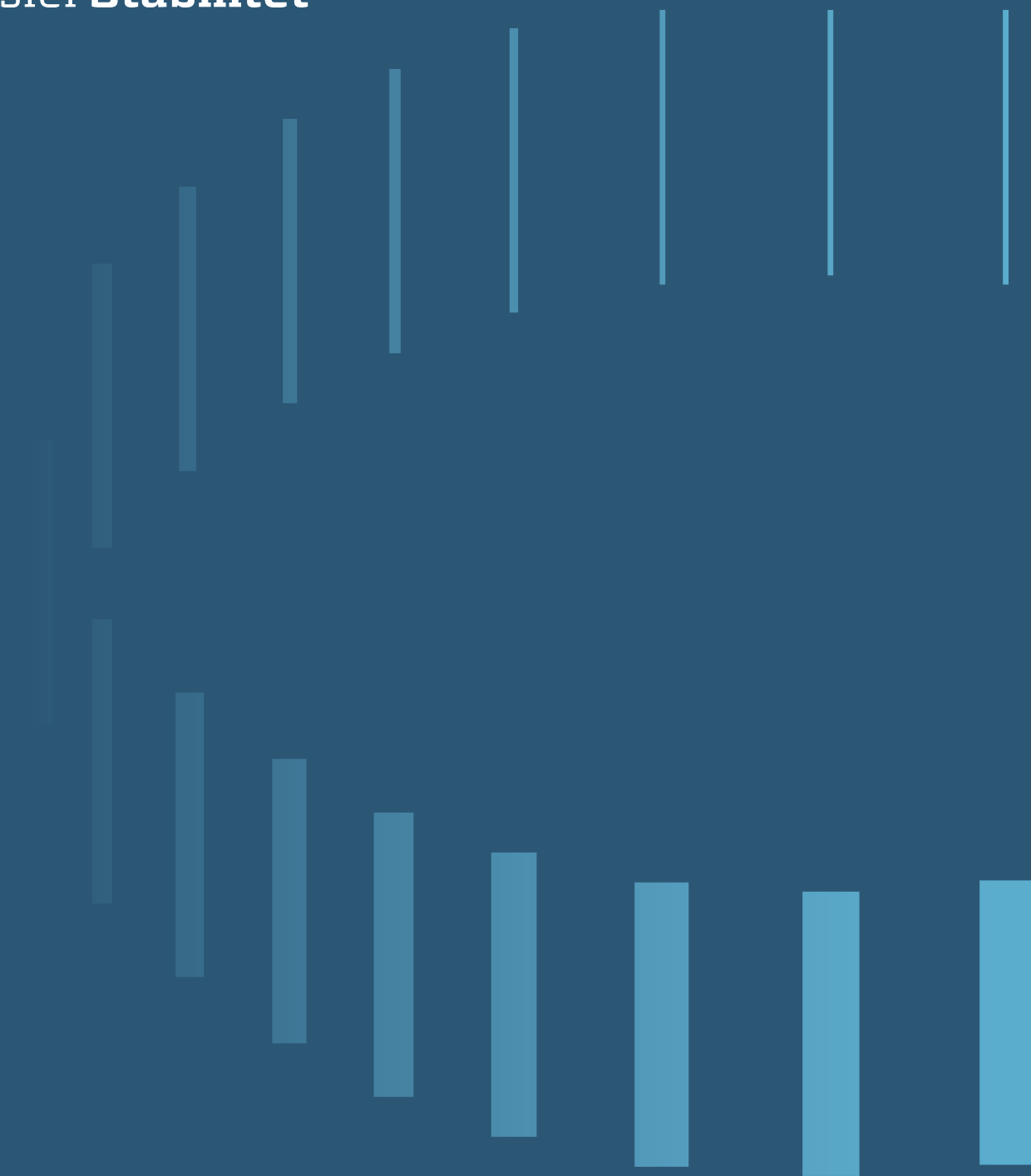


# Finansiell Stabilitet



Interim report **H1 2019**

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# Results for H1 2019

## Financial performance for the Group

Finansiel Stabilitet generated a surplus of DKK 487 million in H1 2019. The performance was substantially driven by payments of contributions to the Resolution Fund, of which DKK 362 million was included in the financial result for the period. Payments of contributions in H1 2019 totalled DKK 724 million. Furthermore, the continuing portfolio management activities of the Guarantee Fund and the Resolution Fund, focusing on investment in short-term mortgage bonds, contributed a total of DKK 87 million to the H1 2019 performance.

Overall, the Resolution Fund generated a surplus of DKK 373 million. The Bank Package I-V activities and the Guarantee Fund also generated surpluses of DKK 40 million and DKK 74 million, respectively, for the period.

At 30 June 2019, the Group had total assets of DKK 22.6 billion, an increase of DKK 0.7 billion from 31 December 2018.

