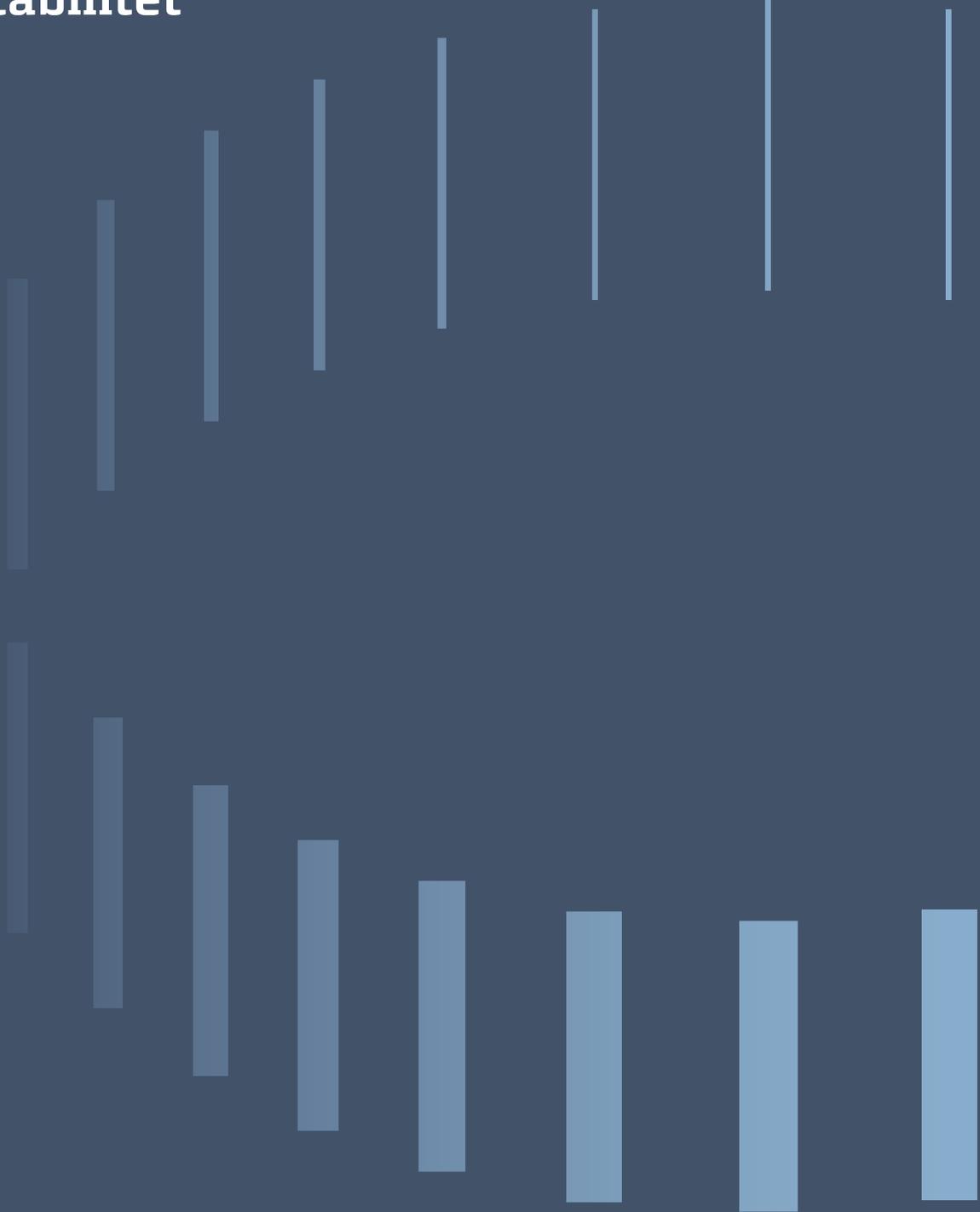


Finansiel Stabilitet



Contents

Management's review

Highlights	3
Review and results	4
Corporate governance	18
Corporate social responsibility	22

Financial statements

Income statement	25
Comprehensive income statement	25
Balance sheet	26
Statement of changes in equity	28
Cash flow statement	29
Notes to the parent company and consolidated financial statements	30

Statement by Management	76
Independent auditor's report	77
Board of Directors	79
Management Board	80
Company details	81

Highlights

Finansiel Stabilitet Group:

- Profit of DKK 1,142 million, which was mainly attributable to contributions to the Resolution Fund of DKK 730 million, reversal of provisions for lawsuits of DKK 445 million and reversed impairment losses of DKK 276 million.
- Total assets of DKK 23.3 billion
- Loans and guarantees of DKK 1.2 billion
- Equity of DKK 21.7 billion

Bank Package I-V Activities:

- Profit of DKK 443 million in 2016 against a profit of DKK 658 million in 2015. The profit was primarily attributable to the reversal of provisions previously made for lawsuits and a better-than-expected winding up performance.
- Total assets of DKK 9.5 billion
- At 31 December 2016, loans and guarantees amounted to DKK 1.1 billion, financial assets amounted to DKK 274 million and properties amounted to DKK 29 million. In all, these assets were reduced by DKK 1.8 billion in 2016.
- The activities of FS Property Finance were wound up in 2016, and the liquidation of the company was completed in early 2017.
- Equity amounted to DKK 7.4 billion.

Depositor and Investor Guarantee Scheme:

- Loss of DKK 31 million. The significant reduction of DKK 2,164 million relative to 2015 was due to the fact that no contributions were collected for the Fund in 2016. The loss for 2016 was mainly attributable to an overall loss for FS Finans I-IV, in which the Depositor and Investor Guarantee Scheme has financial interests.
- Total assets of DKK 13.9 billion
- The assets of the Guarantee Fund amounted to DKK 13.2 billion, of which the Banking Department's share was DKK 8.8 billion.

Resolution Department:

- Profit of DKK 730 million. The profit corresponded to contributions made to the Resolution Department in 2016 of DKK 730 million.
- Total assets of DKK 1.2 billion, including total assets of Andelskassen J.A.K. Slagelse under control.
- The assets of the Resolution Fund amounted to DKK 1.1 billion.
- The agreement to sell Andelskassen J.A.K. Slagelse under control to Netfonds Holding AB was not carried into effect, and the bank was instead transferred to the Resolution Department in 2016. At 31 December 2016, Andelskassen J.A.K. Slagelse under control had loans in the amount of DKK 102 million and deposits in the amount of DKK 97 million.

Review and results

Finansiel Stabilitet at a glance

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

Finansiel Stabilitet's functions are:

- Restructuring and winding up banks, mortgage credit institutions and investment companies I in accordance with the Danish Act on Restructuring and Winding Up of Certain Financial Enterprises and related tasks (the Resolution Department).
- Managing the Danish Depositor and Investor Guarantee Scheme.
- Winding up the remaining activities taken over from banks under Bank Packages I-V. These comprise activities taken over under the Bank Package (Bank Package I) and the Exit and Consolidation Packages (Bank Package III and Bank Package IV, respectively) and activities taken over from FIH regarding FS Property Finance A/S (Bank Package V).

Group performance 2016

Finansiel Stabilitet posted a profit of DKK 1,142 million for 2016 (2015: DKK 3,173 million), which is primarily attributable to the Resolution Department's profit of DKK 730 million. The Bank Package I-V activities contributed DKK 443 million to the profit, and the Depositor and Investor Guarantee Scheme contributed a loss of DKK 31 million. Unlike in previous years, no contributions were collected for the Guarantee Fund.

The Group's total assets at 31 December 2016 amounted to DKK 23.3 billion (2015: DKK 25.3 billion). Of this amount, the Bank Package I-V activities accounted for DKK 9.5 billion, the Depositor and Investor Guarantee Scheme accounted for DKK 13.9 billion, the Resolution Department accounted for DKK 1.2 billion, while a negative amount of approx. DKK 1.3 billion related to an intra-group balance.

Total equity stood at DKK 21.7 billion (2015: DKK 20.6 billion), of which DKK 13.2 billion was attributable to the Depositor and Investor Guarantee Scheme, DKK 7.4 billion

to the Bank Package I-V activities and DKK 1.1 billion to the Resolution Department.

While Finansiel Stabilitet's consolidated income statement and balance sheet comprise the former Bank Package I-V activities, the Depositor and Investor Guarantee Scheme (the Guarantee Fund) and the Resolution Department (the Resolution Fund), the funds of the three segments are separate. Finansiel Stabilitet is not liable for the Depositor and Investor Guarantee Scheme and the Resolution Department, and these funds are only liable for their own obligations and liabilities.

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

Winding up of activities

At 31 December 2016, the remaining exposures (loans and guarantees, net) amounted to DKK 1.2 billion (2015: DKK 1.7 billion), while the portfolio of financial assets amounted to DKK 275 million (2015: DKK 1.3 billion) and properties amounted to DKK 35 million (2015: DKK 252 million). The majority of these activities related to the segment Bank Package I-V activities, and a minor portion related to Andelskassen J.A.K. Slagelse under control under the Resolution Department. Of the remaining activities, exposures in the amount of DKK 105 million, financial assets of DKK 1 million and properties of DKK 6 million relate to Andelskassen J.A.K. Slagelse under control. In total, Finansiel Stabilitet wound up exposures, financial assets and properties in the amount of DKK 1.8 billion in 2016.

The remaining exposures mainly consist of receivables from estates in bankruptcy and other non-viable exposures and guarantees. These were reduced by DKK 0.5 billion in 2016. The speed with which these exposures are wound up depends largely on external factors such as the progress of trustees' estate administration and debt recovery process. In addition to the remaining exposures, Finansiel Stabilitet also has the ongoing task of recovering debts previously written off in the approximate amount of DKK 15 billion. In 2016, this resulted in the recognition of approx. DKK 70 million in recovered amounts previously written off.

A large part of the remaining financial assets consists of sector shares in Landbrugets FinansieringsBank (LFB) and PRAS as well as guarantee certificates and shares in

banks acquired as partial consideration for Bank Package I. In all, the portfolio of financial assets was reduced by approx. DKK 1 billion in 2016, mainly through the sale of shares in DLR Kredit. In addition, at 31 December 2016 there was a portfolio of bonds in LFB totalling DKK 159 million, which was recognised in the item 'receivables from credit institutions'.

Finally, the portfolio of properties was reduced from a value of DKK 252 million at 1 January 2016 to DKK 35 million at 31 December 2016. Included in this reduction is an addition of properties at a value of DKK 1 million and negative market value adjustments of DKK 1 million. The real reduction as a result of sales thus amounted to DKK 217 million.

Lawsuits and disputes

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

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

In December 2016, compensation proceedings were instituted against the former management of Andelskassen J.A.K. Slagelse.

The lawsuit against the former management of Capinordic Bank was the first compensation proceedings to be heard in court. In October 2015, a judgment was delivered in the

case by which the three defendant management members were ordered to pay damages in the total amount of DKK 90.5 million. The judgment was appealed first by the defendants and subsequently by Finansiel Stabilitet.

In November 2015, the compensation proceedings against the former management and auditors of Roskilde Bank commenced. Judgment in this case is expected to be delivered in 2017.

In April 2016, the compensation proceedings against the former management of Amagerbanken commenced. Judgment in this case is expected to be delivered in 2017.

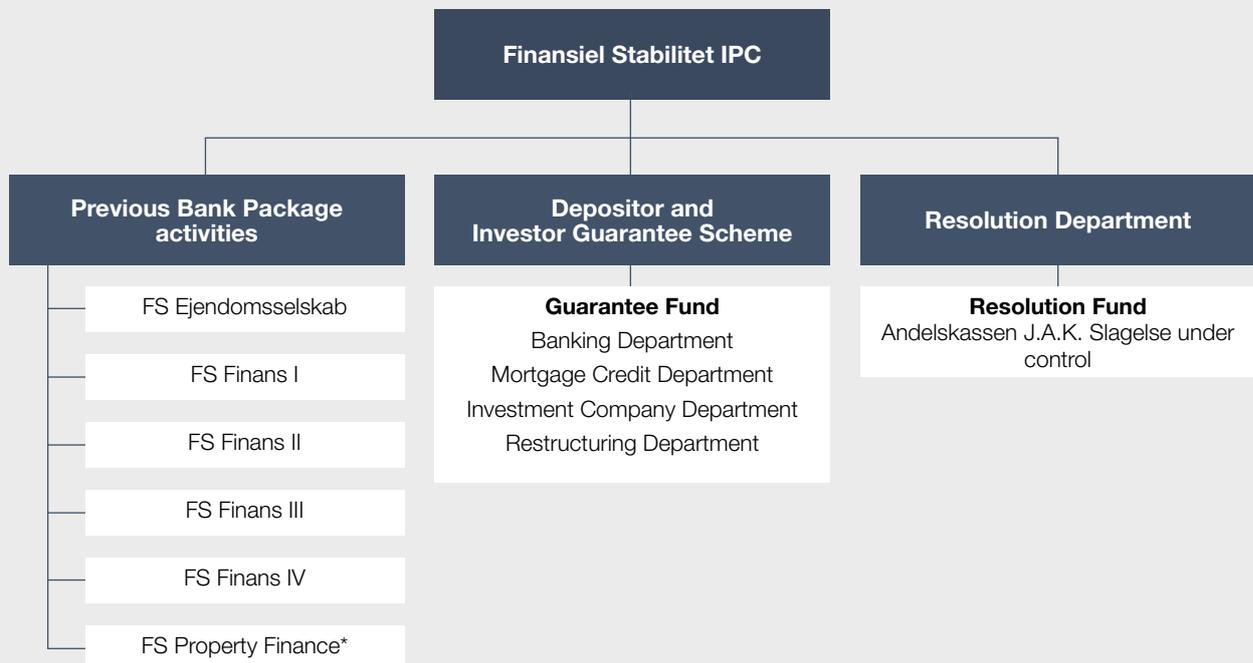
Expenses related to actions for damages brought against the former managements of banks taken over amounted to about DKK 64 million in 2016. Finansiel Stabilitet expects to continue to incur considerable expenses on such cases in the years ahead. Expenses related to actions for damages brought against former bank managements have run into DKK 258 million to date.

On 8 December 2016, in a case before the Court of Appeal in London, the Court found in favour of Finansiel Stabilitet, holding that Irish private equity fund Taberna could not claim damages against Finansiel Stabilitet (Roskilde Bank) in connection with Taberna's purchase of subordinated capital in Roskilde Bank from Deutsche Bank. The judgment was not appealed, and Finansiel Stabilitet was thus able to reverse a provision of DKK 270 million.

Segment performance



Business units



* The company has been liquidated as of 1 March 2017

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

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

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

Bank Package IV (Consolidation Package): Finansiel Stabilitet and the former Guarantee Fund could contribute a dowry if a viable bank took over all (model 1) or parts (model 2) of a failing bank. This was done without any loss being incurred by uncovered, unsecured creditors. Individual government guarantees could be extended after the expiry in 2013 in case of merger/takeover between two banks.

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

FS Finans I: 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: 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: 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: 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.

FS Property Finance: Financing company established on 2 July 2012 as part of the takeover of property exposures from FIH.

Depositor and Investor Guarantee Scheme: By Act no. 334 of 31 March 2015, the Guarantee Fund for Depositors and Investors (the former Guarantee Fund) was dissolved effective from 1 June 2015. The rights and obligations of the former Guarantee Fund were continued as a Depositor and Investor Guarantee Scheme (the new Guarantee Fund) without an independent board and managed by Finansiel Stabilitet.

