was at the same time converted into a financing company with the name of FS Finans V A/S, from which the resolution of remaining loans will take place.

At 31 December 2019, FS Finans V A/S had loans and guarantees representing a total carrying amount of DKK 24 million and total assets of DKK 26 million.

At the end of 2019, the Resolution Fund had a total deficit of DKK 3 million in relation to the resolution of Andelskassen J.A.K. Slagelse.

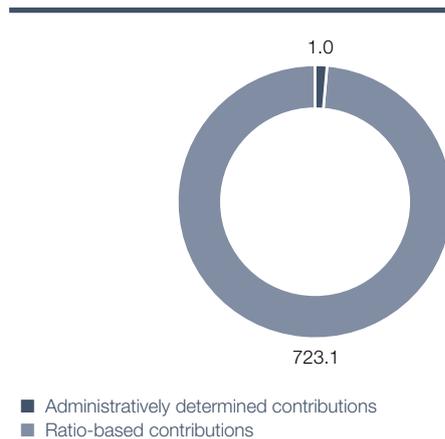
Resolution of FS Finans VI A/S' activities

On 13 September 2018, the Danish FSA notified Finansiel Stabilitet that Københavns Andelskasse was expected to be failing and that there was no prospect of finding a

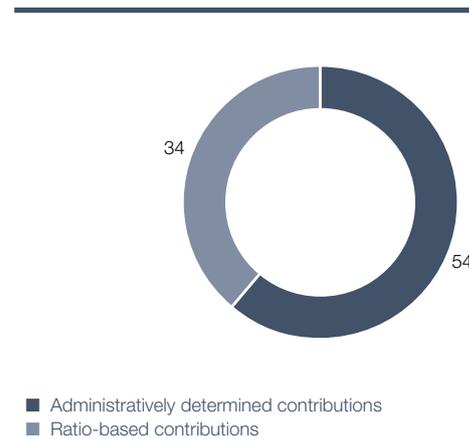
Balance sheet for the Resolution Fund

(DKKm)	2019	2018
ASSETS		
Demand deposits with central banks	528	1,006
Securities	2,641	1,311
Investments in associates etc.	84	76
Other assets	17	40
Total assets	3,270	2,433
EQUITY AND LIABILITIES		
Other liabilities	111	1
Provisions	13	11
Total liabilities	124	12
Resolution Fund	3,146	2,421
Total equity and liabilities	3,270	2,433

Contributions collected 2019 (DKKm)



No. of institutions



private resolution to the co-operative bank's difficulties. Finansiell Stabilitet assumed control of the co-operative bank and implemented the required resolution measures. In relation to this, Finansiell Stabilitet formed a new subsidiary, Broinstitut II A/S, which assumed ownership of Københavns Andelskasse under kontrol.

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

Finansiell Stabilitet had a temporary valuation of the co-operative bank made in order to identify and determine the amount of losses based on information received from the bank before the takeover. The preliminary valuation indicated that, in addition to the share capital, all subordinated debt, claims of unsecured creditors and all deposits in the co-operative bank exceeding the amount covered by the Guarantee Fund is considered lost. The share capital, subordinated creditors' claims and claims of unsecured creditors were therefore provisionally written

off. This also included off-balance sheet claims, such as guarantees provided by the co-operative bank not secured by the co-operative bank and deposits in excess of the amount covered by the Guarantee Fund.

Finansiell Stabilitet has subsequently received the final valuation made by independent valuer H.S. Krogh of PWC. H.C. Krogh was appointed as independent valuer after a tender process. The report was prepared on the basis of a number of different valuation criteria, including a valuation based on an ordinary going concern principle (valuation 1). One reason for including this is to assess the bank's financial situation immediately before the breakdown. The report shows that, when applying a going concern assumption, the share capital would be lost. Furthermore, some of the subordinated capital would also be lost.

In relation to carrying out the resolution measures, the starting point would appear to be that valuation 2 is the relevant target. Valuation 2 is based on a conservative assessment including all the bank's expected financial losses. Valuation 2 still indicates that the claims of all the bank's creditors are not covered, which means that both share capital and subordinated capital will be written off. At the same time, the report also shows that preferential deposits not covered by the Guarantee fund will receive full coverage. In addition, simple creditors will receive coverage of 34% of their claims.

The valuation report prepared has been used as part of the foundation for preparing the financial statements of FS Finans VI. The report shows a surplus of approximately DKK 12 million after tax for 2019. The performance should be seen in the context that some activities were wound up more favourably than assumed in the valuation report. For 2020, the budget assumes a deficit in FS Finans VI of DKK 5-10 million.

At 31 December 2019, FS Finans VI A/S had net loans and guarantees representing a total carrying amount of DKK 44 million and total assets of DKK 142 million.

Financing of the Resolution Fund

In the period from 2016 to 2024, the Resolution Fund is to build up assets to a level ensuring that it has financial means equivalent to 1% of the covered deposits of all institutions comprised by the Resolution Fund.

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

Pursuant to Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements, the Resolution Fund is funded through an annual contribution. For small institutions, the contribution is generally determined as an administratively determined contribution, while a ratio-based contribution is determined for large institutions.

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

At 31 December 2019, the assets of the Resolution Fund amounted to DKK 3.1 billion, against a determined target level of DKK 6.8 billion. The target level for 2020 will, on the basis of the model applied to date, rise to approximately DKK 7.1 billion. In recent years, Finansiel Stabilitet has observed an increase in covered deposits in Danish banks. So far, practice in Denmark has been not to recognise the increase in covered deposits in the individual years. As a result, relatively less funds have been collected as against the target level in Denmark when compared with many other EU member states.

In connection with the contribution collection for 2020, Finansiel Stabilitet has decided to apply an equalisation factor to calculate the Resolution Fund's target level. The equalisation factor used is based on an estimated projection of the observed historical increase in covered deposits. Overall contributions collected in 2020 are expected to be about 30% larger than they were in 2019.

Financial position

The Resolution Fund's liquid assets totalled DKK 3.2 billion at 31 December 2019. 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 that is based on investments being made in liquid, low-risk assets. For more information, see pages 20-21.

Scope

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.

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 assumed to be used, however.

Legislative framework

The legislative framework of the Resolution Department and the Resolution Fund is the Act on Restructuring and Resolution of Certain Financial Enterprises, see Con-

solidation Act no. 24 of 4 January 2019 and Executive Order no. 823 of 3 July 2015 on the Resolution Fund. In addition, executive orders have been issued on resolution planning and contingency resolution measures as well as on Finansielt Stabilitet's use of resolution measures.

The Act became effective on 1 June 2015, and the executive orders were issued shortly thereafter. The Act became effective for the Faroe Islands and Greenland on 1 January 2018 and 1 January 2020, respectively.

The rules implement Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 (BRRD). With a view to achieving a uniform application of the rules, the European Commission is to issue a number of delegated acts and implementing acts in this area. Finansielt Stabilitet participates e.g. in the work of the European Banking Authority (EBA) to prepare the acts for the European Commission.

On 7 June 2019, a number of amendments to, among others, BRRD, were announced in the Official Journal (BRRD2). BRRD2 includes a number of amendments to applicable rules, including the rules on MREL requirements and the introduction of an option of imposing a temporary moratorium (suspension of payments) in connection with the initiation of a resolution process. The amendments will be completed by the end of 2020.

Returns – portfolio management of the Guarantee Fund and the Resolution Fund

(DKKm)	Investable funds 2019	Total return 2019	Investable funds 2018	Total return 2018
Portion managed	9,693	24	5,702	-4
Of which:				
– Return on bonds		37		15
– Return until initiation of management		-13		-19
Amounts held on deposit in account with Danmarks Nationalbank	1,584	-11	4,798	-30
Total		13		-34

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

Portfolio management of the Resolution and Guarantee Funds

In 2018, Finansielt Stabilitet decided to change the investment strategy of both the Guarantee Fund and the Resolution Fund to a more active management strategy. Finansielt Stabilitet has chosen to pursue a conservative investment strategy, under which the risks assumed primarily relate to future interest rate movements and, to a lesser degree, credit conditions. No changes were made to the investment strategy in 2019.

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

The investment mandates for mortgage bonds initially included a total investment scope of DKK 7.5 billion. The investments under these mandates were fully phased in by January 2019. In the second half of 2019, an additional amount of DKK 540 million (paid contributions to the Resolution Fund for 2019) was attributed to investments under the two mortgage bond mandates.

The investment mandate under the flexible mandate initially amounted to DKK 3.2 billion. Of this amount, DKK 1.6 billion was invested in December 2019. At the beginning of 2020, an additional amount of DKK 1.5 billion was invested.

Interest rates declined in 2019, and in September 2019, Danmarks Nationalbank lowered its CD rate by 10 basis points to minus 0.75%. The lower interest rates had a positive impact on portfolio returns in 2019. However, the lower interest rates mean that expectations for returns in 2020 are negative because the portfolio management is generally based on hold-to-expiry.

In 2019, portfolios under management yielded a total return of DKK 37 million (equal to 0.39%). This return is approximately DKK 91 million higher than it would have been if the portfolio under management had been placed

at Danmarks Nationalbank's CD rate, which would have given negative interest income of some DKK 54 million.

The total realised return on all investable funds of the Resolution Fund and the Guarantee Fund was DKK 13 million in 2019.

Since it was established in 2018, the portfolio management has given rise to a return of DKK 52 million. Compared with an alternative placement with Danmarks Nationalbank, returns in the period 2018-2019 have improved by DKK 124 million.

The calculated investment return is not directly comparable with the corresponding accounting entries because returns in this section are only a subset of calculated values set out in the financial statements.

Significant risks

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

To reflect the financial distribution between Bank Package I-V activities, the Guarantee Fund and the Resolution Fund, Finansielt 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 28 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 investable funds will be subject to risk, depending on the chosen investment profile. The Act on a Depositor and Investor Guarantee Scheme stipulates that the investable funds of the 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 and FS Finans VI A/S, as any impairment of the remaining assets and lack of profitability will have an adverse effect on the Resolution Fund.

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

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

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

Events after the balance sheet date

In February 2020, a decision was delivered by the Western High Court of Denmark, in the case against the former management and auditors of ebh bank and Løkken Sparekasse, pursuant to which Finansiel Stabilitet is to pay legal costs totalling DKK 121 million and DKK 34 million, respectively. See *Lawsuits* on pages 4-8. These legal costs were expensed in 2019.

