

Finansiel **Stabilitet**

Annual Report 2021

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# Introduction

## Peter Engberg Jensen



### More than a contingency organisation of critical importance to society

Finansiel Stabilitet is required to contribute to ensuring financial stability in Denmark, in particular through the restructuring and resolution of certain failing financial enterprises.

So reads the somewhat formal description of the objective of Finansiel Stabilitet's work.

It could not have been written in 2008, before the financial crisis. Back then, we did not yet exist. But through our work with failing financial enterprises, we learned that ensuring financial stability is a more comprehensive task than "simply" securing liquidity and capital.

During the financial crisis, we gained a wealth of experience while solving the problems at hand. This experience today forms the basis of Danish as well as EU regulation in this field. It is necessary to have a plan and clear instructions on how to proceed in a crisis situation, so as to ensure that our society continues to function if a financial enterprise fails.

Under normal circumstances, an enterprise's management will ensure that the enterprise complies with applicable rules and has adequate excess capital and liquidity to maintain operations. Likewise, the Danish FSA will supervise the enterprise's compliance with the rules and will be able to step in if required.

Still, things can go wrong, requiring the resolution of the financial enterprise, and it is at this stage that Finansiel Stabilitet assumes control of the enterprise. The outcome is either a controlled winding up of the enterprise or its relaunch on the market following a reconstruction.

This means that our work is subject to a special set of conditions. It is fortunately rare that Finansiel Stabilitet has to assume control of a credit institution. But when it does, it generally happens at short notice.

In that situation, we are required within a short time frame to provide adequate resources, knowledge, capital and management to solve the task at hand. This requires that we are organised and work as a contingency organisation.

We must be able at short notice to scale up the organisation to be able to handle the problem at hand, and in our daily work we must continually improve our contingency plans and test them through drills.

"...we are required within a short time frame to provide adequate resources, knowledge, capital and management to solve the task at hand."

The importance of this can hardly be overstated, and we will have special focus on these tasks in 2022.

Finansiel Stabilitet is more than a contingency organisation, however. We are still working on the resolution of existing customers from the financial crisis, and the Resolution Fund remains in the build-up phase. We cover a broad spectrum of professional skills, from law in particular to finance and credit.

Recently, these skills have been put to good use in solving new tasks.

We have established a debt counselling scheme for former mink farmers who are left with net debt following the closing down of their mink business and award of damages and compensation.

Furthermore, the Danish government has introduced a bill which, if passed, will mean that Finansiel Stabilitet is to act as guarantor in a government guarantee scheme for homebuyers in rural districts.

In the slightly longer term, the European Commission has presented a proposal for national regimes for the recovery and resolution of life insurance and non-life insurance providers. The regulatory task that will ensue if the bill is passed is similar to Finansiel Stabilitet's normal tasks in relation to failing credit institutions. The tools are also familiar to us.

Recent years' developments have demonstrated that situations may arise in which enterprises have insufficient capital and liquidity to continue as a going concern. Cyber risk has become a priority issue in all parts of society. This is also true at Finansiel Stabilitet.

As I mentioned above, when we assume control of an enterprise we are familiar with the tools, because the underlying problem is generally insufficient liquidity or capital – or both. However, in case of a critical IT breakdown, the tools are not as well-defined in legislation.

Cyber risk will be a joint focus area with authorities and enterprises in the coming years.

# Highlights

## Finansiel Stabilitet Group:

- Surplus of DKK 1.1 billion, mainly attributable to contributions to the Resolution Fund.
- Equity increased to DKK 22.8 billion.
- Total assets increased by DKK 1 billion to DKK 23.5 billion.

## Bank Package activities:

- Surplus of DKK 23 million, reflecting the result of the continuing resolution of the remaining activities.
- The result was better than expected due to reversed impairment losses on loans, advances and receivables.
- Equity was unchanged at DKK 5.3 billion.
- Total assets were reduced by DKK 0.3 billion to DKK 6.5 billion.
- As at 31 December 2021, gross loans and guarantees amounted to DKK 1.5 billion, valued at DKK 206 million, financial assets amounted to DKK 578 million and properties amounted to DKK 10 million. Financial assets included treasury bills for an amount of DKK 561 million.

## Deposit Guarantee Fund:

- Surplus of DKK 6 million.
- The assets of the Deposit Guarantee Fund were unchanged at DKK 12.4 billion. Of this amount, DKK 8.9 billion was attributable to the Banking Department. Collection of contributions to the Deposit Guarantee Fund was not required in 2021.
- Total assets were unchanged at DKK 12.4 billion.

## Resolution Fund:

- Surplus of DKK 1,022 million, mainly attributable to contributions to the Resolution Fund of DKK 1,061 million in 2021.
- The Resolution Fund thus grew to DKK 5.1 billion.
- As a result of the contributions, total assets grew to DKK 5.1 billion.



# Review and results

## Finansiel Stabilitet at a glance

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

The objects of Finansiel Stabilitet are to:

- contribute to ensuring financial stability in Denmark;
- handle the responsibilities and powers assigned to it pursuant to the Act on Restructuring and Resolution of Certain Financial Enterprises;
- handle the responsibilities and powers assigned to it pursuant to the Act on a Depositor and Investor Guarantee Scheme; and
- handle any other responsibilities and powers assigned to it pursuant to legislation or by the Minister for Industry, Business and Financial Affairs.

On 1 June 2021, the Danish parliament passed an Act to amend the Act on Restructuring and Resolution of Certain Financial Enterprises, under which Finansiel Stabilitet is required to set up an entity to provide debt counselling free of charge to former mink farmers who are, or are presumed to be, insolvent after having received damages and compensation pursuant to the Act on the culling of mink and temporary ban on mink farming.

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

## Group results 2020

Finansiel Stabilitet posted a surplus of DKK 1,051 million in 2021 (2020: DKK 1,089 million). The surplus was primarily attributable to payment of DKK 1,061 million in contributions to the Resolution Fund. Overall, the Resolution Fund generated a surplus of DKK 1,022 million. The Bank Package activities generated a surplus of DKK 23 million and the Deposit Guarantee Fund a surplus of DKK 6 million.

The Group's total assets at 31 December 2021 amounted to DKK 23.5 billion (2020: DKK 22.5 billion). Of this amount, the Bank Package activities accounted for DKK 6.5 billion, the Deposit Guarantee Fund accounted for DKK 12.4 billion, the Resolution Fund accounted for DKK 5.1 billion, while a negative amount of DKK 0.5 billion related to an intra-group balance.

Total equity stood at DKK 22.8 billion, of which DKK 12.4 billion was attributable to the Deposit Guarantee Fund, DKK 5.3 billion to the Bank Package activities and DKK 5.1 billion to the Resolution Fund. For a specification of the three segments' income statement items, see the following sections and notes 2 and 3 to the financial statements for a more detailed account.

At 31 December 2021, the remaining net loans and guarantees amounted to DKK 0.2 billion (2020: DKK 0.5 billion), while the portfolio of financial assets amounted to DKK 11.6 billion (2020: DKK 14.4 billion) and properties amounted to DKK 10 million (2020: DKK 10 million).

The reduction of loans and guarantees for the year was attributable to the completed sale of Landbrugets Finansieringsinstitut's lending activities. This sale reduced Finansiel Stabilitet's loans and guarantees by a total of DKK 103 million.

The rest of the assets mainly consisted of DKK 8.1 billion held on deposit with Danmarks Nationalbank (2020: DKK 4.2 billion) and commitments made by banks, etc. in relation to the Deposit Guarantee Fund amounting to DKK 3.2 billion, which was unchanged from 2020.

Amounts held on deposit with Danmarks Nationalbank grew by DKK 3.9 billion in 2021, attributable in part to a DKK 2.8 billion reduction of the portfolio of financial assets and in part to contributions for the year to the Resolution Fund of DKK 1.1 billion.

The majority of the remaining loans and guarantees related to the segment Bank Package activities, while a minor portion of loans related to FS Finans V A/S (formerly Andelskassen J.A.K. Slagelse) and FS Finans VI A/S (formerly Københavns Andelskasse), which are wound up under the Resolution Fund. DKK 22 million of total loans and guarantees related to FS Finans V A/S and FS Finans VI A/S.

Other remaining exposures mainly consisted of receivables from estates in bankruptcy and guarantees.

How fast the remaining loans will be wound up depends largely on external factors such as the progress of trustees' estate administration and the debt recovery process. Guarantees will be gradually phased out as they mature. Finansiel Stabilitet furthermore has the ongoing task of recovering previously written-off claims, which amounted to approximately DKK 10.2 billion at 31 December 2021. In 2021, this resulted in the recognition of approximately DKK 13 million.

## Lawsuits

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

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

Finansiel Stabilitet's business is governed by the bank packages described in this annual report.

The costs of these operations are covered, among other things, by payments of DKK 25 billion from the financial enterprises to Finansiel Stabilitet.

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

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

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

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

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

The lawsuit against the former management of Capinordic Bank was the first liability lawsuit to be tried in court. In October 2015, the Eastern High Court delivered a decision against the three defendant management members, who were ordered to pay damages in a total amount of DKK 90.5 million. The decision was appealed by the defendants and subsequently by Finansiel Stabilitet. The Danish Supreme Court in January 2019 delivered its decision, which was in reality an affirmation of the High Court's decision. Final damages were established at DKK 89 million, plus statutory interest accrued from December 2010. At the time of the Supreme Court decision, the total amount of damages including statutory interest was calculated at DKK 141 million.

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

The court delivered a judgment by default against one of the defendants, who was ordered to pay Finansiel Stabilitet DKK 19 million plus statutory interest. Furthermore, agreements were entered into with two of the defendants to withdraw the action against them while they acknowledged their liability and paid an amount of damages. At the trial hearing in August 2021, a decision was delivered against the final of the four defendants in Finansiel Stabilitet's favour.

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

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

The executives found liable applied to the Danish Appeals Permission Board for permission to appeal the case to the Supreme Court, and further thereto Finansiel Stabilitet also sent an application to the Appeals Permission Board. In October 2019, Finansiel Stabilitet and the eight executives found liable entered into an agreement to settle the liability lawsuit. As part of the agreement, the eight management members found liable were to pay DKK 255.5 million, and both parties were to withdraw their application to the Appeals Permission Board. The agreement was made in full and final settlement of any claims, and the executives found liable distributed the amount to be paid among themselves.

In October 2018, the Eastern High Court delivered a decision in the lawsuit against the former management and auditors of Eik Bank Danmark, by which the four management members were ordered to pay damages in the amount of DKK 28.6 million plus statutory interest, for a total amount of DKK 42.6 million. The court found in favour of the two other members of management and the auditors.

Finansiel Stabilitet was ordered to pay legal costs in the amount of DKK 39 million. The four management members, and subsequently Finansiel Stabilitet, appealed the decision. The scope of the appeal was limited to two exposures. The Supreme Court delivered its decision on 22 June 2020, finding in favour of the members of management previously found liable, and Finansiel Stabilitet was ordered to repay the damages received and to pay DKK 17.7 million in legal costs.

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

In the lawsuit against the former management of Andelskassen J.A.K. Slagelse, the Court of Glostrup delivered its decision on 15 November 2019, ordering the former CEO to pay DKK 1 million in damages, DKK 200,000 of which was to be paid jointly and severally with the former Chairman of the Board of Directors. The CEO appealed the decision to the Eastern High Court. The Eastern High Court delivered its decision in the case on 6 July 2021, upholding the district court's decision.

In November 2019, a decision was delivered in the case against the former management and auditors of Eik Bank Færøerne, by which three defendant management members were ordered to pay damages in the total amount of DKK 150 million plus statutory interest. The court found in favour of one management member, and Finansiel Stabilitet was ordered to pay DKK 8.9 million in legal costs. The management members found liable appealed the decision to the Eastern High Court. The trial hearing is scheduled for April-August 2022.

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

In a decision delivered on 17 January 2022, the Eastern High Court decided on the issue of legal costs, quashing the decision by the court of the Faroe Islands and ordering legal costs of DKK 3.6 million to be paid, which was the amount already paid by Finansiel Stabilitet.

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

On 26 February 2020, Finansiel Stabilitet appealed parts of the decision against the management member found liable with a claim for DKK 100 million. The trial hearing is scheduled for March 2022.

On 28 February 2020, a decision was delivered by the Western High Court in the case against the former management and external auditors of Løkken Sparekasse. The decision was given in favour of the defendants, and Finansiel Stabilitet was ordered to pay legal costs of DKK 34 million. Finansiel Stabilitet appealed parts of the decision to the Supreme Court, the claim being limited to DKK 50 million. The appeal solely concerns the claim against the CEO. The trial hearing is scheduled for May 2022.

In the lawsuit against the former management and auditors of Roskilde Bank, the Eastern High Court delivered its decision in November 2017. The decision was given in favour of all the defendants, and Finansiel Stabilitet was ordered to pay legal costs of DKK 72.5 million. Finansiel Stabilitet appealed the decision with respect to the CEO and the Board of Directors. The trial hearing is scheduled for November 2022.