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

Andelskassen J.A.K. under control: The co-operative bank was taken over on 5 October 2015 after having been identified as failing.

On 23 December 2016, the Danish Eastern High Court passed judgment in a case concerning, among other things, adjustment pursuant to the Danish Bankruptcy Act of withdrawal compensation to BEC in connection with Finansielt Stabilitet's takeover of Amagerbanken. The Court found in favour of BEC, which had claimed that such adjustment could not be made, and FS Finans III has paid DKK 75 million in compliance with the judgment. Moreover, a receivable in BEC of DKK 138 million has been written off. The judgment was appealed to the Danish Supreme Court.

Bank Package I-V activities

Results in 2016

Finansielt Stabilitet's activities in relation to Bank Packages I-V generated a profit of DKK 443 million in 2016 (2015: DKK 658 million). The main reasons for the profit are the reversal of a provision of DKK 270 million relating to the Taberna case as well as a better-than-expected result from the winding up of loans and guarantees.

The individual bank packages impact the segment's results in different ways. Bank Packages I and II impact the seg-

ment results in full. Bank Packages III, IV and V 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 Packages III and IV, only a share of changes in the purchase price adjustment affects the segment's results. Finally, in terms of Bank Package V (FS Property Finance), only the result of the settlement model agreed with FIH in connection with the takeover affects the segment's results.

As FS Finans I-III posted an overall loss of DKK 149 million for 2016, a negative purchase price adjustment for the period of DKK 149 million was recognised in the three companies, of which the Bank Package I-V segment's share was a loss of DKK 109 million. In 2016, the segment's total assets were reduced by DKK 1 billion to DKK 9.5 billion by the ongoing winding up of the remaining activities, including loans and investment properties and financial assets. At 31 December 2016, the segment's total remaining loans and guarantees amounted to DKK 1.1 billion (2015: DKK 1.5 billion), financial assets amounted to DKK 274 million (2015: DKK 1.3 billion) and properties amounted to DKK 29 million (2015: 244 million).

Financial highlights FS Finans I-IV (Group)

(DKK m)	FS Finans I		FS Finans II		FS Finans III		FS Finans IV	
	2016	2015	2016	2015	2016	2015	2016	2015
INCOME STATEMENT								
Profit/(loss) for the period	0	0	0	1	0	0	(38)	36
Movement in purchase price adjustment included in profit	60	17	11	137	(220)	243	0	0
BALANCE SHEET AT 31 DECEMBER								
Loans and advances	15	13	13	21	192	294	25	62
Other assets	329	330	184	240	1,524	1,597	114	331
Total assets	344	343	197	261	1,716	1,891	139	393
Purchase price adjustment	293	233	128	117	1,521	1,741	0	0
Other provisions	39	97	46	60	76	80	80	122
Other liabilities	11	12	22	82	117	69	17	155
Equity	1	1	1	2	1	1	42	116
Total equity and liabilities	344	343	197	261	1,715	1,891	139	393

FS Finans I

FS Finans I posted a profit of DKK 60 million. Of the profit, Finansielt Stabilitet received DKK 52 thousand in dividends, corresponding to the statutory return requirement on contributed equity of DKK 0.5 million. The remaining DKK 60 million went towards increasing the company's purchase price adjustment.

Accordingly, the purchase price adjustment increased from DKK 233 million to DKK 293 million in 2016. The profit, and the resulting increase in the purchase price adjustment, was mainly due to reversed impairment losses and provisions, etc.

FS Finans II

FS Finans II posted a profit of DKK 11 million. Of the profit, Finansielt Stabilitet received DKK 103 thousand in dividends, corresponding to the statutory return requirement on contributed equity of DKK 1.0 million. The remaining DKK 11 million went towards increasing the company's purchase price adjustment.

Accordingly, the purchase price adjustment increased from DKK 117 million to DKK 128 million in 2016. The profit, and the resulting increase in the purchase price adjustment, was mainly due to a better-than-expected winding

up performance, including reduced impairment losses and provisions.

FS Finans III

FS Finans III posted a loss of DKK 220 million. The loss included dividends of DKK 51 thousand to Finansielt Stabilitet, corresponding to the statutory return requirement on contributed equity of DKK 0.5 million. The loss was covered by a reduction of the purchase price adjustment.

Accordingly, the purchase price adjustment was reduced from DKK 1,741 million at 1 January to DKK 1,521 million at 31 December 2016. However, based on the current purchase price adjustment, the original dividend of 84.4% is still expected to be increased to approximately 91%.

The loss was mainly due to losses in connection with the Eastern High Court's decision in the BEC case. Other factors included increased administrative expenses in connection with the lawsuit against the former management of Amagerbanken.

FS Finans IV

FS Finans IV posted a loss of DKK 38 million after tax in 2016. There is no purchase price adjustment in FS Finans IV, and previously realised losses are covered by

Financial highlights FS Property Finance (Group)

(DKKm)	2016	2015
Income statement		
Profit/(loss) for the period	0	0
Movement in loss-absorbing loans/guarantee FIH included in profit	0	333
BALANCE SHEET AT 31 DECEMBER		
Due from credit institutions and central banks	0	931
Loans and advances	0	229
Receivable from FIH	0	77
Other assets	46	159
Total assets	46	1,396
Other liabilities	45	1,395
Equity	1	1
Total equity and liabilities	46	1,396

a loss guarantee in the Restructuring Department under the Depositor and Investor Guarantee Scheme. The loss was mainly attributable to a provision made for losses in connection with compensation for withdrawal from BEC in accordance with the Eastern High Court's decision in a similar case relating to FS Finans III.

FS Property Finance

The remaining customer activities in FS Property Finance were wound up in a sale completed in December 2015 and a solvent liquidation of the company was initiated in September 2016. The liquidation was completed on 1 March 2017.

In December 2016, FIH paid Finansielt Stabilitet a provisionally calculated purchase price adjustment of DKK 15 million and reimbursement of costs of DKK 102 million, as adjusted under the original agreement. The purchase price adjustment is expected to result in a positive value of approx. DKK 15 million, which is less than originally estimated.

As mentioned previously, and most recently in the interim report for H1 2016, FIH appealed the European Commission's approval from December 2013 of Finansielt Stabilitet's takeover of the company for an additional payment of DKK 310 million from FIH. In its judgment of 15 September 2016, the court found that there was no basis for the decision and remitted the case for reconsideration by the European Commission. The European Commission has appealed the judgment to the European Court of Justice, where the case is currently pending. FIH has maintained

the deposited amount. Furthermore, due to the uncertainty about the outcome of the case, FIH has deposited DKK 12.1 million, which is the annual amount that the European Commission assessed FIH was to pay for the capital relief. The European Commission assessed that FIH achieved in the transaction. Due to the uncertainty about the outcome of the case, the amount has not been recognised as income.

Depositor and Investor Guarantee Scheme

Results in 2016

The Depositor and Investor Guarantee Scheme (the Guarantee Fund) produced a loss of DKK 31 million in 2016 (2015: profit of DKK 2.2 billion). The loss resulted from the fact that it was not necessary to collect contributions for the Guarantee Fund in 2016, as the assets of the Fund exceeded the target level. The Fund incurred a total loss of DKK 24 million from its shares of the purchase price adjustment from FS Finans I-III and the loss of FS Finans IV. As previously mentioned, the Restructuring Department provided a loss guarantee to FS Finans IV. See the description on page 10.

At 31 December 2016, the Guarantee Fund had total assets of DKK 13.2 billion. Of these assets, the Banking Department accounted for DKK 8.8 billion and the Restructuring Department accounted for DKK 4.4 billion, DKK 4.2 billion of which consisted of guarantees. The assets of the remainder of the departments were minor.

Income statement for the Depositor and Investor Guarantee Scheme

(DKKm)	2016	2015
Yields of listed bonds	5	14
Net interest income in connection with coverage activities	0	0
Value adjustment of bond portfolio	(6)	(12)
Premium income from banks	0	2,110
Other operating income*	32	0
Purchase price adjustment from winding up of banks	(1)	60
Profit/(loss) of loss guarantees	(55)	(2)
Administrative expenses	6	6
Profit/(loss) for the year	(31)	2,164

* Expected dividend etc. from the estate in bankruptcy re. Fjordbank Mors.

Activities

In 2016, the Executive Order on a Depositor and Investor Guarantee Scheme was adjusted with the principal aim of implementing a risk-based contribution model for the Banking Department of the Guarantee Fund. The new executive order became effective at 1 January 2017, but as the assets of the Guarantee Fund exceed the target level, the new contribution model is not expected to be applied until it becomes necessary to collect funds.

Loss guarantees provided

The Restructuring Department has issued loss guarantees to Finansielt Stabilitet in connection with the winding up 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). At 31 December 2016, the Guarantee Fund had recognised a provision of DKK 643 million on the loss guarantees provided, corresponding to the accumulated loss in FS Finans IV.

Departments

At 31 December 2016, the Guarantee Fund covered 141 institutions: 85 banks (7 foreign banks), 7 mortgage credit institutions, 39 investment companies, 5 investment management companies and 5 managers of alternative investment funds.

The institutions are distributed on the four departments of the Guarantee Fund: The Banking Department, the Mortgage Credit Department, the Investment Company Department (investment companies and certain investment management companies and managers of alternative investment funds) and the Restructuring Department.

Financing of the Guarantee Fund

The assets of the Banking Department must equal 0.8% of the banks' covered deposits. The annual contribution is determined as the amount required to meet the target level within a period of up to six years. If the assets of the bank-

Balance sheet for the Depositor and Investor Guarantee Scheme

(DKKm)	2016	2015
ASSETS		
Interest on deposits with banks and Danmarks Nationalbank	8,817	8,621
Listed bonds	-	240
Guarantees provided by banks, mortgage credit institutions and investment companies	4,215	4,215
Purchase price and dowry adjustment receivable	705	706
Other receivables	135	120
Total assets	13,872	13,902
EQUITY AND LIABILITIES		
Assets of the former Guarantee Fund	13,214	13,245
Provision for losses on loss guarantees	643	589
Other provisions	-	40
Total provisions	643	629
Amounts owed to group enterprises	15	25
Other payables	-	3
Total liabilities	15	28
Total equity and liabilities	13,872	13,902

ing department 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 the banks' covered deposits and risk profile.

The Mortgage Credit Department and the Investment Company Department, respectively, are required to have total assets of at least DKK 10 million. However, the part of the assets collected on the basis of the covered funds must total at least DKK 2.5 million.

The total assets of the Restructuring Department must amount to DKK 3.2 billion by way of guarantees from banks that have an obligation to pay contributions. In addition,

the department must have assets of DKK 1 billion earmarked for restructuring, including for coverage of costs in connection with withdrawal from data centres. This part of the assets must consist of guarantees or cash payments from the banks required to pay contributions.

Financial position

The Guarantee Fund's liquid assets totalled DKK 8.8 billion at 31 December 2016. The overall investment strategy for the Guarantee Fund is based on investments being made in liquid, low-risk assets. In light of the investment options, this implied that the assets of the Fund were mainly placed as current account deposits with Danmarks Nationalbank at 0% interest in 2016.

If the funds of the individual department have been depleted, the Guarantee Fund's departments may raise loans in the market against a guarantee provided by the Danish

Income statement by department for 2016

(DKK '000)	Guarantee Fund, total	Banking Department	Mortgage Credit Department	Investment Company Department	Restructuring Department
General distribution					
Yields of listed bonds	5,108				
Value adjustment of bond portfolio	(6,107)				
Net financials	(999)	(993)	(3)	(3)	-
Costs:					
Management fee, Finansielt Stabilitet	(6,069)				
Other management costs	(86)				
Total shared costs	(6,155)	(4,085)	(5)	(6)	(2,059)
Total general distribution	(7,154)	(5,078)	(8)	(9)	(2,059)
Specific distribution					
Profit from the winding up of banks etc.	30,738	30,738			
Premium income from banks	-				
Provision for losses on loss guarantees	(54,766)				(54,766)
Costs directly attributable to legal and auditing assistance	(256)	(256)			
Total specific distribution	(24,284)	30,482			(54,766)
Profit/(loss) for the year	(31,438)	25,404	(8)	(9)	(56,825)

State. The Guarantee Fund also has the option of borrowing funds from Finansielt Stabilitet, which may be financed through the raising of state-funded re-lending.

Area of coverage

The Guarantee Fund provides financial coverage to depositors and investors of all Danish banks, mortgage credit institutions and investment companies as well as certain investment management companies and managers of alternative investment funds for certain losses in connection with reconstruction or bankruptcy. Coverage is moreover provided to branches of foreign banks.

The Act on a Depositor and Investor Guarantee Scheme furthermore provides an option for the Restructuring Department to contribute to a reconstruction, among other things by covering costs associated with withdrawal from a data centre in connection with the merger of a failing bank or the takeover of assets under the Financial Stability Act and the Resolution Act. This option has not been finally approved by the European Commission, however.

Scope of coverage

The Guarantee Fund covers deposits and cash funds up to EUR 100,000 (approximately DKK 745,000) for each depositor with each bank.

Pension funds, e.g. cash deposits into annuity pension and capital pension schemes, are fully covered. Moreover, increased coverage is provided for a number of special deposits for a period of 6-12 months. Consequently, deposits which serve social purposes and are linked to particular life events are covered by EUR 150,000 for a period of six months and deposits resulting from real estate transactions relating to non-traders are covered by up to EUR 10 million for a period of 12 months from the date on which the deposit was made.

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

Securities

The Guarantee Fund also manages the investor guarantee scheme. This means that investors may receive coverage of up to EUR 20,000 (approximately DKK 150,000) in the event of difficulties in having securities delivered from an institution in reconstruction or bankruptcy, provided that the failing institution is comprised by the investor guarantee scheme.

Branches

Danish branches of foreign institutions are generally covered by the deposit guarantee scheme applicable in the

Assets by department for 2016

(DKK '000)	Guarantee Fund, total	Banking Department	Mortgage Credit Department	Investment Company Department	Restructuring Department
Contributions					
Contributions received at 1 Jan. 2016	2,471		-	2,471	
Adjustments for the year	-		-	-	
Balance at 31 Dec. 2016	2,471		-	2,471	
Guarantees provided (unchanged in 2016)					
	4,214,912		7,500	7,412	4,200,000
Retained earnings					
Balance at 1 Jan. 2016	9,027,862	8,790,713	3,856	2,634	230,659
Profit/(loss) for the year	(31,438)	25,404	(8)	(9)	(56,825)
Balance at 31 Dec. 2016	8,996,424	8,816,117	3,848	2,625	173,834
Assets at 31 Dec. 2016	13,213,807	8,816,117	11,348	12,508	4,373,834

home country of the foreign institution. It is possible for such branches to apply for supplementary coverage under the Danish guarantee scheme. The supplementary coverage covers pension accounts and the special deposits which are subject to increased coverage from the Guarantee Fund for a period of 6-12 months after the amount was deposited with the bank.

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

It is the guarantee scheme of the host country, in Denmark the Guarantee Fund, which is to make disbursements to depositors on behalf of the guarantee scheme of the home country in connection with the winding up of a branch.

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

Legislative framework

The legislative framework governing the Guarantee Fund is Consolidation Act no. 917 of 8 July 2015 on a Depositor and Investor Guarantee Scheme. The act was amended in 2015 by Act no. 334 of 31 March 2015, which implements the Deposit Guarantee Schemes Directive (Directive 2014/49/EU of 16 April 2014) (DGSD) and Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 (BRRD).

