

# ANNUAL REPORT

REVIEW AND FINANCIAL STATEMENTS **2011**

**THE GUARANTEE FUND** FOR DEPOSITORS AND INVESTORS

# CONTENTS

## Management's review

The Guarantee Fund in 2011:	
Events and financial highlights .....	3
Scope of cover of the Guarantee Fund .....	3
Handling of distressed banks under the Exit Package and the Consolidation Package.....	4
Activities of the Guarantee Fund in 2011 .....	7
Departments and assets of the Guarantee Fund.....	9
Financial position of the Guarantee Fund.....	9
Regulatory framework of the activities of the Guarantee Fund.....	9
Negotiations in the EU Commission.....	10
Management and organisation .....	11
Board of Directors.....	12

## Financial review

Guarantee Fund .....	13
Banking department .....	14
Mortgage credit institution department.....	14
Investment company department .....	14
Winding up department .....	14

## Financial statements

Income statement .....	16
Balance sheet .....	17
Notes to the financial statements .....	18
Statement by Management .....	22
The engaged internal auditors' report .....	23
Independent auditors' report .....	25

# MANAGEMENT'S REVIEW

## THE GUARANTEE FUND IN 2011 EVENTS AND FINANCIAL HIGHLIGHTS

### The Fund's activities in 2011

In 2011, the Guarantee Fund participated in the acquisitions of Amagerbanken Aktieselskab, Fjordbank Mors A/S and Max Bank A/S.

### Winding up models applied

The Exit Package (Bank Package III): Amagerbanken Aktieselskab and Fjordbank Mors A/S.

The Consolidation Package (Bank Package IV): Max Bank A/S.

### Coverage amounts paid out

The Guarantee Fund provided coverage for depositors in the total amount of DKK 4.7 billion in 2011. For this, the Fund subsequently received a preliminary dividend of DKK 2.2 billion. In 2011, contributions of DKK 3.0 billion were collected from the members of the banking department. As a result, the Guarantee Fund reported a profit of DKK 0.5 billion on its coverage activities.

In the period 1987-2011, the Guarantee Fund has paid a net amount of DKK 3,333 million in connection with the suspension of payments, bankruptcy or winding up in accordance with the Act on Financial Stability of 13 institutions. The dividend rate for institutions for which settlement has been finally calculated has ranged between 15.9 and 98.6.

### Loss guarantees provided

In 2011, the winding up department of the Guarantee Fund provided loss guarantees to Finansielt Stabilitet A/S in connection with the winding up of Amagerbanken af 2011, Fjordbank Mors af 2011 and Max Bank af 2011. The loss guarantees will come into force if the winding up of these institutions produces a result lower than expected.

## SCOPE OF COVER OF THE GUARANTEE FUND

The Guarantee Fund for Depositors and Investors is a private, independent institution established by an act of parliament. The Guarantee Fund provides financial coverage to depositors and investors of all Danish banks, mortgage credit institutions and investment companies as well as certain investment management companies for certain losses in connection with reconstruction or bankruptcy. Under the Bank Package (Bank Package I), the Danish State from October 2008 provided an unlimited guarantee to depositors and investors for losses incurred in the event that a bank comprised by the scheme entered into bankruptcy or suspended its payments. The general government guarantee expired on 1 October 2010. Since then, the Guarantee Fund has again provided coverage up to a certain limit.

### Coverage history

Since 1 October 2010, coverage provided by the Guarantee Fund for registered deposits and cash funds has been limited to EUR 100,000 (approximately DKK 745,000) for each depositor with each institution (banks, mortgage credit institutions, investment companies and investment management companies).

Figure 1

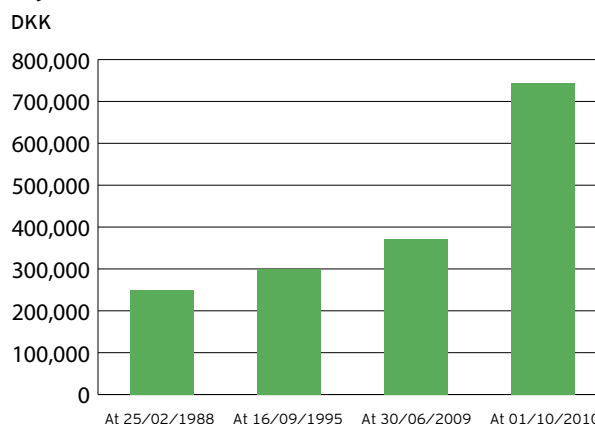


Figure 1 shows the development in statutory coverage of depositors.

Coverage is calculated net of any loans or other liabilities vis-à-vis the institution in question. However, certain account types are fully covered, including cash deposits into annuity pension and capital pension schemes.

The coverage limit follows from the EU directive on deposit guarantee schemes and as from 1 January 2011, the limit has therefore been uniform for all member states that have implemented this amendment.