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

With respect to Københavns Andelskasse, lawsuits have been filed against members of the former management in relation to two onerous transactions. Trial hearings in the cases are scheduled for February to May 2022.

Expenses related to actions for damages brought against the former managements of banks taken over amounted to DKK 21 million in 2021. Finansiel Stabilitet expects to continue to incur considerable expenses on such cases in the years ahead. Accumulated expenses related to actions for damages brought against former bank managements have run into DKK 537 million to date, including costs of preparing legal enquiries. To this amount should be added legal costs that Finansiel Stabilitet has been ordered to pay amounting to DKK 337 million. Accumulated legal costs thus amount to DKK 874 million.

In the nine compensation proceedings, Finansiel Stabilitet has so far been awarded damages, which with the addition of statutory interest as of mid-February 2022 total DKK 808 million.

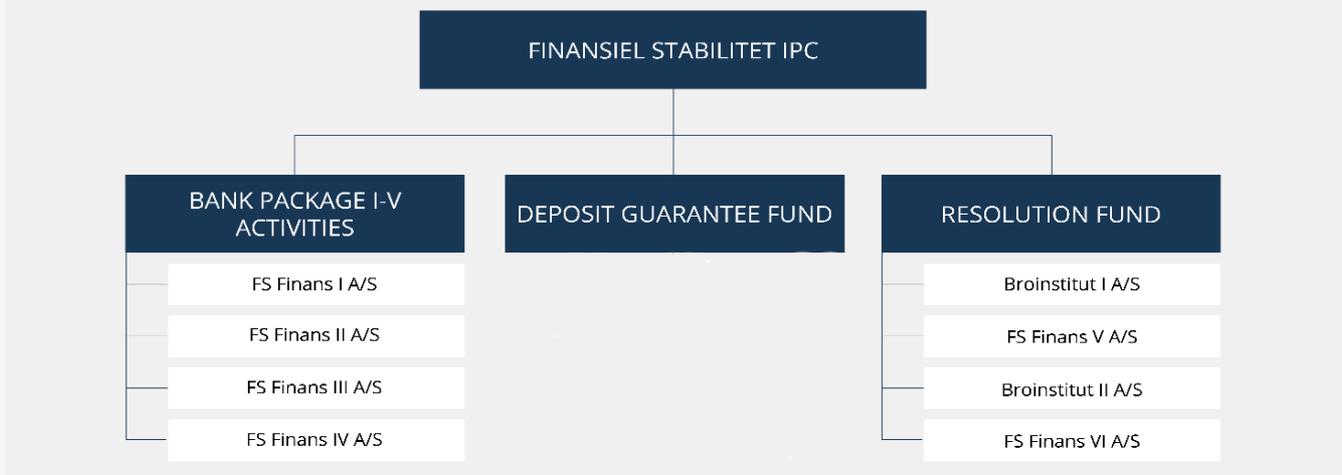
In November 2019, the Danish government set up a committee on assessment of stricter liability for management members, etc. in financial enterprises. Finansiel Stabilitet had a seat on the committee, allowing it to draw attention to matters based on experience from the liability lawsuits.

## Overview of liability claims

Liability claims	Times of filing	Court and time of decision	Damages awarded*	Status
<b>Capinordic Bank</b>	December 2010	Eastern High Court October 2015  Supreme Court (appeal) January 2019	DKK 89 million	Completed
<b>Amagerbanken</b>	March 2013	The Court of Lyngby June 2017  Eastern High Court June 2019	DKK 225.5 million	Completed
<b>Roskilde Bank</b>	February 2010	Eastern High Court November 2017	Decision in favour of defendants	Under appeal before the Supreme Court
<b>Eik Bank Danmark</b>	December 2011	Eastern High Court October 2018  Supreme Court (appeal) June 2020	DKK 28.6  Decision in favour of defendants	Completed
<b>Eik Banki</b>	September 2012	The Court of the Faroe Islands November 2019	DKK 150 million	Under appeal before the Eastern High Court
<b>ebh bank</b>	December 2010	Western High Court January 2020	DKK 2 million	Under appeal before the Supreme Court
<b>Løkken Sparekasse</b>	December 2010	Western High Court February 2020	Decision was given in favour of the defendants	Under appeal before the Supreme Court
<b>J.A.K Slagelse</b>	December 2016	Court of Glostrup November 2019  Eastern High Court (appeal) July 2021	DKK 1 million	Completed
<b>Københavns Andelskasse</b>	May 2019			Trial hearing in H1 2022

\*Plus statutory interest

## BUSINESS UNITS



## Companies and activities

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

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

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

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

**Debt counselling for former milk farmers:** On 1 June 2021, the Danish parliament passed an Act to amend the Act on Restructuring and Resolution of Certain Financial Enterprises, under which Finansiell Stabilitet is required to set up an entity to provide debt counselling free of charge to former milk farmers.

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

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

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

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

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

The rights and obligations of the former Guarantee Fund were continued under the new Deposit Guarantee Fund, managed by Finansiell Stabilitet.

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

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

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

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

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

## Bank Package activities

### Results in 2021

Bank Package activities generated a surplus of DKK 23 million in 2021 (2020: DKK 108 million). The result reflects the continued resolution of the remaining activities, including the sale of agricultural customers in Landbrugets Finansieringsinstitut. In 2021, impairment losses on loans, advances and receivables amounting to DKK 72 million and operating expenses amounting to DKK 92 million were reversed. The result includes the segment's contributions from FS Finans I-III totalling DKK 23 million.

### Income statement for the Bank Package activities

(DKKm)	2021	2020
Result before costs etc.	44	69
Operating expenses*	-92	-104
Reversed impairment losses	72	143
Tax	-1	0
<b>Comprehensive income for the year</b>	<b>23</b>	<b>108</b>

\*The segment's actual operating expenses for 2021 amounted to DKK 58 million (2020: DKK 73 million), DKK 34 million (2020: DKK 31 million) being covered by other segments. See note 2.

Furthermore, start-up costs amounting to DKK 3 million in relation to possible counselling for former mink farmers are included in the result.

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

In 2021, the subsidiaries FS Finans I-III A/S reported a total financial result of DKK 34 million before purchase price and dowry adjustment.

There was no purchase price adjustment in FS Finans IV A/S, as the dividend was originally fixed at a higher amount than what is currently warranted. The resulting loss was covered by the Restructuring Department of the Guarantee Scheme. FS Finans IV posted a surplus of DKK 21 million for 2021, reducing its total deficit to DKK 506 million.

The segment's total assets were reduced by DKK 0.3 billion in 2021 to DKK 6.5 billion. At 31 December 2021, the segment had loans and guarantees totalling DKK 206 million (2020: DKK 432 million), financial assets totalling DKK 578 million (2020: DKK 2,408 million) and properties totalling DKK 10 million (2020: DKK 10 million). Financial assets in 2021 included treasury bills for an amount of DKK 561 million.

## Financial highlights FS Finans I-IV

(DKKm)	FS Finans I A/S		FS Finans II A/S		FS Finans III A/S		FS Finans IV A/S*	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>INCOME STATEMENT</b>								
<b>Result for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>-22</b>
Result for the year before purchase price adjustment**	-11	-4	15	94	30	-10	-	-
<b>BALANCE SHEET AT 31 DECEMBER</b>								
Loans and advances	0	17	0	16	51	53	0	39
Other assets	30	290	42	253	1,824	1,824	86	35
<b>Total assets</b>	<b>30</b>	<b>307</b>	<b>42</b>	<b>269</b>	<b>1,875</b>	<b>1,877</b>	<b>86</b>	<b>74</b>
Purchase price adjustment	20	296	20	240	1,850	1,820	-	-
Other provisions	9	10	21	26	8	32	35	44
Other payables	0	0	0	2	16	24	12	12
Equity	1	1	1	1	1	1	39	18
<b>Total equity and liabilities</b>	<b>30</b>	<b>307</b>	<b>42</b>	<b>269</b>	<b>1,875</b>	<b>1,877</b>	<b>86</b>	<b>74</b>

\* There is no purchase price adjustment in FS Finans IV

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

## Deposit Guarantee Fund

### Departments

In 2021, the Deposit Guarantee Fund covered 144 companies: 70 banks (8 foreign banks having applied for topping up in Denmark and 5 banks in the Faroe Islands and Greenland), 7 mortgage credit institutions, 49 investment companies, 4 investment management companies and 14 managers of alternative investment funds. The companies are distributed on the 4 departments:

- the Banking Department (70 banks)
- the Mortgage Credit Department (7 institutions)
- the Investment and Portfolio Management Department
- investment companies and certain investment management companies and managers of alternative investment funds (67 companies and investment funds) the Restructuring Department (62 institutions)

### Results in 2021

The Deposit Guarantee Fund generated a surplus of DKK 6 million in 2021 (2020: DKK 50 million). The DKK 44 million reduction of the surplus relative to the previous year was mainly due to a negative return on the bond portfolio and a decline in purchase price adjustment from the resolution of banks.

At 31 December 2021, the Deposit Guarantee Fund had total assets of DKK 12.4 billion. Of these assets, the Banking Department accounted for DKK 8.9 billion and the Restructuring Department accounted for DKK 3.5 billion, DKK 3.2 billion of which consisted of guarantees. In addition, the Mortgage Credit Department had assets of DKK 11 million and the Investment and Portfolio Management Department had assets of DKK 13 million.

### Loss guarantees provided

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

## Income statement for the Deposit Guarantee Fund

(DKKm)	2021	2020
Interest on deposits with Danmarks Nationalbank	0	-2
Yields of listed bonds	83	80
Value adjustment of bond portfolio	-143	-75
Purchase price adjustment from resolution of banks	7	43
Result of loss guarantee	21	-22
Adjustment of expected dividend etc. from the estates in bankruptcy re. Fjordbank Mors and CapiNordic.	44	33
Administrative expenses	6	7
<b>Result for the year</b>	<b>6</b>	<b>50</b>

### Financing of the Deposit Guarantee Fund

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

At 31 December 2021, the assets of the Banking Department amounted to DKK 8.9 billion, against a determined target level of DKK 6.2 billion. As the assets exceeded the target level by an excess coverage of DKK 2.7 billion, no contributions were collected for the Banking Department in 2021.

Based on applicable rules in the area, the calculation of the target level of total assets currently does not take into account deposits serving certain social purposes.

Previous studies have shown that special covered deposits in Denmark amount to approximately DKK 150-200 billion. When these are added to the calculation of the Banking Department's target level, the level grows to approximately DKK 7.7 billion, substantially reducing the excess coverage. It should also be mentioned that covered deposits have seen significant growth in recent years, which also reduces the excess coverage over time.

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

## Balance sheet for the Deposit Guarantee Fund

(DKKm)	2021	2020
<b>ASSETS</b>		
Deposits with banks and Danmarks Nationalbank	400	69
Bonds	8,074	8,136
Commitments made by banks, mortgage credit institutions and investment companies	3,217	3,218
Purchase price / dowry adjustment receivable	508	844
Other receivables	236	189
<b>Total assets</b>	<b>12,435</b>	<b>12,456</b>
<b>EQUITY AND LIABILITIES</b>		
Deposit Guarantee Fund	12,435	12,429
Other payables	0	27
<b>Total equity and liabilities</b>	<b>12,435</b>	<b>12,456</b>

The Restructuring Department is required to have total assets of DKK 3.2 billion in commitments for resolution purposes. As the Department incurred no losses in 2021, it was not necessary to collect cash contributions. Instead, commitments were redistributed among the banks in the Department.

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

### Area of coverage

The Deposit Guarantee Fund provides financial coverage to depositors and investors of all Danish banks, mortgage credit institutions and investment companies as well as certain investment management companies and managers of alternative investment funds for certain losses in connection with reconstruction or bankruptcy or in situations where the Deposit Guarantee Fund has been notified by the Danish FSA that a bank, due to its financial situation, is unable to repay a deposit that has fallen due. It also provides coverage to depositors in Danish branches of foreign banks that have applied for supplementary coverage to the guarantee scheme in their country of residence.

### Scope of coverage

The Deposit Guarantee Fund covers certain deposits and cash funds up to EUR 100,000 (approximately DKK 745,000). Pension assets, e.g. cash deposits into annuity pension and retirement pension schemes, are also fully covered.

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

### Securities

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

### Branches

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

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

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

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

Additional information on the legislative framework governing the Deposit Guarantee Fund's coverage is provided on [www.fs.dk](http://www.fs.dk).