In addition, the Guarantee Fund is governed by Executive Order no. 820 of 3 July 2015 on the Guarantee Fund's coverage of depositors and investors and Executive Order no. 1483 of 2 December 2016 on a Depositor and Investor Guarantee Scheme.

The act has not yet been put into force for the Faroe Islands and Greenland. As a result, institutions registered in the Faroe Islands or Greenland, respectively, are covered in accordance with the previous coverage rules which were put into force by Order no. 64 of 29 January 2013 on the coming into force in the Faroe Islands of the Act on a guarantee fund for depositors and investors and Order no. 685 of 28 June 2012 on the coming into force in Greenland of the Act on a guarantee fund for depositors and investors.

Resolution Department

Results in 2016

The Resolution Department, including the Resolution Fund, produced a profit of DKK 730 million in 2016 (2015: DKK 351 million). The profit was attributable to payment of contributions to the Resolution Fund of DKK 730 million.

In 2016, the department'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.

Income statement for the Resolution Fund

(DKKm)	2016	2015
Premium income	730	351
Other income	14	10
Profit/(loss) on net financials and coverage activities	744	361
Costs		
Management fees	14	10
Total costs	14	10
Profit/(loss) for the year	730	351

Including the contribution of DKK 730 million collected, a total of DKK 1,081 million of the target level of approximately DKK 7 billion calculated for the assets has been collected. In 2016, banks contributed DKK 481 million, mortgage credit institutions contributed DKK 249 million, and investment companies I contributed DKK 41 thousand. Of the total contribution, DKK 728 million were related to risk-adjusted collection of contributions from 31 institutions. The remaining share of DKK 2 million was paid by the remaining 60 institutions.

Activities

In 2016, the work of establishing resolution plans for the institutions covered by the Act on Restructuring and Resolution of Certain Financial Enterprises continued. This included the drawing up of preferred resolution strategies for the various types and sizes of institutions covered by the Act (banks, mortgage credit institutions and investment companies I). As a result of these efforts, preliminary resolution plans have been prepared for SIFIs. This work, along with the drawing up of development plans for other non-SIFI institutions, will continue in 2017.

Finansiel Stabilitet also participated in international resolution colleges for the purpose of preparing resolution plans

for cross-border SIFIs. Most of these were on a very general level, however, focusing on determining the preferred resolution strategy.

Part of the planning of contingency resolution measures is ensuring that the institutions establish procedures that enable them to provide Finansiel Stabilitet with data in a resolution situation.

Another important element of the contingency planning is determining requirements for eligible liabilities, to ensure that institutions have sufficient eligible liabilities allowing them to apply the preferred resolution strategy. The Danish FSA is expected to set out requirements for the institutions' eligible liabilities before the end of 2017.

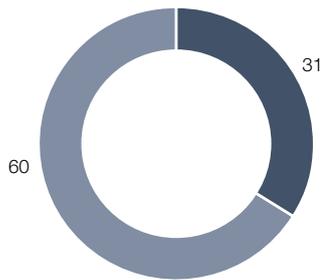
Andelskassen J.A.K. Slagelse under control

On 5 October 2015, Finansiel Stabilitet took over control of Andelskassen J.A.K. Slagelse and subsequently initiated preliminary resolution measures. This included the write-down of creditors in accordance with the creditor hierarchy and the injection of capital from the Resolution Fund to ensure that Andelskassen J.A.K. Slagelse under control complied with the capital adequacy rules. Subsequently, the majority of the activities was made ready for sale, and

Balance sheet for the Resolution Fund

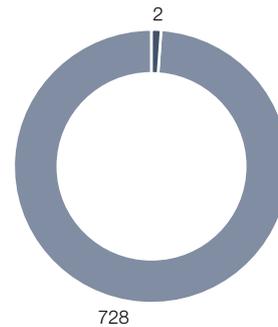
(DKKm)	2016	2015
ASSETS		
Demand deposits with central banks	1,047	151
Due from credit institutions and central banks	0	181
Investments in associates, etc.	38	38
Other assets	25	0
Total assets	1,110	370
EQUITY AND LIABILITIES		
Other liabilities	14	10
Provisions	15	9
Total provisions	29	19
The Resolution Fund	1,081	351
Total equity and liabilities	1,110	370

No. of institutions



■ Administratively determined contributions (Article 10)
 ■ Risk-adjusted contributions

Contributions collected 2016 (DKKm)



■ Administratively determined contributions (Article 10)
 ■ Risk-adjusted contributions

an agreement was concluded with Netfonds Holding AB for the sale of Andelskassen J.A.K. Slagelse under control in March 2016. However, in October 2016, it became clear that Netfonds was not able to obtain approval from the Danish FSA, and the sale consequently could not be completed.

Based on the experience from the sale process and other circumstances about Andelskassen J.A.K. Slagelse under control, it was decided to commence winding up the company. Accordingly, all deposit account customers were terminated with a view to depositing Andelskassen's banking licence in the first half of 2017. Also, all other customers have been advised to find a new bank.

At the end of 2016, the bank had 1,600 deposit account customers with 3,100 deposit accounts and deposits in the amount of DKK 97 million (2015: DKK 206 million). The bank had loans in the net amount of DKK 102 million, against DKK 171 million at the end of 2015.

Financing of the Resolution Fund

In the period from 2015 to 2024, the Resolution Fund is to build up assets up to a level ensuring that it has funds equivalent to 1% of the covered deposits of all institutions comprised by the Resolution Fund.

Over the period mentioned, 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 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 financing of the Resolution Fund takes place through a fixed annual contribution from supervised enterprises. For small institutions, the contribution is generally determined as a fixed amount, while a risk-adjusted contribution is determined for large institutions.

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

Financial position

The Resolution Fund's liquid assets totalled DKK 1.1 billion at 31 December 2016. Finansielt Stabilitet is responsible for ensuring that the available financial means of the Resolution Fund are from time to time proportionate with the Resolution Fund's potential liabilities. Like for the Guarantee Fund, an overall investment profile has been adopted, which is based on investments being made in liquid, low-risk assets. In light of the available investment options, the assets of the Resolution Fund were placed as current account deposits with Danmarks Nationalbank at 0% interest in 2016.

Scope

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

In the case of restructuring and resolution, Finansielt Stabilitet may e.g. assume control over the enterprise, effect a full or partial sale of the enterprise to a subsidiary of Finansielt Stabilitet (bridge institution or portfolio management company) or write down or convert the enterprise's liabilities.

In connection with restructuring and resolution, losses are generally to be borne in accordance with the order of priority of creditors. Moreover, no creditor may be placed at a financial disadvantage to a bankruptcy process. This is to be assessed in a subsequent independent valuation. If it is assessed that there are creditors who have been placed at a disadvantage, they will be entitled to compensation from the Resolution Fund. See below. Depositors may also be affected by restructuring and resolution measures, but the value of their deposits will never be less than the amount of coverage provided under the Guarantee Fund.

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

The Resolution Fund may be used to provide guarantees and loans etc. in connection with the use of restructur-

ing 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.

Legislative framework

The legislative framework of the Resolution Department and the Resolution Fund is Act no. 333 of 31 March 2015 on Restructuring and Resolution of Certain Financial Enterprises 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 entered into force on 1 June 2015, and the executive orders were issued shortly after. The act has not yet been put into force for the Faroe Islands and Greenland.

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. Some of these delegated acts were issued in 2016, but a few are pending and are expected to be issued in 2017.

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

Significant risks

The principal risks affecting Finansielt Stabilitet relate to the winding up of activities that Finansielt Stabilitet has taken over under Bank Packages I-V and the risk of future losses as a result of the restructuring and resolution of failing banks etc. resulting in losses on covered deposits.

Like the financial separation between Bank Package I-V activities, the Depositor and Investor Guarantee Scheme and the Resolution Fund, Finansielt Stabilitet's risks are equally separated.

The principal risks affecting the different segments are described below. For further information on risks and risk management, see note 31 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 winding up failing banks. As the 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 winding up of the remaining loans and guarantees.

Depositor and Investor Guarantee Scheme

The principal risks under the Depositor and Investor Guarantee Scheme relate to the winding up 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 winding up 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 winding up, the only additional losses recorded under Bank Package III relate to the winding up of FS Finans IV.

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

The Depositor and Investor Guarantee Scheme 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 Department

In relation to the Resolution Department, the principal risks are that losses may occur in connection with the restruc-

turing or resolution of institutions taken over, in which the Resolution Fund has injected capital. Currently, this risk is reflected in the ownership of Andelskassen J.A.K. Slagelse under control, as any impairment of exposures and lack of profitability will have an adverse effect on the Resolution Department.

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

Events after 2016

No significant events have occurred after the end of the reporting period.

Outlook for 2017

The profit forecast for 2017 is determined for each of the three segments of the Finansiel Stabilitet Group. For the Resolution Fund, a profit of approx. DKK 700 million 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 losses. The performance of the three segments will be affected by an expected negative return on the assets.

The outlook is subject to some uncertainty due to the continued substantial uncertainty about the 2017 results of the activities relating to the Bank Package I-V activities. Accordingly, the profit guidance provided above does not include any potential effect on operations of value adjustments of assets should the winding up results prove either better or worse than the carrying amounts. Moreover, the outcome of lawsuits and disputes is subject to substantial uncertainty.

Corporate governance

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

Finansiel Stabilitet complies with the recommendations for exercising ownership and practising corporate governance in state-owned public companies, as described in the ownership policy of the Danish State published in 2015. In addition, Finansiel Stabilitet has chosen to comply with the corporate governance recommendations to the widest extent possible, even though Finansiel Stabilitet is not directly comprised by the recommendations.

On a regular basis Finansiel Stabilitet considers developments in the corporate governance recommendations applicable to listed companies. At least once a year, the Board of Directors and the Management Board review principles defined for the management of Finansiel Stabilitet and make ongoing adjustments as and when needed to ensure that the Company complies with good practice in the area.

The overall objectives are defined by the Ministry of Industry, Business and Financial Affairs and, therefore, decisions on acceptance of risk are not left to the Board of Directors as would normally be the case. As the Company's objects and the achievement thereof are defined by law, Finansiel Stabilitet does not comply with the Committee's corporate governance recommendations in relation to risk management. Moreover, the Committee's recommendations on the handling of takeover bids have no relevance for Finansiel Stabilitet due to the Company's status as an independent public company. Likewise, the Company has chosen not to comply with a few other recommendations as described below. Within the given framework, the Board of Directors of Finansiel Stabilitet has sought to enhance the risk management efficiency of the assets taken over.

Communication with the owner and stakeholders of the Company

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

Finansiel Stabilitet publishes interim financial statements and releases quarterly profit announcements. The Company does not publish full interim financial statements for the first and third quarters. Finansiel Stabilitet thereby deviates from the recommendations of the Committee on Corporate Governance. It is assessed that the release of quarterly financial statements would not contribute material new information relative to the information already released through the quarterly profit announcements and other announcements.

Finansiel Stabilitet is subject to the rules applying to state-owned companies, which implies, among other things, that in key areas the Company is subject to the same requirements as listed companies.

Announcements and other information from Finansiel Stabilitet and its subsidiaries are released through the Danish Business Authority and through the Company's website, www.finansielstabilitet.dk. The website also provides information about the Company's structure, activities, etc.

General meeting

The general meeting is the Company's supreme decision-making body. The Ministry of Industry, Business and Financial Affairs has same powers at general meetings as those awarded to shareholders pursuant to the Companies Act.

Representatives of the Ministry of Industry, Business and Financial Affairs, the Board of Directors, the Management Board, the National Audit Office and the Company's auditors attend the annual general meeting. General meetings are open to the press. However, the Board of Directors of Finansiel Stabilitet may decide that a general meeting should be closed or partially closed to the press if motivated by considerations for the discharge of Finansiel Stabilitet's objects, powers and responsibilities.

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

Management structure

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

Finansiel Stabilitet's subsidiaries are managed by independent management boards and boards of directors, which

consist fully or partly of the day-to-day management of Finansielt Stabilitet. This structure entails that Finansielt Stabilitet is represented on the boards of directors of all subsidiaries.

Board work

The Board of Directors is responsible for the overall management of Finansielt 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 Finansielt Stabilitet's website (www.finansieltstabilitet.dk). Due to the special objects and nature of Finansielt Stabilitet, the Board of Directors has flexible working methods and plans its work so as to accommodate the tasks at hand.

A total of 10 board meetings were held in 2016, including 3 extraordinary board meetings. A total of 14 board meetings were held in 2015.

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.

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

The Board of Directors regularly, and at least once a year, 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 2016, the Board of Directors of Finansielt 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 Finansielt Stabilitet nor the employees of Finansielt Stabilitet's subsidi-

aries are entitled to elect members to the Board of Directors of Finansielt Stabilitet.

The members of the Board of Directors are elected for a term of one year, but are eligible for re-election.

At the annual general meeting on 29 April 2016, Peter Engberg Jensen, Bent Naur, Nina Dietz Legind and Erik Sevaldsen were re-elected. Anette Eberhard resigned from the Board of Directors on the same occasion.

At the extraordinary general meeting on 3 August 2016, Bente Overgaard, Bendt Wedell, Anne Louise Eberhard and Ulrik Rammeskov Bang-Pedersen were elected to the Board of Directors. Peter Engberg Jensen, Bent Naur and Nina Dietz Legind were re-elected, while Erik Sevaldsen resigned from the Board of Directors.

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

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

Candidates for the Board of Directors must possess relevant skills, and the Board of Directors as a whole must possess knowledge and experience of the key issues and challenges faced by Finansielt 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 Finansielt 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. Finansiell 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 Finansiell Stabilitet's website, www.finansiellstabilitet.dk.

Management Board

The Management Board is composed of Henrik Bjerre-Nielsen, CEO.

The Management Board along with Executive Vice Presidents Marianne Simonsen and Jens Verner Andersen are in charge of the day-to-day management of Finansiell Stabilitet. The guidelines for the Management Board's reporting and submission of resolutions 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 2016, the remuneration paid to the Board of Directors amounted to DKK 1,060,000 (2015: DKK 1,097,000), including DKK 525,000 to the Chairman and the Deputy Chairman. The remuneration paid to the Board of Directors was unchanged from 2015.

The remuneration of the Management Board is determined by the Board of Directors, and in 2016 the remuneration of the Management Board consisted of a basic salary. Finansiell 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 3.0 million in 2016 (2015: DKK 3.0 million), comprising DKK 2.9 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.

Finansiell Stabilitet complies with the remuneration recommendations of the Danish State's ownership policy, including by not paying top-bracket salaries. Finansiell 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. Finansiell 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, Finansiell Stabilitet assesses and adjusts its internal control and risk management systems on an ongoing basis.

Finansiell Stabilitet's Board of Directors has resolved to establish a whistleblower scheme for the Group. The whistleblower scheme has been notified to the Danish Data Protection Agency and now awaits its approval.

Auditors

The activities of Finansiell Stabilitet are audited by the Auditor General of Denmark and a state-authorised public accountant.

The state-authorised public accountant is appointed for a term of one year at the general meeting and must be certified by the Danish FSA. Before nominating a candidate for appointment at the general meeting, the Board of Directors makes an assessment of the state-authorised public accountant's independence, qualifications, etc.