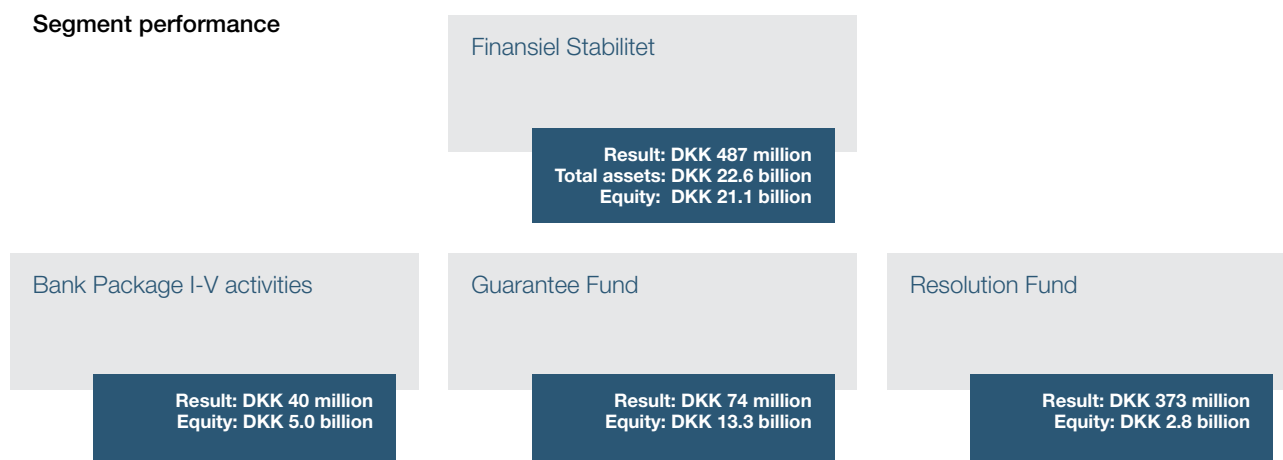
Of the total assets of DKK 22.6 billion, the Bank Package I-V activities accounted for DKK 6.7 billion, the Guarantee Fund accounted for DKK 13.3 billion, and the Resolution Fund accounted for DKK 3.3 billion, while a negative amount of DKK 0.7 billion related to an intra-group Balance sheet.

Total equity amounted to DKK 21.1 billion, against DKK 20.6 billion at 31 December 2018, of which DKK 13.3 billion was attributable to the Guarantee Fund, DKK 5.0 billion to the Bank Package I-V activities and DKK 2.8 billion to the Resolution Fund.

Finansiel Stabilitet's consolidated income statement and Balance sheet thus comprise the former Bank Package I-V activities, the Guarantee Fund and the Resolution Fund. The funds of these three segments are kept separate. Finansiel Stabilitet is not liable for the Guarantee Fund or the Resolution Fund, and these are only liable for their own obligations and liabilities.

See the sections below for a further specification of the individual segment income statement items, and notes 2 and 3 to the financial statements for a more detailed account.

## Segment performance



## Bank Package I-V activities

### Financial performance

Finansiel Stabilitet's activities in relation to Bank Packages I-V produced a financial result of DKK 40 million in H1 2019, against DKK 131 million in H1 2018. The result reflects the continued resolution of the remaining activities. Reversal of impairment losses on loans, advances and receivables amounted to DKK 76 million for the period.

On 26 June 2019, the Eastern High Court delivered its decision in the case against the former management of Amagerbanken, by which eight of the former management members were ordered to pay damages in the total amount of DKK 225 million plus statutory interest. As the members of management found liable have applied to the Danish Appeals Permission Board for permission to appeal the decision, Finansiel Stabilitet has only recognised the amount awarded and received in respect of legal costs.

The individual bank packages impact the segment's result in different ways. Bank Packages I and II are fully rec-

ognised in segment result. Bank Packages III-V are only recognised in part, as other creditors also have financial interests in the resolution results.

In H1 2019, the subsidiaries FS Finans I-III reported an overall financial result of DKK 15 million before purchase price and dowry adjustment. Of this amount, the Bank Package I-V activities' share was DKK 10 million.

There was no purchase price adjustment in FS Finans IV, as the dividend was originally fixed at a higher amount than what is currently warranted. The loss was covered by the Restructuring Department of the Guarantee Fund. FS Finans IV posted a financial result of DKK 34 million for H1 2019, reducing the Restructuring Departments total deficit to DKK 540 million.

At 30 June 2019, the segment's total assets were unchanged at DKK 6.8 billion. At 30 June 2019, there were remaining loans and guarantees of DKK 698 million, financial assets of DKK 153 million and properties of DKK 2 million.

### Financial highlights, Bank Package III – FS Finans III and IV

(DKKm)	FS Finans III		FS Finans IV	
	H1 2019	H1 2018	H1 2019	H1 2018
<b>Income statement</b>				
<b>Result for the period</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>23</b>
Result for the period before purchase price adjustment	20	12	-	-
<b>Balance sheet sheet at</b>				
	<b>30.06.2019</b>	<b>31.12.2018</b>	<b>30.06.2019</b>	<b>31.12.2018</b>
Loans and advances	59	62	51	56
Other assets	1,596	1,578	90	109
<b>Total assets</b>	<b>1,655</b>	<b>1,640</b>	<b>141</b>	<b>165</b>
Purchase price adjustment	1,590	1,570	-	-
Other provisions	46	46	43	68
Other payables	18	23	24	18
Equity	1	1	74	79
<b>Total equity and liabilities</b>	<b>1,655</b>	<b>1,640</b>	<b>141</b>	<b>165</b>

## Financial highlights, Bank Package IV – FS Finans I and II

(DKKm)	FS Finans I		FS Finans II	
	H1 2019	H1 2018	H1 2019	H1 2018
<b>Income statement</b>				
<b>Result for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Result for the period before purchase price adjustment	-2	2	-3	4
<b>Balance sheet sheet at</b>				
	<b>30.06.2019</b>	<b>31.12.2018</b>	<b>30.06.2019</b>	<b>31.12.2018</b>
Loans and advances	23	28	34	39
Other assets	284	284	223	226
<b>Total assets</b>	<b>307</b>	<b>312</b>	<b>257</b>	<b>265</b>
Purchase price adjustment	296	298	148	151
Other provisions	10	14	24	28
Other payables	0	0	84	85
Equity	1	0	1	1
<b>Total equity and liabilities</b>	<b>307</b>	<b>312</b>	<b>257</b>	<b>265</b>

## Guarantee Fund

The Guarantee Fund generated a total financial result of DKK 74 million in H1 2019, against DKK 3 million in H1 2018. The improvement over H1 2018 was partially due to the DKK 34 million surplus posted by FS Finans IV, to be credited to the Guarantee Fund's Restructuring Department, which in the past has covered the losses of FS Finans IV.