In 2010, the scope of cover of the Guarantee Fund was expanded by the adoption of the Exit Package (Bank Package III). In that connection, a department for winding up was established under the Guarantee Fund. The winding up department is intended to ensure that Finansielt Stabilitet is covered for any losses arising in connection with the acquisition of distressed banks.

In June 2011, it became possible for the Guarantee Fund to provide a so-called dowry by injection of funds or by providing a guarantee for the coverage of a bank's unsecured creditors in connection with another bank's acquisition of the distressed bank. This option was expanded by the agreement on the Consolidation Package (Bank Package IV), which was concluded in September 2011. In that connection, the Danish State was also given the option of providing a dowry.

#### **Securities**

The Guarantee Fund also manages the investor compensation scheme. This means that investors may receive coverage of up to EUR 20,000 (approximately DKK 150,000) for securities which cannot be delivered from an institution in reconstruction or bankruptcy. It is a requirement that the distressed institution is comprised by the investor compensation scheme.

Coverage is calculated net of any loans or other liabilities vis-à-vis the institution in question.

#### **Branches**

Danish branches of foreign institutions are generally covered by the deposit guarantee scheme applicable in the home country of the foreign institution. It is possible for

Danish branches of foreign institutions to apply for supplementary coverage under the Danish guarantee scheme.

Branches in Denmark of Svenska Handelsbanken AB, Swedbank AB, Nordnet Bank AB and EFG Bank S.A. have joined the Guarantee Fund's coverage as a supplement to the coverage provided under the Swedish and Luxembourg guarantee schemes. As a result of the affiliation of these branches to the Danish guarantee scheme, the Guarantee Fund has entered into an agreement with the Swedish guarantee scheme on a collaboration in the event that a Swedish institution with a branch in Denmark should become distressed. The Guarantee Fund is also working to conclude an agreement with the Luxembourg guarantee scheme (see "Other international activities" below for additional information).

#### **Detailed information on coverage**

Additional information on the Guarantee Fund's coverage is provided on the Guarantee Fund's website, [www.gii.dk](http://www.gii.dk).

### **HANDLING OF DISTRESSED BANKS UNDER THE EXIT PACKAGE AND THE CONSOLIDATION PACKAGE**

The scope of cover of the Guarantee Fund was expanded by the adoption of the Exit Package in June 2010 (Bank Package III) and the expansion thereof by the dowry scheme in June 2011. The scope of cover was further expanded by the Consolidation Package in September 2011 (Bank Package IV).

#### **The Exit Package**

The financial crisis has fostered a need to set up well-defined frameworks and options in order to be able to handle distressed banks. There should be a clear alternative to reconstruction or bankruptcy proceedings, which often entail substantial financial losses for creditors, depositors and society in general.

Against this background, the Danish parliament adopted the Exit Package in June 2010. The Exit Package set up a

scheme for the winding up of distressed banks whereby the Danish State would not assume additional financial risk.

The scheme entails that Danish banks which become distressed and are given a deadline by the Danish FSA (hereafter FSA) by which they have to comply with the solvency requirements of financial legislation may opt to be transferred to Finansielt Stabilitet for the purpose of a controlled winding up process.

The Exit Package is different from the Bank Package, among other things because a distressed bank can choose to be transferred to Finansielt Stabilitet. Under the Bank Package, a transfer to Finansielt Stabilitet was mandatory for distressed banks that had joined the scheme. Accordingly, it is now up to each individual distressed bank to decide whether it wishes to be wound up under the new winding up scheme or through the ordinary rules of financial legislation on the termination of financial business.

The winding up scheme under the Exit Package ensures that ordinary depositors will not risk facing a situation in which their deposits are not accessible for a period of time. Nor will depositors experience any noticeable difference in the practical handling of their banking business. This is because a distressed bank which has been transferred to Finansielt Stabilitet is able to open as usual on the next business day after the transfer. Banking customers affected are not required to find a new bank within a short period of time to establish new loans or have a new debit card issued, etc.

Depositors that are not comprised by the Guarantee Fund's coverage may incur a financial loss. This applies irrespective of whether the distressed bank chooses to be wound up through the winding up scheme under the Exit Package or through the ordinary rules on the termination of financial business.

The Exit Package is based on the Guarantee Fund's existing guarantee to depositors and investors combined with a loss guarantee vis-à-vis Finansielt Stabilitet. This enables Finansielt Stabilitet to cover any losses that may arise in

connection with the winding up of a distressed bank under the Exit Package. The loss guarantee is provided by the winding up department of the Guarantee Fund.

The winding up department must have total assets of DKK 3.2 billion, which amount is guaranteed by Danish banks under the current rules. The winding up department is kept separate from the other three departments of the Guarantee Fund.

The Exit Package was supplemented by an expansion of the dowry scheme in June 2011. The expansion enables the Guarantee Fund to provide a dowry in connection with the winding up a distressed bank in accordance with the provisions of the Act on Financial Stability, either by injection of funds or by providing a guarantee for the coverage of all of the bank's unsubordinated creditors. The aim is to facilitate a smooth and market-based winding up of a distressed bank's activities by enabling an acquisition by another bank while ensuring that the Guarantee Fund incurs fewer costs than by a winding up process under the Exit Package.