The framework for the auditors' duties, including their remuneration, audit and non-audit assignments are written into a service contract.

Deloitte was appointed auditors of the Finansiell Stabilitet Group's activities in 2016.



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, nor does it operate internationally or invest with a view to obtaining a profit. For this reason, the Company has not found it relevant to sign up to any special CSR standards.

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

Employees

Finansiel Stabilitet wants to contribute to a good and challenging working life for the employees during their employment with the Company. Finansiel Stabilitet's corporate culture is based on open, free and equal dialogue with emphasis on measures of individual freedom under

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

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

Gender composition of Management

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

The ambition is for either gender to hold at least one third of the seats on the Company's Board of Directors. Three of the seven members of the Board of Directors of Finansiel Stabilitet are women, while two out of three members of the boards of directors of the subsidiaries Bridge Institution I, Andelskassen J.A.K. Slagelse under control, FS Finans I, FS Finans II, FS Finans III and FS Finans IV are women. 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 percentage of female members of Finansiel Stabilitet's daily management (CEO and executive vice presidents) was 33% in 2016.

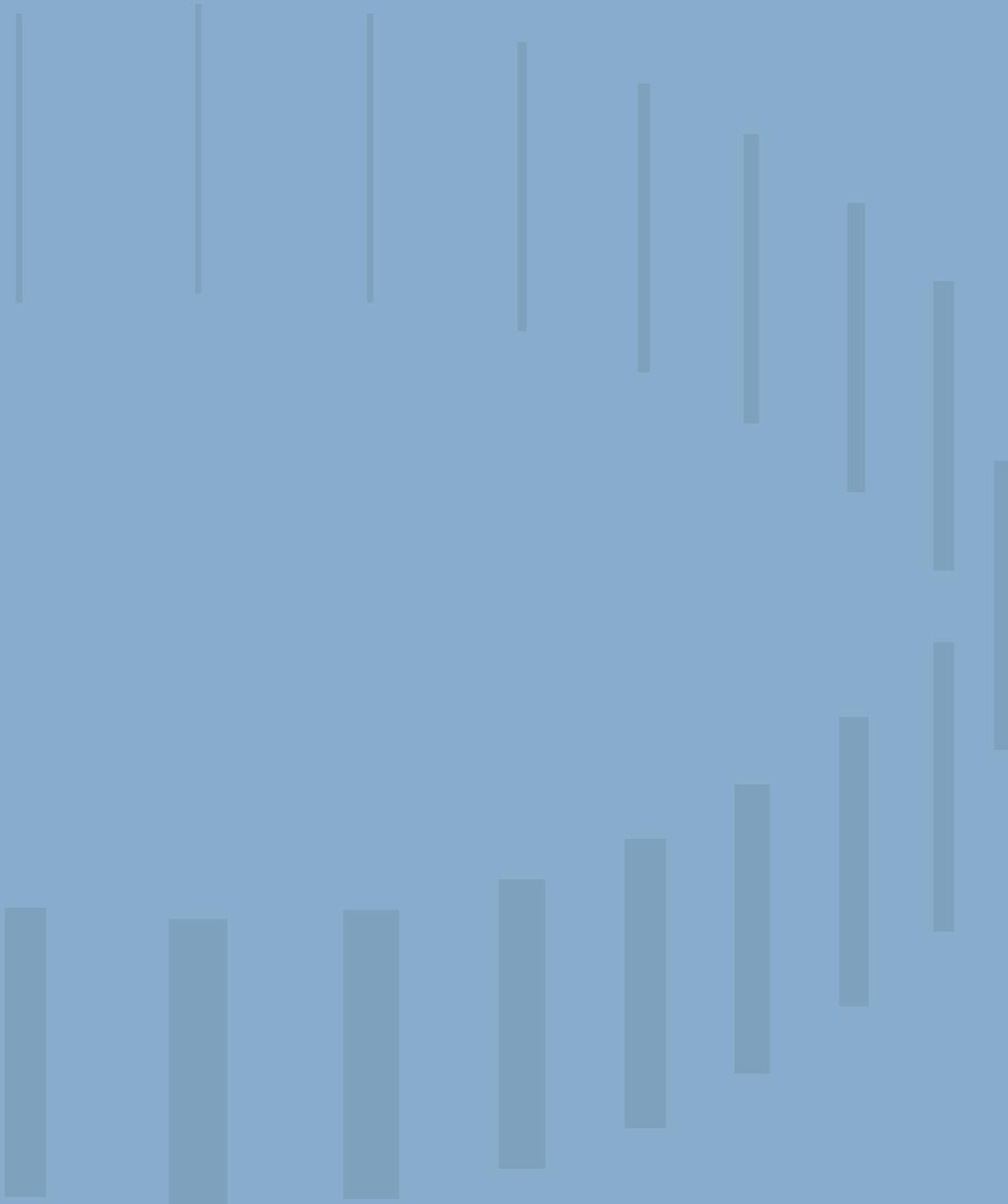
Business partners and suppliers

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

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 and comprehensive income statement

(DKKm)	Note	Group		Parent	
		2016	2015	2016	2015
Interest and fees					
Interest income	5	42	367	13	107
Interest expense	6	37	59	14	35
Net interest income		5	308	(1)	72
Share dividends, etc.		2	2	2	0
Contributions to the Guarantee Fund		0	2,110	0	2,110
Contributions to the Resolution Fund		730	351	730	351
Fees and commissions received	7	8	12	5	7
Fees and commissions paid	7	1	5	1	5
Net interest and fee income		744	2,778	735	2,535
Market value adjustments	8	(199)	241	(21)	134
Value adjustment, loss-absorbing loans FIH		0	(225)	0	-
Other operating income	9	547	512	497	324
Staff costs and administrative expenses	10	182	280	101	202
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		0	1	0	0
Other operating expenses	11	96	279	31	179
Impairment losses on loans, advances and receivables, etc.	12	(276)	(338)	(216)	(199)
Profit/(loss) from investments in associates and subsidiaries	13	3	120	(42)	1
Dowry and purchase price adjustment		39	(35)	(111)	362
Profit/(loss) for the year before tax		1,132	3,169	1,142	3,174
Tax	14	(10)	(4)	0	1
Profit/(loss) for the year		1,142	3,173	1,142	3,173
Statement of comprehensive income					
Profit/(loss) for the year		1,142	3,173	1,142	3,173
Other comprehensive income after tax		0	0	0	0
Total comprehensive income		1,142	3,173	1,142	3,173
Appropriation of profit/(loss)					
Guarantee Fund		(31)	2,164	(31)	2,164
Resolution Fund		730	351	730	351
Retained earnings		443	658	443	658
Total amount appropriated		1,142	3,173	1,142	3,173

Balance sheet

(DKKm)	Note	Group		Parent	
		2016	2015	2016	2015
ASSETS					
Cash in hand and demand deposits with central banks		15,034	14,688	15,034	14,687
Due from credit institutions and central banks	15	390	771	133	324
Loans, advances and other receivables at fair value	12, 16	0	8	0	8
Loans, advances and other receivables at amortised cost	12, 16	482	922	135	309
Bonds at fair value, etc.	17	34	247	29	240
Shares, etc.	18	198	1,035	149	580
Investments in associates, etc.	19	43	49	43	49
Investments in subsidiaries		0	0	606	677
Investment properties	20	35	252	1	44
Other property, plant and equipment	21	0	1	0	0
Guarantees provided by banks, mortgage credit institutions and investment companies		4,215	4,215	4,215	4,215
Current tax assets		3	0		
Receivable re. loss guarantee from the Danish State relating to Roskilde Bank		2,550	2,550	2,550	2,550
Purchase price and dowry adjustment receivable		0	0	1,729	1,840
Other assets	22	267	532	249	338
Prepayments		2	3	2	3
Total assets		23,253	25,273	24,875	25,864

(DKKm)	Note	Group		Parent	
		2016	2015	2016	2015
EQUITY AND LIABILITIES					
Liabilities					
Due to credit institutions and central banks	23	5	1,341	0	0
Deposits and other payables	24	97	204	0	0
Loans through the state-funded re-lending scheme	25	0	801	0	801
Other liabilities	26	866	864	3,015	3,591
Deferred income		0	8	0	8
Total liabilities		968	3,218	3,015	4,400
Provisions					
Provision for losses on guarantees		183	299	83	128
Purchase price adjustment (earn-out)	27	213	252	0	0
Other provisions	28	150	907	38	739
Total provisions		546	1,458	121	867
Total liabilities		1,514	4,676	3,136	5,267
Equity					
Finansiel Stabilitet		7,444	7,001	7,444	7,001
Guarantee Fund		13,214	13,245	13,214	13,245
Resolution Fund		1,081	351	1,081	351
Total equity		21,739	20,597	21,739	20,597
Total equity and liabilities		23,253	25,273	24,875	25,864

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 29: Contingent assets and liabilities
- Note 30: Derivative financial instruments
- Note 31: Financial risk management
- Note 32: Related parties
- Note 33: Group overview
- Note 34: Break-down of balance sheet items by contractual and expected terms to maturity
- Note 35: Fair value disclosure
- Note 36: Fair value of balance sheet items at amortised cost
- Note 37: Return on financial instruments
- Note 38: Leases
- Note 39: Finansiel Stabilitet 2012-2016 (financial highlights)

Statement of changes in equity

Group (DKKm)	2016					2015
	Finansiel Stabilitet		Guarantee Fund	Resolution Fund	Total equity	
	Subordinated assets	Retained earnings				
Equity as at 1 January	1	7,000	13,245	351	20,597	10,717
Addition at 1 January re. the Guarantee Fund for Depositors and Investors	-	-	-	-	-	10,525
Comprehensive income for the period	-	443	(31)	730	1,142	3,173
Transactions with owners						
Purchase price and dowry adjustment	-	-	-	-	-	1,486
Dividend paid	-	-	-	-	-	(5,304)
Equity as at 31 December	1	7,443	13,214	1,081	21,739	20,597

Parent company (DKKm)	2016					2015
	Finansiel Stabilitet		Guarantee Fund	Resolution Fund	Total equity	
	Subordinated assets	Retained earnings				
Equity as at 1 January	1	7,000	13,245	351	20,597	10,717
Addition at 1 January re. the Guarantee Fund for Depositors and Investors	-	-	-	-	-	10,525
Comprehensive income for the period	-	443	(31)	730	1,142	3,173
Transactions with owners						
Purchase price and dowry adjustment	-	-	-	-	-	1,486
Dividend paid	-	-	-	-	-	(5,304)
Equity as at 31 December	1	7,443	13,214	1,081	21,739	20,597

Cash flow statement

(DKKm)	Group	
	2016	2015
Cash flows from operating activities		
Profit/(loss) for the year after tax	1,142	3,173
Impairment of loans, etc., net (income)	(276)	(338)
Depreciation/amortisation	-	1
Other	28	(386)
Total operating activities	894	2,450
Working capital		
Changes in credit institutions, net	(1,281)	223
Changes in loans, advances and other receivables	724	6,873
Changes in securities	1,018	838
Changes in deposits and other payables	(107)	(42)
Changes in other assets and liabilities	(626)	6,050
Total working capital	(272)	13,942
Total cash flows from operating activities	622	16,392
Cash flows from investing activities		
Net investment in subsidiaries	-	23
Purchase/sale of property, plant and equipment	218	336
Total	218	359
Cash flows from financing activities		
Loans through the state-funded re-lending scheme	(800)	(4,761)
Dividend	-	(5,304)
Total	(800)	(10,065)
Total cash flows for operating, investing and financing activities	40	6,686
Change in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	15,187	8,501
Change during the year	40	6,686
Cash and cash equivalents at the end of the year	15,227	15,187
Cash and cash equivalents comprise:		
Cash in hand and demand deposits with central banks	15,034	14,668
Due from credit institutions and central banks within less than three months	193	519
Cash and cash equivalents at the end of the year	15,227	15,187

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. Finansiel Stabilitet has implemented the IFRS standards and interpretations taking effect for 2016. The implementation of these did not affect recognition or measurement in 2016.

Further, the Annual Report is prepared in accordance with the additional Danish disclosure requirements for the annual reports of state-owned companies.

The accounting policies are consistent with those applied in 2015.

Standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has issued a number of international financial reporting standards, and the International Financial Reporting Interpretation Committee (IFRIC) has issued a number of interpretations that have not yet come into force.

In the summer of 2014, the IASB issued IFRS 9, Financial Instruments to replace IAS 39 from 2018.

With IFRS 9, the existing impairment model based on incurred losses is replaced by an expected loss model. In addition, the classification provisions and rules on hedging are changed. Under the new expected credit loss model, on initial recognition of a financial asset, 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 asset (stage 2). If the asset is considered to be impaired (stage 3), a loss allowance will also be recognised in an amount equivalent to the lifetime expected credit

losses of the asset, but based on an increased probability of loss.

Based on the current business volume, the changes to IFRS 9 and other, amended standards are not expected to affect the financial reporting of Finansiel Stabilitet.

Accounting estimates and judgments

The determination of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions of future events.

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

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

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

Estimates significant to the financial reporting include the following:

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

1. Accounting Policies (continued)

Accounting policies for the Group

Foreign currency translation

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

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

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

Offsetting

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

Financial instruments – general

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

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

Derivative financial instruments

Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and positive and negative values are set off

only when the Company has the right and the intention to settle several financial instruments on a net basis. Fair values of derivative financial instruments are determined on the basis of current market data and generally accepted valuation methods.

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

Consolidated financial statements

The consolidated financial statements comprise the parent company, Finansielt Stabilitet IPC, and subsidiaries which the parent company controls. Control is achieved by directly or indirectly holding or having the disposal of more than 50% of the voting rights or otherwise exercising a controlling influence over the relevant enterprise.

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

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

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

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

Notes

1. Accounting Policies (continued)

Balance sheet

Due from credit institutions and central banks

Amounts due from credit institutions and central banks comprise amounts due from credit institutions and central banks. Reverse transactions, that are purchases of securities from credit institutions and central banks to be resold at a later date, are recognised as amounts due from credit institutions and central banks.

Loans, advances and receivables at fair value

Loans, advances and receivables at fair value comprise loans, advances and receivables for which the price is fixed in active markets and loans, advances and receivables designated at fair value through profit or loss, because the conditions for using the fair value option are met.

The loans, advances and receivables involved are measured at fair value on initial and subsequent recognition.

Loans, advances and receivables at amortised cost

Loans, advances and receivables are initially recognised at fair value plus transaction costs and less fees and commissions received that are directly related to the establishment. Subsequently, loans, advances and receivables are measured at amortised cost using the effective interest method less write-downs for bad debt losses.

On takeover of existing loans, advances and receivables, any difference between the expected repayment price and fair value will be amortised over the expected term to maturity.

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

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

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

Individual write-down for impairment of loans, advances and receivables are made when there is objective evidence of impairment and the impairment loss can be calculated. The impairment loss is calculated as the difference between the carrying amount of the loan and the present value of expected future cash flows from the loan. The expected future cash flows are determined based on the most probable outcome.

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

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

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

Collective impairment write-downs are calculated using rating and segmentation models. The model-based collective impairment write-downs are subsequently adjusted to the extent that it is found that events have occurred that the models do not take into account or that the

1. Accounting Policies (continued)

historical loss experience on which the models are based does not reflect the actual circumstances.

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

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

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

Bonds, shares, etc.