The result for H1 2019 was moreover positively impacted by the continuing portfolio management strategy, which not only reduced the negative interest on deposits, but also generated a net return of DKK 67 million. For more information, see pages 6-7.

In 2019, it was not necessary to collect contributions to the Banking Department, as the assets of the Fund exceeded its target level. The banking department's total assets amounted to DKK 8.8 billion, against a target level of DKK 5.4 billion.

For the other three departments under the Guarantee Fund, there was also no need to collect any further contributions in H1 2019. Accordingly, only guarantees will be redistributed among the Mortgage Credit Department, the Investment and Portfolio Management Department and the Restructuring Department in 2019.

## Resolution Fund

The Resolution Fund generated a total financial result of DKK 373 million in H1 2019, against DKK 315 million in H1 2018. This was mainly attributable to payment of contributions to the Resolution Fund, which accounted for DKK 362 million of the financial result for H1 2019.

The result was furthermore favourably impacted by the continuing portfolio management activity, which not only reduced the negative interest on deposits, but also generated a positive return. For more information, see page 6.

Contributions for the period totalled DKK 724 million, of which DKK 723 million was paid by the 34 largest credit institutions based on their key financial figures. The remaining 1 million was paid by 54 other institutions, whose contributions are determined administratively. Banks contributed DKK 478 million, mortgage credit institutions contributed DKK 245 million and investment companies contributed DKK 73 thousand.

Including contributions to the Resolution Fund for 2019, a total of DKK 3.1 billion of the Fund's target level of approximately DKK 6.7 billion has been collected.

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

In 2015, Finansielt 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. At the same date, Andelskassen J.A.K. Slagelse under control was converted into a financing company with the name of FS Finans V A/S, under which the remaining loans will be wound up.

At 30 June 2019, FS Finans V A/S had net loans and guarantees representing a total carrying amount of DKK

28 million and total assets of DKK 29 million. For H1 2019, FS Finans V A/S posted a break-even result.

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

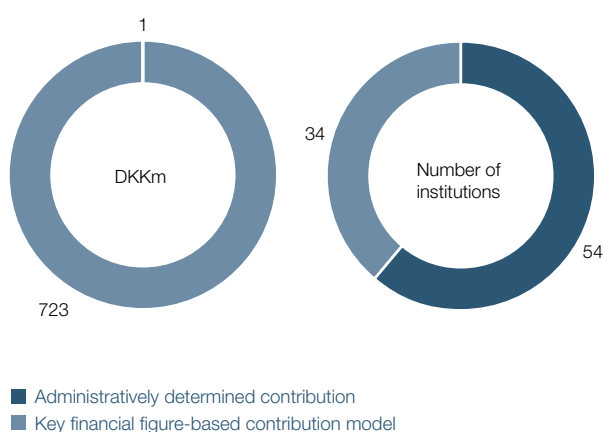
In 2018, Finansielt Stabilitet implemented resolution measures in relation to Københavns Andelskasse.

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

At 30 June 2019, FS Finans VI A/S had net loans and guarantees representing a total carrying amount of DKK 77 million and total assets of DKK 141 million. For H1 2019, FS Finans VI A/S posted a break-even result.

As part of its takeover of Københavns Andelskasse under control, Finansielt Stabilitet made a preliminary valuation. The final valuation of total assets, which will be made by independent valuer H.C. Krogh, auditor with PwC, is expected to be announced by the end of the year.

#### Resolution Fund: Collection of contributions 2019



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

Finansielt Stabilitet has chosen to pursue a conservative investment strategy, mainly assuming risk in relation to future interest rate movements and, to a lesser degree, credit conditions. Under the investment strategy, which is identical for the Guarantee Fund and the Resolution Fund, funds are invested in Danish covered bonds and covered mortgage bonds with a maximum five-year maturity and in Danish government bonds. The investment strategy involves interest rate exposure, as an increase in the effective interest rate would result in a capital loss, which would, however, be eliminated if the bonds are held to maturity. Accordingly, the risk may be considered a liquidity risk.

Finansiel Stabilitet has chosen to outsource the management of its investment portfolios. In connection with this, two identical investment mandates were put out to tender. As part of the portfolio agreements, Finansiel Stabilitet has the option of using a repo facility, which may reduce the above-mentioned liquidity risk.

The mortgage bond investment mandates comprise an initial total investment volume of DKK 7.5 billion. The portfolios, which were phased in gradually, were fully invested as of January 2019.

The return for H1 2019 was 1.2% (corresponding to a gain of approximately DKK 87 million) – an estimated 1.5% (or approximately DKK 110 million) improvement on the return if the funds had been placed at Danmarks Nationalbank's CD rate. In addition to the positive return, the improvement was due to the fact that the invested funds would otherwise have generated negative interest of approximately DKK 23 million.

The total amount of cash and cash equivalents, including funds invested in mortgage bonds and funds placed with Danmarks Nationalbank, the Resolution Fund and the Guarantee Fund produced an overall return for H1 2019 of DKK 75 million.

The cash and cash equivalents of the Guarantee Fund totalled DKK 8.3 billion. Actively invested funds amounted to DKK 5.9 billion. In H1 2019, the return on invested funds was DKK 67 million, whereas the funds placed on deposit with Danmarks Nationalbank produced a negative return of DKK 9 million.

The cash and cash equivalents of the Resolution Fund totalled DKK 3 billion. Actively invested funds amounted to DKK 1.7 billion. In H1 2019, the return on invested funds was DKK 20 million. The funds placed on deposit with Danmarks Nationalbank produced a negative return of DKK 3 million in H1 2019.