Other than as set out above, no events have occurred since 31 December 2009.

Outlook for 2020

The outlook for 2020 is determined for each of the three segments of the Finansiel Stabilitet Group. For the Resolution Fund, a surplus of approximately DKK 0.9 billion is expected, corresponding to the expected payments from the institutions that have an obligation to pay contributions to the Resolution Fund. The Bank Package I-V activities and the Guarantee Fund are expected to post small losses. However, any change in interest rates could have a material impact on financial performance in the Guarantee Fund and the Resolution Fund.

The outlook is generally subject to some uncertainty due to the continued substantial uncertainty about the 2020 results of the activities relating to the Bank Package I-V activities. Accordingly, the guidance provided above does not include any potential effect on operations of value adjustments of assets, should the resolution results prove either better or worse than the carrying amounts. Moreover, the outcome of contingent liabilities, including lawsuits and disputes, is subject to substantial uncertainty.

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



Corporate governance

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

Finansiel Stabilitet complies with the recommendations for exercising ownership and practising corporate governance in state-owned public companies, as described in the ownership policy of the Danish State published in 2015. In addition, Finansiel Stabilitet has chosen to comply with the corporate governance recommendations to the widest extent possible, even though Finansiel Stabilitet is not directly comprised by the recommendations. Finansiel Stabilitet also on an ongoing basis considers developments in the corporate governance recommendations applicable to listed companies. This annual report includes reporting on compliance with the Corporate Governance Recommendations, which were updated in 2017 and are effective for financial years beginning on or after 1 January 2018.

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, Busi-

ness 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.fs.dk. The website also provides information about the Company's structure, activities, etc.

General meeting

The general meeting is the Company's supreme decision-making body. The Ministry of Industry, Business and Financial Affairs has same powers at general meetings as those awarded to shareholders pursuant to the Companies Act. Representatives of the Ministry of Industry, Business and Financial Affairs, the Board of Directors, the Management Board, the National Audit Office and the Company's auditors attend the annual general meeting. General meetings are open to the press. However, the Board of Directors of Finansiel Stabilitet may decide that a general meeting should be closed or partially closed to the press if motivated by considerations for the discharge of Finansiel Stabilitet's objects, powers and responsibilities.

Notices convening general meetings are published and distributed to the Minister for Industry, Business and Financial Affairs or his proxy not less than two weeks and not more than four weeks prior to the date of the general meeting.

Management structure

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

Finansiel Stabilitet's subsidiaries are managed by independent management boards and boards of directors, which 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.fs.dk). Due to the special objects and nature of Finansiel Stabilitet, the Board of Directors has flexible working methods and plans its work so as to accommodate the tasks at hand.

A total of 12 board meetings were held in 2019, including 5 extraordinary board meetings. A total of 10 board meetings were held in 2018.

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 2019, the Board of Directors of Finansiel Stabilitet consisted of seven members.

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

The members of the Board of Directors are elected for a term of one year, but are eligible for re-election. There were no changes to the Board of Directors in 2019, and all members of the Board of Directors were re-elected at the annual general meeting on 3 April 2019.

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

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

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

the recommendations of the Committee on Corporate Governance.

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

Management Board

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

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 2019, the remuneration paid to the Board of Directors amounted to DKK 1,275,000, including DKK 525,000 to the Chairman and the Deputy Chairman. The remuneration paid to the Chairman and the Deputy Chairman was unchanged from 2018.

The remuneration of the Management Board is determined by the Board of Directors, and in 2019 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 2019 (2018: DKK 3.1 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 (www.fs.dk). The objective of the whistleblower scheme is to ensure expedient and confidential reporting of offences – or suspicion of offences – to an independent and autonomous unit, which can evaluate what measures should be taken. Under the whistleblower scheme, employees and other Finansiel Stabilitet stakeholders can report, anonymously or not, on any serious misconduct.

Auditors

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

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

The framework for the auditors' duties, including their remuneration, audit and non-audit assignments are written into a service contract. EY was appointed auditors of the Finansiel Stabilitet Group's activities in 2019.



Corporate social responsibility

Corporate social responsibility

Finansiel Stabilitet is required to contribute to ensuring financial stability in Denmark. This objective is achieved in part by preventive measures, including the establishment of a resolution fund, preparation of resolution plans and identification of any obstacles, and in part by restructuring and winding up 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, proper and equal dialogue with emphasis on measures of individual freedom under accountability and common sense.

At the same time, Finansiel Stabilitet focuses on continuous skills enhancement for its employees in the form of courses and other relevant supplementary training.

The staff is adjusted on an ongoing basis in relation to the scope of work. In 2019, the number of Finansiel Stabilitet's employees increased slightly. The number of employees in 2020 is expected to be on a level with 2019.

Gender composition of Management

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

In terms of gender composition, the ambition is for either gender to hold at least one third of the seats on the boards of directors. Of Finansiel Stabilitet's seven board members, three are women and four are men. Of the three board members of the subsidiaries Broinstitut I A/S, Broinstitut II A/S, FS Finans I A/S, FS Finans II A/S, FS Finans III A/S, FS Finans IV A/S, FS Finans V A/S and FS Finans VI A/S, two are 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 2019 was 33% women and 66% men.

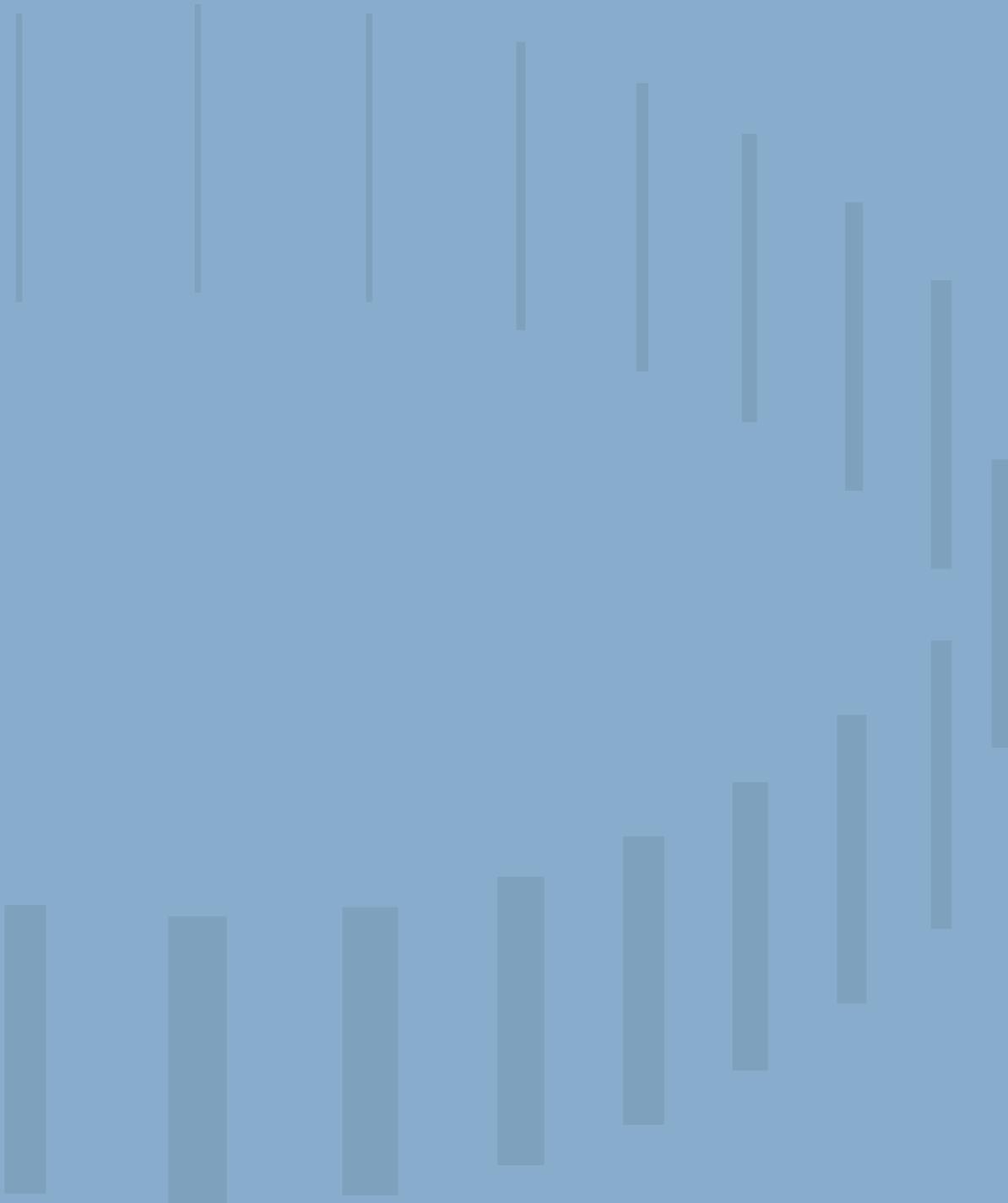
Business partners and suppliers

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 enforcement of collateral. Finansiel Stabilitet will use labour clauses in new building and construction contracts irrespective of the contract amount in order to ensure that work is performed in accordance with Danish remuneration and employment terms. Such contracts are outside the scope of Finansiel Stabilitet's present objects, 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

(DKKm)	Note	Group		Parent company	
		2019	2018	2019	2018
Interest and fees					
Interest income calculated according to the effective interest method	5	30	17	39	21
Other interest income	5	76	28	76	27
Interest expense	6	67	68	67	88
Net interest income/expense		39	-23	48	-40
Share dividends, etc.		1	2	1	2
Contributions to the Guarantee Fund		0	5	0	5
Contributions to the Resolution Fund		724	618	724	618
Fees and commissions received	7	4	7	3	4
Fees and commissions paid	7	0	1	0	0
Net interest and fee income		768	608	776	589
Market value adjustments	8	-24	42	-34	25
Other operating income	9	488	141	224	143
Staff costs and administrative expenses	10	138	149	106	126
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		2	0	2	0
Other operating expenses	11	112	20	175	60
Impairment losses on loans, advances and receivables, etc.	12	-131	-158	-90	-75
Income from investments in associates and subsidiaries	13	0	-9	74	31
Purchase price and dowry adjustment	24	-36	-11	221	79
Result for the year before tax		1,075	760	1,068	756
Tax	14	7	3	0	0
Result for the year		1,068	757	1,068	756
Other comprehensive income					
Actuarial losses		0	-1	0	0
Tax on other comprehensive income		0	0	0	0
Total other comprehensive income		0	-1	0	0
Total comprehensive income		1,068	756	1,068	756
Appropriation of surplus					
Guarantee Fund				114	36
Resolution Fund				725	617
Retained earnings				229	103
Total amount appropriated				1,068	756