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

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

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

The item includes Finansiell Stabilitet's holding of shares, cooperative share certificates and guarantee certificates received from banks in payment of guarantee commission in relation to the government guarantee scheme for banks having joined the Private Contingency Association.

Leases

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

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

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

Associates

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

Properties

Property comprises investment properties.

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

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

Land is not depreciated.

Other property, plant and equipment

Other property, plant and equipment include operating equipment and fixtures, including IT equipment, which

Notes

1. Accounting Policies (continued)

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

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. However, deferred tax on temporary differences relating to goodwill which is not deductible for tax purposes and office buildings and other items is not recognised where temporary differences – other than business acquisitions – arise at the date of acquisition without affecting either the profit/(loss) for the year or the taxable income. In cases where the tax base may be computed according to several sets of tax regulations, deferred tax is measured on the basis of the intended use of the asset or settlement of the liability planned by Management.

Deferred tax assets, including the tax base of tax losses carried forward, are recognised at the expected value of their utilisation, either as a set-off against tax on future earnings or as a set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

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

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

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

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

Guarantees provided by banks, mortgage credit institutions and investment companies

The item comprises the nominal value of guarantees provided to the Guarantee Fund.

Receivable regarding 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, interest and commissions receivable.

Financial liabilities

At the date of borrowing, deposits, issued bonds and debt 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, interest due, etc. and is measured at amortised cost.

Provisions

The item Provisions comprises provisions made in connection with legal disputes, guarantees, undrawn irrevocable credit facilities, employee benefits, etc. The item also

1. Accounting Policies (continued)

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

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

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

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

Restructuring costs are recognised as liabilities when a detailed, formal restructuring plan has been announced not later than at the balance sheet date to the parties affected by the plan. On takeover of enterprises, restructuring provisions relating to the enterprise taken over are included in the calculation of the negative balance only if the enterprise taken over has a liability at the takeover date.

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 the Exit and Consolidation Packages. Purchase price adjustment is included in provisions.

Equity

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

Proposed dividend

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

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

Contingent assets and liabilities

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

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

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

Income statement

Interest income and expense

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

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

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

Notes

1. Accounting Policies (continued)

Recognition of interest on loans and advances with individual impairment write-downs are 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.

Value adjustment, loss-absorbing loans FIH

The item comprises the value adjustment of the loss-absorbing loans issued by FIH in connection with the establishment of FS Property Finance and should be seen in conjunction with adjustments of impairment losses and provisions for the underlying loan portfolio.

Other operating income

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

Staff costs and administrative expenses

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

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

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

Depreciation and impairment of tangible assets

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

Other operating expenses

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

Impairment losses on loans, advances and receivables

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

Profit/(loss) from investments in associates

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

1. Accounting Policies (continued)

Tax

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

Special accounting issues relating to the parent company financial statements

Purchase price and dowry adjustment receivable

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

Tax payable and deferred tax

Finansiel Stabilitet IPC is exempt from taxation.

Consolidated cash flow statement

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

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

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

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

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

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

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

Segment information for the Group

Segment reporting is based on the internal operating segments applied in the management reporting which the executive operational management uses for resource allocation and performance follow-up. Segment information is prepared on the basis of the accounting policies applied by the Group.

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

In connection with the conversion of Finansiel Stabilitet into an independent public company and the takeover of assets and liabilities from the Guarantee Fund for Depositors and Investors, the former segmentation has been changed to the effect that there are now three principal segments: Bank Package I-V activities, the Guarantee Fund under the Depositor and Investor Guarantee Scheme and the Resolution Fund under the Resolution Department.

Notes

1. Accounting Policies (continued)

Accordingly, the Group's reporting segments are:

Bank Package I-V activities

- *Bank Packages I and II*

This segment comprises the activities under the original Bank Package I and the activities under Bank Package II. These two areas of activity were combined as from 2015 in connection with Finansiel Stabilitet's assumption of the risk associated with individual government guarantees according to agreement with the Danish state.

- *Bank Packages III and IV*

This segment comprises the former activities related to banks taken over under Bank Packages III and IV, i.e. FS Finans I (Sparebank Østjylland af 2012), FS Finans II (Max Bank af 2011), FS Finans III (Amagerbanken af 2011) and FS Finans IV (Fjordbank Mors af 2011).

- *Bank Package V*

This segment comprises winding up activities relating to FS Property Finance.

Guarantee Fund

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

Resolution Fund

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

Segment information for the parent company

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

Accordingly, the parent company's reporting segments are:

- Finansiel Stabilitet

This segment comprises the original Bank Package activities.

- The Guarantee Fund

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

- The Resolution Fund

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

2. Segment information for the Group

Activities for the financial year ended 31 December 2016

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

Activities for the financial year ended 31 December 2016

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

Notes

2. Segment information for the Group (continued)

Activities for the financial year ended 31 December 2015

Group (DKK m)	Bank packages I-V	Guarantee Fund	Reso- lution Fund	Elimina- tions	Total
Net interest income	294	14	3		311
Contributions to Guarantee Fund & Resolution Fund		2,110	351		2,461
Other net fee income, market value adjustments, etc.	400	(12)			388
Purchase price and dowry adjustment	(184)	149			(35)
Value adjustment, loss-absorbing loans FIH, etc.	(225)				(225)
Other operating income/expenses, net	326	(91)	10	(15)	230
Operating expenses	276	6	14	(15)	281
Impairment losses on loans, advances, guarantees etc.	(337)		(1)		(338)
Profit/(loss) from investments in associates	(18)				(18)
Profit/(loss) for the period before tax	654	2,164	351	0	3,169
Tax	(4)				(4)
Profit/(loss) for the period	658	2,164	351	0	3,173
Total assets at 31 December 2015	12,068	13,901	601	(1,297)	25,273
Investments in associates 31 Dec. 2015 at fair value	49	0	0		49
Total liabilities at 31 December 2015	5,067	656	250	(1,297)	4,676

Activities for the financial year ended 31 December 2015

Bank Packages I-V (DKK m)	Bank packages I and II	Bank packages III and IV	Bank package V	Elimi- nations	Total
Net interest income	84	37	173		294
Contributions to Guarantee Fund & Resolution Fund					
Other net fee income and market value adjustments, etc.	245	254	(102)	3	400
Purchase price and dowry adjustment	213	(397)			(184)
Value adjustment, loss-absorbing loans FIH etc.	108	0	(333)		(225)
Other operating income/expenses, net	42	31	298	(45)	326
Operating expenses	214	79	28	(45)	276
Impairment losses on loans, advances, guarantees etc.	(199)	(142)	4		(337)
Profit/(loss) from investments in associates	(18)	3		(3)	(18)
Profit/(loss) for the period before tax	659	(9)	4		654
Tax	1	(9)	4		(4)
Profit/(loss) for the period	658	0	0		658
Total assets at 31 December 2015	10,769	2,888	1,396	(2,985)	12,068
Investments in associates 31 Dec. 2015 at fair value	49	0	0		49
Total liabilities at 31 December 2015	3,768	2,846	1,395	(2,942)	5,067

2. Segment information for the Group (continued)

Segment information for the parent company

In connection with the conversion of Finansiel Stabilitet into an independent public company and the takeover of the Guarantee Fund for Depositors and Investors, the former segmentation was changed to the effect that there are now three principal segments: Bank Package I-V activities, the Guarantee Fund under the Depositor and Investor Guarantee Scheme and the Resolution Fund under the Resolution Department.

Bank Package I-V activities

This principal segment comprises the former entity Finansiel Stabilitet A/S and consists of the sub-segments: Bank Packages I and II, Bank Packages III and IV and Bank Package V.

Bank Packages I and II

This segment now consists of the activities under the original Bank Package I and the activities under Bank Package II. These two areas of activity were combined as from 2015 in connection with Finansiel Stabilitet's assumption of the risk associated with individual government guarantees according to agreement with the Danish state.

Bank Packages III and IV

As previously, this segment comprises the activities related to banks taken over under the exit and consolidation packages, 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

As previously, this segment comprises the winding up activities relating to FS Property Finance.

The Guarantee Fund under the Depositor and Investor Guarantee Scheme

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

The Resolution Fund under the Resolution Department

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

Notes

3. Segment information for the parent company

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

Activities 2015					
(DKKm)	Bank Package activities	Guarantee Fund	Resolution Fund	Eliminations	Total
Net interest income	58	14	0		72
Contributions to Guarantee Fund & Resolution Fund	0	2,110	351		2,461
Other net fee income, market value adjustments, etc.	148	(12)	0		136
Purchase price and dowry adjustment	213	149	0		362
Other operating income/expenses, net	247	(91)	10	(15)	151
Operating expenses	207	6	10	(15)	208
Impairment losses on loans, advances, guarantees etc.	(199)	0	0		(199)
Profit/(loss) from investments in associates	1	0	0		1
Profit/(loss) for the period before tax	659	2,164	351	0	3,174
Tax	1				1
Profit/(loss) for the period	658	2,164	351	0	3,173
Total assets at 31 December 2015	12,184	13,901	370	(591)	25,864
Total liabilities at 31 December 2015	5,183	656	19	(591)	5,267

4. Takeover of enterprises

In performing its objects under the Act on Financial Stability, Finansiell Stabilitet has taken over all assets and liabilities of Andelskassen J.A.K. Slagelse. The takeover took place pursuant to the Act on Restructuring and Resolution of Certain Financial Enterprises.

On 5 October 2015, the Danish FSA notified Finansiell Stabilitet that Andelskassen J.A.K. Slagelse was failing and that there was no prospect of any other solutions that could resolve the co-operative bank's problems within a reasonable timeframe. Finansiell Stabilitet assumed control of the co-operative bank and implemented resolution measures.

The assets and liabilities taken over mainly comprised loans, advances and guarantees, deposits, balances with credit institutions and central banks and certain contractual obligations.

These resolution measures entailed that Finansiell Stabilitet established a subsidiary, Broinstitut I A/S, which injected DKK 38 million in new share capital after the write-down of the existing share capital and thus becoming the sole shareholder of the co-operative bank.

A preliminary valuation indicated that, in addition to the share capital, all subordinated debt, claims of unsecured creditors and all deposits in Andelskassen J.A.K. Slagelse exceeding the amount covered by the Guarantee Fund were lost. The final valuation, which was made by an independent valuer, determined the loss at DKK 75 million.

The preliminary winding up of Andelskassen J.A.K. Slagelse under control in 2016 produced an improvement on the initial valuation, whereby the loss of the Guarantee Fund was reduced by DKK 26 million in 2016.

As part of the takeover of the co-operative bank, a legal enquiry was initiated to investigate whether there are grounds for bringing an action for damages against the former management and auditors of Andelskassen J.A.K. Slagelse.

In Q1 2016, an agreement was concluded with Netfonds AB for the sale of Andelskassen J.A.K. Slagelse under control. However, in October 2016, it became clear that Netfonds was not able to obtain approval from the Danish FSA, and the sale consequently could not be carried into effect.

Based on the experience from the sales process and other circumstances about Andelskassen J.A.K. Slagelse under control, it was decided to commence winding up the company. Accordingly, all deposit account customers were terminated with a view to depositing Andelskassen's banking licence at the beginning of 2017. Also, all other customers have been advised to find a new bank.

At the end of 2016, the bank had 1,600 deposit account customers with 3,100 deposit accounts and deposits in the amount of DKK 97 million (2015: DKK 206 million). (2015: DKK 206 million). The bank had net loans in the amount of DKK 102 million, against DKK 171 million at the end of 2015.

Notes

(DKKm)	Group		Parent	
	2016	2015	2016	2015
5. Interest income				
Due from credit institutions and central banks	5	13	1	9
Loans, advances and other receivables at amortised cost	28	233	4	51
Bonds	5	50	5	25
Total derivative financial instruments	1	45	0	0
Interest rate contracts	1	45	0	0
Other interest income	3	26	3	22
Total	42	367	13	107
Interest income relates to:				
Assets at amortised cost	36	270	8	80
Assets at fair value	6	97	5	27
Total	42	367	13	107
Interest on financial assets written down individually amounted to	0	38	0	27
6. Interest expense				
Credit institutions and central banks	0	23	0	0
Deposits and other payables	1	0	0	0
Loans through the state-funded re-lending scheme	16	35	16	35
Other interest expense	20	1	(2)	0
Total	37	59	14	35
7. Fees and commissions				
Fees and commissions received				
Guarantees	8	11	5	7
Other fees and commissions	0	1	0	0
Total	8	12	5	7
Fees and commissions paid				
Other fees and commissions paid	1	5	1	5
Total	1	5	1	5

(DKKm)	Group		Parent	
	2016	2015	2016	2015
8. Market value adjustments				
Adjustment for credit risk for loans and advances at fair value	0	1	0	1
Bonds	15	(9)	15	(10)
Shares, etc.	(202)	324	(40)	198
Investment properties	(1)	27	5	7
Currency	9	33	0	8
Foreign exchange, interest rate, share, commodity and other contracts and derivative financial instruments	(14)	(69)	(1)	(4)
Other assets and liabilities	(6)	(66)	0	(66)
Total	(199)	241	(21)	134
Market value adjustments relate to				
Assets and liabilities at fair value	(193)	307	(21)	200
Other assets and liabilities	(6)	(66)	0	(66)
Total	(199)	241	(21)	134
9. Other operating income				
Rental income, property	7	29	0	0
Damages awarded through litigation	0	151	0	151
Gain from disposal of exposures	0	295	0	8
Income from group companies	-	-	22	39
Reversed provisions for litigation/settlement	445	6	407	0
Income from the Danish FSA	14	10	14	10
Other items	81	21	54	116
Total	547	512	497	324

Notes

(DKKm)	Group		Parent	
	2016	2015	2016	2015
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	28	30	20	26
Severance pay	4	13	4	13
Provisions for salaries during release period	1	2	1	2
Pensions	4	9	1	7
Social security costs	0	1	0	1
Total	37	55	26	49
Other administrative expenses	141	221	71	149
Total	182	280	101	202
Average number of employees during the financial year converted into full-time equivalent	47	74	33	68
Board emoluments paid (DKK'000)				
Peter Engberg Jensen (Chairman) - appointed 2015	300	220	300	220
Bent Naur (Deputy Chairman)	225	225	225	225
Nina Dietz Legind - appointed 2015	150	110	150	110
Bente Overgaard - appointed 2016	62	-	62	-
Bendt Wedell - appointed 2016	62	-	62	-
Anne Louise Eberhard - appointed 2016	62	-	62	-
Ulrik Rammeskov Bang-Pedersen - appointed 2016	62	-	62	-
Anette Eberhard* - resigned 2016	49	196	49	196
Erik Sevaldsen - resigned 2016	88	150	88	150
Jakob Brogaard - resigned 2015	-	81	-	81
Birgitte Nielsen - resigned 2015	-	40	-	40
Michael Mikkelsen - resigned 2015	-	75	-	75
Total emoluments	1,060	1,097	1,060	1,097
* Includes emoluments from the former Guarantee Fund.				
Management Board remuneration paid (DKK'000)				
Henrik Bjerre-Nielsen (November 2008 -)				
Fixed salary	2,875	2,825	2,875	2,825
Tax on company-paid vehicles, etc.	133	127	133	127
Total	3,008	2,952	3,008	2,952

The Management Board is not covered by bonus plans.

Other material risk takers

The Finansielt Stabilitet Group has identified 2 other material risk takers. Salaries include fixed remuneration to these in the total amount of DKK 3.6 million. For 2015, salaries to five material risk takers amounted to a total of DKK 7.5 million in fixed remuneration. 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.finansieltstabilitet.dk.