Mortgage bond yields have declined sharply since the beginning of the year. Based on the drop in yields and the narrowed interest rate differential between a placement with Danmarks Nationalbank at the CD rate and in a government bond portfolio with a duration of approx. 5 years, Finansiel Stabilitet has assessed that the expected increase in return would not be sufficient to composite for the increased costs and risks involved in placing the funds in government bonds. Consequently, Finansiel Stabilitet has decided not to invest the remaining cash and cash equivalents in government bonds, and the government bond mandate was cancelled at the end of May 2019.

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

(DKKm)	Volume	Total return	Guarantee Fund	Resolution Fund
Total under active management in H1 2019	7,603	86	66	20
Of which:				
– Return on securities		87	67	20
– Return until initiation of management		-1	-1	0
Amounts held on deposit in account with Danmarks Nationalbank in H1 2019	3,714	-11	-8	-3
<b>Total</b>	<b>11,317</b>	<b>75</b>	<b>58</b>	<b>17</b>

Note: The portion managed breaks down into return after investment and return before investment, when the funds were held on deposit with Danmarks Nationalbank. The statement excludes expenses.

For the time being, Finansiel Stabilitet has decided to place the remaining DKK 2.5 billion cash and cash equivalents, which were to have been invested in government bonds, on deposit with Danmarks Nationalbank at an interest rate equal to the CD rate.

The intention is to prepare a new, flexible fund management mandate covering both mortgage bonds and government bonds. The mandate is expected to be put out to tender in August, and investment can commence in 2019/2020, if this is deemed to be attractive in the given market environment.

## Lawsuits

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

The lawsuits include management liability lawsuits, see the paragraph below, and cases brought by Finansiel Stabilitet when a debtor is not willing to sign a declaration in connection with suspension of the limitation period.

Finansiel Stabilitet has instituted a number of liability lawsuits against, among others, the former managements of nine of the failing banks taken over. They are Roskilde Bank, ebh bank A/S, Løkken Sparekasse, Capinordic Bank, Amagerbanken, Eik Bank Danmark, Eik Bank Færøerne, Andelskassen J.A.K. Slagelse and Københavns Andelskasse. Finansiel Stabilitet institutes liability lawsuits when it is believed to be more likely than not that a court of law will give a decision in favour of Finansiel Stabilitet. Bank managements hold fiduciary positions. When management fails to live up to its responsibility and causes the bank to incur a loss, Finansiel Stabilitet has a responsibility to claim damages for the losses caused by culpable transactions.

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 deci-

sion, which was in reality an affirmation of the High Court's judgment. Final damages were established at approximately DKK 89 million, plus statutory interest accrued from December 2010. At the time of the Supreme Court decision, the total amount of damages including statutory interest was approximately DKK 141 million. This amount will be recognised when payment is received from or other collateral provided by the management members found liable.

In June 2019, Finansiel Stabilitet filed a writ against four additional former members of Capinordic Bank's management on whom notice was served in the above-mentioned case. Finansiel Stabilitet has claimed damages for the loan exposures which, according to the Supreme Court's decision of January 2019, are subject to liability to damages, to the extent that the individuals in question were involved in the decision-making of the board of directors.

In June 2017, the Court of Lyngby delivered a decision in the liability lawsuit against the former management of Amagerbanken. The decision was given in favour of the defendants, and Finansiel Stabilitet was ordered to pay legal fees of approximately DKK 77 million. Finansiel Stabilitet appealed part of the district court's decision. The appeal was considered by the Eastern High Court in the period January – March 2019. On 26 June 2019, the Eastern High Court delivered its decision in the case. The Court reversed the district court's decision to the extent that eight of the former members of management were to pay damages of approximately DKK 225.5 million plus statutory interest from March 2013. In addition to this, Finansiel Stabilitet was awarded a net amount of DKK 26 million in legal costs. The members of management found liable have applied to the Danish Appeals Permission Board for permission to appeal the decision to the Supreme Court. As a consequence, the damages have not impacted the financial results. The amount awarded and received in respect of legal costs partially offsets previously incurred costs, reducing operating expenses for the period by DKK 26 million.

In the lawsuit against the former management and auditors of Roskilde Bank, the Eastern High Court delivered its decision in November 2017. The decision was given in favour of all the defendants, and Finansiel Stabilitet was ordered to pay legal fees of approximately DKK 73 million. Finansiel Stabilitet appealed the decision with respect to



the CEO and the Board of Directors. The case has not yet been scheduled for trial. The auditors appealed the High Court's decision concerning legal costs with respect to Finansiel Stabilitet. On 24 April 2019, the Supreme Court delivered a decision regarding legal costs, awarding the auditors an additional DKK 11 million in legal costs.

In October 2018, the Eastern High Court delivered a decision in the case against the former management and auditors of Eik Bank Danmark, by which the four management members were ordered to pay damages in the total amount of DKK 28.6 million plus statutory interest. At the end of 2018, total damages including statutory interest amounted to approximately DKK 43 million. The court found in favour of the two other members of management and the auditors. Finansiel Stabilitet was ordered to pay legal costs in the amount of DKK 39 million. The four members of management found liable have appealed the decision to the Supreme Court, and Finansiel Stabilitet has subsequently appealed the decision in respect of all six members of management. The trial hearing in the appeal is scheduled for May 2020. The auditors have appealed the High Court's decision with regard to legal costs.

The trial hearing in the ebh bank liability lawsuit was completed in June 2019, and the Western High Court will deliver its decision on 12 December 2019.

The trial hearing in the lawsuit regarding Eik Bank Færøerne was also completed in June 2019. A decision in this case will be delivered on 31 October 2019.

In January 2019, the trial hearing in the lawsuit against the former management and auditors of Løkken Sparekasse commenced. The trial hearing is expected to be completed in early 2020.