## Income statement by department for 2021

(DKK'000)	Deposit Guarantee Fund, total	Banking Department	Mortgage Credit Department	Investment and Portfolio Management Department	Restruc- turing Depart- ment
<b>General distribution</b>					
Interest and value adjustment	-60,542				
Costs of asset management	-1,130				
<b>Net financials</b>	<b>-61,672</b>	<b>-59,738</b>	<b>-25</b>	<b>-17</b>	<b>-1,892</b>
<b>Costs:</b>					
Management fee, Finansiell Stabilitet	-4,425				
<b>Total shared costs</b>	<b>-4,425</b>	<b>-3,177</b>	<b>-4</b>	<b>-4</b>	<b>-1,240</b>
<b>Total general distribution</b>	<b>-66,097</b>	<b>-62,915</b>	<b>-29</b>	<b>-21</b>	<b>-3,132</b>
<b>Specific distribution</b>					
Adjustment of expected dividend etc. from estate in bankruptcy	44,662	44,662			
Surplus from the resolution of banks etc.	6,440	6,440			
Provision for losses on loss guarantee	21,006				21,006
Various directly attributable costs /income	63	63			
<b>Total specific distribution</b>	<b>72,171</b>	<b>51,165</b>	<b>-</b>	<b>-</b>	<b>21,006</b>
<b>Result for the year</b>	<b>6,074</b>	<b>-11,750</b>	<b>-29</b>	<b>-21</b>	<b>17,874</b>

## Assets by department for 2021

(DKK'000)	Deposit Guarantee Fund, total	Banking Department	Mortgage Credit Department	Investment and Portfolio Management Department	Restruc- turing Depart- ment
<b>Contributions at 31/12/2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Commitments made</b>					
Balance at 01/01/2021	3,217,500		7,500	10,000	3,200,000
<b>Balance at 31/12/2021</b>	<b>3,217,500</b>		<b>7,500</b>	<b>10,000</b>	<b>3,200,000</b>
<b>Retained earnings</b>					
Balance at 01/01/2021	9,211,703	8,922,774	3,801	2,568	282,560
Result for the year	6,074	-11,750	-29	-21	17,874
<b>Balance at 31/12/2021</b>	<b>9,217,777</b>	<b>8,911,024</b>	<b>3,772</b>	<b>2,547</b>	<b>300,434</b>
<b>Assets at 31/12/2021</b>	<b>12,435,277</b>	<b>8,911,024</b>	<b>11,272</b>	<b>12,547</b>	<b>3,500,434</b>

## Resolution Fund

### Results in 2021

The Resolution Fund generated a surplus of DKK 1,022 million in 2021 (2020: DKK 931 million). The surplus was mainly attributable to payment of contributions to the Resolution Fund of DKK 1,061 million.

In 2021, the Resolution Fund's administrative expenses amounted to DKK 20 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, participation in resolution colleges for cross-border SIFs and building up of the Resolution Fund.

Including the contribution collected in 2021 of DKK 1,061 million, DKK 5.1 billion has been collected in total. In 2021, banks contributed DKK 701 million, mortgage credit institutions contributed DKK 360 million and investment companies contributed DKK 172 thousand. Of the total contribution, DKK 1,060 million was related to ratio-based collection of contributions from the 33 largest institutions. The remaining approximately DKK 1 million was paid by the remaining 47 institutions.

### Activities

In 2021, significant progress was made in several areas of the work on resolution plans for Danish, Faroese and Greenland banks, mortgage credit institutions and the investment companies covered by the Act on Restructuring and Resolution of Certain Financial Enterprises. This work forms part of a common European effort to ensure the credibility of the way member states handle failing banks and mortgage credit institutions etc., so that the institutions' owners and creditors bear the full responsibility for the operation and capital position of the institutions. A central part of the resolution plans is setting out a preferred resolution strategy, which is taken into account when the Danish FSA determines the requirement for eligible liabilities in order to facilitate the continuity of a failing institution's critical functions. These resolution plans will be developed further in 2022 and up until 2024.

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

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

## Income statement for the Resolution Fund

(DKKm)	2021	2020
Premium income	1,061	941
Other income and expenses	-19	9
<b>Result of net financials and coverage activities</b>	<b>1,042</b>	<b>950</b>
Administrative expenses etc.	20	19
<b>Result for the year</b>	<b>1,022</b>	<b>931</b>

#### Resolution of FS Finans V A/S' activities

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

At 31 December 2021, FS Finans V A/S had loans and guarantees representing a total carrying amount of DKK 9 million and total assets of DKK 28 million.

At the end of 2021, the Resolution Fund had a total deficit of DKK 2 million in relation to the resolution of Andelskassen J.A.K. Slagelse.

#### Resolution of FS Finans VI A/S' activities

In 2018, Finansiel Stabilitet implemented resolution measures in relation to Københavns Andelskasse. On 28 June 2019, Københavns Andelskasse under control deposited its licence to carry on banking and securities trading activities. The bank was at the same date converted into a financing company with the name of FS Finans VI A/S, from which the winding up of remaining loans will take place.

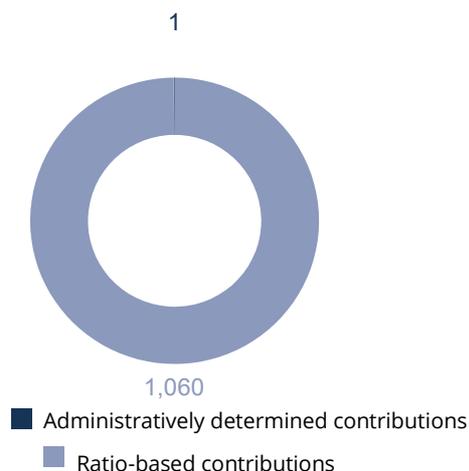
At 31 December 2021, FS Finans VI A/S had net loans and guarantees with a total carrying amount of DKK 11 million and total assets of DKK 63 million.

At the end of 2021, the Resolution Fund had a total gain of DKK 12 million in relation to the resolution of Københavns Andelskasse.

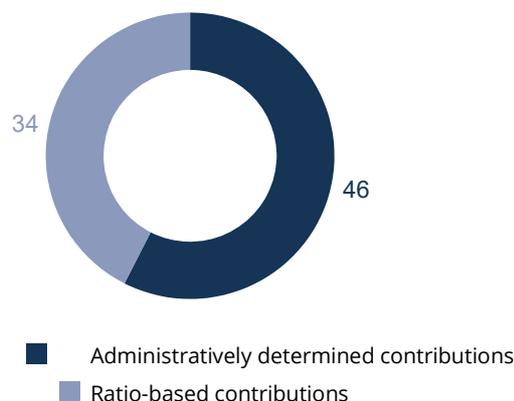
## Balance sheet for the Resolution Fund

(DKKm)	2021	2020
<strong>ASSETS</strong>		
Demand deposits with central banks	2,099	153
Securities	2,975	3,900
Investments in associates etc.	86	85
Other assets	23	20
<strong>Total assets</strong>	<strong>5,183</strong>	<strong>4,158</strong>
<strong>EQUITY AND LIABILITIES</strong>		
Other liabilities	77	70
Provisions	7	11
<strong>Total liabilities</strong>	<strong>84</strong>	<strong>81</strong>
Resolution Fund	5,099	4,077
<strong>Total equity and liabilities</strong>	<strong>5,183</strong>	<strong>4,158</strong>

## Contributions collected 2021 (DKK m)



## No. of institutions



### Financing of the Resolution Fund

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

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

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

If the assets of the Resolution Fund exceed 1% of the covered deposits, the obligation to contribute will cease. Conversely, if the assets of the Resolution Fund are not sufficient to cover losses, costs or other expenses in connection with the resolution of an institution or entity, Finansiel Stabilitet may request payment of extraordinary contributions. Such extraordinary contributions may not exceed three times the most recent annual contribution paid.

In addition, in case of insufficient funds, the Resolution Fund may raise loans in the market or from the corresponding resolution financing schemes of other countries.

Moreover, Finansiel Stabilitet may raise state-funded re-lending to be used as loan financing of the Resolution Fund.

At 31 December 2021, the assets of the Resolution Fund amounted to DKK 5.1 billion, against a determined target level of DKK 8.3 billion. In recent years, Finansiel Stabilitet has observed annual increases in the covered deposits in Danish banks.

In 2021, Finansiel Stabilitet therefore decided to determine the target level on the basis of an estimated projection of covered deposits to 2024, which meant that the target level of the Resolution Fund was raised.

This practice is expected to be used in 2022 as well. Accordingly, an increase in contributions from the comprised institutions is to be expected.

### Financial position

The Resolution Fund's liquid assets totalled DKK 5.1 billion at 31 December 2021. Finansiel Stabilitet is responsible for ensuring that the available financial means of the Resolution Fund are from time to time proportionate with the Resolution Fund's potential liabilities. As is the case for the Deposit Guarantee Fund, an overall investment profile has been adopted that is based on investments being made in low-risk cash funds.

### Scope

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

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

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

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

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

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

#### **Legislative framework**

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

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

The rules implement Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 (BRRD) as amended by, among others, Directive 2019/879/EU of the European Parliament and of the Council of 20 May 2019 (BRRD II). With a view to achieving a uniform application of the rules, the European Commission is to issue a number of delegated acts and implementing acts in this area. Finansiel Stabilitet participates e.g. in the work of the European Banking Authority (EBA) to prepare the acts for the European Commission.

The rules on the use of the Resolution Fund were most recently amended by Act no. 1163 of 8 June 2021. The amendment to the Act on Restructuring and Resolution of Certain Financial Enterprises specified that the Resolution Fund may also be used to make contributions to, for example, a bridge institution, where this is necessary to ensure effective use of the resolution tools. In connection with the resolution or restructuring of an enterprise, Finansiel Stabilitet may transfer parts of the enterprise to a bridge institution, but the liabilities transferred to such bridge institution may not exceed to total value of the rights and assets transferred. In other words, Finansiel Stabilitet may not transfer negative equity to a bridge institution.

The above-mentioned legislative amendment means that funds transferred from other sources, including contributions from the Resolution Fund, will also be included in the computation of assets transferred to a bridge institution. Where the Resolution Fund is used to make contributions to a bridge institution, Finansiel Stabilitet will consequently be able to transfer additional liabilities to the bridge institution in an amount corresponding to the Resolution Fund's contribution.

On 11 August 2021, the Danish FSA decided that the Resolution Fund constitutes a public sector entity under Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (CRR) and that exposures to the Resolution Fund are assigned a 0 risk weighting pursuant to Article 116(4) of the Regulation.

## **Portfolio management of the Resolution and Deposit Guarantee Funds**

In recent years, Finansiel Stabilitet has elected to outsource the portfolio management of parts of the funds of the Resolution Fund and the Deposit Guarantee Fund to an external manager. As at 31 December 2021, a total of DKK 11.1 billion was invested under three external portfolio mandates.

The return on the total externally managed portfolio (DKK 11.1 billion) in 2021 was negative at DKK 82.5 million (a negative 0.74%), consisting of interest income of DKK 113.5 million and a market value loss of DKK 196 million.

Like other European fixed interest markets, the Danish government and mortgage bond market was adversely impacted by rising yields throughout 2021.

In the spring of 2021, the Danish mortgage bond market was hit by an increase in overall duration due to higher Danish mortgage bond issuing activity, temporarily dampening the appetite of foreign investors.

2021 also saw a strengthening of the Danish krone against the euro, which contributed to increasing hedging costs for foreign investors. Danmarks Nationalbank made an independent Danish rate cut of 10 basis points of the CD rate on 29 September 2021 effective as of 1 October 2021. While the rate cut briefly brought about a positive return in October, fears of persistent inflation caused yields to move higher in the fourth quarter of 2021.

In total, since being established in 2018, the external portfolio management has provided a negative return of DKK 22.5 million – an excess return of DKK 178.5 million compared with the return had the funds been placed in an account with Danmarks Nationalbank.

On 3 January 2022, Finansiel Stabilitet invited tenders for two new external portfolio mandates to replace the three existing portfolio mandates.

The tender for new portfolio mandates is mainly due to a need for adjustment of benchmarks and increased diversification. Management under the new mandates is planned to begin in the second quarter of 2022.

## Significant risks

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

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

The principal risks affecting the different segments are described below. For further information on risks and risk management, see note 23 to the financial statements.

The guidance for 2022 is subject to uncertainty and will depend on financial market developments and macroeconomic conditions.

### Bank Package activities

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

### Deposit Guarantee Fund

The principal risks under the Deposit Guarantee Fund relate to the resolution of activities that Finansiell Stabilitet has taken over under Bank Packages III-IV and the risk of future losses as a result of the restructuring and resolution of failing banks resulting in losses on covered deposits.

If the resolution of activities of FS Finans I-IV produces a loss which had not been anticipated at the takeover date, such loss will have to be covered by the Depositor and Investor Guarantee Scheme. Based on the preliminary resolution, the only additional losses recorded under Bank Package III relate to the resolution of FS Finans IV A/S.

Moreover, the investment of the Deposit Guarantee Fund's investable funds will be subject to risk, depending on the chosen investment profile.

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

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

### Resolution Fund

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

Currently, this risk is reflected in the ownership of FS Finans V A/S and FS Finans VI A/S, as any impairment of the remaining assets and lack of profitability will have an adverse effect on the Resolution Fund.

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

## Events after the balance sheet date

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

## Outlook for 2022

The outlook for 2022 is determined for each of the three segments of the Finansiell Stabilitet Group. For the Resolution Fund, a surplus of approx. DKK 1 billion is expected, corresponding to the expected payments from the institutions that have an obligation to pay contributions to the Resolution Fund. The Bank Package activities and the Deposit Guarantee Fund are expected to post small deficits. Any change in interest rates could have a material impact on the financial results of the Deposit Guarantee Fund and the Resolution Fund.