(DKKm)	Group		Parent	
	2016	2015	2016	2015
10. Staff costs and administrative expenses - continued				
Provisions for defined benefit plans				
Present value of pension obligations	33	36	11	15
Fair value of pension assets	0	0	0	0
Total	33	36	11	15
Movements in provisions for defined benefit plans				
Provision, beginning of year	36	39	15	17
Calculated interest expenses	1	1	0	1
Actuarial gains/losses	0	0	(1)	0
Pensions paid	(4)	(4)	(3)	(3)
Provisions, end of year*	33	36	11	15
Defined benefit costs recognised in the income statement/other comprehensive income				
Standard costs	0	0	0	0
Calculated interest expenses	1	1	0	1
Actuarial gains/losses	0	0	(1)	0
Defined benefit costs	1	1	(1)	1
Actuarial assumptions:				
Discount rate	3.0%	3.0%	3.0%	3.0%
Pension adjustment rate	1.5%	1.0%	1.5%	1.0%
Pension provisions are calculated on the basis of the Danish FSA's yield curve and benchmark mortality.				
Fees to auditors appointed in general meeting				
Total fees to the auditors appointed in general meeting can be specified as follows:				
Statutory audit	1	3	0	2
Assurance engagements	0	0	0	0
Tax advice	0	0	0	0
Non-audit services	0	0	0	0
Total audit fees	1	3	0	2

* The figures include rounding differences.

Notes

(DKKm)	Group		Parent	
	2016	2015	2016	2015
11. Other operating expenses				
Provision for litigation	63	81	2	81
Property management costs	9	74	2	2
Other operating expenses	24	124	27	96
Total	96	279	31	179

(DKKm)	Group			
12. Impairment losses on loans, advances and receivables etc.				
2016				
Loans, advances and other receivables at amortised cost				
	Loans, etc., individual impairment	Loans, etc., collective impairment	Total	Impact on operations
Impairment losses and provisions, beginning of year	7,087	174	7,261	
Impairment losses and provisions during the period	177	15	192	192
Reversed impairment losses and provisions	(1,849)	(74)	(1,923)	(1,923)
Impairment losses and provisions, end of year	5,415	115	5,530	(1,731)
Losses recorded, etc.				1,455
Impairment losses charged to income statement				(276)

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

(DKKm)

Parent

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

2016

Loans, advances and other receivables at amortised cost

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

Impairment losses/adjustment for credit risk, end of year

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

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

Notes

(DKKm)

Group

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

2015

Loans, advances and other receivables at amortised cost

	Loans, etc., individual impairment	Loans, etc., collective impairment	Total	Impact on operations
Impairment losses and provisions, beginning of year	14,114	256	14,370	
Impairment losses and provisions during the period	162	28	190	190
Reversed impairment losses and provisions	(7,189)	(110)	(7,299)	(7,299)
Impairment losses and provisions, end of year	7,087	174	7,261	(7,109)
Losses recorded, etc.				6,771
Impairment losses charged to income statement				(338)

Impairment losses/adjustment for credit risk, end of year

	Impairment losses beginning of year	Impairment losses during the period	Reversed impair- ment losses	Impairment losses end of year
Due from credit institutions	0	0	0	0
Loans and advances at amortised cost	13,918	111	(7,067)	6,962
Loans and advances at fair value	33	0	(20)	13
Guarantees	452	79	(232)	299
Total	14,403	190	(7,319)	7,274

(DKKm)

Parent

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

2015

Loans, advances and other receivables at amortised cost

	Loans, etc., individual impairment	Loans, etc., collective impairment	Total	Impact on operations
Impairment losses and provisions, beginning of year	7,027	112	7,139	
Impairment losses and provisions during the period	24	27	51	51
Reversed impairment losses and provisions	(3,923)	(37)	(3,960)	(3,960)
Impairment losses and provisions, end of year	3,128	102	3,230	(3,909)
Losses recorded, etc.				3,710
Impairment losses charged to income statement				(199)

Impairment losses/adjustment for credit risk, end of year

	Impairment losses beginning of year	Impairment losses during the period	Reversed impair- ment losses	Impairment losses end of year
Due from credit institutions	0	0	0	0
Loans and advances at amortised cost	6,928	45	(3,871)	3,102
Loans and advances at fair value	33	0	(20)	13
Guarantees	211	6	(89)	128
Total	7,172	51	(3,980)	3,243

Gross loans	3,411
Loans valued at zero	(2,747)
Gross loans with a value greater than zero	664
Impairment losses	3,102
Impairment losses where loans valued at zero	(2,747)
Impairment losses where loan value greater than zero	355
Loans, carrying amount	309

Notes

(DKKm)	Group		Parent	
	2016	2015	2016	2015
13. Profit/(loss) from investments in associates and subsidiaries				
Profit/(loss) from investments in associates	3	120	3	(17)
Profit/(loss) from investments in subsidiaries	0	0	(45)	18
Total	3	120	(42)	1
14. Tax				
Estimated tax on the profit for the year	0	7	0	0
Adjustment of deferred tax	0	0	0	0
Prior-year tax adjustments	(10)	(11)	0	1
Total	(10)	(4)	0	1
Effective tax rate				
Corporate tax rate in Denmark	22.0%	23.5%	22.0%	23.5%
Tax-exempt activities and unrecognised deferred tax assets	(22.0)%	(23.5)%	(22.0)%	(23.5)%
Effective tax rate	0.0%	0.0%	0.0%	0.0%
15. Due from credit institutions and central banks				
Due from credit institutions	390	771	133	324
Total balances due from credit institutions and central banks	390	771	133	324
Broken down by term to maturity				
Demand deposits	193	496	84	272
3 months or less	0	23	0	0
Between 3 months and 1 year	16	10	3	2
Between 1 and 5 years	66	28	17	0
More than 5 years	115	214	29	50
Total	390	771	133	324

(DKKm)	Group		Parent	
	2016	2015	2016	2015
16. Loans, advances and other receivables				
Loans, advances and other receivables at fair value	0	8	0	8
Loans, advances and other receivables at amortised cost	482	922	135	309
Impairment losses	5,347	6,962	2,605	3,102
Fair value adjustment	0	13	0	13
Total loans, advances and other receivables before impairment losses	5,829	7,905	2,740	3,432
Broken down by term to maturity				
On demand	5,203	6,371	2,552	3,156
3 months or less	23	241	5	8
Between 3 months and 1 year	51	699	14	42
Between 1 and 5 years	327	358	158	182
More than 5 years	225	236	11	44
Total	5,829	7,905	2,740	3,432
Loans and advances at fair value				
Nominal value	0	21	0	21
Fair value adjustment	0	(13)	0	(13)
Total	0	8	0	8

Credit risk

Credit risk is defined as the risk of loss because customers or counterparties fail to meet all or part of their obligations. In consequence of Finansiel Stabilitet's objective of winding up 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 31.

Credit exposure

Balance sheet items:				
Cash in hand and demand deposits with central banks	15,034	14,688	15,034	14,687
Due from credit institutions and central banks	390	771	133	324
Loans, advances and other receivables at fair value	0	8	0	8
Loans, advances and other receivables at amortised cost	482	922	135	309
Total credit exposure recognised in balance sheet	15,906	16,389	15,302	15,328
Off-balance sheet items:				
Guarantees	676	852	355	457
Credit exposure re. lending activity	16,582	17,241	15,657	15,785

Related collateral is set out later in note 16.

Notes

16. Loans, advances and other receivables - continued

Credit institutions and central banks

Of the remaining credit exposure, DKK 15.4 billion relates to amounts due from credit institutions and central banks. No impairment losses have been recognised on amounts due from central banks and credit institutions.

Loans and advances at amortised cost and guarantees

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

(DKKm)	Group				Parent			
	2016		2015		2016		2015	
Loans and guarantees (gross)								
1. Public authorities	3	0%	0	0%	1	0%	0	0%
2. Commercial sector								
2.1 Agriculture, hunting, forestry and fishing	609	9%	761	8%	110	3%	160	4%
2.2 Industry and raw materials extraction	6	0%	4	0%	0	0%	0	0%
2.3 Energy supply	382	6%	403	4%	241	8%	261	7%
2.4 Construction	193	3%	288	3%	34	1%	54	1%
2.5 Trade	69	1%	159	2%	36	1%	77	2%
2.6 Transport, hotel and restaurant business	128	2%	154	2%	64	2%	77	2%
2.7 Information and communication	0	0%	0	0%	0	0%	0	0%
2.8 Finance and insurance	1,143	17%	1,671	18%	357	11%	615	15%
2.9 Property	3,457	52%	4,784	53%	2,076	65%	2,434	61%
2.10 Other commercial sector	257	4%	311	3%	97	3%	130	3%
Total commercial	6,244	93%	8,535	94%	3,015	95%	3,808	95%
3. Retail sector	441	7%	499	6%	162	5%	188	5%
Total	6,688	100%	9,034	100%	3,178	100%	3,996	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 wound up will increase.

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

Loans neither due nor impaired at 31 December 2016 amounted to DKK 72 million.

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

(DKKm)	Group		Parent	
	2016	2015	2016	2015
16. Loans, advances and other receivables - continued				
Break-down of loans by degree of security (partially based on estimates)				
Commercial sector				
Loans, completely unsecured	4,254	5,022	2,064	2,753
Loans secured on charges or other security:				
– secured in full	168	124	31	48
– secured in part	1,060	2,347	505	454
Total	5,482	7,493	2,600	3,255
Retail sector				
Loans, completely unsecured	335	388	137	155
Loans secured on charges or other security:				
– secured in full	3	1	3	1
– secured in part	9	2	0	0
Total	347	391	140	156
Total	5,829	7,884	2,740	3,411
The loan value of the collateral security received relates largely to properties. The table below shows a break-down on main categories.				
Collateral security				
Mortgages on real property	107	502	24	0
Mortgages on vehicles, ships, etc.	113	4	0	0
Security in deposits	12	16	11	11
Guarantees	0	10	0	0
Other	228	502	102	239
Total	460	1,034	137	250

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.

Notes

(DKKm)	Group				Parent			
	2016		2015		2016		2015	
16. Loans, advances and other receivables - continued								
Impairment losses and provisions by line of business								
1. Public authorities	0	0%	0	0%	0	0%	0	0%
2. Commercial sector								
2.1 Agriculture, hunting, forestry and fishing	517	9%	646	9%	83	3%	134	4%
2.2 Industry and raw materials extraction	6	0%	0	0%	0	0%	0	0%
2.3 Energy supply	357	6%	386	5%	226	8%	247	8%
2.4 Construction	134	2%	226	3%	29	1%	48	1%
2.5 Trade	42	1%	99	1%	20	1%	65	2%
2.6 Transport, hotel and restaurant business	65	1%	66	1%	27	1%	27	1%
2.7 Information and communication	0	0%	0	0%	0	0%	0	0%
2.8 Finance and insurance	1,048	19%	1,322	19%	331	12%	408	13%
2.9 Property	2,744	51%	3,782	53%	1,700	64%	1,933	60%
2.10 Other commercial sector	213	4%	251	4%	80	3%	113	3%
Total commercial	5,126	93%	6,778	96%	2,496	93%	2,975	92%
3. Retail sector	289	5%	309	4%	133	5%	153	5%
Total	5,415	98%	7,087	98%	2,629	98%	3,128	97%
Collective impairment write-downs	115	2%	174	2%	59	2%	102	3%
Total impairment write-downs	5,530	100%	7,261	100%	2,688	100%	3,230	100%

For a more detailed description of the Group's credit risk management goals and policies, see note 31.

(DKKm)	Group		Parent	
	2016	2015	2016	2015
17. Bonds at fair value, etc.				
Bonds	34	247	29	240
Total	34	247	29	240
18. Shares, etc.				
Shares/unit trust certificates listed on Nasdaq OMX Copenhagen A/S	50	0	50	0
Unlisted shares at fair value	148	1,035	99	580
Total	198	1,035	149	580

(DKKm)	Group		Parent			
	2016	2015	2016	2015		
19. Investments in associates						
Cost, beginning of year	58	334	58	299		
Disposals	0	276	0	241		
Cost, end of year	58	58	58	58		
Revaluations and impairment, beginning of year	(9)	10	(9)	35		
Revaluations and impairment	(6)	0	(6)	0		
Disposals	0	19	0	44		
Revaluations and impairment, end of year	(15)	(9)	(15)	(9)		
Total	43	49	43	49		
Investments in associates	Owner-ship (%)	Domicile	Total assets	Total liabilities	Revenue	Profit/(loss)
Landbrugets FinansieringsBank A/S*	33%	Copenhagen	417	288	10	(14)
EBH Tyskland 1 A/S	45%	Horsens	5			(1)

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

20. Investment properties

Investment properties						
Fair value, beginning of year			252	588	44	19
Additions			1	30	1	30
Additions from acquisition of company			0	8	0	-
Disposals			217	352	49	12
Value adjustments			(1)	27	5	7
Other changes			0	(49)	0	0
Fair value, end of year			35	252	1	44

Rental income from investment properties amounted to DKK 7 million (2015: DKK 29 million). Direct costs in relation to investment properties generating revenue amounted to DKK 6 million, and in relation to investment properties not generating revenue amounted to DKK 3 million. The corresponding costs for 2013 were DKK 20 million and DKK 54 million.

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

21. Other property, plant and equipment

Cost, beginning of year	4	18	0	12
Disposals	4	14	0	12
Cost, end of year	0	4	0	0
Depreciation and impairment, beginning of year	3	16	0	12
Depreciation	0	1	0	0
Disposals during the year	3	14	0	12
Depreciation and impairment, end of year	0	3	0	0
Carrying amount, end of year	0	1	0	0

Notes

(DKKm)	Group		Parent	
	2016	2015	2016	2015
22. Other assets				
Positive market values of derivative financial instruments	4	102	4	7
Other assets	263	430	245	331
Total	267	532	249	338

23. Due to credit institutions and central banks

Due to credit institutions	5	1,341	0	0
Total due to credit institutions and central banks	5	1,341	0	0

Broken down by term to maturity

Due on demand	0	6	0	0
3 months or less	0	0	0	0
Between 3 months and 1 year	1	1,335	0	0
Between 1 and 5 years	2	0	0	0
More than 5 years	2	0	0	0
Total	5	1,341	0	0

24. Deposits and other payables

On demand	35	67	0	0
Subject to term of notice	23	73	0	0
Time deposits	0	0	0	0
Special types of deposits	39	64	0	0
Total deposits	97	204	0	0

Broken down by term to maturity

Due on demand	35	204	0	0
3 months or less	62	0	0	0
Between 3 months and 1 year	0	0	0	0
Total	97	204	0	0

25. Loans through the state-funded re-lending scheme

The Company is covered by the state-funded re-lending scheme. This means that the Company has access through Danmarks Nationalbank to loans based on specific government bonds on the same terms as those on which the bonds can be sold in the market.