In the lawsuit against the former management of Andelskassen J.A.K. Slagelse, the trial hearing will commence in August 2019 and is expected to be completed in late 2019.

In May 2019, Finansiel Stabilitet filed two liability lawsuits against the former management of Københavns Andelskasse. Trial hearings have not yet been scheduled in these cases.

## Significant risks

The principal risks affecting Finansiel Stabilitet concern the uncertainty related to the winding up of activities taken over by Finansiel Stabilitet under Bank Packages I-V and the risk of future losses as a result of the restructuring and resolution of failing banks etc. resulting in losses on covered deposits. Moreover, the active investment strategy involves the assumption of interest rate risk.

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

The significant risks in each segment are described in detail in Finansiel Stabilitet's Annual Report 2018 to which reference is made for further information about risks and risk management.

## Events after the Balance sheet sheet date

Until 30 June 2019, contributions to the Guarantee Fund's Restructuring Department were categorised as either guarantees to be used for resolution purposes or guarantees to be used for restructuring purposes. As of 1 July 2019, guarantees to be used for restructuring purposes will be released as a result of a legislative amendment.

The amendment concerns the Restructuring Department's coverage of restructuring costs, including costs related to the withdrawal from data centres in connection with a merger in which one bank is failing or expected to be failing. The amendment is contained in Act no. 552 of 7 May 2019 to amend the Financial Business Act and various other acts and to repeal the Act on State-Funded Capital Injections into Credit Institutions, with commencement at 1 July 2019.

Pursuant to the amendment, the comprised institutions will no longer have to provide a guarantee of DKK 1 billion for restructuring purposes.

Going forward, this means that the Guarantee Fund's total funds for the restructuring department are to amount to DKK 3.2 billion for resolution purposes.

## Outlook for 2019

The outlook for 2019 is determined for each of the three segments of the Finansiell Stabilitet Group. For the Resolution Fund, a financial result of approx. DKK 700 million is expected, corresponding to the expected payments from the institutions that have an obligation to pay contributions to the Resolution Fund. The full-year results of the Bank Package I-V activities and the Guarantee Fund are expected to remain largely in line with the results for H1.

The outlook is subject to some uncertainty due to the continued substantial uncertainty about the 2019 results of the activities relating to the Bank Package I-V activities. Accordingly, the guidance provided above does not include any potential effect on operations of value adjustments of assets, should the resolution results prove either better or worse than the carrying amounts. Moreover, the outcome of contingent liabilities, including lawsuits and disputes, is subject to substantial uncertainty. Finally, any interest rate changes could significantly influence the result, which in turn would impact the results of the Guarantee Fund and the Resolution Fund.

# Financial statements



# Income statement and comprehensive income statement

(DKKm)	Note	Group		Parent	
		H1 2019	H1 2018	H1 2019	H1 2018
<b>Interest and fees</b>					
Interest income calculated according to the effective interest method	4	13	7	14	10
Other interest income	4	36	4	36	4
Interest expense	5	30	49	30	49
<b>Net interest income</b>		<b>19</b>	<b>-38</b>	<b>20</b>	<b>-35</b>
Share dividends, etc.		2	3	2	3
Contributions to the Resolution Fund		362	308	362	308
Fees and commissions received		1	3	1	2
<b>Net interest and fee income</b>		<b>384</b>	<b>276</b>	<b>385</b>	<b>278</b>
Market value adjustments	6	65	58	58	43
Other operating income		5	124	8	116
Staff costs and administrative expenses	7	82	56	63	51
Other operating expenses		-47	31	1	20
Impairment losses on loans, advances and receivables, etc.	8	-76	-89	-56	-42
Income from investments in associates and subsidiaries		0	-6	32	24
Purchase price and dowry adjustment		-3	-1	12	17
<b>Result for the period before tax</b>		<b>492</b>	<b>453</b>	<b>487</b>	<b>449</b>
Tax		5	4	0	0
<b>Result for the period</b>		<b>487</b>	<b>449</b>	<b>487</b>	<b>449</b>
<b>Comprehensive income statement</b>					
Result for the period		487	449	487	449
Other comprehensive income after tax		0	0	0	0
<b>Total comprehensive income</b>		<b>487</b>	<b>449</b>	<b>487</b>	<b>449</b>
<b>Distributed on:</b>					
Finansiel Stabilitet		40	131	40	131
Resolution Fund		373	315	373	315
Guarantee Fund		74	3	74	3
<b>Total comprehensive income</b>		<b>487</b>	<b>449</b>	<b>487</b>	<b>449</b>

# Balance sheet sheet

(DKKm)	Note	Group			Parent		
		30.06 2019	31.12 2018	30.06 2018	30.06 2019	31.12 2018	30.06 2018
<b>ASSETS</b>							
Cash in hand and demand deposits with central banks		9,808	10,895	14,665	9,808	10,849	14,665
Due from credit institutions and central banks		157	102	192	61	30	124
Loans, advances and other receivables at amortised cost		400	488	359	131	134	120
Bonds at fair value		7,664	5,782	3,723	7,664	5,708	3,722
Shares, etc.		114	114	186	106	100	147
Investments in associates		35	35	38	35	35	38
Investments in subsidiaries		-	-	-	651	659	611
Investment properties		2	3	3	2	3	3
Guarantees provided by banks, mortgage credit institutions and investment companies		4,218	4,215	4,215	4,218	4,215	4,215
Purchase price and dowry adjustment receivable		0	0	0	1,811	1,799	1,737
Other assets		231	283	166	212	244	208
Prepayments		2	2	2	2	2	2
<b>Total assets</b>		<b>22,631</b>	<b>21,919</b>	<b>23,549</b>	<b>24,701</b>	<b>23,778</b>	<b>25,592</b>