The outlook is generally subject to some uncertainty due to the continued substantial uncertainty about the 2022 results of the activities relating to the Bank Package activities. Accordingly, the guidance provided above does not include any potential effect on operations of value adjustments of assets, should the resolution results prove either higher or lower than the carrying amounts. Moreover, the outcome of contingent liabilities, including lawsuits and disputes, is subject to substantial uncertainty.

Furthermore, the war in Ukraine may impact economic developments and, consequently, the Company's result for 2022.

# 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. This annual report includes reporting on compliance with the Corporate Governance Recommendations, which were updated in December 2020 and are effective for financial years beginning on or after 1 January 2021.

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

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

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

## **Communication with the owner and stakeholders of the Company**

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

The relationship between Finansiel Stabilitet and the Ministry of Industry, Business and Financial Affairs is furthermore governed by a strategic Governance Concept for Finansiel Stabilitet, which also contains guidelines for exchange of information.

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

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

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

## **General meeting**

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

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

The Committee on Corporate Governance recommends that the notice convening the general meeting at which the election of board members is on the agenda should provide information on the competencies, other duties, etc. of the nominated candidates. Finansiel Stabilitet deviates from this recommendation, as the Ministry of Industry, Business and Financial Affairs has not been able to provide information on the candidates to be nominated to the Board of Directors prior to the distribution of the notice convening the annual general meeting.

## **Management structure**

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

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

### **Board work**

The Board of Directors is responsible for the overall management of Finansiel Stabilitet. The general guidelines for the work of the Board of Directors have been defined in the rules of procedure for the Board of Directors, which are revised on an ongoing basis and as required. The rules of procedure in force from time to time are available at

Finansiel Stabilitet's website ([www.fs.dk](http://www.fs.dk)). Due to the special objects and nature of Finansiel Stabilitet, the Board of Directors has flexible working methods and plans its work so as to accommodate the tasks at hand.

A total of 11 board meetings were held in 2021, including 4 extraordinary board meetings. A total of 16 board meetings were held in 2020.

The Board of Directors is continuously updated on the Company's situation. These updates take place through meetings as well as through written and oral reporting. The Board of Directors receives semi-annual reporting, including information about economic developments and the most important activities and transactions. The Board of Directors furthermore maintains a continuous dialogue with the general Management on the cases against the former managements, etc. of the banks taken over.

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

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

### **Composition of the Board of Directors**

At 31 December 2021, the Board of Directors of Finansiel Stabilitet consisted of seven members.

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

The members of the Board of Directors are elected for a term of one year, but are eligible for re-election. At the annual general meeting held on 26 April 2021, Peter Engberg Jensen, Anne Louise Eberhard, Ulrik Rammeskov Bang-Pedersen Ole Selch Bak, Morten Sommerfeldt and Jesper Rangvid were re-elected to the Board of Directors.

Peter Engberg Jensen was re-elected as Chairman, and Anne Louise Eberhard was re-elected as Deputy Chairman. Bente Overgaard resigned from the Board of Directors on the same occasion.

At the extraordinary general meeting held on 30 June 2021, Pernille Vastrup was elected to the Board of Directors.

The Chairman of the Board of Directors may not undertake any offices on behalf of Finansiel Stabilitet which do not form a natural part of the office as chairman. However, if specifically required, the Chairman may perform tasks which he or she is requested to perform by and on behalf of the Board of Directors. Candidates for the Board of Directors must possess relevant skills, and the Board of Directors as a whole must possess knowledge and experience of the key issues and challenges faced by Finansiel Stabilitet. Based on the Company's business model and related risks, the Board of Directors annually identifies the areas which it deems the Management Board and the Board of Directors of Finansiel Stabilitet should have knowledge of and experience with. The circumstances relating to the Company's management are adjusted as required on the basis of these assessments.

Prior to election of members to the Board of Directors at the general meeting, information must be provided on the experience and professional background of the individual candidates.

As the candidates are nominated by the Company's sole owner, the Ministry of Industry, Business and Financial Affairs, it is assessed that there is no need to distribute information about the competences of the candidates together with the notice convening the general meeting. Finansiel Stabilitet thereby deviates from the recommendations of the Committee on Corporate Governance.

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

### **Management Board**

In December 2020, the former CEO, Henrik Bjerre-Nielsen, announced his resignation and subsequent retirement. He also announced that he would continue as CEO until his successor took up the position.

In April 2021, it was announced that Finansiel Stabilitet's Board of Directors had appointed Karsten Bilstoft as the new CEO. Karsten Bilstoft took up the position on 1 December 2021 and subsequently constitutes Finansiel Stabilitet's Management Board.

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

### **Remuneration of the Board of Directors and the Management Board**

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

In the financial year 2021, remuneration paid to the Board of Directors amounted to DKK 1,262 thousand. The remuneration of the Board of Directors is disclosed on [www.fs.dk](http://www.fs.dk).

The remuneration of the Management Board is determined by the Board of Directors, and in 2021 the remuneration of the Management Board consisted of a basic salary.

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

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

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

Finansiel Stabilitet abides by legally binding agreements with employees entered into in connection with the takeover of failing banks. Internal control and risk management systems used in the financial reporting process

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

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

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

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

#### **Auditors**

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

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

The framework for the auditors' duties, including their remuneration, audit and non-audit assignments are written into a service contract. EY was appointed auditors of the Finansiel Stabilitet Group's activities in 2021.

# Corporate social responsibility



## Corporate social responsibility

Finansiel Stabilitet is required to contribute to ensuring financial stability in Denmark. This objective is achieved in part by preventive measures, including the establishment of a resolution fund, preparation of resolution plans and identification of any obstacles, and in part by restructuring and resolving failing banks. In performing this task, Finansiel Stabilitet assumes significant corporate social responsibility.

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

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

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

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

Finansiel Stabilitet has a tax policy that sets out the framework for its conduct in relation to the sale of tax assets of subsidiaries. Finansiel Stabilitet is required, in the interests of any creditors or other parties, to consider the value of any tax assets in connection with the resolution of failing institutions. In relation to this, attention is paid to matters affected by the handling of these, and the potential sale of a tax asset therefore requires approval by Finansiel Stabilitet's Board of Directors.

Pursuant to the updated corporate governance recommendations and in light of the new tasks that have been assigned to Finansiel Stabilitet in the past year, Finansiel Stabilitet's Board of Directors has decided that a CSR policy is to be implemented in 2022.



## Employees

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

The staff is adjusted on an ongoing basis in relation to the scope of work. In 2021, the number of Finansiel Stabilitet's employees fell slightly. The number of employees is expected to rise in 2022.

## COVID-19

As was the case for many other workplaces, Finansiel Stabilitet's employees had to work from home during part of 2021 as a result of the COVID-19 pandemic.

## Gender composition of Management

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

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

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

Of the three board members of the subsidiaries Broinstitut I A/S, Broinstitut II A/S, FS Finans I A/S, FS Finans II A/S, FS Finans III A/S, FS Finans IV A/S, FS Finans V A/S and FS Finans VI A/S, two are female and one is male.

In the subsidiary FS Ejendomsselskab A/S, the gender composition is one female and two male members. Finansiel Stabilitet thus meets its gender composition target with respect to the subsidiaries.

The Company also aims to ensure an appropriate gender composition at the Group's other management levels. The Group's employees should feel that they have the same career opportunities and opportunities to be considered for management positions, regardless of gender. In addition, Finansiel Stabilitet aims to have an open and unbiased corporate culture allowing employees, regardless of gender, to optimise their skills and talents in the best possible way. Finansiel Stabilitet is focused on gender composition in connection with its employment and recruitment procedures. Achievement of the policy target is further supported by internal controls.

The gender composition of Finansiel Stabilitet's general management (CEO and executive vice presidents) in 2021 was one female and two male members. Finansiel Stabilitet thus meets its gender composition target for the general management.

#### **Business partners and suppliers**

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

#### **Environmental and climate impact**

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

#### **Data ethics**

In performing its activities, Finansiel Stabilitet seeks to support a high level of data ethics. For the time being, Finansiel Stabilitet has elected not to prepare a data ethics policy, as Finansiel Stabilitet does not actively process data or use algorithms for data analyses in excess of what is to be expected in the conduct of the Company's central tasks.



# FINANCIAL STATEMENTS 2021

# Income statement and comprehensive income statement

(DKKm)	Note	Group		Parent company	
		2021	2020	2021	2020
<b>Interest and fees</b>					
Interest income calculated according to the effective interest method	4	7	45	17	34
Other interest income	4	113	109	113	109
Interest expense	5	34	41	34	41
<b>Net interest income</b>		<b>86</b>	<b>113</b>	<b>96</b>	<b>102</b>
Share dividends, etc.		1	0	0	0
Contributions to the Resolution Fund		1,061	941	1,061	941
Fees and commissions received	6	2	3	1	2
<b>Net interest and fee income</b>		<b>1,150</b>	<b>1,057</b>	<b>1,158</b>	<b>1,045</b>
Market value adjustments	7	-182	-51	-190	-51
Other operating income	8	90	100	96	142
Staff costs and administrative expenses	9	98	112	88	101
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		2	2	2	2
Other operating expenses	10	-21	49	5	52
Impairment losses on loans, advances and receivables, etc.	11	-78	-146	-31	-54
Income from investments in associates and subsidiaries	12	0	0	22	-27
Purchase price and dowry adjustment	20	-4	1	30	81
<b>Result for the year before tax</b>		<b>1,053</b>	<b>1,090</b>	<b>1,052</b>	<b>1,089</b>
Tax	13	1	0	0	0
<b>Result for the year</b>		<b>1,052</b>	<b>1,090</b>	<b>1,052</b>	<b>1,089</b>
<b>Other comprehensive income</b>					
Actuarial losses		1	1	1	0
Tax on other comprehensive income		0	0	0	0
<b>Total other comprehensive income</b>		<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>Total comprehensive income</b>		<b>1,051</b>	<b>1,089</b>	<b>1,051</b>	<b>1,089</b>
<b>Appropriation of surplus</b>					
Deposit Guarantee Fund				6	50
Resolution Fund				1,022	931
Retained earnings				23	108
<b>Total amount appropriated</b>				<b>1,051</b>	<b>1,089</b>

# Balance sheet

(DKKm)	Note	Group		Parent company	
		2021	2020	2021	2020
<b>ASSETS</b>					
Cash in hand and demand deposits with central banks		8,149	4,244	8,149	4,244
Due from credit institutions and central banks	14	13	62	7	31
Loans, advances and other receivables at amortised cost	11, 15	91	247	20	81
Bonds at fair value etc.	16	11,615	14,247	11,615	14,247
Shares, etc.	17	12	163	5	156
Investments in associates etc.	18	35	35	35	35
Investments in subsidiaries		0	0	169	597
Investment properties	19	10	10	10	10
Lease assets		5	7	5	7
Commitments made by banks, mortgage credit institutions and investment companies		3,217	3,218	3,217	3,218
Purchase price and dowry adjustment receivable		0	0	1,631	2,101
Current tax assets		2	0	0	0
Other assets		336	289	355	306
Prepayments		2	2	2	2
<b>Total assets</b>		<b>23,487</b>	<b>22,524</b>	<b>25,220</b>	<b>25,035</b>

# Balance sheet

(DKKm)	Note	Group		Parent company	
		2021	2020	2021	2020
<b>EQUITY AND LIABILITIES</b>					
<b>Liabilities</b>					
Lease liability		5	7	5	7
Current tax liabilities		1	0	0	0
Other liabilities		316	356	2,368	3,223
<b>Total liabilities other than provisions</b>		<b>322</b>	<b>363</b>	<b>2,373</b>	<b>3,230</b>
<b>Provisions</b>					
Provision for losses on guarantees		13	34	6	13
Purchase price adjustment (earn-out)	20	259	255	0	0
Other provisions	21	71	101	19	21
<b>Total provisions</b>		<b>343</b>	<b>390</b>	<b>25</b>	<b>34</b>
<b>Total liabilities</b>		<b>665</b>	<b>753</b>	<b>2,398</b>	<b>3,264</b>
<b>Equity</b>					
Finansiel Stabilitet		5,258	5,265	5,258	5,265
Deposit Guarantee Fund		12,435	12,429	12,435	12,429
Resolution Fund		5,099	4,077	5,099	4,077
Proposed dividend		30	0	30	0
<b>Total equity</b>		<b>22,822</b>	<b>21,771</b>	<b>22,822</b>	<b>21,771</b>
<b>Total equity and liabilities</b>		<b>23,487</b>	<b>22,524</b>	<b>25,220</b>	<b>25,035</b>

## Other notes

Note 1	Accounting policies
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# Statement of changes in equity