Year end 2016	Principal	Interest rate	Maturity	Carrying amount
-	-	-	-	-
Total	-			-

Year end 2015	Principal	Interest rate	Maturity	Carrying amount
Danish State	800	2.5%	2016	801
Total	800			801

(DKKm)	Group		Parent	
	2016	2015	2016	2015
26. Other liabilities				
Deposit re. EU case FIH	351	339	351	339
Negative market values of derivative financial instruments	14	45	5	7
Interest and commissions payable	0	13	0	8
Other liabilities	501	467	2,659	3,237
Total	866	864	3,015	3,591

27. Purchase price adjustment (earn-out)

Beginning of year	252	1,714		
Transferred to equity at 1 January 2015	0	(1,497)		
Additions during the year	0	35		
Disposals during the year	39	0		
End of year	213	252	-	-

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

28. Other provisions

Litigation	82	789	4	672
Other provisions	68	118	34	67
Total	150	907	38	739

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

Litigation

Beginning of year	789	777	672	630
Additions during the year	5	49	0	49
Reversed	445	6	407	0
Used	267	31	261	7
End of year	82	789	4	672

Other provisions

Beginning of year	118	97	67	27
Additions on takeover of subsidiary	0	14	0	-
Additions during the year	11	17	10	49
Reversed	42	0	26	8
Used	19	10	17	1
End of year	68	118	34	67

Notes

(DKKm)	Group		Parent	
	2016	2015	2016	2015
29. Contingent assets and liabilities				
Financial guarantees	1	11	0	0
Loss guarantees for mortgage loans	620	765	347	425
Registration and conversion guarantees	0	0	0	0
Other	55	76	8	32
Total	676	852	355	457
Other contingent liabilities				
Irrevocable credit commitments	0	10	-	-
Total	0	10	0	0

Tax

The Group has a tax asset of DKK 0.4 million (2015: DKK 0.4 billion). Due to the uncertainty as to whether this can be utilised, the tax asset has not been recognised in the balance sheet.

FIH

In March 2012, Finansiel Stabilitet concluded an agreement with FIH for the takeover of a significant portfolio of property exposures with a view to winding up. In connection with the preliminary approval of the transaction, the European Commission announced in December 2013 that it found the transaction to be compatible with its rules on state aid, provided that certain elements of the transaction structure were modified, including that FIH paid DKK 310 million to Finansiel Stabilitet. FIH has deposited a total amount, including interest, of DKK 351 million with Finansiel Stabilitet. Against that background, the DKK 351 million has not impacted Finansiel Stabilitet's profit. In the spring of 2014, FIH appealed the European Commission's ruling.

Lawsuits

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

Other contingent liabilities

The Group is party to legal disputes in relation to ordinary operations. Within the past 12 months, a considerable number of complaints have been brought before the Danish Financial Institutions' Complaints Board by customers of banks taken over by Finansiel Stabilitet.

(DKKm)

Group

30. Derivative financial instruments

Group	2016			2015		
	Nominal value	Positive market value	Negative market value	Nominal value	Positive market value	Negative market value
Foreign exchange contracts						
Forward/futures, purchase	0	0	-	0	0	-
Forward/futures, sale	154	-	10	257	-	0
Swaps	0	0	0	(12)	0	0
	154	0	10	245	0	0
Interest rate contracts						
Swaps	73	4	4	1,862	102	45
Options, purchase	0	0	-	0	0	-
Options, sale	0	-	0	0	-	0
	73	4	4	1,862	102	45
Total	227	4	14	2,107	102	45

31. Financial risk management

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

Bank Package I-V activities

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

As, at the end of 2016, Finansiel Stabilitet had wound up the majority of the exposures taken over, future risks will mainly be linked to the remaining lawsuits and disputes. For further information on risks related to lawsuits and disputes, see p. 5 of the management's review.

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

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

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

Credit risk

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

As Finansiel Stabilitet's exposures were assumed in connection with the takeover of failing banks and a significant portion of the exposures have been sold, the remaining exposures are generally of poor financial standing. Finansiel Stabilitet does, however, have a considerable portfolio of guarantees related to, among other things, mortgage loans, which are of more average credit standing.

Notes

31. Financial risk management – continued

Moreover, the quality of the exposures makes it impossible to achieve a well-balanced risk-return ratio. Most of the loans are impaired exposures on which the individual payment ability is limited. For this reason, it is not possible to apply the normal risk management approach of a financial business. Management of credit risk at Finansiel Stabilitet is incorporated as an integral part of the ongoing winding up of the assets, taking into consideration that a well-balanced portfolio will not be achievable due to market conditions.

The Company monitors credit exposures on an ongoing basis by classifying customers based on their creditworthiness.

As a result of the winding up of a considerable portion of exposures, the remaining risk has been significantly reduced relative to previous years. Moreover, a large part of the exposures are covered by way of mortgages, dividends from estates in bankruptcy, etc. Against this background, the remaining risk relating to exposures, after recognition of impairment write-downs, is assessed to be limited.

Market risk

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

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

Interest rate risk

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

The Group's total assets at 31 December 2016 amounted to DKK 0 million (2015: DKK (7) million). Of this amount, Finansiel Stabilitet had an interest rate risk of DKK 0 million at 31 December 2016 (2015: DKK 0 million), meaning that a 1 percentage point increase in interest rates would have a DKK 0 million effect on Finansiel Stabilitet's operating profit (2015: DKK 0 million).

Equity risk

Finansiel Stabilitet also has a number of shareholdings. The listed shares are being wound up, 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 wind up 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, primarily LFB and PRAS. The portfolio of listed bank shares is being wound up on an ongoing basis, thereby reducing the exposure.

The overall portfolio of shares etc. amounted to DKK 198 million at 31 December 2016 (DKK 785 million at 31 December 2015). Excluding the subsidiaries under the Bank Packages III-V, the portfolio of shares etc. amounted to DKK 150 million (2015: DKK 505 million). A 10% drop in share prices would result in a DKK 15 million deterioration of Finansiel Stabilitet's profit/(loss) (2015: DKK 46 million).

See note 18, Shares, etc. for a specification of share positions. Guarantee certificates are included in the calculation of the exposure in the amount of DKK 47 million (2015: DKK 124 million). 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 43 million (2015: DKK 49 million).

Currency risk

In connection with Finansiel Stabilitet's activities related to the winding up of failing banks, the Company is also 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 2016, exchange rate indicator 1 was 0.1%, calculated excluding EUR (2015: 0.2%) of Finansiel Stabilitet's equity. Excluding banks taken over under Bank Packages III-V, exchange rate indicator 1, calculated excluding EUR, was 0.05 % of equity (2015: 0.01%). A 2.25% change in the DKK/EUR exchange rate and a 10% change in all other exchange rates would affect Finansiel Stabilitet's profit/(loss) by DKK 2 million (2015: DKK 2 million).

31. Financial risk management – continued

The overall currency position calculated in terms of exchange rate indicator 1 amounted to DKK 61 million at 31 December 2016 (DKK 763 million at 31 December 2015). Excluding the subsidiaries under Bank Packages III-V, the currency position amounted to DKK 14 million (DKK 67 million at 31 December 2015). See also the calculation of currency risk at the end of note 31.

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 winding up 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 winding up 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 winding up, the only additional losses recorded under Bank Package III relate to the winding up of FS Finans IV.

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

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

The Depositor and Investor Guarantee Scheme are 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 winding up of institutions in which the Resolution Fund has injected capital. Moreover, the investment of the Resolution Fund will be subject to risk, depending on the chosen investment profile. The Act on Restructuring and Resolution of Certain Financial Enterprises stipulates that the assets of the Resolution Fund must be invested in low-risk assets. Each year, Finansiel Stabilitet's Board of Directors defines the investment strategy for the assets. The investment strategy must be determined so as to ensure that the available financial means of the Resolution Fund are from time to time proportionate with the Resolution Fund's potential liabilities. The investment of cash funds must take into account that all currency risk is hedged (euro positions are not included in this calculation). For the time being, it has been decided that the funds are placed in a current account with Danmarks Nationalbank.

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.

Notes

(DKKm)	2016	2015
31. Financial risk management – continued		
Currency risk		
Total assets in foreign currency	225	961
Total liabilities in foreign currency	0	57
Exchange rate indicator 1	61	763
Exchange rate indicator 1 in per cent of equity	0.9%	3.7%
Interest rate risk		
Exposures in the trading portfolio:		
Swaps	-	-
Exposures outside the trading portfolio:		
On-balance sheet items, excluding positions with limited or hedged interest rate exposure	0	0
Positions with limited or hedged interest rate	-	-
All positions	0	0

(DKKm)

Group

32. Related parties

Related parties comprise the Danish State, including companies/institutions over which the Danish State exercises control. Related parties also comprises 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 2016	Balance sheet 31.12.2016	Income/ expense 2015	Balance sheet 31.12.2015
Parties exercising significant influence						
The Danish State	100% ownership of Finansiel Stabilitet IPC	Loans through the state- funded re-lending scheme. Market rate of interest plus 0.15 % commission	(16)	0	(107)	(801)
		Reimbursement, adm. expenses through Finance and Appropriation Act	14	(14)	10	(9)
Subsidiaries						
Andelskassen J.A.K. Slagelse under control, Slagelse		Loans on market terms	0	25	-	-
		Deposits on market terms	0	(6)	-	-
		Management agreement	2	-	-	-
FS Finans I A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms	0	(271)	0	(227)
		Management agreement	2	-	2	-
FS Finans II A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Loans on market terms	0	0	3	0
		Deposits on market terms	0	(146)	0	(72)
		Management agreement	4	-	9	-
FS Finans III A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms	0	(1,384)	0	(1,274)
		Management agreement	8	-	12	-
FS Finans IV A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Loans on market terms	0	0	1	142
		Deposits on market terms	0	(30)	0	0
		Management agreement	5	-	10	-

Notes

(DKKm)

Group

32. Related parties – continued

Related party	Relation	Transaction	Income/ expense 2016	Balance sheet 31/12/2016	Income/ expense 2015	Balance sheet 31.12.2015
Subsidiaries – continued						
FS Property Finance A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms	0	46	0	(931)
Other government entities						
Danmarks National-bank	Controlled by the Danish State	Deposit	0	15,034	0	14,688

33. Group overview

	Share capital	Profit/(loss)	Equity	Ownership (%)
Finansiel Stabilitet IPC, Copenhagen	1	1,142	21,739	
Broinstitut I A/S, Copenhagen	38	0	38	100%
Credit institution:				
Andelskassen J.A.K. Slagelse under control, Slagelse	38	0	38	100%
Significant subsidiaries:				
FS Finans I A/S, Copenhagen	1	0	1	100%
FS Finans II A/S, Copenhagen	1	0	1	100%
FS Finans III A/S, Copenhagen	1	0	1	100%
FS Finans IV A/S, Copenhagen	80	(38)	42	100%
FS Property Finance A/S, Copenhagen	1	0	1	100%

(DKKm)

Group

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

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

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

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

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

Notes

(DKKm)

Group

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

2015	On demand 0-3 mths.	Between 3 mths. and 1 year	Between 1 and 5 years	More than 5 years	Total
Assets					
Cash in hand and demand deposits with central banks	14,688	-	-	-	14,688
Due from credit institutions and central banks	519	10	28	214	771
Loans, advances and other receivables at fair value	-	8	-	-	8
Loans, advances and other receivables at amortised cost	529	263	69	61	922
Bonds at fair value	-	240	7	-	247
Shares, etc.	-	799	236	-	1,035
Investments in subsidiaries and associates, etc.	-	-	49	-	49
Guarantees provided by banks, mortgage credit institutions and investment companies	-	-	-	4,215	4,215
Investment properties	-	252	-	-	252
Other property, plant and equipment	-	1	-	-	1
Receivable re. loss guarantee from the Danish State relating to Roskilde Bank	-	-	2,550	-	2,550
Other assets, etc.	105	105	297	28	535
Total assets	15,841	1,678	3,236	4,518	25,273

2015	On demand 0-3 mths.	Between 3 mths. and 1 year	Between 1 and 5 years	More than 5 years	Total
Equity and liabilities					
Due to credit institutions and central banks	6	1,335	-	-	1,341
Deposits and other payables	204	-	-	-	204
Loans through the state-funded re-lending scheme	-	801	-	-	801
Other liabilities, etc.	207	41	375	253	876
Provisions	14	181	1,259	-	1,454
Total liabilities	431	2,358	1,634	253	4,676

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

2015	On demand 0-3 mths.	Between 3 mths. and 1 year	Between 1 and 5 years	More than 5 years	Total
	288	2	17	2	309

(DKKm)

Group

35. 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	2016			2015		
	Amor- tised cost	Fair value	Total	Amor- tised cost	Fair value	Total
Financial assets						
Cash in hand and demand deposits with central banks	15,034	0	15,034	14,688	0	14,688
Due from credit institutions and central banks	390	0	390	771	0	771
Loans, advances and other receivables at amortised cost	482	0	482	922	0	922
Loans, advances and other receivables at fair value	0	0	0	0	8	8
Bonds	0	34	34	0	247	247
Shares, etc.	0	198	198	0	1,035	1,035
Guarantees provided by banks, mortgage credit institutions and investment companies	4,215	0	4,215	4,215	0	4,215
Receivable re. loss guarantee from the Danish State relating to Roskilde Bank	2,550	0	2,550	2,550	0	2,550
Derivative financial instruments	0	4	4	0	102	102
Total financial assets	22,671	236	22,907	23,146	1,392	24,538
Financial liabilities						
Due to credit institutions and central banks	5	0	5	1,341	0	1,341
Deposits and other payables	97	0	97	204	0	204
Loans through the state-funded re-lending scheme	0	0	0	801	0	801
Derivative financial instruments	0	14	14	0	45	45
Total financial liabilities	102	14	116	2,346	45	2,391

Notes

(DKKm)

Group

35. 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 2016 amounted to DKK 35 million (2015: DKK 252 million). The fair value of investment properties is based on a required rate of return of 8% (2015: 8%)

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

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

(DKKm)

Group

35. Fair value disclosure - continued

2015	Listed prices	Observable input	Non-observable input	Total
Fair value, Group				
Financial assets at fair value broken down into:				
Loans, advances and other receivables at fair value	0	0	8	8
Bonds	240	7	0	247
Shares, etc.	0	1	1,034	1,035
Investment properties	0	252	0	252
Derivative financial instruments	0	102	0	102
Total	240	362	1,042	1,644
Financial liabilities				
Derivative financial instruments	0	45	0	45
Total	0	45	0	45

Fair value based on non-observable input	2016	2015
Beginning of year	1,042	1,049
Additions during the year	0	0
Value adjustment through profit or loss (note 8)	(191)	325
Disposals during the year	(675)	(332)
Fair value, end of year	176	1,042

Notes

(DKKm)

Group

36. 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.