# Balance sheet sheet

(DKKm)	Note	Group			Parent		
		30.06 2019	31.12 2018	30.06 2018	30.06 2019	31.12 2018	30.06 2018
<b>EQUITY AND LIABILITIES</b>							
<b>Liabilities</b>							
Due to credit institutions and central banks		0	0	1,860	0	0	1,860
Deposits and other payables		0	133	0	0	0	0
Tax payable		6	1	0	-	-	-
Other liabilities		698	663	657	3,200	3,104	3,057
Deferred income		362	0	309	362	0	309
<b>Total liabilities other than provisions</b>		<b>1,066</b>	<b>797</b>	<b>2,826</b>	<b>3,562</b>	<b>3,104</b>	<b>5,226</b>
<b>Provisions</b>							
Provision for losses on guarantees		44	62	76	22	28	31
Purchase price adjustment (earn-out)		223	220	210	0	0	0
Other provisions	9	197	226	130	16	32	28
<b>Total provisions</b>		<b>464</b>	<b>508</b>	<b>416</b>	<b>38</b>	<b>60</b>	<b>59</b>
<b>Total liabilities</b>		<b>1,530</b>	<b>1,305</b>	<b>3,242</b>	<b>3,600</b>	<b>3,164</b>	<b>5,285</b>
<b>Equity</b>							
Finansiel Stabilitet		4,968	4,928	4,956	4,968	4,928	4,956
Guarantee Fund		13,339	13,265	13,232	13,339	13,265	13,232
Resolution Fund		2,794	2,421	2,119	2,794	2,421	2,119
<b>Total equity</b>		<b>21,101</b>	<b>20,614</b>	<b>20,307</b>	<b>21,101</b>	<b>20,614</b>	<b>20,307</b>
<b>Total equity and liabilities</b>		<b>22,631</b>	<b>21,919</b>	<b>23,549</b>	<b>24,701</b>	<b>23,778</b>	<b>25,592</b>

# Statement of changes in equity

Group (DKKm)	H1 2019					2018
	Finansiel Stabilitet		Guarantee Fund	Resolution Fund	Total equity	
	Subordinated assets	Retained earnings				
<b>Equity at 1 January</b>	1	4,927	13,265	2,421	20,614	22,408
Comprehensive income for the period	-	40	74	373	487	756
<b>Transactions with shareholders</b>						
Dividend paid	-	-	-	-	-	-2,550
<b>Equity at 30 June</b>	1	4,967	13,339	2,794	21,101	20,614

Parent company (DKKm)	H1 2019					2018
	Finansiel Stabilitet		Guarantee Fund	Resolution Fund	Total equity	
	Subordinated assets	Retained earnings				
<b>Equity at 1 January</b>	1	4,927	13,265	2,421	20,614	22,408
Comprehensive income for the period	-	40	74	373	487	756
<b>Transactions with shareholders</b>						
Dividend paid	-	-	-	-	-	-2,550
<b>Equity at 30 June</b>	1	4,967	13,339	2,794	21,101	20,614

# Cash flow statement

(DKKm)	Group	
	H1 2019	H1 2018
<b>Cash flows from operating activities</b>		
Result for the period after tax	487	449
Adjustment for non-cash operating items	-124	-121
Cash flows from operating capital*	436	4,882
<b>Cash flows from operating activities</b>	<b>799</b>	<b>5,210</b>
<b>Cash flows from investing activities</b>		
Purchase/sale of property, plant and equipment	-1,831	-3,713
<b>Cash flows from investing activities</b>	<b>-1,831</b>	<b>-3,713</b>
<b>Cash flows from financing activities</b>		
Dividend	-	-2,550
<b>Cash flows from financing activities</b>	<b>-</b>	<b>-2,550</b>
<b>Change in cash and cash equivalents</b>		
Cash and cash equivalents at 1 January	10,997	15,847
Change during the period	-1,032	-1,053
<b>Cash and cash equivalents at 30 June</b>	<b>9,965</b>	<b>14,794</b>

\* In 2018 including redemption of loss guarantee from the Danish State and temporary transactions re. purchases of financial assets.



# Notes

## 1. Accounting policies

The interim report is presented in accordance with IAS 34, Interim Financial Reporting as adopted by the EU in respect of the Group and in accordance with the Danish Financial Business Act in respect of the parent company. The accounting policies are consistent with those applied in the annual report for 2018, which comprises a comprehensive description of the accounting policies applied.

### **Standards and interpretations not yet in force**

The International Accounting Standards Board (IASB) has issued a number of international financial reporting standards and the International Financial Reporting Interpretations Committee (IFRIC) has issued a number of interpretations that have not yet come into force. None of these are expected to materially affect the future financial reporting of Finansiell Stabilitet.

### **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 under the circumstances, 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 the parent company are subject to risks and uncertainties that may cause actual outcomes to deviate from these estimates. 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.

The accounting estimates and the related uncertainty concern the same issues as those prevailing at the preparation of the consolidated and parent company financial statements for 2018.