The Guarantee Fund can thus choose to apply this model if it is deemed that this type of winding up process would cause the Guarantee Fund to incur fewer costs than a winding up process under the Exit Package and if the solution is viable from a commercial point of view.

#### **The Consolidation Package**

In September, a political agreement concerning the Consolidation Package (Bank Package IV) was concluded by way of application for appropriation of funds no. 181 of 7 September 2011. This further strengthened the possibilities of handling distressed banks by expanding the dowry scheme so as to also allow the Danish State to provide a dowry.

The Consolidation Package aims to create a greater incentive among viable banks to wholly or partly acquire exposures from distressed banks. The Consolidation Package also improved the possibilities of preventing uncovered, unsecured creditors of a bank from incurring losses when such bank becomes distressed.

The Consolidation Package comprises two models for an expansion of the existing dowry scheme:

1. A viable bank acquires a distressed bank
2. Finansiell Stabilitet acquires a distressed bank and divests the saleable part

*Model 1: A viable bank acquires a distressed bank*

Finansiell Stabilitet and the Guarantee Fund provide a dowry to a viable bank which is willing to acquire the entire distressed bank (excluding share capital and other subordinated capital). This model may be applied when it is necessary in order to negotiate an acquisition.

The valuation committee of the winding up department prepares an assessment for the Guarantee Fund of whether participation would cause the Guarantee Fund to incur fewer costs compared with a winding up process under the Exit Package and whether the solution is viable from a commercial point of view. The assessment should take into account market economic considerations as well as commercial considerations. The decision-making basis must document that a comparison has been performed of the costs which the Guarantee Fund (the banking department as well as the winding up department) is expected to incur in connection with a winding up process under the Exit Package and the costs which would expectedly be incurred if a Model 1 solution had been applied. Finansiell Stabilitet should base its assessment on the same valuation of the distressed bank's assets and liabilities as the one applied in the determination of dowry from the Guarantee Fund.

The scheme should not place the Guarantee Fund or Finansiell Stabilitet at a financial disadvantage relative to a winding up process under the Exit Package.

*Model 2: Finansiell Stabilitet acquires a distressed bank and divests the saleable part*

Finansiell Stabilitet acquires the non-saleable part of a distressed bank, and the newly established subsidiary receives a dowry from the Guarantee Fund and a dowry from Finansiell Stabilitet. At the same time, the saleable part of the distressed bank is acquired by another bank.

This is done without any loss being incurred by uncovered, unsecured creditors, including depositors.

Model 2 was applied in connection with the winding up of Max Bank A/S. It meant that no unsecured creditors incurred any financial loss.

The valuation committee of the winding up department prepares an assessment for the Guarantee Fund of whether participation would cause the Guarantee Fund to incur fewer costs compared with a winding up process under the Exit Package and whether the solution is viable from a commercial point of view. The assessment should take into account market economic considerations as well as commercial considerations. The decision-making basis must document that a comparison has been performed of the costs which the Guarantee Fund (the banking department as well as the winding up department) is expected to incur in connection with a winding up process under the Exit Package and the costs which would expectedly be incurred if a Model 2 solution had been applied.

Finansiell Stabilitet should base its assessment on the same valuation of the distressed bank's assets and liabilities as the one applied in the determination of dowry from the Guarantee Fund. The dowry from Finansiell Stabilitet corresponds to expected losses on the individual government guarantees which would have materialised if the distressed bank had been wound up under the Exit Package.

The model should not, as a model, place the Guarantee Fund or Finansiell Stabilitet at a financial disadvantage relative to a winding up process under the Exit Package.

As is the case under the Exit Package, the winding up department of the Guarantee Fund provides a loss guarantee under Model 2 of the Consolidation Package which provides coverage if, after the winding up process for a distressed bank has been finalised, the loss incurred by Finansiell Stabilitet proves to be greater than expected on acquisition.

If the loss incurred as a result of the winding up process is smaller than expected, the Guarantee Fund and Finansielt Stabilitet will have the loss reduced in accordance with an earn-out agreement. If, as a result of the earn-out agreement, Finansielt Stabilitet and the Guarantee Fund obtain full coverage of the dowry provided, shareholders and providers of other subordinated capital of the distressed bank will get a share of any excess profit in the order stipulated by law.

## ACTIVITIES OF THE GUARANTEE FUND IN 2011

### Management of the Guarantee Fund

The Guarantee Fund is managed by Finansielt Stabilitet. The Fund pays an annual management fee to Finansielt Stabilitet for maintaining a secretariat that handles administrative tasks such as legal and accounting services, etc.

### Amagerbanken Aktieselskab

On 6 February 2011, Amagerbanken Aktieselskab was the first bank to enter into an agreement with Finansielt Stabilitet for a transfer of its activities to Finansielt Stabilitet for the purpose of a controlled winding up process under the Exit Package (with effect from 5 February 2011). The agreement provided for a transfer of all of Amagerbanken's assets to a newly established subsidiary bank of Finansielt Stabilitet. Payment for the assets was preliminarily fixed at DKK 15.2 billion, equivalent to 58.8% of the unsecured, unsubordinated claims.