Group (DKKm)	Finansiel Stabilitet			2021		Total equity	2020
	Subordinated assets	Retained earnings	Proposed dividend	Deposit Guarantee Fund	Resolution Fund		
<b>Equity as at 1 January</b>	<b>1</b>	<b>5,264</b>	<b>0</b>	<b>12,429</b>	<b>4,077</b>	<b>21,771</b>	<b>20,682</b>
Comprehensive income for the year		23		6	1,022	1,051	1,089
Proposed dividend		-30	30	0	0	0	0
<b>Equity as at 31 December</b>	<b>1</b>	<b>5,257</b>	<b>30</b>	<b>12,435</b>	<b>5,099</b>	<b>22,822</b>	<b>21,771</b>

Parent company (DKKm)	Finansiel Stabilitet			2021		Total equity	2020
	Subordinated assets	Retained earnings	Proposed dividend	Deposit Guarantee Fund	Resolution Fund		
<b>Equity as at 1 January</b>	<b>1</b>	<b>5,264</b>	<b>0</b>	<b>12,429</b>	<b>4,077</b>	<b>21,771</b>	<b>20,682</b>
Comprehensive income for the year		23		6	1,022	1,051	1,089
Proposed dividend		-30	30	0	0	0	0
<b>Equity as at 31 December</b>	<b>1</b>	<b>5,257</b>	<b>30</b>	<b>12,435</b>	<b>5,099</b>	<b>22,822</b>	<b>21,771</b>

# Cash flow statement

(DKKm)	Group	
	2021	2020
<b>Cash flows from operating activities</b>		
Comprehensive income for the year	1,051	1,089
Impairment of loans, etc., net (income)	-78	-146
Depreciation/amortisation	2	2
Other	165	15
<b>Total operating activities</b>	<b>1,140</b>	<b>960</b>
<b>Working capital</b>		
Changes in loans, advances and other receivables	234	210
Changes in securities	2,697	-3,112
Changes in deposits and other payables	0	0
Changes in other assets and liabilities	-136	-436
<b>Total working capital</b>	<b>2,795</b>	<b>-3,338</b>
<b>Total cash flows from operating activities</b>	<b>3,935</b>	<b>-2,378</b>
<b>Cash flows from investing activities</b>		
Investment portfolio	-78	-1,561
Purchase/sale of property, plant and equipment	-1	-8
<b>Total</b>	<b>-79</b>	<b>-1,569</b>
<b>Total cash flows for operating, investing and financing activities</b>	<b>3,856</b>	<b>-3,947</b>
<b>Change in cash and cash equivalents</b>		
Cash and cash equivalents, beginning of year	4,306	8,253
Change during the year	3,856	-3,947
<b>Cash and cash equivalents, end of year</b>	<b>8,162</b>	<b>4,306</b>
Cash and cash equivalents comprise:		
Cash in hand and demand deposits with central banks	8,149	4,244
Due from credit institutions and central banks within less than three months	13	62
<b>Cash and cash equivalents, end of year</b>	<b>8,162</b>	<b>4,306</b>

# Notes

## Accounting policies

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

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

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

Effective as from 1 January 2021, the Finansiel Stabilitet Group has implemented the IFRS standards and interpretations taking effect in the EU for 2021. The implementation of the adopted amendments and new standards has not affected recognition or measurement for 2021, including IFRS 9 on the IBOR reform.

Apart from the above, the accounting policies are consistent with those applied in 2020.

## Standards and interpretations not yet in force

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

## Accounting estimates and judgments

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

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

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

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

Estimates significant to the financial reporting include the following:

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

## Accounting policies for the Group

### **Foreign currency translation**

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

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

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

### **Offsetting**

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

### **Recognition and measurement**

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

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

### **Financial instruments – general**

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

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

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

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

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

#### **Derivative financial instruments**

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

#### **Consolidated financial statements**

The consolidated financial statements comprise the parent company, Finansiell Stabilitet IPC, and subsidiaries which the parent company controls.

Control is achieved by directly or indirectly owning or having disposal of more than 50 % of the voting rights or otherwise having control of the company in question.

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

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

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

Unrealised gains on transactions with associates are eliminated in proportion to the Group's share of the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, to the extent that no impairment has occurred.

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

## Balance sheet

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

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

**Loans, advances and receivables at amortised cost** The item consists of loans taken over from distressed banks.

#### *Classification and measurement:*

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

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

Loans, advances and receivables are initially measured at fair value plus transaction costs and less fees and commissions received that are directly related to the establishment.

As a result of the above-mentioned classification, loans, advances and receivables are subsequently measured at amortised cost using the effective interest method less write-downs for bad debt losses.

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

**Impairment:**

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

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

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

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

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

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

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

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

**Write-off:**

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

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

**Bonds, shares, etc.**

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

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

**Leases**

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

**Associates**

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

**Properties**

Properties comprise investment properties.

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

Investment properties are recognised at cost on acquisition and subsequently at fair value. Fair value is calculated on the basis of current market data based on a rate of return model.

The fair value of each property is reassessed annually, taking into consideration current rental market conditions and current return requirements. Fair value adjustments are recognised in Market value adjustments. Land is not depreciated.

**Other property, plant and equipment**

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

**Impairment of property, plant and equipment**

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

**Tax payable and deferred tax**

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

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

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

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

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

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

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

**Commitments made by banks, mortgage credit institutions and investment companies**

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

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

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

**Other assets**

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

**Financial liabilities**

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

**Other liabilities**

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

**Provisions**

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

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

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

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

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

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

**Purchase price adjustment**

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

**Equity**

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

**Proposed dividend**

Proposed dividend is recognised as a liability at the time of adoption at the annual general meeting (the declaration date).

Dividend expected to be paid in respect of the financial year is stated as a separate line item under equity. Interim dividend is recognised as a liability at the date of decision.

#### **Contingent assets and liabilities**

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

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

Contingent liabilities are disclosed when an outflow of economic resources from the Group is possible but not probable.

Disclosure also includes current liabilities which have not been recognised because it is not probable that the liability will entail an outflow of economic resources or where the liability cannot be reliably measured.

## Income statement

#### **Interest income and expense**

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

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

Interest income and expense include interest on financial instruments carried at fair value, including forward premiums on forward contracts. Recognition of interest on loans and advances with individual impairment write-downs is made on the basis of the value net of impairment.

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

#### **Contributions to the Deposit Guarantee Fund**

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

#### **Contributions to the Resolution Fund**

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

#### **Fee and commission income, net**

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

#### **Market value adjustments**

Market value adjustments comprise value adjustments of assets and liabilities measured at fair value.

The item also includes exchange rate adjustments.

#### **Other operating income**

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

#### **Staff costs and administrative expenses**

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

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

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

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

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

#### **Other operating expenses**

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

#### **Impairment losses on loans, advances and receivables**

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

#### **Income from investments in associates**

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

#### **Tax**

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

## Special accounting issues relating to the parent company financial statements

**Purchase price and dowry adjustment receivable**The parent company's expected receivables in FS Finans I-IV.

### **Tax payable and deferred tax**

Finansiel Stabilitet IPC is exempt from taxation.

## Consolidated cash flow statement

The cash flow statement shows cash flows for the year from operating, investing and financing activities, changes for the year in cash and cash equivalents and cash and cash equivalents at the beginning and end of the year.

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

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

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

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

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

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

## Segment information for the Group

Segment reporting is based on the internal operating segments applied in the management reporting which the executive operational management uses for resource allocation and follow-up on results.

Segment information is prepared on the basis of the accounting policies applied by the Group.

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

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

Accordingly, the Group's reporting segments are:

### **Bank Package 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 A/S (Max Bank af 2011), FS Finans III A/S (Amagerbanken af 2011) and FS Finans IV A/S (Fjordbank Mors af 2011).

### **Deposit Guarantee Fund**

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

### **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 was changed to the effect that there are now three principal segments: Bank Package activities, the Deposit Guarantee Fund and the Resolution Fund.

Accordingly, the parent company's reporting segments are:

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

## 1. Segment information for the Group

### Activities for the financial year ended 31 December 2021

Group (DKKm)	Bank Package activities	Deposit Guarantee Fund	Resolution Fund	Eliminations	Total
Net interest income	-22	83	25		86
Contributions to Deposit Guarantee Fund & Resolution Fund	-	0	1,061		1,061
Other net fee income and market value adjustments, etc.	27	-122	-63	-21	-179
Purchase price and dowry adjustment	-11	7	-		-4
Other operating income/expenses, net	50	44	28	-13	109
Operating expenses	92	6	35	-34	99
Impairment losses on loans and guarantees etc.	-72	0	-6		-78
Income from investments in associates	0	0	0		0
<b>Comprehensive income for the year before tax</b>	<b>24</b>	<b>6</b>	<b>1,022</b>		<b>1,052</b>
Tax	1	0	0		1
<b>Comprehensive income for the year</b>	<b>23</b>	<b>6</b>	<b>1,022</b>		<b>1,051</b>
Total assets as at 31 December 2021	6,457	12,435	5,118	-523	23,487
Investments in associates 31 Dec. 2021 at net asset value	35				35
Total liabilities as at 31 December 2021	1,169	0	19	-523	665

### Activities for the financial year ended 31 December 2021

Bank Package (DKKm)	Bank Packages I and II	Bank Packages III and IV	Eliminations	Total
Net interest income	-11	-11		-22
Other net fee income and market value adjustments, etc.	17	10		27
Purchase price and dowry adjustment	23	-34		-11
Other operating income/expenses, net	30	24	-4	50
Operating expenses	85	8	-4	89
Debt counselling for mink farmers	3	0		3
Impairment losses on loans and guarantees etc.	-31	-41		-72
Income from investments in associates	21	0	-21	0
<b>Comprehensive income for the year before tax</b>	<b>23</b>	<b>22</b>	<b>-21</b>	<b>24</b>
Tax	0	1		1
<b>Comprehensive income for the year</b>	<b>23</b>	<b>21</b>	<b>-21</b>	<b>23</b>
Total assets as at 31 December 2021	7,560	2,033	-3,136	6,457
Investments in associates 31 Dec. 2021 at net asset value	35			35
Total liabilities as at 31 December 2021	2,272	1,992	-3,095	1,169

## 2. Segment information for the Group (continued)

### Activities for the financial year ended 31 December 2020

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

### Activities for the financial year ended 31 December 2020

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

### 3. Segment information for the parent company

Activities 2021 (DKKm)	Bank Package activities	Deposit Guarantee Fund	Resolution Fund	Elimina- tions	Total
Net interest income	-10	83	23		96
Contributions to Deposit Guarantee Fund & Resolution Fund	-	0	1,061		1,061
Other net fee income and market value adjustments, etc.	17	-122	-63	-21	-189
Purchase price and dowry adjustment	23	7	-		30
Other operating income/expenses, net	27	44	20	-2	89
Operating expenses	86	6	20	-23	89
Impairment losses on loans and guarantees etc.	-31	0	0		-31
Income from investments in associates and subsidiaries	21	0	1		22
<b>Comprehensive income for the year</b>	<b>23</b>	<b>6</b>	<b>1,022</b>		<b>1,051</b>
Total assets as at 31 December 2021	7,602	12,435	5,183	0	25,220
Total liabilities as at 31 December 2021	2,314	0	84	0	2,398

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

(DKKm)	Group		Parent Company	
	2021	2020	2021	2020
<b>4. Interest income</b>				
Loans, advances and other receivables at amortised cost	5	5	1	1
Bonds	113	109	113	109
Other interest income	2	40	16	33
<b>Total</b>	<b>120</b>	<b>154</b>	<b>130</b>	<b>143</b>
Interest income relates to:				
Liabilities at amortised cost	0	0	14	19
Assets at amortised cost	7	45	3	15
Assets at fair value	113	109	113	109
<b>Total</b>	<b>120</b>	<b>154</b>	<b>130</b>	<b>143</b>
<b>5. Interest expense</b>				
Due from credit institutions and central banks	34	36	34	36
Other interest expense	0	5	0	5
<b>Total</b>	<b>34</b>	<b>41</b>	<b>34</b>	<b>41</b>
<b>6. Fees and commissions</b>				
<b>Fees and commissions received</b>				
Guarantees	2	3	1	2
<b>Total</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>2</b>
<b>7. Market value adjustments</b>				
Bonds	-207	-108	-207	-108
Shares, etc.	25	57	17	57
Investment properties	2	0	2	0
Other assets and liabilities	-2	0	-2	0
<b>Total</b>	<b>-182</b>	<b>-51</b>	<b>-190</b>	<b>-51</b>
Market value adjustments relate to				
Assets and liabilities at fair value	-182	-51	-190	-51
<b>Total</b>	<b>-182</b>	<b>-51</b>	<b>-190</b>	<b>-51</b>
<b>8. Other operating income</b>				
Expected dividend	45	48	45	71
The FIH case	0	1	0	1
Damages awarded through litigation and settlement	12	20	12	20
Income from group companies	-	-	15	27
Gain from disposal of exposures	5	8	0	0
Income from the Danish FSA	20	18	20	18
Other items	8	5	4	5
<b>Total</b>	<b>90</b>	<b>100</b>	<b>96</b>	<b>142</b>

(DKKm)	Group		Parent company	
	2021	2020	2021	2020
<b>9. Staff costs and administrative expenses</b>				
<b>Board of Directors' remuneration and salary</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Staff costs:</b>				
Salaries*	36	37	36	37
Pensions	2	2	2	2
<b>Total</b>	<b>38</b>	<b>39</b>	<b>38</b>	<b>39</b>
Other administrative expenses	59	72	49	61
<b>Total</b>	<b>98</b>	<b>112</b>	<b>88</b>	<b>101</b>
Average number of employees during the financial year converted into full-time equivalent	41	44	41	44
*) Including salaries to the Management Board.				