Balance sheet

(DKKm)	Note	Group		Parent company	
		2019	2018	2019	2018
ASSETS					
Cash in hand and demand deposits with central banks		8,204	10,895	8,204	10,849
Due from credit institutions and central banks	15	49	102	39	30
Loans, advances and other receivables at amortised cost	12, 16	311	488	86	134
Bonds at fair value etc.	17	9,644	5,782	9,644	5,708
Shares, etc.	18	108	114	101	100
Investments in associates etc.	19	35	35	35	35
Investments in subsidiaries		0	0	693	659
Investment properties	20	2	3	2	3
Lease assets		9	0	9	0
Commitments made by banks, mortgage credit institutions and investment companies		3,218	4,215	3,218	4,215
Purchase price and dowry adjustment receivable		0	0	2,020	1,799
Other assets	21	224	283	219	244
Prepayments		2	2	2	2
Total assets		21,806	21,919	24,272	23,778

(DKKm)	Note	Group		Parent company	
		2019	2018	2019	2018
EQUITY AND LIABILITIES					
Liabilities					
Deposits and other payables	22	0	133	0	0
Lease liability		14	0	9	0
Current tax liabilities		4	0	0	0
Other liabilities	23	619	663	3,539	3,104
Deferred income		0	1	0	0
Total liabilities other than provisions		637	797	3,548	3,104
Provisions					
Provision for losses on guarantees		35	62	14	28
Purchase price adjustment (earn-out)	24	256	220	0	0
Other provisions	25	196	226	28	32
Total provisions		487	508	42	60
Total liabilities		1,124	1,305	3,590	3,164
Equity					
Finansiel Stabilitet		5,157	4,928	5,157	4,928
Guarantee Fund		12,379	13,265	12,379	13,265
Resolution Fund		3,146	2,421	3,146	2,421
Total equity		20,682	20,614	20,682	20,614
Total equity and liabilities		21,806	21,919	24,272	23,778

Other notes

- Note 1 : Accounting policies
- Note 2 : Segment information for the Group
- Note 3 : Segment information for the parent company
- Note 4 : Takeover of enterprises
- Note 26 : Contingent assets and liabilities
- Note 27 : Derivative financial instruments
- Note 28 : Financial risk management
- Note 29 : Related parties
- Note 30 : Group overview
- Note 31 : Break-down of balance sheet items by contractual and expected terms to maturity
- Note 32 : Fair value disclosure
- Note 33 : Fair value of balance sheet items at amortised cost
- Note 34 : Return on financial instruments
- Note 35 : Lessor
- Note 36 : Finansiel Stabilitet 2015-2019 (financial highlights)

Statement of changes in equity

Group (DKKm)	2019					2018
	Finansiel Stabilitet				Total equity	
	Subordinated assets	Retained earnings	Guarantee Fund	Resolution Fund		
Equity at 1 January	1	4,927	13,265	2,421	20,614	22,408
Comprehensive income for the period	-	229	114	725	1,068	756
Cancelled commitments due to legislative amendment*	-	0	-1,000	0	-1,000	0
Dividend paid	-	-	-	-	-	-2,550
Equity as at 31 December	1	5,156	12,379	3,146	20,682	20,614

Parent company (DKKm)	2019					2018
	Finansiel Stabilitet				Total equity	
	Subordinated assets	Retained earnings	Guarantee Fund	Resolution Fund		
Equity at 1 January	1	4,927	13,265	2,421	20,614	22,408
Comprehensive income for the period	-	229	114	725	1,068	756
Cancelled commitments due to legislative amendment*	-	0	-1,000	0	-1,000	0
Dividend paid	-	-	-	-	-	-2,550
Equity as at 31 December	1	5,156	12,379	3,146	20,682	20,614

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

Cash flow statement

(DKKm)	Group	
	2019	2018
Cash flows from operating activities		
Comprehensive income for the year	1,068	756
Impairment of loans, etc., net (income)	-131	-158
Depreciation/amortisation	2	0
Other	29	-17
Total operating activities	968	581
Working capital		
Changes in credit institutions, net	0	18
Changes in loans, advances and other receivables	308	267
Changes in securities	78	157
Changes in deposits and other payables	-133	-59
Changes in other assets and liabilities	8	2,407
Total working capital	261	2,790
Total cash flows from operating activities	1,229	3,371
Cash flows from investing activities		
Net investment in subsidiaries	0	19
Investment portfolio	-3,963	-5,691
Purchase/sale of property, plant and equipment	-10	1
Total	-3,973	-5,671
Cash flows from financing activities		
Dividend	0	-2,550
Total	0	-2,550
Total cash flows for operating, investing and financing activities	-2,744	-4,850
Change in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	10,997	15,847
Change during the year	-2,744	-4,850
Cash and cash equivalents at the end of the year	8,253	10,997
Cash and cash equivalents comprise:		
Cash in hand and demand deposits with central banks	8,204	10,895
Due from credit institutions and central banks within less than three months	49	102
Cash and cash equivalents at the end of the year	8,253	10,997

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 2019, the Finansiel Stabilitet Group has implemented the IFRS standards and interpretations taking effect in the EU for 2019.

On 13 January 2016, the IASB introduced a new standard on accounting for leases, IFRS 16 Leases, which supersedes IAS 17. The standard is effective for financial years beginning on or after 1 January 2019.

On the whole, IFRS 16 does not change the IAS 17's provisions on accounting treatment by the lessor.

For lessees, leases entered into (other than short-term leases and leases concerning assets of low value) are recognised in the balance sheet as a right-of-use asset and as a lease liability, measured at the present value of minimum lease payments over the term of the lease. The right-of-use asset is subsequently depreciated in the same way as other fixed assets, typically on a straight-line basis over the term of the lease, and interest is calculated on the lease liability, as was the case for finance leases in accordance with IAS 17.

Finansiel Stabilitet has opted for early implementation of the Danish Financial Supervisory Authority's Amending Executive Order no. 1441 of 3 December 2018, so that leases are recognised and measured uniformly by Finansiel Stabilitet and the Group.

Finansiel Stabilitet has chosen a simplified model, which means that IFRS 16 has been implemented as of 1 January 2019. Consequently, comparative figures are not restated.

The new standard has a limited effect on the accounting treatment of leases, as the Group is only impacted with respect to office leases entered into. For leases of office premises still in use by the Group, the asset is stated at the same value as the liability.

At 1 January 2019, a lease asset of DKK 11 million was recognised, whereas the lease liability was recognised at DKK 19 million. The liability includes DKK 8 million that was recognised in the item "Other liabilities" in 2018.

Apart from the above, the accounting policies are consistent with those applied in 2018.

Standards and interpretations not yet in force

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

Accounting estimates and judgments

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

The estimates and assumptions applied are based on historical experience and other factors that Management considers reasonable, but which are inherently uncertain and unpredictable.

Such assumptions may be incomplete or inaccurate, and unexpected events or circumstances may occur. In addition, the Group and parent company are subject to risks and uncertainties that may cause actual outcomes to deviate from the estimates and assumptions made.

It may be necessary to change previous estimates as a result of changes to the assumptions on which the

1 Accounting Policies (continued)

estimates were based on or as a result of new information or subsequent events.

Estimates significant to the financial reporting include the following:

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

Accounting policies for the Group

Foreign currency translation

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

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

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

Offsetting

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

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that, as a result of past events, future economic

benefits will flow to the business and the value of the asset can be reliably measured.

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

Financial instruments – general

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

- Amortised cost
- Fair value through other comprehensive income
- Fair value through profit or loss

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

Bonds are measured at fair value through profit or loss because they are part of an investment strategy based on fair values, and information about the liabilities is provided on that basis in the internal management reporting. Shares and derivative financial instruments are also measured at fair value through profit or loss, as contractual cash flows from these instruments are not solely payments of principal and interest on the principal amount outstanding. Finansiel Stabilitet has no financial instruments measured at fair value through other comprehensive income, as this requires that the instruments are held in a mixed business model and that contractual cash flows are solely payments of interest and principal on the principal amount outstanding.

Financial liabilities are classified and measured at amortised cost, with the exception of derivative financial instru-

Notes

1. Accounting Policies (continued)

ments, which are measured at fair value and recognised in liabilities if their fair value is negative.

Derivative financial instruments

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

Consolidated financial statements

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

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

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

The consolidated financial statements have been prepared consolidating the financial statements of the parent company and the individual subsidiaries stated under the Group's accounting policies, eliminating intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions. Unrealised gains on transactions with associates are eliminated in proportion to the Group's share of the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, to the extent that no impairment has occurred.

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

Balance sheet

Due from credit institutions and central banks

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

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

Loans, advances and receivables at amortised cost

The item consists of loans taken over from distressed banks.

Classification and measurement:

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

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

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

On takeover of existing loans, advances and receivables, any difference between the expected repayment price and fair value at the date of recognition will be amortised over

1. Accounting Policies (continued)

the expected term to maturity as part of the effective rate of interest.

Impairment:

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

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

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

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

Pursuant to its objects under the Act on Financial Stability, Finansiel Stabilitet assumed control of Københavns Andelskasse in September 2018. The preliminary valuation in connection with the takeover indicated that all loans and guarantees that had not been wound up at 31 December 2018 are more or less credit-impaired. The final valuation is under way and is expected to be announced in Q1 2020. For the time being, these loans and guarantees are considered to be credit-impaired on acquisition.

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

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

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

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

Write-off:

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

Finansiel Stabilitet continues its collection efforts after the loans have been written off, based on an individual assessment, including an assessment of the possibility of entering into a voluntary agreement with the customer,

Notes

1. Accounting Policies (continued)

a renegotiation of terms or reconstruction of a business, so that debt collection or petition for bankruptcy is the ultimate measure of debt collection.

Bonds, shares, etc.

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

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

Leases

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

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

Associates

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

Properties

Properties comprise investment properties.