In connection with the transfer, Finansielt Stabilitet's newly established subsidiary, Amagerbanken af 2011 A/S, provided coverage for depositors with deposits and cash funds of up to EUR 100,000. The Guarantee Fund covered the costs incurred by Amagerbanken af 2011 in this respect, equivalent to an amount of approximately DKK 0.9 billion calculated net of the current dividend. The ultimate loss incurred by the Guarantee Fund in relation to Amagerbanken's bankruptcy cannot be quantified until the estate in bankruptcy has been finalised, and it has been

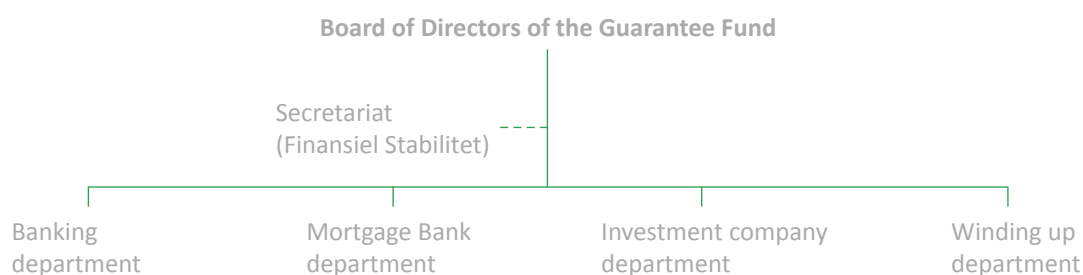
calculated whether the Guarantee Fund will incur a loss on the loss guarantee provided by the winding up department of the Guarantee Fund.

Following the acquisition, two independent auditors appointed as expert valuers performed a valuation of the assets of Amagerbanken. The valuation was performed in accordance with the Act on Financial Stability. In accordance with the Act, the parties have a period of 14 days to bring a case before the courts of law if they disagree with the new valuation. On 1 July 2011, the Guarantee Fund and the estate in bankruptcy of Amagerbanken brought the valuation of Amagerbanken's assets before the Copenhagen City Court. This step was taken in order to allow more time to review the valuation performed by the expert valuers. An increased preliminary dividend of 66.1% was determined.

By bringing the matter before the courts of law, the Guarantee Fund was given an opportunity to explore the reason why the expert valuers had assessed Amagerbanken's loans and advances approximately DKK 3 billion higher than the valuation performed in February 2011. Questions were put to the expert valuers. At the same time, the expert valuers, Finansielt Stabilitet and Amagerbanken af 2011 worked together to find the cause of the difference between the two valuations of loans and advances. A significant part of the difference was attributable to information subsequently received as well as objectively ascertainable facts which were unknown to Finansielt Stabilitet in February 2011. The difference between Finansielt Stabilitet's provisional assessment and the valuation performed by the expert valuers was very significantly reduced when these matters were taken into consideration.

Against this background, the Guarantee Fund assessed that the amount of the remaining difference between the valuations, which was probably due to variations in the performance of audit estimates, could not be expected to cause the courts of law to set aside the valuation. On this basis, the Guarantee Fund decided to withdraw the case on 28 September 2011. The dividend rate was subsequently raised to 84.4%.

**Figure 2**



### **Fjordbank Mors A/S**

On 24 June 2011, Fjordbank Mors A/S entered into an agreement with Finansiel Stabilitet on a transfer of its activities to Finansiel Stabilitet for the purpose of a controlled winding up process under the Exit Package. The agreement provided for a transfer of all of Fjordbank Mors' assets to a newly established subsidiary bank of Finansiel Stabilitet. Payment for the assets was preliminarily fixed at DKK 7.8 billion, equivalent to 73.6% of the unsecured, unsubordinated claims.

On 21 December 2011, the Guarantee Fund decided to accept the valuation performed by the independent expert valuers. As a result, the preliminary dividend could be raised to 86.0%.

As with the transfer of Amagerbanken, Finansiel Stabilitet's newly established subsidiary, Fjordbank Mors af 2011 A/S, provided coverage for depositors with deposits and cash funds of up to EUR 100,000 in connection with the transfer. The Guarantee Fund covered the costs incurred by Fjordbank Mors af 2011 in this respect, equivalent to an amount of approximately DKK 0.7 billion calculated net of the current dividend. The ultimate loss incurred by the Guarantee Fund in relation to Fjordbank Mors' bankruptcy cannot be quantified until the estate in bankruptcy has been finalised, and it has been calculated whether the Guarantee Fund will incur a loss on the loss guarantee provided by the winding up department of the Guarantee Fund.