Information about the remuneration of individual members of the Board of Directors and Management Board is available at Finansiel Stabilitet's website [www.fs.dk](http://www.fs.dk).

#### Other material risk takers

The Finansiel Stabilitet Group has identified 2 other material risk takers. Salaries include fixed remuneration to these in the total amount of DKK 4.1 million (2020: DKK 3.9 million). For disclosure requirements in accordance with the Danish executive order on remuneration policy and public disclosure of salaries in financial institutions and financial holding companies (not comprised by audits) see [www.fs.dk](http://www.fs.dk)

<b>Provisions for defined benefit plans</b>				
Present value of pension obligations	29	29	7	7
<b>Total</b>	<b>29</b>	<b>29</b>	<b>7</b>	<b>7</b>
<b>Movements in provisions for defined benefit plans</b>				
Provision, beginning of year	29	29	7	7
Calculated interest expenses	1	1	0	0
Actuarial gains/losses	1	1	0	0
Pensions paid	-2	-2	-1	-1
<b>Provision, end of year*</b>	<b>29</b>	<b>29</b>	<b>7</b>	<b>7</b>
<b>Defined benefit costs recognised in the income statement/ other comprehensive income</b>				
Calculated interest expenses	1	1	0	0
Actuarial gains/losses	1	1	1	0
<b>Defined benefit costs</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>0</b>
Actuarial assumptions:				
Discount rate	3.0%	3.0%	3.0%	3.0%
Pension adjustment rate	2.0%	2.0%	2.0%	2.0%
Pension provisions are calculated on the basis of the Danish FSA's yield curve and benchmark mortality rate.				
<b>Fees to auditors appointed in general meeting</b>				
Total fees to the auditors appointed in general meeting can be specified as follows:				
Statutory audit	0.3	0.5	0.3	0.5
Non-audit services	0.1	0.3	0.1	0.3
<b>Total audit fees</b>	<b>0.4</b>	<b>0.8</b>	<b>0.4</b>	<b>0.8</b>

\* The figures include rounding differences.

(DKKm)	Group		Parent company	
	2021	2020	2021	2020
<b>10. Other operating expenses</b>				
Provision for litigation and settlement	-31	8	-4	14
Other operating expenses	10	41	9	38
<b>Total</b>	<b>-21</b>	<b>49</b>	<b>5</b>	<b>52</b>

(DKKm)	Group	
<b>11. Impairment losses on loans, advances and receivables, etc.</b>		
<b>2021</b>		
<b>Loans, advances and other receivables at amortised cost</b>	<b>Loans etc. Stage 3 credit impaired</b>	<b>Impact on operations</b>
Impairment losses and provisions, beginning of year	2,214	
Amount lost on previously written-down debt	-854	
Impairment losses and provisions during the year	19	19
Reversed impairment losses and provisions	-84	-84
<b>Impairment losses and provisions, end of year</b>	<b>1,295</b>	<b>-65</b>
Amounts received on previously written-off claims etc.		-13
<b>Impairment losses charged to income statement</b>		<b>-78</b>

Impairment losses/adjustment for credit risk, end of year	Impairment losses, beginning of year	Finally lost	Impairment losses during the year	Reversed impairment losses	Impairment losses, end of year
Due from credit institutions	0	0	0	0	0
Loans and advances at amortised cost	2,180	-854	19	-63	1,282
Guarantees	34	0	0	-21	13
<b>Total</b>	<b>2,214</b>	<b>-854</b>	<b>19</b>	<b>-84</b>	<b>1,295</b>

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

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

Finansiel Stabilitet continues its collection efforts after the assets have been removed from the balance sheet. The measures depend on the individual situation. Over time, Finansiel Stabilitet has on an interim basis written off financial assets amounting to DKK 10.2 billion, which it continues to attempt to collect, including by suspension of the limitation period.

(DKKm)

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

2021

Loans etc.  
Stage 3  
credit  
impairedImpact on  
operations**Loans, advances and other receivables at amortised cost**

Impairment losses and provisions, beginning of year

1,140

Amount lost on previously written-down debt

-211

Impairment losses and provisions during the year

16

16

Reversed impairment losses and provisions

-27

-27

**Impairment losses and provisions, end of year****918****-11**

Amounts received on previously written-off claims etc.

-20

**Impairment losses charged to income statement****-31****Impairment losses/adjustment for credit risk, end of year**Impair-  
ment losses  
beginning of  
yearFinally  
lostImpair-  
ment losses  
during the  
yearReversed  
impairment  
lossesImpair-  
losses  
end of year

Due from credit institutions

0

0

0

0

0

Loans and advances at amortised cost

1,127

-211

16

-20

912

Guarantees

13

0

0

-7

6

**Total****1,140****-211****16****-27****918**

(DKKm)

Group

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

2020

Loans, advances and other receivables at amortised cost

	Loans, etc. Stage 3 credit impaired	Impact on operations
Impairment losses and provisions, beginning of year	2,751	
Amount lost on previously written-down debt	-469	
Impairment losses and provisions during the year	14	14
Reversed impairment losses and provisions	-82	-82
<b>Impairment losses and provisions, end of year</b>	<b>2,214</b>	<b>-68</b>
Amounts received on previously written-off claims etc.		-78
<b>Impairment losses charged to income statement</b>		<b>-146</b>

### Impairment losses/adjustment for credit risk, end of year

	Impairment losses, beginning of year	Finally lost	Impairment losses during the year	Reversed impairment losses	Impairment losses, end of year
Due from credit institutions	0	0	0	0	0
Loans and advances at amortised cost	2,716	-465	8	-79	2,180
Guarantees	35	-4	6	-3	34
<b>Total</b>	<b>2,751</b>	<b>-469</b>	<b>14</b>	<b>-82</b>	<b>2,214</b>

(DKKm)

Parent company

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

2020

### Loans, advances and other receivables at amortised cost

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

### Impairment losses/adjustment for credit risk, end of year

	Impairment losses, beginning of year	Finally lost	Impairment losses during the year	Reversed impairment losses	Impairment losses, end of year
Due from credit institutions	0	0	0	0	0
Loans and advances at amortised cost	1,456	-290	1	-40	1,127
Guarantees	14	-2	2	-1	13
<b>Total</b>	<b>1,470</b>	<b>-292</b>	<b>3</b>	<b>-41</b>	<b>1,140</b>

(DKKm)	Group		Parent company	
	2021	2020	2021	2020
<b>12. Income from investments in associates and subsidiaries</b>				
Income from investments in associates	0	0	0	0
Income from investments in subsidiaries	0	0	22	-27
<b>Total</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>-27</b>
<b>13. Tax</b>				
Estimated tax on income for the year	1	0		
<b>Total</b>	<b>1</b>	<b>0</b>		
<b>Effective tax rate</b>				
Corporate tax rate in Denmark	22.0%	22.0%		
Tax-exempt activities and unrecognised deferred tax assets	-21.9%	22.0%		
<b>Effective tax rate</b>	<b>0.1%</b>	<b>0.0%</b>		
Finansiel Stabilitet A/S is exempt from taxation.				
<b>14. Due from credit institutions and central banks</b>				
Due from credit institutions – on demand	13	62	7	31
<b>Total balances due from credit institutions and central banks</b>	<b>13</b>	<b>62</b>	<b>7</b>	<b>31</b>

(DKKm)	Group		Parent company	
	2021	2020	2021	2020
<b>15. Loans, advances and other receivables</b>				
Loans and advances at amortised cost	15	134	3	52
Claims against estates in bankruptcy etc.	76	113	17	29
Impairment losses	1,282	2,180	912	1,127
<b>Total loans, advances and other receivables before impairment losses</b>	<b>1,373</b>	<b>2,427</b>	<b>932</b>	<b>1,208</b>
<b>Broken down by term to maturity</b>				
On demand	1,336	2,214	926	1,150
3 months or less	1	6	0	1
Between 3 months and 1 year	4	108	1	23
Between 1 and 5 years	15	60	4	24
More than 5 years	17	39	1	10
<b>Total</b>	<b>1,373</b>	<b>2,427</b>	<b>932</b>	<b>1,208</b>

### 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 Finansiell Stabilitet's objects of resolving or restructuring failing banks, the Company has taken over a considerable credit risk exposure.

During the period after Finansiell 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 23.

<b>Credit exposure</b>				
Balance sheet items:				
Cash in hand and demand deposits with central banks	8,149	4,244	8,149	4,244
Due from credit institutions and central banks	13	62	7	31
Loans, advances and other receivables at amortised cost	91	247	20	81
<b>Total credit exposure recognised in balance sheet</b>	<b>8,253</b>	<b>4,553</b>	<b>8,176</b>	<b>4,356</b>
Off-balance sheet items:				
Guarantees	118	206	63	122
Other legally binding agreements	17	21	6	4
<b>Credit exposure re. lending activity</b>	<b>8,388</b>	<b>4,780</b>	<b>8,245</b>	<b>4,482</b>

Related collateral is set out later in note 15.

## 15. Loans, advances and other receivables – continued

### *Credit institutions and central banks*

Of the remaining credit exposure, DKK 8.1 billion relates to amounts due from central banks. No impairment losses have been recognised on amounts due from central banks. In respect of the DKK 13 million due from credit institutions, the estimated impairment loss is less than DKK 1 million.

### *Loans and advances at amortised cost and guarantees*

The remaining part of the credit exposure relates to the Group's lending activities.

In the following table, loans and guarantees are broken down by line of business.

(DKKm)	Group				Parent company			
	2021		2020		2021		2020	
<b>Loans and guarantees (gross)</b>								
<b>2. Commercial sector</b>								
2.1 Agriculture, hunting, forestry and fishing	13	2%	174	17%	5	1%	52	10%
2.3 Energy supply	58	8%	59	6%	58	15%	59	12%
2.4 Construction	3	0%	3	0%	0	0%	0	0%
2.5 Trade	2	0%	3	0%	2	0%	3	1%
2.8 Finance and insurance	236	33%	276	27%	149	38%	152	31%
2.9 Property	89	12%	151	15%	53	13%	94	19%
2.10 Other commercial sector	5	1%	8	1%	2	1%	5	1%
<b>Total commercial sector</b>	<b>406</b>	<b>56%</b>	<b>674</b>	<b>66%</b>	<b>269</b>	<b>68%</b>	<b>365</b>	<b>74%</b>
3. Retail sector	313	44%	347	34%	124	32%	131	26%
<b>Total</b>	<b>719</b>	<b>100%</b>	<b>1,021</b>	<b>100%</b>	<b>393</b>	<b>100%</b>	<b>496</b>	<b>100%</b>

The distributional percentages in the totals may include rounding differences.

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

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

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

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

(DKKm)	Group		Parent company	
	2021	2020	2021	2020
<b>15. Loans, advances and other receivables – continued</b>				
<b>Loans with suspended interest accrual</b>				
Loans with suspended interest accrual	1,342	2,198	930	1,139
Amount hereof impaired	1,269	2,076	910	1,078
<b>Loans with suspended interest accrual, recognised in balance sheet</b>	<b>73</b>	<b>122</b>	<b>20</b>	<b>61</b>
Collateral security has been provided for loans and guarantees at a fair value of DKK 0.1 billion. The table below shows a break-down on main categories.				
<b>Collateral security</b>				
Mortgages on real property	18	26	0	1
Other	122	184	61	93
<b>Total</b>	<b>140</b>	<b>210</b>	<b>61</b>	<b>94</b>

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

As a result of the 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.

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

(DKKm)	Group				Parent company			
	2021		2020		2021		2020	
<b>Impairment losses and provisions by line of business</b>								
<b>2. Commercial sector</b>								
2.1 Agriculture, hunting, forestry and fishing	0	0%	57	9%	0	0%	23	7%
2.3 Energy supply	58	10%	59	9%	58	18%	59	17%
2.4 Construction	1	0%	2	0%	0	0%	0	0%
2.5 Trade	2	0%	2	0%	1	0%	2	0%
2.8 Finance and insurance	233	42%	273	42%	147	46%	149	44%
2.9 Property	27	5%	19	3%	18	6%	10	3%
2.10 Other commercial sector	0	0%	1	0%	0	0%	0	0%
<b>Total commercial sector</b>	<b>321</b>	<b>57%</b>	<b>413</b>	<b>63%</b>	<b>224</b>	<b>70%</b>	<b>243</b>	<b>71%</b>
3. Retail sector	239	43%	246	37%	97	30%	98	29%
<b>Total</b>	<b>560</b>	<b>100%</b>	<b>659</b>	<b>100%</b>	<b>321</b>	<b>100%</b>	<b>341</b>	<b>100%</b>

For a more detailed description of the Group's credit risk management goals and policies, see note 23.