# Notes

## 2. Segment information for the Group

Activities 1 January – 30 June (DKKm)	Bank Packages I-V		Guarantee Fund		Resolution Fund		Eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income	-12	-14	20	-21	11	-3			19	-38
Contributions to Guarantee Fund & Resolution Fund	-	-	0	0	362	308			362	308
Other net fee income and market value adjustments, etc.	22	68	73	23	7	-4	-34	-23	68	64
Purchase price and dowry adjustment	-5	-8	2	7	-	-			-3	-1
Other operating income/expenses, net	32	59	-15	-3	13	23	22	14	52	93
Operating expenses	68	51	6	3	20	11	-12	-9	82	56
Impairment losses on loans, advances and receivables, etc.	-76	-87	0	0	0	-2			-76	-89
Income from investments in associates and subsidiaries	0	-6	0	0	0	0			0	-6
<b>Result for the period before tax</b>	<b>45</b>	<b>135</b>	<b>74</b>	<b>3</b>	<b>373</b>	<b>315</b>			<b>492</b>	<b>453</b>
Tax	5	4	0	0	0	0			5	4
<b>Result for the period</b>	<b>40</b>	<b>131</b>	<b>74</b>	<b>3</b>	<b>373</b>	<b>315</b>			<b>487</b>	<b>449</b>
<b>Total assets at 30 June</b>	<b>6,774</b>	<b>6,829</b>	<b>13,343</b>	<b>14,664</b>	<b>3,270</b>	<b>2,864</b>	<b>-756</b>	<b>-808</b>	<b>22,631</b>	<b>23,549</b>
<b>Total assets at 31 December</b>		<b>6,774</b>		<b>13,267</b>		<b>2,670</b>		<b>-792</b>		<b>21,919</b>
<b>Total liabilities at 30 June</b>	<b>1,806</b>	<b>1,873</b>	<b>4</b>	<b>1,432</b>	<b>476</b>	<b>745</b>	<b>-756</b>	<b>-808</b>	<b>1,530</b>	<b>3,242</b>
<b>Total liabilities at 31 December</b>		<b>1,846</b>		<b>2</b>		<b>249</b>		<b>-792</b>		<b>1,305</b>
<b>Investments in associates at 30 June</b>	<b>35</b>	<b>38</b>							<b>35</b>	<b>38</b>
<b>Investments in associates at 31 December</b>		<b>35</b>								<b>35</b>

# Notes

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

Activities 1 January – 30 June (DKKm)	Bank Packages I and II		Bank Packages III and IV		Eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income	-7	-11	-5	-4			-12	-14
Other net fee income and market value adjustments, etc.	15	52	7	16			22	68
Purchase price and dowry adjustment	10	10	-15	-18			-5	-8
Other operating income/expenses, net	-11	72	48	-3	-5	-10	32	59
Operating expenses	57	51	16	10	-5	-10	68	51
Impairment losses on loans, advances and receivables, etc.	-56	-42	-20	-45			-76	-87
Income from investments in associates and subsidiaries	34	17	0	0	-34	-23	0	-6
<b>Result for the period before tax</b>	<b>40</b>	<b>131</b>	<b>39</b>	<b>27</b>	<b>-34</b>	<b>-23</b>	<b>45</b>	<b>135</b>
Tax	0	0	5	4			5	4
<b>Result for the period</b>	<b>40</b>	<b>131</b>	<b>34</b>	<b>23</b>	<b>-34</b>	<b>-23</b>	<b>40</b>	<b>131</b>
<b>Total assets at 30 June</b>	<b>7,697</b>	<b>7,645</b>	<b>2,360</b>	<b>2,302</b>	<b>-3,283</b>	<b>-3,118</b>	<b>6,774</b>	<b>6,829</b>
<b>Total assets at 31 December</b>		<b>7,610</b>		<b>2,382</b>		<b>-3,218</b>		<b>6,774</b>
<b>Total liabilities at 30 June</b>	<b>2,729</b>	<b>2,622</b>	<b>2,283</b>	<b>2,237</b>	<b>-3,206</b>	<b>-2,986</b>	<b>1,806</b>	<b>1,873</b>
<b>Total liabilities at 31 December</b>		<b>2,682</b>		<b>2,303</b>		<b>-3,139</b>		<b>1,846</b>
<b>Investments in associates at 30 June</b>	<b>35</b>	<b>38</b>					<b>35</b>	<b>38</b>
<b>Investments in associates at 31 December</b>		<b>35</b>						<b>35</b>

# Notes

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

### Segment information for the parent company

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

### Bank Package activities

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

### Bank Packages I and II

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

### Bank Packages III and IV

As previously, this segment comprises the activities related to banks taken over under the exit and consolidation packages, i.e. FS Finans I (Sparebank Østjylland af 2012), FS Finans II (Max Bank af 2011), FS Finans III (Amagerbanken af 2011) and FS Finans IV (Fjordbank Mors af 2011).

### Guarantee Fund

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

### Resolution Fund

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

# Notes

## 3. Segment information for the parent company

Activities 1 January – 30 June (DKK m)	Bank Package activities		Guarantee Fund		Resolution Fund		Eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net interest income	-5	-9	20	-21	5	-5			20	-35
Contributions to Guarantee Fund and the Resolution Fund	-	-	0	0	362	308			362	308
Other net fee income and market value adjustments, etc.	15	52	73	23	7	-4	-34	-30	61	41
Purchase price and dowry adjustment	10	10	2	7	-	-			12	17
Other operating income/expenses, net	-11	79	-15	-3	5	7	28	9	7	92
Operating expenses	57	51	6	3	6	7	-6	-21	63	40
Impairment losses on loans, advances and receivables, etc.	-56	-42	0	0	0	0			-56	-42
Income from investments in associates and subsidiaries	32	8	0	0	0	16			32	24
<b>Result for the period</b>	<b>40</b>	<b>131</b>	<b>74</b>	<b>3</b>	<b>373</b>	<b>315</b>			<b>487</b>	<b>449</b>
<b>Total assets at 30 June</b>	<b>8,218</b>	<b>8,125</b>	<b>13,343</b>	<b>14,664</b>	<b>3,165</b>	<b>2,864</b>	<b>-25</b>	<b>-61</b>	<b>24,701</b>	<b>25,592</b>
<b>Total assets at 31 December</b>		<b>8,107</b>		<b>13,267</b>		<b>2,433</b>		<b>-29</b>		<b>23,778</b>
<b>Total liabilities at 30 June</b>	<b>3,250</b>	<b>3,169</b>	<b>4</b>	<b>1,432</b>	<b>371</b>	<b>745</b>	<b>-25</b>	<b>-61</b>	<b>3,600</b>	<b>5,285</b>
<b>Total liabilities at 31 December</b>		<b>3,179</b>		<b>2</b>		<b>12</b>		<b>-29</b>		<b>3,164</b>