### **Max Bank A/S**

With effect from 8 October 2011, Max Bank A/S transferred all of its assets and liabilities, with the exception of subordinated capital, to a newly established subsidiary bank of Finansiel Stabilitet, which concurrently divested the viable part of the bank, including all retail customers, to Sparekassen Sjælland.

The transfer was completed in accordance with Model 2 of the Consolidation Package, ensuring full coverage of all depositors and other unsecured creditors in connection with the transfer of Max Bank.

The negative difference between the transferred assets and liabilities is covered by a dowry from Finansiel Stabilitet and the Guarantee Fund in accordance with the rules of the Consolidation Package. Finansiel Stabilitet is furthermore covered by a loss guarantee provided by the Guarantee Fund for Depositors and Investors if the loss after finalisation of the winding up of Max Bank should prove greater than assumed on acquisition. Moreover, an earn-out agreement has been entered into. The provisional costs related to the Guarantee Fund's dowry total approximately DKK 0.9 billion. In addition, the Guarantee Fund could incur a loss in connection with the loss guarantee provided by the winding up department of the Guarantee Fund. The ultimate loss incurred by the Guarantee Fund in relation to Max Bank's bankruptcy thus cannot be quantified until the estate in bankruptcy has been finalised, and it has been calculated whether the Guarantee Fund will incur a loss on



the loss guarantee provided by the winding up department of the Guarantee Fund.

This was the first time the rules of the Consolidation Package were applied in connection with the winding up of a bank.

## DEPARTMENTS AND ASSETS OF THE GUARANTEE FUND

According to the most recent figures from 2011, the Guarantee Fund comprised 183 institutions, including 123 banks (4 foreign banks), 8 mortgage credit institutions, 49 investment companies and 3 investment management companies.

The institutions are distributed on the four departments of the Guarantee Fund, see figure 2: The banking department, the mortgage credit institution department, the investment company department (investment companies and certain investment management companies) and the winding up department. The three first departments are required to have assets of DKK 3,200 million in aggregate. The winding up department is also required to have assets of DKK 3,200 million.

## FINANCIAL POSITION OF THE GUARANTEE FUND

The Guarantee Fund is financed by contributions made by the affiliated institutions in the form of cash deposits and guarantees vis-à-vis the Guarantee Fund. In cases of payment of coverage from the Guarantee Fund where assets and/or cash and cash equivalents fall below the minimum requirements, the Guarantee Fund has subsequently collected contributions from the affiliated institutions in connection with the subsequent annual adjustment of contributions.

The cash and cash equivalents of the Guarantee Fund are placed in the Guarantee Fund's account with Danmarks

Nationalbank and in secure, short-term securities, respectively, in order to ensure that they may be traded without any major price risk.

For all departments, the distribution of contributions will continue to be calculated on the basis of the affiliated institutions' share of covered net deposits, covered cash funds and covered securities.

With the exception of the winding up department, the departments of the Guarantee Fund may borrow funds from each other.

Moreover, all of the Guarantee Fund's departments may, if the funds of the individual department have been depleted, raise loans in the market against a guarantee provided by the Danish State. In such event, the guarantor will be the Ministry of Business and Growth subject to approval by the Finance Committee of the Danish parliament.

In March 2011, the banking department by way of an offering raised short-term loans for a total amount of DKK 2 billion without a government guarantee. These loans matured on 30 June 2011. The amount raised by way of the loans was used to pay the Guarantee Fund's coverage in relation to Amagerbanken. The loans were repaid in connection with the annual adjustment of contributions.

The aggregate contributions made by the institutions to the banking, mortgage credit institution and investment company departments in the form of deposits, guarantees or instalments on loans are not allowed within any one financial year to exceed an amount corresponding to 0.2% of the deposit portfolio of the institutions.

With respect to the winding up department, the contributions made by the banks in the form of guarantees or instalments on loans are not allowed within any one financial year to exceed an amount corresponding to 0.2% of total deposits.

The Guarantee Fund should generally be able to effect payments not later than 20 days after an institution has suspended its payments or entered into bankruptcy.

## REGULATORY FRAMEWORK OF THE ACTIVITIES OF THE GUARANTEE FUND

The Act on a Guarantee Fund for Depositors and Investors and executive orders issued in pursuance thereof were amended a number of times in 2009 and 2010, among other things as a result of the Exit Package and the recent amendment of the Deposit Guarantee Schemes Directive.

The current Danish regulatory framework governing the Guarantee Fund is Consolidation Act no. 133 of 22 February 2011 on a guarantee fund for depositors and investors. The consolidation act was most recently amended by Act no. 619 of 14 June 2011, which introduced a dowry scheme for distressed banks, and Act no. 1061 of 22 November 2011, which concerns the Guarantee Fund's provision of a loss guarantee in connection with the use of the extended dowry scheme in accordance with the Consolidation Package. The FSA's Executive Order no. 889 of 10 August 2011 on the Guarantee Fund for Depositors and Investors is linked to the Act.