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

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

Land is not depreciated.

Other property, plant and equipment

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

Impairment of property, plant and equipment

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

Tax payable and deferred tax

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

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

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

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

Deferred tax assets and tax liabilities are offset if the enterprise has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.

1. Accounting Policies (continued)

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

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

Commitments made by banks, mortgage credit institutions and investment companies

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

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

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

Other assets

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

Financial liabilities

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

Other liabilities

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

Provisions

The item Provisions comprises provisions made in connection with legal disputes, guarantees, undrawn irrevoca-

ble credit facilities, employee benefits, etc. The item also comprises guarantee commitments for unsecured debt in banks.

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

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

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

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

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

Purchase price adjustment

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

Equity

Finansiel Stabilitet's assets, the 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.

Notes

1. Accounting Policies (continued)

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 Finansiell 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 a financial instrument. Income and expenses for services provided over a period of time, such as guarantee commissions, are accrued over the period. Transaction fees, such as brokerage and custody fees, are recognised at the transaction date.

Market value adjustments

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

Other operating income

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

Staff costs and administrative expenses

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

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

With a few former members of Management, the Group has entered into defined benefit plans. The pension liability in this respect is based on an actuarial assessment of the present value of expected benefits. Present value is calculated on the basis of the most recent yield curve of the Danish FSA and benchmark mortality rates, etc. Any changes other than pension payments for the period

1. Accounting Policies (continued)

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. See the description under impairment of loans.

Income from investments in associates

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

Tax

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

Special accounting issues relating to the parent company financial statements

Purchase price and dowry adjustment receivable

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

Tax payable and deferred tax

Finansiel Stabilitet IPC is exempt from taxation.

Consolidated cash flow statement

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

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

Cash flows from operating activities are calculated according to the indirect method as the 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 al-

Notes

1. Accounting Policies (continued)

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

Guarantee Fund

This segment comprises Finansielt Stabilitet's activities relating to the Guarantee Fund, which can be divided into

four sub-departments: The Banking, Mortgage Credit, Investment and Portfolio Management and Restructuring departments.

Resolution Fund

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

Segment information for the parent company

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

2. Segment information for the Group

Activities for the financial year ended 31 December 2019

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

Activities for the financial year ended 31 December 2019

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

Notes

2. Segment information for the Group (continued)

Activities for the financial year ended 31 December 2018

Group (DKK m)	Bank Package I-V	Guarantee Fund	Resolution Fund	Elimina- tions	Total
Net interest income	-8	-18	3		-23
Contributions to Guarantee Fund & Resolution Fund	-	5	618		623
Other net fee income and market value adjustments, etc.	69	30	-10	-39	50
Purchase price and dowry adjustment	-38	27	-		-11
Other operating income/expenses, net	76	0	34	11	121
Operating expenses	136	8	33	-28	149
Impairment losses on loans, advances, guarantees etc.	-153	0	-5		-158
Income from investments in associates	-9	0	0		-9
Result for the year before tax	107	36	617		760
Tax	3	0	0		3
Result for the year	104	36	617		757
Total assets at 31 December 2018	6,774	13,267	2,670	-792	21,919
Investments in associates 31 Dec. 2018 at net asset value	35				35
Total liabilities at 31 December 2018	1,846	2	249	-792	1,305

Activities for the financial year ended 31 December 2018

Bank Packages I-V (DKK m)	Bank Package I and II	Bank Package III and IV	Bank Package V	Elimina- tions	Total
Net interest income	-21	13			-8
Contributions to Guarantee Fund & Resolution Fund	-	-			-
Other net fee income and market value adjustments, etc.	50	19			69
Purchase price and dowry adjustment	52	-90			-38
Other operating income/expenses, net	40	51		-15	76
Operating expenses	123	28		-15	136
Impairment losses on loans, advances, guarantees etc.	-75	-78			-153
Income from investments in associates	30	0		-39	-9
Result for the year before tax	103	43		-39	107
Tax	0	3			3
Result for the year	103	40		-39	104
Total assets at 31 December 2018	7,610	2,382		-3,218	6,774
Investments in associates 31 Dec. 2018 at net asset value	35				35
Total liabilities at 31 December 2018	2,682	2,301		-3,137	1,846

3. Segment information for the parent company

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

Activities 2018 (DKKm)	Bank Package activities	Guarantee Fund	Resolution Fund	Elimina- tions	Total
Net interest income	-18	-18	-4		-40
Contributions to Guarantee Fund & Resolution Fund	-	5	618		623
Other net fee income and market value adjustments, etc.	50	30	-10	-39	31
Purchase price and dowry adjustment	52	27	0		79
Other operating income/expenses, net	49	0	17	17	83
Operating expenses	122	8	18	-22	126
Impairment losses on loans, advances, guarantees etc.	-75	0	0		-75
Income from investments in associates and subsidiaries	17	0	14		31
Result for the year	103	36	617		756
Total assets at 31 December 2018	8,107	13,267	2,433	-29	23,778
Total liabilities at 31 December 2018	3,179	2	12	-29	3,164

Notes

4. Takeover of enterprises

Pursuant to its objects under the Act on Financial Stability, Finansiell Stabilitet has taken over all assets and liabilities of Københavns Andelskasse. The takeover took place in accordance with the Act on Restructuring and Resolution of Certain Financial Enterprises.

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

Finansiell Stabilitet had a temporary valuation of the co-operative bank made in order to identify and determine the amount of losses based on information received from the bank before the takeover. The preliminary valuation indicated that, in addition to the share capital, all subordinated debt, claims of unsecured creditors and all deposits in the co-operative bank exceeding the amount covered by the Guarantee Fund must be considered lost. The share capital, subordinated creditors' claims and claims of unsecured creditors were therefore provisionally written off. This also included off-balance sheet claims, such as guarantees provided by the co-operative bank not secured by the co-operative bank and deposits in excess of the amount covered by the Guarantee Fund.

Finansiell Stabilitet has subsequently received the final valuation made by independent valuer H.S. Krogh of PWC.

The valuation is based on a conservative assessment including all the bank's expected financial losses. The valuation still indicates that the claims of all the bank's creditors are not covered, which means that both share capital and subordinated capital will be written off. However, the report also indicates that eligible deposits not covered by the Guarantee fund will receive full coverage and that simple creditors will receive coverage of approximately 25% of their claims.

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

At 31 December 2019, FS Finans VI A/S had net loans and guarantees representing a total carrying amount of DKK 44 million and total assets of DKK 142 million.

(DKKm)	Group		Parent company	
	2019	2018	2019	2018
5. Interest income				
Due from credit institutions and central banks	0	0	0	0
Loans, advances and other receivables at amortised cost	26	16	17	4
Bonds	76	28	76	27
Other interest income	4	1	22	17
Total	106	45	115	48
Interest income relates to:				
Liabilities at amortised cost	2	0	20	16
Assets at amortised cost	28	17	19	5
Assets at fair value:	76	28	76	27
Total	106	45	115	48

(DKKm)	Group		Parent company	
	2019	2018	2019	2018
6. Interest expense				
Due from credit institutions and central banks	67	88	67	88
Deposits and other payables	0	1	0	0
Other interest expense (statutory interest)	0	-21	0	0
Total	67	68	67	88
7. Fees and commissions				
Fees and commissions received				
Guarantees	4	6	3	4
Other fees and commissions	0	1	0	0
Total	4	7	3	4
Fees and commissions paid				
Other fees and commissions paid	0	1	0	0
Total	0	1	0	0
8. Market value adjustments				
Bonds	-38	-11	-38	-11
Shares, etc.	12	52	2	35
Investment properties	0	0	0	0
Foreign exchange, interest rate, share, commodity and other contracts and derivative financial instruments	0	1	0	1
Other assets and liabilities	2	0	2	0
Total	-24	42	-34	25
Market value adjustments relate to				
Assets and liabilities at fair value	-24	42	-34	25
Total	-24	42	-34	25
9. Other operating income				
Expected dividend	0	0	-35	0
The FIH case	206	100	206	100
Damages awarded through litigation and settlement	229	16	4	0
Income from group companies	-	-	23	21
Sale of management services (to external companies)	7	2	7	2
Gain from disposal of exposures	27	0	0	0
Income from the Danish FSA	14	18	14	18
Other items	5	5	5	2
Total	488	141	224	143

Notes

(DKKm)	Group		Parent company	
	2019	2018	2019	2018
10. 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	38	32	35	30
Pensions	3	4	2	2
Total	41	36	37	32
Other administrative expenses	93	109	65	90
Total	138	149	106	126
Average number of employees during the financial year converted into full-time equivalent	51	44	46	40
Board emoluments paid (DKK'000)				
Peter Engberg Jensen (Chairman) – appointed 2015	300	300	300	300
Bent Naur (Deputy Chairman) – appointed 2012	225	225	225	225
Nina Dietz Legind - appointed 2015	150	150	150	150
Bente Overgaard – appointed 2016	150	150	150	150
Bendt Wedell – appointed 2016	150	150	150	150
Anne Louise Eberhard – appointed 2016	150	150	150	150
Ulrik Rammeskov Bang-Pedersen – appointed 2016	150	150	150	150
Total emoluments	1,275	1,275	1,275	1,275
Management Board remuneration paid (DKK'000)				
Henrik Bjerre-Nielsen (November 2008 -)				
Fixed salary	3,030	2,968	3,030	2,968
Tax on company-paid vehicles, etc.	119	123	119	123
Total	3,149	3,091	3,149	3,091

The Management Board is not covered by bonus plans.

Other material risk takers

The Finansiell Stabilitet Group has identified 2 other material risk takers. Salaries include fixed remuneration to these in the total amount of DKK 3.8 million (2018: DKK 3.7 million). For disclosure requirements in accordance with the Danish executive order on remuneration policy and public disclosure of salaries in financial institutions and financial holding companies (not comprised by audits) see www.fs.dk.

(DKK m)	Group		Parent company	
	2019	2018	2019	2018
10. Staff costs and administrative expenses – continued				
Provisions for defined benefit plans				
Present value of pension obligations	29	29	7	7
Fair value of pension assets	0	0	0	0
Total	29	29	7	7
Movements in provisions for defined benefit plans				
Provision, beginning of year	29	31	7	9
Calculated interest expenses	1	1	0	0
Actuarial gains/losses	1	1	0	0
Pensions paid	-2	-4	-1	-2
Provision, end of year*	29	29	7	7
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	1	1	0	0
Defined benefit costs	2	2	0	0
Actuarial assumptions:				
Discount rate	3.0%	3.0%	3.0%	3.0%
Pension adjustment rate	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	0.5	0.3	0.5	0.3
Non-audit services	0.1	0.1	0.0	0.1
Total audit fees	0.6	0.4	0.5	0.4

* The figures include rounding differences.