(DKKm)	Group		Parent Company	
	2021	2020	2021	2020
<b>16. Bonds at fair value etc.</b>				
Listed	11,610	14,242	11,610	14,242
Unlisted	5	5	5	5
<b>Total</b>	<b>11,615</b>	<b>14,247</b>	<b>11,615</b>	<b>14,247</b>

<b>17. Shares, etc.</b>				
Shares/unit trust certificates listed on Nasdaq OMX Nordic Copenhagen	0	144	0	144
Unlisted shares at fair value	12	19	5	12
<b>Total</b>	<b>12</b>	<b>163</b>	<b>5</b>	<b>156</b>

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

Investments in associates	Ownership	Domicile	Total assets	Total liabilities	Revenue	Result
Landbrugets Finansieringsinstitut A/S, in voluntary liquidation	33%	Copenhagen	208	116	4	-1
EBH Tyskland 1 A/S	45%	Horsens	16	0	0	0

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

(DKKm)	Group		Parent company	
	2021	2020	2021	2020
<b>19. Investment properties</b>				
<b>Investment properties</b>				
Fair value, beginning of year	10	2	10	2
Additions	0	8	0	8
Disposals	-2	0	-2	0
Value adjustment	2	0	2	0
<b>Fair value, end of year</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>

Net income from investment properties amounted to an operating surplus of DKK 0 million (2020: DKK 0 million).

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

(DKKm)	Group		Parent company	
	2021	2020	2021	2020
<b>20. Purchase price adjustment (earn-out)</b>				
Beginning of year	255	256		
Additions during the year	4	0		
Disposals during the year	0	1		
<b>End of year</b>	<b>259</b>	<b>255</b>		
<b>21. Other provisions</b>				
Lawsuits	18	49	0	4
Other provisions	53	52	19	17
<b>Total</b>	<b>71</b>	<b>101</b>	<b>19</b>	<b>21</b>
Provisions for litigation are determined based on an assessment of the risk in each individual case.				
Other provisions comprise pensions, onerous contracts, etc.				
<b>Lawsuits</b>				
Beginning of year	49	63	4	8
Reversed	31	14	4	4
Used	0	0	0	0
<b>End of year</b>	<b>18</b>	<b>49</b>	<b>0</b>	<b>4</b>
<b>Other provisions</b>				
Beginning of year	52	133	17	20
Additions during the year	6	4	6	0
Reversed	1	0	0	0
Used	4	85	4	3
<b>End of year</b>	<b>53</b>	<b>52</b>	<b>19</b>	<b>17</b>
<b>22. Contingent assets and liabilities</b>				
Loss guarantees for mortgage loans	118	206	63	122
Other guarantees and commitments	17	21	6	4
<b>Total</b>	<b>135</b>	<b>227</b>	<b>69</b>	<b>126</b>

#### Tax

The Group has a deferred tax asset of DKK 0.4 billion (2020: DKK 0.4 billion). Due to the uncertainty as to whether this can be utilised, the tax asset has not been recognised in the balance sheet.

#### Lawsuits

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

## 23. 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 Package activities; the Deposit Guarantee Fund and the Resolution Fund.

### **Bank Package 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 2021, Finansiel Stabilitet had resolved the majority of the loans and guarantees taken over, future risks will mainly be linked to the remaining lawsuits and disputes. For further information on risks related to lawsuits and disputes, see p. 6 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 loans and guarantees and the development of these. The remaining credit risk is managed with due consideration for and in the context of Finansiel Stabilitet's resolution of activities, including the principles of ensuring that the resolution is conducted in a financially responsible, proper and fair manner. The remaining loans are of poor credit quality.

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

### *Market risk*

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

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

### *Interest rate risk*

For Bank Package activities, the majority of the group companies' loans and advances carry floating rates of interest and are not exposed to changes in interest rates. The interest rate risk as at 31 December 2021 amounted to DKK 0 million (2020: DKK 0 million).

This segment has cash funds invested in treasury bills with maturities of 3-12 months. As at 31 December 2021, the investment amounted to DKK 561 million with an average duration of 0.16 year and interest rate risk amounting to DKK 1 million (2020: DKK 10 million).

### *Equity risk*

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

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

The overall portfolio of shares etc. amounted to DKK 12 million as at 31 December 2021 (DKK 161 million as at 31 December 2020). Excluding the subsidiaries under Bank Packages III-IV, the portfolio of equities etc. amounted to DKK 5 million (2020: DKK 154 million). A 10% drop in share prices would result in a DKK 0 million deterioration of Finansiel Stabilitet's result (2020: DKK 15 million).

See note 17, Shares, etc. for a specification of share positions. Associates, see note 18, are not included in the calculation of share positions and are not included in the calculation of the sensitivity to share price drops.

Associates amounted to DKK 35 million (2020: DKK 35 million).

### *Currency risk*

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

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

As at 31 December 2021, exchange rate indicator 1, calculated excluding EUR, was 0.0% (2020: 0.0%) of Finansiel Stabilitet's equity. A 2.25% change in the DKK/EUR exchange rate and a 10% change in all other exchange rates would affect Finansiel Stabilitet's result by DKK 0 million (2020: DKK 0 million).

## 23. Financial risk management – continued

The overall currency position calculated in terms of exchange rate indicator 1 amounted to DKK 17 million as at 31 December 2021 (DKK 10 million as at 31 December 2020).

Excluding the subsidiaries under Bank Packages III-IV, the currency position amounted to DKK 10 million (DKK 10 million as at 31 December 2020). See also the calculation of currency risk at the end of note 23.

### *Liquidity risk*

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

The access to the state-funded re-lending scheme means that, when necessary, Finansiel Stabilitet can contact Danish Government Debt Management at Danmarks Nationalbank in order to obtain loans.

The terms are set out on the basis of the prevailing market conditions for government bond loans. Having access to the re-lending scheme enables Finansiel Stabilitet to handle unforeseen large payments without necessarily having to maintain a very large demand deposit.

### **Deposit Guarantee Fund**

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

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

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

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

During 2018-2021, the Deposit Guarantee Fund invested cash funds under bond mandates in 0-5-year mortgage bonds. As at 31 December 2021, the Fund had invested DKK 8,074 million. The average duration of bonds at the end of 2021 was 2.96 years, and interest rate risk in the event of a 1% change in the level of interest rates was calculated at DKK 241 million (2020: DKK 244 million).

In January 2022, the Deposit Guarantee Fund invited tenders for a new portfolio mandate to replace the existing mandates. Jyske Bank once again won the tender and will continue to undertake the portfolio management.

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

### **Resolution Fund**

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

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

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

During 2018-2021, the Resolution Fund invested its cash funds under a bond mandate in 0-5-year mortgage bonds. As at 31 December 2021, the Fund had invested DKK 2,975 million. The average duration of bonds at the end of 2021 was 2.92 years, and interest rate risk in the event of a 1% change in the level of interest rates was calculated at DKK 87 million (2020: DKK 90 million).

In January 2022, the Resolution Fund invited tenders for a new portfolio mandate to replace the existing mandates. Jyske Bank once again won the tender and will continue to undertake the portfolio management.

As at 31 December 2021, the Resolution Fund had no investments in treasury bills (2020: DKK 902 million)

The Resolution Fund has limited exposure to equity, interest rate and currency risk from institutions taken over. As at 31 December 2021, equity risk in the event of a 10% price fall was DKK 0 million (2020: DKK 0.2 million), interest rate risk in the event of a 1% interest rate change was DKK 0 million (2020: DKK 0 million) and currency risk on a change of 2.25% in EUR and 10% in other currencies was DKK 0 million (2020: DKK 1 million).

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

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

(DKKm)	Group	
	2021	2020
<b>Currency risk</b>		
Total assets in foreign currency	17	10
Total liabilities in foreign currency	0	0
Exchange rate indicator 1	17	10
Exchange rate indicator 1 in per cent of equity	0%	0%
<b>Interest rate risk</b>		
Bank Packages I-IV	1	10
Deposit Guarantee Fund	241	244
Resolution Fund	87	90
<b>All positions</b>	<b>329</b>	<b>344</b>

## 24. Related parties

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

Related party	Relation	Transaction	Income/expense	Balance sheet	Income/expense	Balance sheet
			2021	31/12/2021	2020	31/12/2020
<b>Parties exercising significant influence</b>						
The Danish State	100 % of Finansiel Stabilitet IPC	Reimbursement, adm. Expenses through Finance and Appropriation Act received from the FSA	20	-7	18	-11
<b>Subsidiaries</b>						
FS Finans I A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms Management agreement	2 1	-32	2 2	-287
FS Finans II A/S	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms Management agreement	1 1	-32	1 4	-242
FS Finans III A/S	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms Management agreement	10 2	-1,819	12 5	-1,819
FS Finans IV A/S	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms Management agreement	0 1	-82	0 4	-27
FS Finans V A/S	Subsidiary of Broinstitut I	Deposits on market terms Management Agreement	0 4	-18	0 3	0
FS Finans VI A/S	Subsidiary of Broinstitut I	Deposits on market terms Management Agreement	0 6	-51	1 8	-58
FS Ejendomsselskab A/S, Copenhagen	Subsidiary of Finansiel Stabilitet IPC	Deposits on market terms Management Agreement	1 0	-43	3 0	-495
<b>Other government entities</b>						
Danmarks Nationalbank	Controlled by the Danish State	Deposits Treasury bills	-34 12	8,149 651	-36 -8	4,244 2,206

**25. Group overview**

	Share capital	Result	Equity	Ownership
Finansiel Stabilitet IPC Copenhagen	1	1,051	22,822	
Broinstitut I A/S, Copenhagen	38	1	36	100%
Broinstitut II A/S, Copenhagen	10	0	50	100%
<b>Significant subsidiaries:</b>				
FS Ejendomsselskab A/S, Copenhagen	2	0	42	100%
FS Finans I A/S, Copenhagen	1	0	1	100%
FS Finans II A/S, Copenhagen	1	0	1	100%
FS Finans III A/S, Copenhagen	1	0	1	100%
FS Finans IV A/S, Copenhagen	40	21	39	100%
FS Finans V A/S, Copenhagen	38	2	28	100%
FS Finans VI A/S, Copenhagen	38	0	51	100%

(DKKm)

Group

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

2021	On demand 0-3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
<b>Assets</b>					
Cash in hand and demand deposits with central banks	8,149	-	-	-	8,149
Due from credit institutions and central banks	13	-	-	-	13
Loans, advances and other receivables at amortised cost	73	2	6	10	91
Bonds at fair value	-	746	10,245	624	11,615
Shares, etc.	-	3	9	-	12
Investments in subsidiaries and associates, etc.	-	32	3	-	35
Investment properties	-	10	-	-	10
Lease assets	-	3	2	-	5
Commitments made by banks, mortgage credit institutions and investment companies	-	-	-	3,217	3,217
Other assets etc.	77	7	254	-	338
Prepayments	2	-	-	-	2
<b>Total assets</b>	<b>8,314</b>	<b>803</b>	<b>10,519</b>	<b>3,851</b>	<b>23,487</b>

2021	On demand 0-3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
<b>Equity and liabilities</b>					
Lease liability	-	3	2	-	5
Current tax liabilities	-	1	-	-	1
Other liabilities etc.	16	4	296	-	316
Provisions	-	4	339	-	343
<b>Total liabilities</b>	<b>16</b>	<b>12</b>	<b>637</b>	<b>-</b>	<b>665</b>

(DKKm)

Group

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

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

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

## 27. 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	2021			2020		
	Amortised cost	Fair value	Total	Amortised cost	Fair value	Total
Financial assets						
Cash in hand and demand deposits with central banks	8,149	0	8,149	4,244	0	4,244
Due from credit institutions and central banks	13	0	13	62	0	62
Loans, advances and other receivables at amortised cost	91	0	91	247	0	247
Bonds	0	11,615	11,615	0	14,247	14,247
Shares, etc.	0	12	12	0	163	163
Investment properties	0	10	10	0	10	10
Commitments made by banks, mortgage credit institutions and investment companies	3,217	0	3,217	3,218	0	3,218
<b>Total financial assets</b>	<b>11,470</b>	<b>11,637</b>	<b>23,107</b>	<b>7,771</b>	<b>14,420</b>	<b>22,191</b>

#### 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. Finansiell Stabilitet considers it less than likely that using an alternative pricing method to fair value measurement of unlisted shares would result in a significantly different fair value.