Moreover, the Act has been put into effect for the Faroe Islands and Greenland. For the Faroe Islands by Order no. 1066 of 10 September 2010 on the entry into force for the Faroe Islands of the Act on a Guarantee Fund for Depositors and Investors and for Greenland by Order no. 1048 of 1 September 2010 on the entry into force for Greenland of the Act on a Guarantee Fund for Depositors and Investors.

### Upcoming legislative amendments

On 1 February 2012, the Minister for Business and Growth tabled a bill proposing that the banking department of the Guarantee Fund would be financed by way of a fixed annual contribution in future. This corresponds to an insurance scheme in which the banks pay a fixed annual insurance premium.

According to the bill, the future total annual contribution payable to the banking department should constitute 0.25% of the covered net deposits calculated at 1 October of the preceding year.

The banks' obligation to pay this contribution will cease if the assets of the banking department exceed 1% of covered net deposits. The obligation to pay the contribution will be resumed if the assets no longer exceed 1% of covered deposits.

The bill also proposes that the Board of Directors of the Guarantee Fund should have a duty to ensure that the banking department has adequate liquidity. The aggregate liquidity in the form of liquid assets and loan commitments must at all times total at least 0.75% of covered net deposits. The Board of Directors of the Guarantee Fund may raise the annual contribution extraordinarily if the banking department's financial position so requires. Moreover, subject to negotiations with Danmarks Nationalbank, the FSA may order the Board of Directors of the Guarantee Fund to raise the annual contribution extraordinarily if the banking department's financial position so requires.

The requirements for financing of the other departments are not amended. However, the mortgage credit department and the investment company department, respectively, are required to have total assets of at least DKK 10 million.

Pursuant to the bill, the assets of the winding up and restructuring department should still amount to DKK 3.2 billion by way of guarantees from banks that have an obligation to pay contributions. The bill further proposes that assets of DKK 1 billion in the winding up and restructuring department must be earmarked for "restructuring", including coverage of costs in connection with withdrawal from data centres. This part of the assets must consist of guarantees or cash payments from the banks that have an obligation to pay contributions.

The bill is expected to come into force on 30 March 2012 with retroactive effect from the first quarter of 2012.

## NEGOTIATIONS IN THE EU COMMISSION

At the time of writing, negotiations are underway in the EU Commission concerning the Deposit Guarantee Schemes Directive and the Investor Compensation Schemes Directive.

The current negotiations regarding the Deposit Guarantee Schemes Directive are characterised by the following main themes:

- Reducing the payout deadline
- Restricting the practice of setting off depositors' liabilities against their claims
- Improving protection of deposit guarantee schemes
- Enabling preventive steps
- Facilitating loans from guarantee funds across EU member states
- Enhancing cooperation between guarantee schemes

As a result of the Exit and Consolidation Packages, the Guarantee Fund will conform to several of the scheduled rules from the EU already from 2012. Depositors of the banks that have been wound up under the Exit Package have thus received coverage from the Guarantee Fund right away. Under the Consolidation Package, the possibilities of taking preventive steps have been enhanced, and the Guarantee Fund's financial resources have been changed to the effect that a greater part consists of cash contributions rather than guarantees.

### Other international work

It follows from the Deposit Guarantee Schemes Directive that if an institution has applied for supplementary coverage under the guarantee scheme in force in the country in which the institution carries on business, either through a branch or as a cross-border enterprise (host country), the home country and the host country are required to enter into an agreement on the rules and procedures for payout for the purpose of coverage of depositors in the host country. Denmark has currently concluded bilateral agreements with Sweden, Norway, Iceland, Poland, the UK and the Netherlands, and the Guarantee Fund is also working on concluding an agree-

ment with the Luxembourg guarantee scheme. Three Swedish and one Luxembourg bank with branches in Denmark have applied for supplementary coverage under the Danish guarantee scheme.

In addition, the Guarantee Fund has adopted the mutual letter of understanding of the European Forum of Deposit Insurers (EDFI) concerning cooperation and exchange of information between the national guarantee schemes in connection with failures of institutions with activities in several countries. The multilateral statement of policy applies irrespective of whether an institution has applied for supplementary coverage under a guarantee scheme other than that of the home country. It supplements the bilateral agreements mentioned above. Apart from this, the EDFI mainly focused on the directive negotiations in 2011.

Through its membership of the EDFI, the Danish Guarantee Fund is a partner to the International Association of Deposit Insurers (IADI).

## MANAGEMENT AND ORGANISATION

### Board work in 2011

In 2011, the Board of Directors of the Guarantee Fund held two regular board meetings and five extraordinary board meetings. The board work was primarily focused on the role of the Guarantee Fund in the transfers of Amagerbanken Aktieselskab and Fjordbank Mors A/S to Finansiell Stabilitet under the Exit Package and the transfer of Max Bank A/S to Finansiell Stabilitet and Sparekassen Sjælland under the Consolidation Package. This work required a significant amount of resources.

Decisions regarding whether the Fund should contribute by injection of funds or by providing a guarantee (dowry) in accordance with the winding up rules of the Exit or Consolidation Packages are made by the Chairman, the Deputy Chairman and the two members of the Fund's Board of Directors who represent the banks. Such decisions are made upon the recommendation of the valuation committee appointed for the winding up process.