Notes

(DKKm)	Group		Parent company	
	2019	2018	2019	2018
11. Other operating expenses				
Provision for litigation and settlement	120	1	175	50
Other operating expenses	-8	19	0	10
Total	112	20	175	60

(DKKm)	Group		
12. Impairment losses on loans, advances and receivables etc.			
2019			
Loans, advances and other receivables at amortised cost			
		Loans, etc. Stage 3 credit impaired	Impact on operations
Impairment losses and provisions, beginning of year		4,006	
Amount lost on previously written-down debt		-1,212	
Impairment losses and provisions during the year		35	35
Reversed impairment losses and provisions		-78	-78
Impairment losses and provisions, end of year		2,751	-43
Amounts received on previously written-off claims etc.			-88
Impairment losses charged to income statement			-131

Impairment losses/adjustment for credit risk, end of year					
	Impair- ment losses beginning of year	Finally lost	Impairment losses dur- ing the year	Reversed impairment losses	Impairment losses end of year
Due from credit institutions	0	0	0	0	0
Loans and advances at amortised cost	3,944	-1,200	33	-61	2,716
Guarantees	62	-12	2	-17	35
Total	4,006	-1,212	35	-78	2,751

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

Financial assets measured at amortised cost are removed wholly or partly from the balance sheet if Finansiel Stabilitet no longer has expectations of full or partial recovery of outstanding amounts. Inclusion ceases on the basis of an individual assessment.

When a financial asset is removed in full or in part from the balance sheet, any impairment loss on the financial asset is also removed from the calculation of accumulated impairment losses.

Finansiel Stabilitet continues its collection efforts after the assets have been removed from the balance sheet. The measures depend on the individual situation. Over time, Finansiel Stabilitet has on an interim basis written off financial assets in the amount of DKK 12 billion, which it continues to attempt to collect.

(DKKm)

Parent company

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

2019

Loans, advances and other receivables at amortised cost

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

Impairment losses/adjustment for credit risk, end of year

	Impair- ment losses beginning of year	Finally lost	Impairment losses dur- ing the year	Reversed impairment losses	Impairment losses end of year
Due from credit institutions	0	0	0	0	0
Loans and advances at amortised cost	1,902	-429	25	-42	1,456
Guarantees	28	0	2	-16	14
Total	1,930	-429	27	-58	1,470

Notes

(DKKm)

Group

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

2018

Loans, advances and other receivables at amortised cost

	Loans, etc. Stage 3 credit impaired	Loans etc., collective impairment	Total	Impact on operations
Impairment losses and provisions, beginning of year	4,377	70	4,447	
Amount lost on previously written-down debt	-322	0	-322	
Impairment losses and provisions during the year	62	0	62	62
Reversed impairment losses and provisions	-111	-70	-181	-181
Impairment losses and provisions, end of year	4,006	0	4,006	-119
Amounts received on previously written-off claims etc.				-39
Impairment losses charged to income statement				-158

Impairment losses/adjustment for credit risk, end of year

	Impair- ment losses beginning of year	Finally lost	Impairment losses dur- ing the year	Reversed impairment losses	Impairment losses end of year
Due from credit institutions	0	0	0	0	0
Loans and advances at amortised cost	4,310	-322	46	-90	3,944
Guarantees	137	0	16	-91	62
Total	4,447	-322	62	-181	4,006

(DKKm)

Parent company

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

2018

Loans, advances and other receivables at amortised cost

	Loans, etc. Stage 3 credit impaired	Loans etc., collective impairment	Total	Impact on operations
Impairment losses and provisions, beginning of year	2,033	34	2,067	
Amount lost on previously written-down debt	-83	0	-83	
Impairment losses and provisions during the year	21	0	21	21
Reversed impairment losses and provisions	-41	-34	-75	-75
Impairment losses and provisions, end of year	1,930	0	1,930	-54
Amounts received on previously written-off claims etc.				-21
Impairment losses charged to income statement				-75

Impairment losses/adjustment for credit risk, end of year

	Impair- ment losses beginning of year	Finally lost	Impairment losses dur- ing the year	Reversed impairment losses	Impairment losses end of year
Due from credit institutions	0	0	0	0	0
Loans and advances at amortised cost	2,008	-83	11	-34	1,902
Guarantees	59	0	10	-41	28
Total	2,067	-83	21	-75	1,930

Notes

(DKKm)	Group		Parent company	
	2019	2018	2019	2018
13. Income from investments in associates and subsidiaries				
Income from investments in associates	0	-9	0	-9
Income from investments in subsidiaries	0	0	74	40
Total	0	-9	74	31
14. Tax				
Estimated tax on income for the year	7	3		
Prior-year tax adjustments	0	0		
Total	7	3		
Effective tax rate				
Corporate tax rate in Denmark	22.0%	22.0%		
Tax-exempt activities and unrecognised deferred tax assets	-21.3%	(21.6%)		
Effective tax rate	0.7%	0.4%		
Finansiel Stabilitet A/S is exempt from taxation.				
15. Due from credit institutions and central banks				
Due from credit institutions	49	102	39	30
Total balances due from credit institutions and central banks	49	102	39	30
Broken down by term to maturity				
Demand deposits	49	102	39	30
3 months or less	0	0	0	0
Between 3 months and 1 year	0	0	0	0
Between 1 and 5 years	0	0	0	0
More than 5 years	0	0	0	0
Total	49	102	39	30

(DKKm)	Group		Parent company	
	2019	2018	2019	2018
16. Loans, advances and other receivables				
Loans, advances and other receivables at amortised cost	311	488	86	134
Impairment losses	2,716	3,944	1,456	1,902
Total loans, advances and other receivables before impairment losses	3,027	4,432	1,542	2,036
Broken down by term to maturity				
On demand	2,724	3,977	1,431	1,897
3 months or less	8	24	2	13
Between 3 months and 1 year	44	53	23	19
Between 1 and 5 years	125	211	47	79
More than 5 years	126	167	39	28
Total	3,027	4,432	1,542	2,036

Credit risk

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

Finansiel Stabilitet's takeover of subsidiaries, new credits have to a limited extent been granted in cases where this has been deemed to reduce the overall risk of losses. For further description of credit risk, see note 28.

Credit exposure

Balance sheet items:

Cash in hand and demand deposits with central banks	8,204	10,895	8,204	10,849
Due from credit institutions and central banks	49	102	39	30
Loans, advances and other receivables at amortised cost	311	488	86	134
Total credit exposure recognised in balance sheet:	8,564	11,485	8,329	11,013

Off-balance sheet items:

Guarantees	327	506	198	298
Credit exposure re. lending activity	8,891	11,991	8,527	11,311

Related collateral is set out later in note 16.

On Finansiel Stabilitet's takeover of Københavns Andelskasse on 13 September 2018, the fair value of the Co-operative Bank's loans were in the preliminary valuation assessed to be DKK 133 million (DKK 188 million nominal value). The final valuation of these loans, made by independent valuer H.C. Krogh, auditor with PwC, was DKK 137 million.

Notes

16. Loans, advances and other receivables – continued

Credit institutions and central banks

Of the remaining credit exposure, DKK 8.2 billion relates to amounts due from central banks. No impairment losses have been recognised on amounts due from central banks. In respect of the DKK 49 million due from credit institutions, the estimated impairment loss is less than DKK 1 million.

Loans and advances at amortised cost and guarantees

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

(DKKm)	Group				Parent company			
	2019		2018		2019		2018	
Loans and guarantees (gross)								
1. Public authorities	3	0%	5	0%	1	0%	2	0%
2. Commercial sector								
2.1 Agriculture, hunting, forestry and fishing	429	13%	555	11%	61	3%	104	4%
2.2 Industry and raw materials extraction	13	0%	16	0%	7	0%	7	0%
2.3 Energy supply	209	6%	307	6%	82	5%	180	9%
2.4 Construction	89	3%	99	2%	5	0%	6	0%
2.5 Trade	12	0%	35	1%	6	0%	21	1%
2.6 Transport, hotel and restaurant business	29	1%	42	1%	26	2%	26	1%
7.2 Information and communication	1	0%	29	1%	0	0%	26	1%
2.8 Finance and insurance	638	19%	890	18%	188	11%	289	12%
2.9 Property	1,636	48%	2,613	52%	1,224	70%	1,527	65%
2.10 Other commercial sector	86	3%	99	2%	63	4%	72	3%
Total commercial sector	3,142	93%	4,685	94%	1,662	95%	2,258	96%
3. Retail sector	244	7%	310	6%	91	5%	102	4%
Total	3,389	100%	5,000	100%	1,754	100%	2,362	100%

The distributional percentages in the totals may include rounding differences.

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

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

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

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

(DKKm)	Group		Parent company	
	2019	2018	2019	2018
16. Loans, advances and other receivables – continued				
Loans with suspended interest accrual				
Loans with suspended interest accrual	2,732	4,022	1,448	1,930
Amount hereof impaired	2,609	3,882	1,397	1,865
Loans with suspended interest accrual, recognised in balance sheet	123	140	51	65

Collateral security has been provided at a fair value of DKK 0.4 billion. The table below shows a break-down on main categories.

Collateral security				
Mortgages on real property	65	155	15	28
Mortgages on vehicles, ships, etc.	0	8	0	0
Other	355	494	193	270
Total	420	657	208	298

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

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

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

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

(DKKm)	Group				Parent company			
	2019		2018		2019		2018	
Impairment losses and provisions by line of business								
1. Public authorities	0	0%	2	0%	0	0%	0	0%
2. Commercial sector								
2.1 Agriculture, hunting, forestry and fishing	278	10%	348	9%	30	2%	43	2%
2.2 Industry and raw materials extraction	8	0%	9	0%	5	1%	5	0%
2.3 Energy supply	209	8%	305	8%	82	6%	178	9%
2.4 Construction	76	3%	76	2%	3	0%	3	0%
2.5 Trade	7	0%	15	0%	3	0%	7	1%
2.6 Transport, hotel and restaurant business	2	0%	7	0%	2	0%	2	0%
7.2 Information and communication	1	0%	27	1%	0	0%	26	2%
2.8 Finance and insurance	569	21%	817	20%	181	12%	287	15%
2.9 Property	1,373	50%	2,143	53%	1,044	71%	1,242	64%
2.10 Other commercial sector	57	2%	69	2%	43	3%	51	3%
Total commercial sector	2,580	94%	3,816	95%	1,393	95%	1,844	96%
3. Retail sector	171	6%	188	5%	77	5%	86	4%
Total	2,751	100%	4,006	100%	1,470	100%	1,930	100%

For a more detailed description of the Group's credit risk management goals and policies, see note 28.