# Notes

(DKKm)	Group		Parent	
	H1 2019	H1 2018	H1 2019	H1 2018
<b>4. Interest income</b>				
Loans, advances and other receivables at amortised cost	12	7	5	3
Bonds	36	4	36	4
Other interest income	1	0	9	7
<b>Total</b>	<b>49</b>	<b>11</b>	<b>50</b>	<b>14</b>
Interest income relates to:				
Liabilities at amortised cost	0	7	9	3
Assets at amortised cost	13	0	5	7
Assets at fair value:	36	4	36	4
<b>Total</b>	<b>49</b>	<b>11</b>	<b>50</b>	<b>14</b>
<b>5. Interest expense</b>				
Due from credit institutions and central banks	30	49	30	49
<b>Total</b>	<b>30</b>	<b>49</b>	<b>30</b>	<b>49</b>
<b>6. Market value adjustments</b>				
Bonds	50	0	50	0
Shares, etc.	15	58	8	43
<b>Total</b>	<b>65</b>	<b>58</b>	<b>58</b>	<b>43</b>

# Notes

(DKKm)	Group		Parent	
	H1 2019	H1 2018	H1 2019	H1 2018
<b>7. Staff costs and administrative expenses</b>				
Salaries and remuneration to Board of Directors and Management Board:				
Management Board	1	1	1	1
Board of Directors	1	1	1	1
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Staff costs				
Salaries	21	15	18	15
Pensions	2	3	2	3
<b>Total</b>	<b>23</b>	<b>18</b>	<b>20</b>	<b>18</b>
Other administrative expenses	57	36	41	31
<b>Total</b>	<b>82</b>	<b>56</b>	<b>63</b>	<b>51</b>

(DKKm)	Impairm. 1 Jan.	Move- ment in impairm.	Impairm. 30 June	Impact on operations
<b>8. Impairment losses on loans, advances and receivables, etc.</b>				
Loans and advances at amortised cost	3,944	-868	3,076	
Guarantees	62	-18	44	
<b>Impairment for H1 2019</b>	<b>4,006</b>	<b>-886</b>	<b>3,120</b>	<b>-76</b>
Impairment for H1 2018	4,447	-304	4,143	-89

(DKKm)	Group		Parent	
	H1 2019	H1 2018	H1 2019	H1 2018
<b>9. Other provisions</b>				
Lawsuits	62	77	1	12
Other provisions	135	53	15	16
<b>Total</b>	<b>197</b>	<b>130</b>	<b>16</b>	<b>28</b>

Other provisions comprise pensions, onerous contracts, etc.

# Notes

(DKKm)

## 10. Contingent assets and liabilities

### Tax

The Group has a tax asset of 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 sheet.

### FIH

In March 2012, Finansiel Stabilitet concluded an agreement with FIH for the takeover of a significant portfolio of property exposures with a view to resolution. In connection with the preliminary approval of the transaction, the European Commission announced in December 2013 that it found the transaction to be compatible with its rules on state aid, provided that certain elements of the transaction structure were modified, including that FIH paid DKK 310 million to Finansiel Stabilitet. FIH has deposited a total amount, including interest, of DKK 351 million with Finansiel Stabilitet. In 2014, FIH decided to appeal the decision.

On 6 March 2018, the Court of Justice of the European Union gave its final decision in the FIH case. The Court determined that the case must be referred back to the General Court for renewed consideration. Based on the decision, it is estimated that a part of the deposited amount from FIH is to be recognised as income. Based on an overall assessment of the matter, Finansiel Stabilitet provisionally recognised DKK 100 million in 2018.

### Lawsuits

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

## 11. Related parties

Related parties comprise the Danish State, including companies/institutions over which the Danish State exercises control.

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.



# Statement by Management

The Board of Directors and the Management Board have today considered and adopted the interim report of Finansielt Stabilitet for the six months ended 30 June 2019.

The interim report is presented in accordance with IAS 34, Interim Financial Reporting as adopted by the EU in respect of the Group and the Danish Financial Business Act in respect of the parent company and in accordance with additional Danish disclosure requirements for interim reports of financial enterprises.

The interim report has been neither audited nor reviewed.

In our opinion, the interim financial statements give a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 30 June 2019 and of the results of the Group's and the parent company's operations and the Group's cash flows for the six months ended 30 June 2019.

Moreover, in our opinion, the management's review includes a fair review of the development and performance of the business and the financial position of the Group and the parent company, the result for the period and of the financial position of the Group as a whole, together with a description of the principal risks and uncertainties that the Group and the parent company face.

Copenhagen, 23 August 2019

## Management Board

Henrik Bjerre-Nielsen  
CEO

## Board of Directors

Peter Engberg Jensen  
Chairman

Bent Naur  
Deputy Chairman

Nina Dietz Legind

Bente Overgaard

Bendt Wedell

Anne Louise Eberhard

Ulrik Rammeskov Bang-Pedersen

# Company details

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Municipality of  
registered office: Copenhagen

## Board of Directors

Peter Engberg Jensen (Chairman)

Bent Naur (Deputy Chairman)

Nina Dietz Legind

Bente Overgaard

Bendt Wedell

Anne Louise Eberhard

Ulrik Rammeskov Bang-Pedersen

## Management Board

Henrik Bjerre-Nielsen

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Ernst & Young

Godkendt/Statsautoriseret Revisionspartnerselskab

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