	Amorti- sed cost	Fair value	Amorti- sed cost	Fair value
	2016	2016	2015	2015
Financial assets				
Cash in hand and demand deposits with central banks	15,034	15,034	14,688	14,688
Due from credit institutions and central banks	390	390	771	771
Loans, advances and other receivables	482	482	922	922
Guarantees provided by banks, mortgage credit institutions and investment companies	4,215	4,215	4,215	4,215
Receivable re. loss guarantee from the Danish State relating to Roskilde Bank	2,550	2,550	2,550	2,550
Total financial assets	22,671	22,671	23,146	23,146
Financial liabilities				
Due to credit institutions and central banks	5	5	1,341	1,341
Deposits and other payables	97	97	204	204
Loans through the state-funded re-lending scheme	0	0	801	821
Total financial assets	102	102	2,346	2,366

(DKKm)

Group

37. Return on financial instruments

	2016			2015		
	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	36	6	42	270	97	367
Interest expense	37	0	37	59	0	59
Net interest income	(1)	6	5	211	97	308
Share dividends etc.	0	2	2	0	2	2
Fees and commissions received	8	0	8	11	0	11
Fees and commissions paid	1	0	1	0	0	0
Net interest and fee income	6	8	14	222	99	321
Market value adjustments	(6)	(193)	(199)	(66)	307	241
Other operating income	0	0	0	7	0	7
Total	0	(185)	(185)	163	406	569

38. Leases

	2016	2015
The item Loans and advances at amortised cost comprises finance leases	123	207
Net investments in finance leases		
Terms of up to 1 year	39	113
Terms of between 1 and 5 years	84	94
Terms of 5 years or more	0	0
Total	123	207
Gross investments in finance leases		
Terms up to 1 year	39	113
Terms between 1 and 5 years	96	114
Terms of 5 years or more	0	0
Total	135	227
Write-down of finance leases	12	20

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

Notes

(DKKm)

Parent

39. Finansiell Stabilitet 2012-2016

	2016	2015	2014	2013	2012
Summary income statement					
Net interest and fee income	735	2,535	188	11	56
Market value adjustments	(21)	134	(26)	(109)	(133)
Other operating income	497	330	363	449	735
Staff costs and administrative expenses	101	208	232	437	525
Other liabilities, etc.	31	180	263	1,102	42
Impairment losses on loans, advances and receivables, etc.	(216)	(199)	(716)	(544)	(731)
Profit/(loss) from investments in associates and subsidiaries	(42)	1	280	766	(191)
Purchase price and dowry adjustment	(111)	362	-	-	-
Loss guarantee from the Danish State	0	0	(60)	39	(20)
Profit/loss for the year	1,142	3,173	966	161	611
Balance sheet at 31 December					
Assets					
Cash in hand and demand deposits with central banks and credit institutions	15,167	15,011	1,421	2,733	11,243
Loans, advances and other receivables at fair value	0	8	40	53	1,010
Loans, advances and other receivables at amortised cost	135	309	4,408	9,036	4,512
Bonds at fair value and shares	178	820	744	866	869
Investments in associates and subsidiaries	649	726	3,308	3,518	4,728
Guarantees provided by banks, mortgage credit institutions and investment companies	4,215	4,215	-	-	-
Loss guarantee from the Danish State	2,550	2,550	7,820	7,880	7,847
Purchase price and dowry adjustment	1,729	1,840	-	-	-
Other assets	252	385	1,164	2,222	3,121
Total assets	24,875	25,864	18,905	26,308	33,330
Equity and liabilities					
Due to credit institutions and central banks	0	0	0	370	1,561
Deposits and other payables	0	0	0	420	5,540
Loans through the state-funded re-lending scheme	0	801	5,628	13,572	13,991
Other debt	3,015	3,599	1,711	806	988
Total debt	3,015	4,400	7,339	15,168	22,080
Provisions	121	867	849	1,389	1,660
Equity	21,739	20,597	10,717	9,751	9,590
Total equity and liabilities	24,875	25,864	18,905	26,308	33,330
Off-balance sheet items					
Contingent liabilities	353	457	1,410	5,716	67,048
Other commitments	0	0	0	0	0
Financial ratios					
Return on equity before tax	5.4%	16.7%	9.4%	1.7%	5.3%
Return on equity after tax	5.4%	16.7%	9.4%	1.7%	5.3%

(DKKm)

Parent

39. Finansiell Stabilitet 2012-2016 – continued

Finansiell Stabilitet 2016

(DKKm)	Bank Package activities	Guarantee Fund	Resolution Fund	Eliminations	Total
Summary income statement					
Net interest and fee income	0	(50)	730	55	735
Market value adjustments	(15)	(6)	0		(21)
Other operating income	524	32	14	(73)	497
Staff costs and administrative expenses	99	6	14	(18)	101
Other operating expenses, depreciation and amortisation	31	0	0		31
Impairment losses on loans, advances and receivables, etc.	(216)	0	0		(216)
Profit/(loss) from investments in associates	(42)	0	0		(42)
Purchase price and dowry adjustment	(110)	(1)	0		(111)
Profit/(loss) for the year	443	(31)	730	0	1,142
Balance sheet at 31 December					
Assets					
Cash in hand and demand deposits with central banks	5,170	8,817	1,047		15,034
Due from credit institutions and central banks	133	0	0		133
Loans and advances	135	0	0		135
Securities	178	0	0		178
Investments in subsidiaries	611	0	38		649
Investment properties	1	0	0		1
Guarantees provided by banks, mortgage credit institutions and investment companies	0	4,215	0		4,215
Receivable re. loss guarantee from the Danish State relating to Roskilde Bank	2,550	0	0		2,550
Purchase price and dowry adjustment receivable	1,024	705	0		1,729
Other assets	756	135	25	(665)	251
Total assets	10,558	13,872	1,110	(665)	24,875
Equity and liabilities					
Other liabilities	3,008	15	14	(22)	3,015
Total debt	3,008	15	14	(22)	3,015
Provision for losses on guarantees	83	0	0		83
Other provisions	23	643	15	(643)	38
Total provisions	106	643	15	(643)	121
Total liabilities	3,114	658	29	(665)	3,136
Equity as at 1 January 2016	7,001	13,245	351		20,597
Comprehensive income for the period	443	(31)	730		1,142
Equity as at 31 December 2016	7,444	13,214	1,081		21,739
Total equity and liabilities	10,558	13,872	1,110	(665)	24,875

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 2016.

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. Further, the Annual Report is prepared in accordance with the additional Danish disclosure requirements for the annual reports of state-owned companies.

The consolidated and parent company financial statements give a true and fair view of the Group's and the parent

company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the parent company's operations and of consolidated cash flows for the financial year 1 January – 31 December 2016.

The management's review includes a fair review of the development and performance of the business and the financial position of the Group and the parent company, together with a description of the principal risks and uncertainties that the Group and the parent company face.

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

Copenhagen, 17 March 2017

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 auditor's report

To the Ministry of Industry, Business and Financial Affairs

Auditors' report on the consolidated and Parent Company financial statements

Opinion

We have audited the consolidated and Parent Company financial statements of the independent public company Finansielt Stabilitet A/S for the financial year 2016, comprising the income statement, statement of comprehensive income, balance sheet, statement of capital and notes, including accounting policies, for the Group as well as for the Parent Company and the consolidated 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 Company financial statements are presented in accordance with the Danish Financial Business Act. Further, the Annual Report is prepared in accordance with the additional Danish disclosure requirements for the annual reports of state-owned companies.

In our opinion, the consolidated financial statements and the Parent Company's financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, equity and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 2016 in accordance with the 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 Company financial statements and Danish disclosure requirements for the annual reports of state-owned companies.

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 generally accepted public accounting practice as the audit is conducted on the basis of the provisions of the Danish Auditor General Act. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated and Parent Company financial statements" section of our report.

The Auditor General is independent of Finansielt Stabilitet in accordance with section 1(6) of the Danish Auditor General Act and the approved auditor is independent of Finansielt Stabilitet in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and 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 responsibility for the consolidated and Parent Company financial statements

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

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting in the preparation of the consolidated and Parent Company financial statements unless Management 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 Company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and Parent Company 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 generally accepted public accounting practice 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 Company financial statements.

As part of an audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark as well as generally accepted public accounting practice, 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 Company 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 Company 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 Company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and Parent Company financial statements, including the disclosures in the notes, and whether the consolidated and Parent Company 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 Company 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 Company financial statements, our responsibility is to read

Copenhagen, 17 March 2017

Deloitte

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

Christian Dalmoose Pedersen
 State Authorised Public Accountant

Thomas Hjortkjær Petersen
 State Authorised Public Accountant

the management's review and, in doing so, consider whether the management's review is materially inconsistent with the consolidated and Parent Company 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 Company 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 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.

In connection with our audit of the financial statements, our responsibility is in accordance with generally accepted public accounting practice to select relevant subjects for the compliance audit and the performance audit, respectively. In a compliance audit we verify with reasonable assurance whether the transactions comprised by the financial reporting are in accordance with appropriations granted, laws and other regulations and with agreements concluded and normal practice. In a performance audit, we assess with reasonable assurance whether the examined systems, processes or transactions support due financial considerations in the administration of the funds and the operations 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

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

Lone Lærke Strøm
 Auditor General of Denmark

Morten Henriksen
 Head of Department

Board of Directors



Peter Engberg Jensen

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

Member of the boards of directors of:

- Investeringsforeningen PFA Invest (Chairman)
- Lønmodtagernes Dyrtidsfond
- Den Sociale Kapitalfond
- Pension Danmark Holding A/S
- Pensiondanmark Pensionsforsikrings-selskab
- Ordrup Gymnasium (Chairman)
- Chr. Augustinus Fabrikker Aktieselskab
- CAF Invest A/S
- Aarhus Symposium

Other duties:

- Member of the board of Business LF



Bent Naur

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

Member of the boards of directors of:

- Nykredit Holding A/S
- Nykredit Realkredit A/S



Nina Dietz Legind

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

Member of the boards of directors of:

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

Other duties:

- Vice Dean for Research, Syddansk Universitet



Bente Overgaard

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

Member of the boards of directors of:

- Den Danske Naturfond
- Arena CPHX Komplementar A/S
- Arena CPHX P/S

Other duties:

- CEO of Overgaard Advisory ApS



Bendt Wedell

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

Member of the boards of directors of:

- AIC A/S (Chairman)
- Life care one A/S (Chairman)
- Lensgreve Karl Wedells og Comtesse Agnes' stiftelse (Chairman)
- Selected car leasing A/S (Chairman)
- H. W-W ApS (Chairman)
- I. W-W ApS (Chairman)
- Patriotisk Selskab (Deputy Chairman)
- A/S Det fynske landbo-center. Ejendomsselskab
- Donau Agro ApS
- TG Partners III A/S
- TG Brentwood A/S
- I/S Brentwood management
- WEFRI A/S
- WEFRI HOLDING ApS

Other duties:

- CEO of VICUS P ApS
- *Executive Board member of the following companies:*
 - VICUS Ejendomme ApS
 - Equity ApS
 - VICUS Slovakiet ApS
 - VICUS M ApS
 - VICUS Invest ApS
 - NITRA ApS
 - VICUS B ApS
 - VICUS D5G ApS
 - VICUS GREEN ApS
 - De 5 gaarde A/S

Board of directors

– continued



Anne Louise Eberhard

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

Member of the boards of directors of:

- Sampension KP Livsforsikring A/S
- Sampension Administrations-selskab A/S
- Solix Group AB

Other duties:

- Executive Vice President, Member of the Executive Committee, Lindorff AS
- Faculty member, Copenhagen Business School, Board programs



Ulrik Rammeskov Bang-Pedersen

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

Member of the boards of directors of:

- Danish Arbitration Association

Other duties:

- Professor, doctor of laws, Faculty of Law
- Chairman, Danish Bankruptcy Law Council
- Chairman, Complaints Board for Central Securities Depositories
- Editor, Erhvervs-juridisk Tidsskrift
- Arbitrator, Danish Institute of Arbitration

Management Board



Henrik Bjerre-Nielsen

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

Chairman of the boards of directors of:

- FS Finans I A/S
- FS Finans II A/S
- FS Finans III A/S
- FS Finans IV A/S
- FS Ejendomsselskab A/S
- Broinstitut I A/S
- Andelskassen J.A.K. Slagelse under control

Company details

Finansiel Stabilitet

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DK-1250 Copenhagen K

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

Board of Directors

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

Management Board

Henrik Bjerre-Nielsen

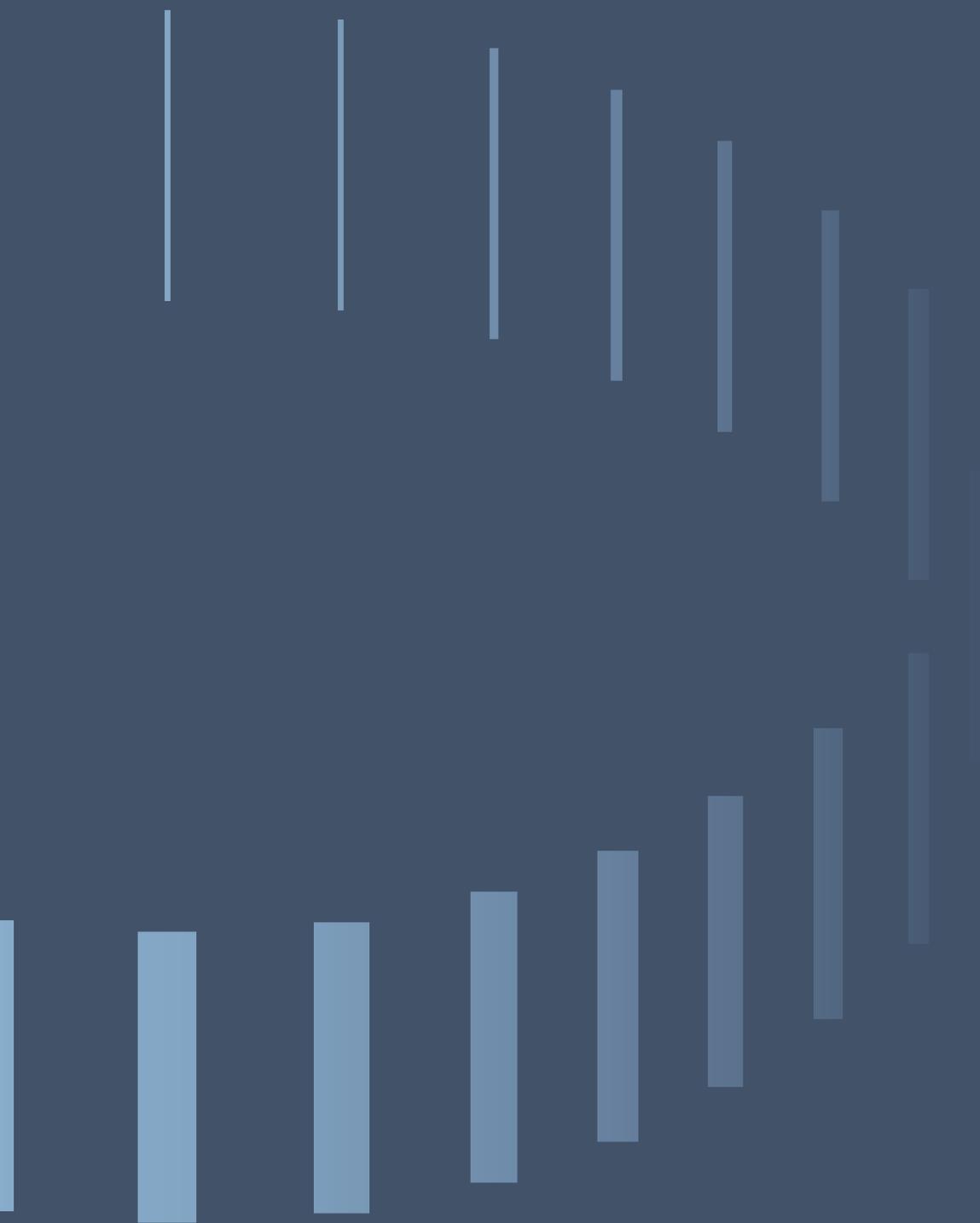
Auditors

The National Audit Office
Landgreven 4
DK-1301 Copenhagen K

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

General meeting

Annual General Meeting to
be held on 25 April 2017



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