Notes

(DKKm)	Group		Parent company	
	2019	2018	2019	2018
17. Bonds at fair value etc.				
Listed	9,640	5,775	9,640	5,702
Unlisted	4	7	4	6
Total	9,644	5,782	9,644	5,708

18. Shares, etc.

Shares/unit trust certificates listed on Nasdaq OMX Copenhagen A/S	91	87	91	87
Unlisted shares at fair value	17	27	10	13
Total	108	114	101	100

19. Investments in associates

Cost at beginning of year	58	58	58	58
Cost, end of year	58	58	58	58
Revaluations and impairment, beginning of year	-23	-14	-23	-14
Revaluations and impairment	0	-9	0	-9
Revaluations and impairment, end of year	-23	-23	-23	-23
Total	35	35	35	35

Investments in associates	Owner-ship	Domicile	Total assets	Total liabilities	Revenue	Result
Landbrugets Finansieringsinstitut A/S	33%	Copenhagen	295	202	12	-12
EBH Tyskland 1 A/S	45%	Horsens	12	0	1	1

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

(DKKm)	Group		Parent company	
	2019	2018	2019	2018
20. Investment properties				
Investment properties				
Fair value, beginning of year	3	3	3	3
Additions	0	0	0	0
Disposals	1	0	1	0
Value adjustments	0	0	0	0
Fair value, end of year	2	3	2	3

Net income from investment properties amounted to an operating deficit of DKK 0 million (2018: a surplus of DKK 1 million).

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

(DKKm)	Group		Parent company	
	2019	2018	2019	2018
21. Other assets				
Positive market values of derivative financial instruments	0	0	0	0
Other assets	224	283	219	244
Total	224	283	219	244
22. Deposits and other payables				
On demand	0	86	0	0
Subject to term of notice	0	20	0	0
Term deposits	0	13	0	0
Special types of deposits	0	14	0	0
Total deposits	0	133	0	0
Broken down by term to maturity				
Due on demand	0	86	0	0
3 months or less	0	27	0	0
Between 3 months and 1 year	0	6	0	0
Between 1 and 5 years	0	4	0	0
More than 5 years	0	10	0	0
Total	0	133	0	0
23. Other liabilities				
Deposit re. EU case FIH	45	251	45	251
Other liabilities	574	412	3,494	2,853
Total	619	663	3,539	3,104
24. Purchase price adjustment (earn-out)				
Beginning of year	220	209		
Additions during the year	36	11		
Disposals during the year	0	0		
End of year	256	220		

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.

Notes

(DKKm)	Group		Parent company	
	2019	2018	2019	2018
25. Other provisions				
Lawsuits	60	73	8	12
Other provisions	136	153	20	20
Total	196	226	28	32

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

Lawsuits

Beginning of year	73	59	12	1
Additions during the year	0	19	0	11
Reversed	4	5	4	0
Used	9	0	0	0
End of year	60	73	8	12

Other provisions

Beginning of year	153	62	20	25
Additions during the year	2	97	2	0
Reversed	12	6	0	5
Used	7	0	2	0
End of year	136	153	20	20

26. Contingent assets and liabilities

Loss guarantee for mortgage loans	310	483	197	297
Other	17	23	1	1
Total	327	506	198	298

Tax

The Group has a deferred tax asset of DKK 0.4 billion. (2018: DKK 0.4 billion). Due to the uncertainty as to whether this can be utilised, the tax asset has not been recognised in the balance sheet.

Lawsuits

Finansiel Stabilitet is a party to several lawsuits instituted by the company, including nine 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.

(DKKm)

Group

27. Derivative financial instruments

Group	2019			2018		
	Nominal value	Positive market value	Negative market value	Nominal value	Positive market value	Negative market value
Foreign exchange contracts						
Forward contracts/futures, purchase	0	0	0	0	0	0
Forward contracts/futures, sale	0	0	0	5	0	0
Swaps	0	0	0	0	0	0
	0	0	0	5	0	0

28. Financial risk management

The risk factors impacting Finansiell 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

Finansiell 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 2019, Finansiell 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. 7 of the management's review.

In addition to this, Finansiell 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.

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

As Finansiell 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

Finansiell Stabilitet's credit risk management builds on the legislative framework governing Finansiell Stabilitet's business activities. Pursuant to this, Finansiell 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 Finansiell Stabilitet's resolution of activities, including the principles of ensuring that the resolution is conducted in a financially responsible, proper and fair manner. The remaining loans are of poor credit quality.

As a result of the resolution of a considerable portion of exposures, the remaining risk has been significantly reduced relative to previous years. Moreover, a large part of the value of loans and guarantees net of impairment is covered by way of mortgages, dividends from estates in bankruptcy, etc. Against this background, the remaining risk relating to loans and guarantees is assessed to be relatively limited.

Market risk

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

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

Notes

28. Financial risk management – continued

Interest rate risk

The Bank Package I-V segment is not exposed to interest rate changes, as the majority of the group companies' loans and advances carry floating rates of interest. The interest rate risk at 31 December 2019 amounted to DKK 0 million (2018: 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 106 million at 31 December 2019 (DKK 114 million at 31 December 2018). Excluding the subsidiaries under Bank Packages III-V, the portfolio of shares etc. amounted to DKK 101 million (2018: DKK 100 million). A 10% drop in share prices would result in a DKK 10 million deterioration of Finansiel Stabilitet's result (2018: DKK 10 million).

See note 18, Shares, etc. for a specification of share positions. Associates, see note 19, are not included in the calculation of share positions and are not included in the calculation of the sensitivity to share price drops. Associates amounted to DKK 35 million (2018: DKK 35 million).

Currency risk

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

At 31 December 2019, exchange rate indicator 1 was 0.3%, calculated excluding EUR (2018: 0.4%) of Finansiel Stabilitet's equity. Excluding banks taken over under Bank Packages III-V, exchange rate indicator 1, calculated excluding EUR, was 0.0% of equity (2018: 0.0%). A 2.25% change in the DKK/EUR exchange rate and a 10% change in all other exchange

rates would affect Finansiel Stabilitet's surplus/(loss) by DKK 1 million (2018: DKK 3 million).

The overall currency position calculated in terms of exchange rate indicator 1 amounted to DKK 40 million at 31 December 2019 (DKK 47 million at 31 December 2018). Excluding the subsidiaries under Bank Packages III-V, the currency position amounted to DKK 25 million (DKK 18 million at 31 December 2018). See also the calculation of currency risk at the end of note 28.

Liquidity risk

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

The access to the state-funded re-lending scheme means that, when necessary, Finansiel Stabilitet can contact Danish Government Debt Management at Danmarks Nationalbank in order to obtain loans. The terms are set out on the basis of the prevailing market conditions for government bond loans. Having access to the re-lending scheme enables Finansiel Stabilitet to handle unforeseen large payments without necessarily having to maintain a very large demand deposit.

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

28. Financial risk management – continued

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

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

During 2019, the Guarantee Fund invested cash funds under bond mandates in 0-5-year mortgage bonds. At 31 December 2019, the Fund had invested DKK 6,999 million. The average duration of the bonds at the end of 2019 was 2.89 years, and interest rate risk in the event of a 1% change in the level of interest rates was determined to be DKK 203 million (2018: DKK 122 million).

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 means of the Resolution Fund must be invested in low-risk assets. Each year, Finansiel Stabilitet's Board of Directors defines the investment strategy for the Fund. The investment strategy must be determined so as to ensure that the available financial means of the Resolution Fund are from time

to time proportionate with the Resolution Fund's potential liabilities.

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

During 2019, the Resolution Fund invested its cash funds under a bond mandate in 0-5-year mortgage bonds. At 31 December 2019, the Fund had invested DKK 2,641 million. The average duration of bonds at the end of 2019 was 2.86 years, and interest rate risk in the event of a 1% change in the level of interest rates was determined to be DKK 76 million (2018: DKK 37 million).

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

Moreover, the Fund is exposed to credit risk on exposures not yet resolved from institutions taken over. For a description hereof, see the section under Bank Package I-V activities.

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

(DKKm)	Group	
	2019	2018
Currency risk		
Total assets in foreign currency	40	53
Total liabilities in foreign currency	0	0
Exchange rate indicator 1	40	47
Exchange rate indicator 1 in per cent of equity	0%	0%
Interest rate risk		
Bank Packages I-V	0	0
Guarantee Fund	203	122
Resolution Fund	76	37
All positions	279	159

Notes

(DKKm)

Parent company

29. Related parties

Related parties comprise the Danish State, including companies/institutions over which the Danish State exercises control. Related parties also comprise the Board of Directors, the Management Board and senior employees, see note 10 to the financial statements. As a general rule, transactions with related parties are entered into and settled on market terms or on a cost-recovery basis. The settlement prices for individual types of transaction are set out by law.

The table below shows the most significant related party transactions.