(DKKm)

Group

**27. Fair value disclosure – continued**

2021	Listed prices	Observable input	Non-observable input	Total
<b>Fair value, Group</b>				
<b>Financial assets at fair value broken down into:</b>				
Bonds Shares,	11,610	0	5	11,615
etc.	0	3	9	12
Investment properties	0	10	0	10
<b>Total</b>	<b>11,610</b>	<b>13</b>	<b>14</b>	<b>11,637</b>

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

Fair value based on non-observable input	2021	2020
Beginning of year	24	21
Value adjustment through the income statement (note 7)	10	3
Disposals during the year (including reclassification)	-20	0
<b>Fair value, end of year</b>	<b>14</b>	<b>24</b>

## 28. 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.

	2021		2020	
	Amortised cost	Fair value	Amortised cost	Fair value
<b>Financial assets</b>				
Cash in hand and demand deposits with central banks	8,149	8,149	4,244	4,244
Due from credit institutions and central banks	13	13	62	62
Loans, advances and other receivables	91	91	247	247
Commitments made by banks, mortgage credit institutions and investment companies	3,217	3,217	3,218	3,218
<b>Total financial assets</b>	<b>11,470</b>	<b>11,470</b>	<b>7,771</b>	<b>7,771</b>

## 29. Return on financial instruments

	2021			2020		
	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	7	113	120	45	109	154
Interest expense	34	0	34	41	0	41
<b>Net interest income</b>	<b>-27</b>	<b>113</b>	<b>86</b>	<b>4</b>	<b>109</b>	<b>113</b>
Share dividends, etc.	0	1	1	0	0	0
Fees and commissions received	2	0	2	3	0	3
<b>Net interest and fee income</b>	<b>-25</b>	<b>114</b>	<b>89</b>	<b>7</b>	<b>109</b>	<b>116</b>
Market value adjustments	0	-182	-182	0	-51	-51
<b>Total</b>	<b>-25</b>	<b>-68</b>	<b>-93</b>	<b>7</b>	<b>58</b>	<b>65</b>

(DKKm)

Parent  
company**30. Finansiell Stabilitet 2017-2021**

	2021	2020	2019	2018	2017
<b>Summary income statement</b>					
Net interest and fee income	1,158	1,045	776	589	716
Market value adjustments	-190	-51	-34	25	37
Other operating income	96	142	224	143	44
Staff costs and administrative expenses, etc.	91	103	108	126	121
Other operating expenses	5	52	175	60	77
Impairment losses on loans, advances and receivables, etc.	-31	-54	-90	-75	-69
Income from investments in associates and subsidiaries	22	-27	74	31	10
Purchase price and dowry adjustment	30	81	221	79	-9
<b>Comprehensive income for the year</b>	<b>1,051</b>	<b>1,089</b>	<b>1,068</b>	<b>756</b>	<b>669</b>
<b>Balance sheet as at 31 December</b>					
<b>Assets</b>					
Cash in hand and demand deposits with central banks and credit institutions	8,156	4,275	8,243	10,879	15,820
Loans and advances	20	81	86	134	139
Securities	11,620	14,403	9,745	5,808	155
Investments in associates and subsidiaries	204	632	728	694	657
Commitments made by banks, mortgage credit institutions and investment companies	3,217	3,218	3,218	4,215	4,215
Loss guarantee from the Danish State, Roskilde Bank	0	0	0	0	2,550
Purchase price and dowry adjustment	1,631	2,101	2,020	1,799	1,720
Other asset items	372	325	232	249	285
<b>Total assets</b>	<b>25,220</b>	<b>25,035</b>	<b>24,272</b>	<b>23,778</b>	<b>25,541</b>
<b>Equity and liabilities</b>					
Other payables	2,373	3,230	3,548	3,104	3,048
<b>Total payables</b>	<b>2,373</b>	<b>3,230</b>	<b>3,548</b>	<b>3,104</b>	<b>3,048</b>
Provisions	25	34	42	60	85
Equity	22,822	21,771	20,682	20,614	22,408
<b>Total equity and liabilities</b>	<b>25,220</b>	<b>25,035</b>	<b>24,272</b>	<b>23,778</b>	<b>25,541</b>
<b>Off-balance sheet items</b>					
Contingent liabilities	69	126	198	298	327
<b>Financial ratios</b>					
Return on equity before tax	4.7%	5.1%	5.2%	3.5%	3.0%
Return on equity before tax	4.7%	5.1%	5.2%	3.5%	3.0%

(DKKm)

Parent company

**30. Finansiell Stabilitet 2017-2021 – continued****Finansiell Stabilitet 2021  
(DKKm)**

	Bank Package activities	Deposit Guarantee Fund	Resolution Fund	Elimina- tions	Total
<b>Summary income statement</b>					
Net interest and fee income	-1	104	1,076	-21	1,158
Market value adjustments	8	-143	-55	0	-190
Other operating income	55	44	20	-23	96
Staff costs, administrative expenses, depreciation and amortisation	88	6	20	-23	91
Other operating expenses	26	0	0	-21	5
Impairment losses on loans, advances and receivables, etc.	-31	0	0	0	-31
Income from investment in subsidiaries and associates	21	0	1	0	22
Purchase price and dowry adjustment	23	7	0	0	30
<b>Comprehensive income for the year</b>	<b>23</b>	<b>6</b>	<b>1,022</b>	<b>0</b>	<b>1,051</b>
<b>Balance sheet as at 31 December</b>					
<b>Assets</b>					
Cash in hand and demand deposits with central banks and credit institutions	5,657	400	2,099	0	8,156
Loans and advances	20	0	0	0	20
Securities	571	8,074	2,975	0	11,620
Investments in subsidiaries	118	0	86	0	204
Investment properties and lease assets	10	0	0	0	10
Commitments made by banks, mortgage credit institutions and investment companies	0	3,217	0	0	3,217
Purchase price and dowry adjustment receivable	1,123	508	0	0	1,631
Other assets	103	236	23	0	362
<b>Total assets</b>	<b>7,602</b>	<b>12,435</b>	<b>5,183</b>	<b>0</b>	<b>25,220</b>
<b>Equity and liabilities</b>					
Other liabilities	2,296	0	77	0	2,373
<b>Total payables</b>	<b>2,296</b>	<b>0</b>	<b>77</b>	<b>0</b>	<b>2,373</b>
Provision for losses on guarantees	6	0	0	0	6
Other provisions	12	0	7	0	19
<b>Total provisions</b>	<b>18</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>25</b>
<b>Total liabilities</b>	<b>2,314</b>	<b>0</b>	<b>84</b>	<b>0</b>	<b>2,398</b>
Equity as at 1 January 2021	5,265	12,429	4,077	0	21,771
Comprehensive income for the year	23	6	1,022	0	1,051
<b>Equity as at 31 December 2021</b>	<b>5,288</b>	<b>12,435</b>	<b>5,099</b>	<b>0</b>	<b>22,822</b>
<b>Total equity and liabilities</b>	<b>7,602</b>	<b>12,435</b>	<b>5,183</b>	<b>0</b>	<b>25,220</b>

# 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 2021. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU in respect of the Group and in accordance with the Financial Business Act in respect of the parent company.

The consolidated and parent company financial statements give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at 31 December 2021 and of the results of the Group's and the Company's operations and of consolidated cash flows for the financial year 1 January – 31 December 2021.

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

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

Copenhagen, 18 March 2022

## Management Board

Karsten Bilotft CEO

## Board of Directors

Peter Engberg Jensen  
Chairman

Anne Louise Eberhard  
Deputy Chairman

Ulrik Rammeskov Bang-Pedersen

Ole Selch Bak

Morten Sommerfeldt

Jesper Rangvid

Pernille Vastrup

# Independent auditors' report

To the Ministry of Industry, Business and Financial Affairs

## Auditors' report on the consolidated and Parent Company financial statements

### Opinion

We have audited the consolidated and parent financial statements of the independent public company Finansielt Stabilitet for the financial year 1 January to 31 December 2021, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and the cash flow statement for the Group. The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, while the parent financial statements are presented in accordance with the Danish Financial Business Act.

In our opinion, the consolidated and parent financial statements give a true and fair view of the Group's and the Parent Company's financial position as at 31 December 2021 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU in respect of the consolidated financial statements and in accordance with the Danish Financial Business Act in respect of the parent financial statements.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, and in accordance with standards on public auditing as the audit is conducted on the basis of the provisions of the Danish Act on Restructuring and Resolution of Certain Financial Enterprises and the Danish Auditor General's Act.

Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated and parent financial statements" section of our report.

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

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

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

## Management's responsibilities for the consolidated and parent financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing and additional requirements applicable in Denmark as well as the standards on public auditing, as the audit is conducted on the basis of the provisions of the Danish Act on Restructuring and Resolution of Certain Financial Enterprises and the Danish Auditor General's Act, will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent financial statements.

As part of an audit in accordance with International Standards on Auditing and additional requirements applicable in Denmark as well as the standards on public auditing, as the audit is conducted on the basis of the provisions of the Danish Act on Restructuring and Resolution of Certain Financial Enterprises and the Danish Auditor General's Act, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

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

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

#### **Statement on the Management's review**

Management is responsible for the Management's review.

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

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

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

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

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

## Report on other legal and regulatory requirements

### Statement on compliance audit and performance audit

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

Management is also responsible for ensuring that due financial consideration has been taken of the management of the funds and the operation of the enterprises comprised by the financial statements. As part of this, Management is responsible for establishing systems and processes that support economy, productivity and efficiency.

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

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

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

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

Copenhagen, 18 March 2022

### EY

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

Lars Rhod Søndergaard  
State-Authorised Public  
Accountant  
mne28632

Bjørn Würtz Rosendal  
State-Authorised Public  
Accountant  
mne40039

### The National Audit Office of Denmark

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

Lone Lærke Strøm Auditor  
General of Denmark

Marie Katrine Bisgaard Lindeløv Head of  
Department

# Board of Directors



Peter Engberg Jensen

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

#### Competencies:

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

#### Member of the boards of directors of:

- Investeringsforeningen PFA Invest (Chairman)
- Den Sociale Kapitalfond (Chairman)
- Ordrup Gymnasium (Chairman)
- 15. JF Invest (Chairman)
- PensionDanmark Holding A/S
- PensionDanmark Pensionsforsikringsaktieselskab
- Chr. Augustinus Fabrikker Aktieselskab
- CAF Invest A/S
- 15. juni Fonden
- Arborethusene A/S
- Foreningen Madens Topmøde
- Art Barns Lolland-fonden

#### Other duties:

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



Anne Louise Eberhard

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

#### Competencies:

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

#### Member of the boards of directors of:

- Moneyflow Group A/S (Chairman)
- Moneyflow 1 A/S (Chairman)
- FLSmidth A/S
- FLSmidth & Co A/S
- Topdanmark A/S
- Topdanmark Forsikring A/S
- Bavarian Nordic A/S
- Knud Højgaards Fond
- Ejendomsaktieselskabet Knud Højgaards Hus
- Højgaard Ejendomme A/S
- VL52 ApS
- Chr. Hansen Natural Colors A/S and subsidiaries (Oterra)
- Unicef Danmark

#### Other duties:

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



Ulrik Rammeskov Bang-Pedersen

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

#### Competencies:

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

#### Other duties:

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



Ole Selch Bak

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

#### Competencies:

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

#### Member of the boards of directors of:

- Eldrupgård Fonden (Chairman)
- Investeringsforeningen BankInvest
- Kapitalforeningen BankInvest Select
- Kapitalforeninge BI Private Equity
- Investeringsforeningen BI
- Kapitalforeningen BankInvest Vælger
- Investeringsforeningen BankInvest Engros

# Board of Directors – continued

## Management Board



Morten Sommerfeldt

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

**Competencies:**

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

**Member of the boards of directors of:**

- Teater GROB

**Other duties:**

- Communications Manager, Industriens Pension



Jesper Rangvid

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

**Competencies:**

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

**Member of the boards of directors of:**

- Grandhood ApS
- Advantage Investment Partners
- Copenhagen Business School
- Danish Finance Institute

**Other duties:**

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



Pernille Vastrup

- Joined the Board of Directors in 2021
- Born in 1974

**Competencies:**

Considerable financial sector experience, including risk management and capital structure in banks, mortgage credit and pension companies Extensive experience in board work.

**Member of the boards of directors of:**

- Sampension KP Danmark A/S
- Sampension KP International A/S
- Komplementarselskabet Alternative Investments ApS

**Other duties:**

- CFO of Sampension



Karsten Bilstoft

- Chief Executive Officer
- Appointed in 2021
- Born in 1961

**Chairman of the boards of directors of:**

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

# Company details

## Finansiel Stabilitet

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

Phone: +45 70 27 87 47

**Website:** [www.fs.dk](http://www.fs.dk)

**E-mail:** [mail@fs.dk](mailto:mail@fs.dk)

**CVR no.:** 30 51 51 45

**Established:** 13 October 2008

**Municipality of registered office:**  
Copenhagen

## Board of Directors

Peter Engberg Jensen (Chairman)  
Anne Louise Eberhard (Deputy  
Chairman)

Ulrik Rammeskov Bang-Pedersen

Ole Selch Bak

Morten Sommerfeldt

Jesper Rangvid

Pernille Vastrup

## Management Board

Karsten Bilstoft

## Auditors

Rigsrevisionen  
Landgreven 4  
DK-1301 Copenhagen K

### EY

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

### General meeting

Annual General Meeting to  
be held on 29 April 2022