The valuation committee comprises four members representing the banks, who have been appointed by the Minister for Business and Growth upon the recommendation of the Danish Bankers Association. The valuation committee also makes decisions regarding the amount of the balance arising in connection with the winding up of a bank under the rules of the Exit Package.

As a result of the bank failures and the resulting transfers under the Exit and Consolidation Packages and the uncertainty this has given rise to in relation to coverage of deposits with banks, the Guarantee Fund has answered a large number of inquiries concerning the Guarantee Fund's coverage in a wide variety of situations.

The Guarantee Fund has also decided a number of cases of depositors complaining of the calculation of the Guarantee Fund's coverage of deposits with failed banks. The decisions made by the Guarantee Fund may be appealed to the FSA within four weeks of the decision being communicated to the complainant.

## BOARD OF DIRECTORS

The Fund is managed by a Board of Directors consisting of eight members appointed by the Minister for Business and Growth for terms of three years. In 2011, the Board of Directors was composed as follows:

### **Chairman**

- Professor Mads Bryde Andersen, LL.D.

### **Deputy Chairman**

- Charlotte Møller, CFO

## **Representatives of the departments**

### **Banking department**

- Jørgen A. Horwitz, Director, The Danish Bankers Association
- Klaus Willerslev-Olsen, Deputy Director, The Danish Bankers Association

### **Mortgage credit institution department**

- Ane Arnth Jensen, Managing Director, The Association of Danish Mortgage Banks

### **Investment company department**

- Claus N. Sørensen, Stockbroker, FormueFyn Fondsmæglerselskab A/S

## **Representatives of depositors and investors**

- Carsten Holdum, Economist, The Danish Consumer Council
- Tine Roed, Director, Confederation of Danish Industry

Alternates have been appointed for each of the board members who are representatives of the institutions comprised by the Fund or representatives of depositors and investors.

On 25 January 2012, Charlotte Møller was appointed Chairman of the Board of Directors of the Guarantee Fund, and Professor Ulrik Rammeskov Bang-Pedersen, LL.D., was appointed Deputy Chairman. In that connection, the incumbent chairman, Professor Mads Bryde Andersen, LL.D., resigned from the Board of Directors.

Moreover, Morten Bruun Pedersen, Economist, replaced Carsten Holdum as representative of the depositors.

The members have been appointed for the period until 31 October 2013.

# FINANCIAL REVIEW

## THE GUARANTEE FUND

The Guarantee Fund posted a profit of DKK 501 million in 2011, against a loss of DKK 235 million in 2010.

DKKm	2011	2010	Difference
Net financials	21	25	(4)
Profit/(loss) on the Guarantee Fund's coverage activities	488	(254)	742
Costs	(8)	(6)	(2)
Profit/(loss) for the year	501	(235)	736

Compared with 2010, the 2011 performance of the Guarantee Fund's coverage activities increased by DKK 742 million.

DKKm	2011	2010	Difference
Payouts to depositors and dowry provided	(4,703)	(704)	(3,999)
Dividend	2,152	450	1,702
<b>Liquidity need</b>	<b>(2,551)</b>	<b>(254)</b>	<b>(2,297)</b>
Payments from members	3,039	0	3,039
Profit/(loss) on the Guarantee Fund's coverage activities	488	(254)	742

Payouts to depositors and dowry provided less dividend distributions produced a liquidity need of DKK 2,551 million in 2011. In order to cover this amount, the Guarantee Fund collected contributions in a total amount of DKK 3,039 million in 2011, of which DKK 580 million was drawn on guarantees. The following table shows the result of the Guarantee Fund's coverage activities specified per failed institution.

DKKm	Amager- banken af 2011 A/S	Fjordbank Mors af 2011 A/S	Max Bank af 2011 A/S	Estate in bankruptcy of Capi- nordic Bank	Total
Payout to depositors	(2,441)	(1,355)		4	(3,792)
Dowry provided			(911)		(911)
Dividend	1,520	632			2,152
Payments from members	2,459	580			3,039
Coverage activities	1,538	(143)	(911)	4	488

Pursuant to the Executive Order on the Guarantee Fund for Depositors and Investors, net assets are required to total at least DKK 3,180 million, and pursuant to the FSA's Executive Order on the Guarantee Fund for Depositors and Investors, at least 25% of the Guarantee Fund's assets must be placed in cash and cash equivalents.

After recognition of the profit for the year and guarantees exercised, the net assets of the banking department calculated in accordance with the Executive Order on the Guarantee Fund for Depositors and Investors fell below the minimum threshold of DKK 3,180 million. Not later than in connection with the upcoming adjustment of contributions in the summer of 2012, the guarantees provided must be raised by DKK 82 million.