Related party	Relation	Transaction	Income/ expense 2019	Balance sheet at 31/12/2019	Income/ expense 2018	Balance sheet at 31/12/2018
Parties exercising significant influence						
The Danish State	100% ownership of Finansiel Stabilitet IPC	Reimbursement, adm. expenses through Fi- nance and Appropriation Act received from FSA	14	-13	18	-11
Subsidiaries						
FS Finans I A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms Management agreement	2 2	-285 -	2 2	-276 -
FS Finans II A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms Management agreement	1 3	-217 -	1 4	-217 -
FS Finans III A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms Management agreement	11 3	-1,836 -	10 4	-1,493 -
FS Finans IV A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms Management agreement	1 3	-91 -	0 5	-80 -
FS Finans V A/S, Copenhagen	Subsidiary of Broinstitut I	Loans on market terms Management agreement	0 3	0 -	0 5	11 -
FS Finans VI A/S, Copenhagen	Subsidiary of Broin- stitut II	Deposits on market terms Management agreement	0 8	101 -	0	0
FS Ejendomsselskab A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms Management agreement	3 0	-507 -	3 0	-509 -
Other government entities						
Danmarks Nationalbank	Controlled by the Danish State	Deposit	-67	7,677	-88	10,895

(DKKm)

Group

30. Group overview

	Share capital	Result	Equity	Ownership
Finansiel Stabilitet IPC, Copenhagen	1	95	20,709	
Broinstitut I A/S, Copenhagen	38	-3	35	100%
Broinstitut II A/S, Copenhagen	38	12	50	100%
Significant subsidiaries:				
FS Ejendomsselskab A/S, Copenhagen	2	-3	498	100%
FS Finans I A/S, Copenhagen	1	0	1	100%
FS Finans II A/S, Copenhagen	1	0	1	100%
FS Finans III A/S, Copenhagen	1	0	1	100%
FS Finans IV A/S, Copenhagen	40	69	109	100%
FS Finans V A/S, Copenhagen	38	-3	26	100%
FS Finans VI A/S, Copenhagen	38	12	50	100%

Notes

(DKKm)

Group

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

2019	On demand 0-3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Assets					
Cash in hand and demand deposits with central banks	8,204	-	-	-	8,204
Due from credit institutions and central banks	49	-	-	-	49
Loans, advances and other receivables at amortised cost	171	18	55	67	311
Bonds at fair value	-	147	9,018	479	9,644
Shares, etc.	-	-	108	-	108
Investments in subsidiaries and associates, etc.	-	-	35	-	35
Investment properties	-	2	-	-	2
Lease assets	-	2	7	-	9
Commitments made by banks, mortgage credit institutions and investment companies	-	-	-	3,218	3,218
Other assets etc.	71	1	152	-	224
Prepayments	2	-	-	-	2
Total assets	8,497	170	9,375	3,764	21,806

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

(DKKm)

Group

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

2018	On demand 0-3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Assets					
Cash in hand and demand deposits with central banks	10,895	-	-	-	10,895
Due from credit institutions and central banks	102	-	-	-	102
Loans, advances and other receivables at amortised cost	231	30	116	111	488
Bonds at fair value	100	577	5,048	57	5,782
Shares, etc.	-	-	114	-	114
Investments in subsidiaries and associates, etc.	-	-	35	-	35
Investment properties	-	3	-	-	3
Commitments made by banks, mortgage credit institutions and investment companies	-	-	-	4,215	4,215
Other assets etc.	127	-	156	-	283
Prepayments	2	-	-	-	2
Total assets	11,457	610	5,469	4,383	21,919
Equity and liabilities					
Deposits and other payables	113	6	4	10	133
Other liabilities etc.	38	41	585	-	664
Provisions	-	-	508	-	508
Total liabilities	151	47	1,097	10	1,305

Notes

(DKKm)

Group

32. Fair value disclosure

Financial instruments are recognised in the balance sheet at fair value or amortised cost.

The following table for each item breaks down financial instruments according to valuation method.

Break-down of financial instruments by valuation method

Group	2019			2018		
	Amor- tised cost	Fair value	Total	Amor- tised cost	Fair value	Total
Financial assets						
Cash in hand and demand deposits with central banks	8,204	0	8,204	10,895	0	10,895
Due from credit institutions and central banks	49	0	49	102	0	102
Loans, advances and other receivables at amortised cost	311	0	311	488	0	488
Bonds	0	9,644	9,644	0	5,782	5,782
Shares, etc.	0	108	108	0	114	114
Investment properties	0	2	2	0	3	3
Commitments made by banks, mortgage credit institutions and investment companies	3,218	0	3,218	4,215	0	4,215
Total financial assets	11,782	9,754	21,536	15,700	5,899	21,599
Financial liabilities						
Deposits and other payables	0	0	0	133	0	133
Total financial liabilities	0	0	0	133	0	133

(DKKm)

Group

32. 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 2019 amounted to DKK 2 million (2018: DKK 3 million). The fair value of investment properties is based on a required rate of return of 8% (2018: 8%)

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

Notes

(DKKm)

Group

32. Fair value disclosure – continued

2018	Listed prices	Observable input	Non-observable input	Total
Fair value, Group				
Financial assets at fair value broken down into:				
Bonds	5,775	0	7	5,782
Shares, etc.	87	0	27	114
Investment properties	0	3	0	3
Total	5,862	3	34	5,899

Fair value based on non-observable input	2019	2018
Beginning of year	34	217
Additions during the year	0	11
Value adjustment through profit or loss (note 7)	8	36
Disposals during the year (including reclassification)	-21	-230
Fair value, end of year	21	34

33. 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.

	2019		2018	
	Amor-tised cost	Fair value	Amor-tised cost	Fair value
Financial assets				
Cash in hand and demand deposits with central banks	8,204	8,204	10,895	10,895
Due from credit institutions and central banks	49	49	102	102
Loans, advances and other receivables	311	311	488	488
Commitments made by banks, mortgage credit institutions and investment companies	3,218	3,218	4,215	4,215
Total financial assets	11,782	11,782	15,700	15,700
Financial liabilities				
Deposits and other payables	0	0	133	133
Total financial liabilities	0	0	133	133

(DKKm)

Group

34. Return on financial instruments

	2019			2018		
	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	30	76	106	17	28	45
Interest expense	67	0	67	68	0	68
Net interest income	-37	76	39	-51	28	-23
Share dividends, etc.	0	1	1	0	2	2
Fees and commissions received	4	0	4	7	0	7
Fees and commissions paid	0	0	0	1	0	1
Net interest and fee income	-33	77	44	-45	30	-15
Market value adjustments	0	-24	-24	0	42	42
Total	-33	53	20	-45	72	27

35. Lessor

	2019	2018
The item Loans and advances at amortised cost comprises finance leases	9	18
Net investments in finance leases		
Terms up to 1 year	9	7
Terms between 1 and 5 years	0	11
Term of 5 years or more	0	0
Total	9	18
Gross investments in finance leases		
Terms up to 1 year	17	14
Terms between 1 and 5 years	0	16
Term of 5 years or more	0	0
Total	17	30
Write-down of finance leases	8	12

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

Notes

(DKKm)

Parent company

36. Finansiell Stabilitet 2015-2019

	2019	2018	2017	2016	2015
Summary income statement					
Net interest and fee income	776	589	716	735	2,535
Market value adjustments	-34	25	37	-21	134
Other operating income	224	143	44	497	330
Staff costs and administrative expenses, etc.	108	126	121	101	208
Other operating expenses	175	60	77	31	180
Impairment losses on loans, advances and receivables, etc.	-90	-75	-69	-216	-199
Income from investments in associates and subsidiaries	74	31	10	-42	1
Purchase price and dowry adjustment	221	79	-9	-111	362
Comprehensive income for the year	1,068	756	669	1,142	3,173
Balance sheet at 31 December					
Assets					
Cash in hand and demand deposits with central banks and credit institutions	8,243	10,879	15,820	15,167	15,011
Loans and advances	86	134	139	135	317
Securities	9,745	5,808	155	178	820
Investments in associates and subsidiaries	728	694	657	649	726
Commitments made by banks, mortgage credit institutions and investment companies	3,218	4,215	4,215	4,215	4,215
Loss guarantee from the Danish State, Roskilde Bank	0	0	2,550	2,550	2,550
Purchase price and dowry adjustment	2,020	1,799	1,720	1,729	1,840
Other asset items	232	249	285	252	385
Total assets	24,272	23,778	25,541	24,875	25,864
Equity and liabilities					
Loans through the state-funded re-lending scheme	0	0	0	0	801
Other payables	3,548	3,104	3,048	3,015	3,599
Total payables	3,548	3,104	3,048	3,015	4,400
Provisions	42	60	85	121	867
Equity	20,682	20,614	22,408	21,739	20,597
Total equity and liabilities	24,272	23,778	25,541	24,875	25,864
Off-balance sheet items					
Contingent liabilities	198	298	327	353	457
Financial ratios					
Return on equity before tax	5.2%	3.5%	3.0%	5.4%	16.7%
Return on equity after tax	5.2%	3.5%	3.0%	5.4%	16.7%

(DKKm)

Parent company

36. Finansiell Stabilitet 2015-2019 – continued

Finansiell Stabilitet 2019

(DKKm)	Bank Package activities	Guarantee Fund	Resolu- tion Fund	Elimina- tions	Total
Summary income statement					
Net interest and fee income	8	110	727	-69	776
Market value adjustments	5	-28	-11	0	-34
Other operating income	254	-29	14	-15	224
Staff costs, administrative expenses, depreciation and amortisation	103	6	14	-15	108
Other operating expenses	244	0	0	-69	175
Impairment losses on loans, advances and receivables, etc.	-90	0	0	0	-90
Income from investment in subsidiaries and associates	65	0	9	0	74
Purchase price and dowry adjustment	154	67	0	0	221
Comprehensive income for the year	229	114	725	0	1,068
Balance sheet at 31 December					
Assets					
Cash in hand and demand deposits with central banks and credit institutions	6,532	1,183	528	0	8,243
Loans and advances	86	0	0	0	86
Securities	105	6,999	2,641	0	9,745
Investments in subsidiaries	644	0	84	0	728
Investment properties and lease assets	11	0	0	0	11
Guarantees provided by banks, mortgage credit institutions and investment companies	0	3,218	0	0	3,218
Purchase price and dowry adjustment receivable	1,219	801	0	0	2,020
Other assets	58	180	17	-34	221
Total assets	8,655	12,381	3,270	-34	24,272
Equity and liabilities					
Other liabilities	3,469	2	111	-34	3,548
Total payables	3,469	2	111	-34	3,548
Provision for losses on guarantees	14	0	0	0	14
Other provisions	15	0	13	0	28
Total provisions	29	0	13	0	42
Total liabilities	3,498	2	124	-34	3,590
Equity as at 1 January 2019	4,928	13,265	2,421	0	20,614
Comprehensive income for the year	229	114	725	0	1,068
Cancelled guarantees due to legislative amendment	0	-1,000	0	0	-1,000
Equity as at 31 December 2019	5,157	12,379	3,146	0	20,682
Total equity and liabilities	8,655	12,381	3,270	-34	24,272

Statement by Management

The Board of Directors and the Management Board have today considered and adopted the annual report of Finansielt Stabilitet for the financial year 1 January – 31 December 2019.

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 2019 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 2019.

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, 13 March 2020

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 Rammeskov Bang-Pedersen

Independent auditors' report

To the Ministry of Industry, Business and Financial Affairs

Opinion

We have audited the consolidated and parent financial statements of the independent public company Finansiel Stabilitet for the financial year 1 January to 31 December 2019, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and the cash flow statement for the Group. The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, while the parent financial statements are presented in accordance with the Danish Financial Business Act.

In our opinion, the consolidated and parent financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2019 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 2019 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU in respect of the consolidated financial statements and in accordance with the Danish Financial Business Act in respect of the parent financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, and in accordance with standards on public auditing as the audit is conducted on the basis of the provisions of the Danish Auditor General's Act. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated and parent financial statements" section of our report.

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

fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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

Management's responsibilities for the consolidated and parent financial statements

Management is responsible for the preparation and fair presentation of the consolidated and parent financial statements in accordance with International Financial Reporting Standards as adopted by the EU with respect to the consolidated financial statements and in accordance with the Danish Financial Business Act with respect to the parent financial statements.

Management is also responsible for such internal control as Management determines is necessary to enable the preparation of consolidated and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and additional requirements applicable in Denmark as well as the standards on public auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent financial statements.

As part of an audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark as well as the standards on public auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

- Evaluate the overall presentation, structure and content of the consolidated and parent financial statements, including the disclosures in the notes, and whether the consolidated and parent financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

Moreover, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management's review is in accordance with the

consolidated and parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act.

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

Report on other legal and regulatory requirements

Statement on compliance audit and performance audit

Management is responsible for ensuring that the transactions comprised by the financial reporting are in accordance with appropriations granted, laws and other regulations and with agreements concluded and normal practice 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.

Copenhagen, 13 March 2020

ERNST & YOUNG

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

Lars Rhod Søndergaard
State-Authorised Public Accountant
mne28632

Thomas Hjortkjær Petersen
State-Authorised Public Accountant
mne33748

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

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

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

The National Audit Office of Denmark

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

Lone Lærke Strøm
Auditor General of Denmark

Marie Katrine Bisgaard Lindeløv
Head of Department

Board of Directors



Peter Engberg Jensen

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

Competencies:

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

Member of the boards of directors of:

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

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

Competencies:

Considerable financial sector experience, including as CEO of Ringkjøbing Landbobank. Extensive experience in board work

Other duties:

- Chairman of expert panel under the Ministry of Environment and Food of Denmark



Nina Dietz Legind

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

Competencies:

Considerable insight into legislation in the financial area, including as professor of banking and capital markets law. Extensive experience in board work.

Member of the boards of directors of:

- Jurist- og Økonomforbundets Forlag A/S (Chairman)
- Jurist- og Økonomforbundets Forlagsfond (Chairman)

Other duties:

- Professor, Syddansk Universitet



Bente Overgaard

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

Competencies:

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

Member of the boards of directors of:

- Arbejdsmarkedets Erhvervssikring (Chairman)
- Den Danske Naturfond (Deputy Chairman)
- SP Group A/S
- Johannes Fogs Fond
- Holberg Fenger Invest A/S
- Prodata Consult A/S

Other duties:

- CEO of Overgaard Advisory ApS
- Program Director (Finance) for CBS Board Leadership Education



Anne Louise Eberhard

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

Competencies:

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

Member of the boards of directors of:

- FLSmidth A/S
- FLSmidth & Co A/S
- Topdanmark A/S
- Topdanmark Forsikring A/S
- Bavarian Nordic A/S
- Knud Højgaards Fond
- Knud Højgaard Ejendomme A/S
- A/S Knud Højgaards Hus
- VL52 ApS

Other duties:

- Faculty member, Copenhagen Business School, Board programs
- Advisory Board Board Member, Moneyflow Group ApS

Management Board



Ulrik Rammeskov Bang-Pedersen

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

Competencies:

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

Other duties:

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



Bendt Wedell

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

Competencies:

Considerable experience in company management and agricultural affairs. Extensive experience in board work.

Member of the boards of directors of:

- AIC A/S (Chairman)
- Lensgreve Karl Wedells og Comtesse Agnes' stiftelse (Chairman)
- Selected car leasing A/S
- H. W-W ApS (Chairman)
- I. W-W ApS (Chairman)
- Patriotisk Selskab (Deputy Chairman)
- A/S Det fynske landbocenter. Ejendoms-selskab
- Donau Agro ApS
- I/S Brentwood Management
- WEFRI A/S
- De 5 gaarde A/S
- Stroco Agro ApS
- Dansk Skovforening
- Wefri Ny Holding ApS
- Wefri Holding ApS
- POWTEC A/S

Other duties:

- Executive Board member of the following companies:*
- WEFRI A/S
 - Wefri Holding ApS
 - Wefri Ny Holding ApS
 - Frijs ApS
 - VICUS Ejendomme ApS
 - VICUS Slovakiet ApS
 - VICUS M ApS
 - Vicus Øko ApS
 - VICUS Invest ApS
 - Equity ApS
 - NITRA ApS
 - VICUS Biogas ApS
 - VICUS D5G ApS
 - VICUS Green ApS
 - Weko Equity ApS
 - Grevindeskoven ApS
 - PBTHIW ApS
 - Frijsenborg & Wedellsborg Skovbrug v/Bendt Wedell



Henrik Bjerre-Nielsen

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

Chairman of the boards of directors of:

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

Company details

Finansiel Stabilitet

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

Phone: +45 70 27 87 47

Website: www.fs.dk

E-mail: mail@fs.dk

CVR no.: 30 51 51 45

Established: 13 October 2008

**Municipality of
registered office:** Copenhagen

Board of Directors

Peter Engberg Jensen (Chairman)

Bent Naur (Deputy Chairman)

Nina Dietz Legind

Bente Overgaard

Bendt Wedell

Anne Louise Eberhard

Ulrik Rammeskov Bang-Pedersen

Management Board

Henrik Bjerre-Nielsen

Auditors

The National Audit Office of Denmark

Landgreven 4

DK-1301 Copenhagen K

ERNST & YOUNG

Godkendt Revisionspartnerselskab

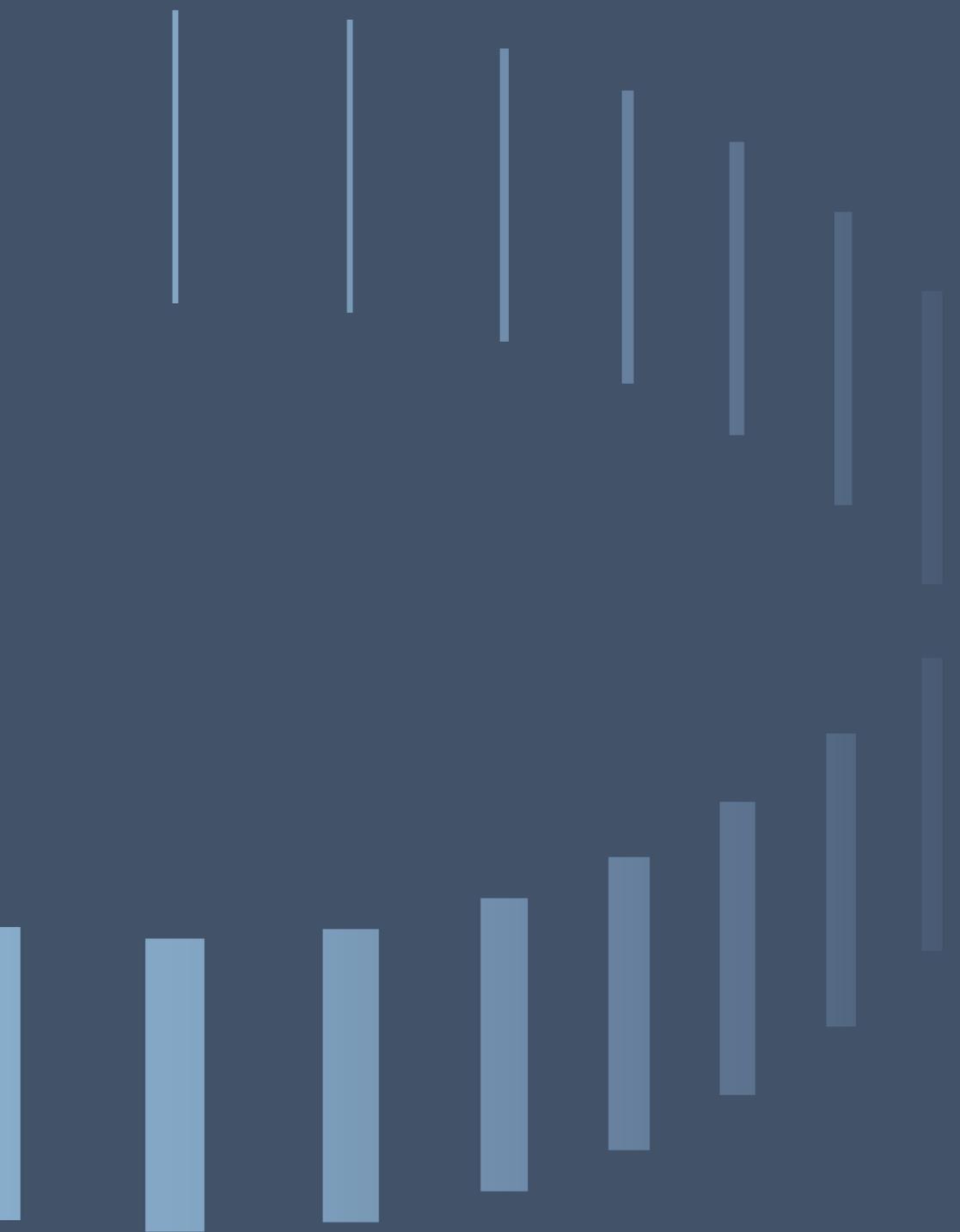
Dirch Passers Allé 36, DK-2000

Frederiksberg

Company reg. (CVR) no. 30 70 02 28

General meeting

Annual General Meeting to be held on
30 March 2020



Finansiel Stabilitet

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DK-1250 Copenhagen K

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