## BANKING DEPARTMENT

DKKm	Balance 1 Jan 2011	Move- ments 2011	New balance 2011	Additional need	Balance 31 Dec 2011
Contributions from banks	680	(680)	0		0
Guarantees provided	2,385	(580)	1,805	82	1,887
Accumulated profit before recognition of expected dividend	115	1,178	1,293		1,293
Net assets calculated in acc. with s. 3(1) of the Executive Order on the Guarantee Fund for Depositors and Investors	3,180	(82)	3,098	82	3,180
Expected dividend, estate in bankruptcy	450		450		450
Total assets of the department	3,630	(82)	3,548	82	3,630

The contributions paid by the banks of DKK 680 million in 2011 were used to honour the claims admitted. The amount was subsequently received by way of dividend distribution. In the statement of assets, the amount thus changed status to being recognised as a part of the accumulated profit.

## MORTGAGE CREDIT INSTITUTION DEPARTMENT

The requirement for minimum assets of the mortgage credit institution department of DKK 10 million was met. Accordingly, only a redistribution of contributions was performed in 2011.

The department's assets at 31 December 2011 amounted to DKK 11 million.

## INVESTMENT COMPANY DEPARTMENT

The requirement for minimum assets of the investment company department of DKK 10 million was met. In 2011, contributions were redistributed and management fees were charged.

The department's assets at 31 December 2011 amounted to DKK 12 million.

## WINDING UP DEPARTMENT

The requirement for minimum assets of the winding up department of DKK 3,200 was met and, therefore, only a redistribution of guarantees provided was performed in 2011.

After recognition of the profit for the period of DKK 2 million, the department's assets amounted to DKK 3,212 million at 31 December 2011.

In 2011, the winding up department of the Guarantee Fund provided loss guarantees to Finansiel Stabilitet in connection with the winding up of Amagerbanken af 2011, Fjordbank Mors af 2011 and Max Bank af 2011.

In that connection, guarantee commission in the amount of DKK 6 million was received. See note 2.



**FINANCIAL  
STATEMENTS  
2011**

# INCOME STATEMENT

Note	DKK '000	2011	2010
	<b>Net interest income</b>		
	Interest on deposits with banks and Danmarks Nationalbank	5,489	539
	Yields of listed bonds	8,260	29,038
	Net interest income in connection with coverage activities	7,900	0
	<b>Total net interest income</b>	<b>21,649</b>	<b>29,577</b>
2	Commission received on loss guarantees provided	6,286	0
	Value adjustment of bond portfolio	(6,427)	(4,168)
	<b>Net financials</b>	<b>21,508</b>	<b>25,409</b>
	<b>Coverage activities</b>		
2	Payouts to depositors	(3,792,303)	(704,440)
	Dowry, Bank Package 4	(911,000)	0
	<b>Total claims admitted</b>	<b>(4,703,303)</b>	<b>(704,440)</b>
	<b>Dividends and admitted claims covered by members</b>		
2	Dividends	2,152,237	450,083
	Payments from members and management fees received	3,038,929	0
	<b>Total payments</b>	<b>5,191,166</b>	<b>450,083</b>
	<b>Profit/(loss) on coverage activities</b>	<b>487,863</b>	<b>(254,357)</b>
	<b>Profit/(loss) on coverage activities and net financials</b>	<b>509,371</b>	<b>(228,948)</b>
	<b>Costs</b>		
	Fees to the Chairman and Deputy Chairman of the Board of Directors	(335)	(284)
	Fees for legal and other external assistance	(2,002)	(1,419)
	Management fees	(1,900)	(1,925)
	Costs in connection with bank bankruptcies	(2,307)	(1,584)
	Costs in connection with loss guarantees provided	(1,850)	0
	Other management costs	(312)	(420)
	<b>Total costs</b>	<b>(8,706)</b>	<b>(5,632)</b>
3	<b>Profit/(loss) for the year</b>	<b>500,665</b>	<b>(234,580)</b>



## BALANCE SHEET AT 31 DECEMBER

Note	DKK '000	2011	2010
<b>Assets</b>			
	Interest on deposits with banks and Danmarks Nationalbank	693,334	19,110
	Listed bonds	0	615,300
	Receivables from institutions	13,950	195,110
	Interest receivable	0	24,000
	Dividend distribution announced	641,248	0
4	Receivable guarantees from institutions	5,111,912	5,609,912
5	Expected dividend, estates in bankruptcy	450,000	450,000
	<b>Total assets</b>	<b>6,910,444</b>	<b>6,913,432</b>
<b>Equity and liabilities</b>			
4	<b>Assets of the Guarantee Fund</b>		
	Contributions from members	4,971	684,971
	Guarantees from members	5,111,912	5,609,912
	Total contributions and guarantees	5,116,883	6,294,883
	Accumulated profit before recognition of expected dividend	1,299,259	118,594
	Expected dividend, estates in bankruptcy	450,000	450,000
	<b>Total assets of the Guarantee Fund</b>	<b>6,866,142</b>	<b>6,863,477</b>
<b>Liabilities</b>			
	Debt to Finansiell Stabilitet A/S	42,041	47,000
	Other payables	2,261	2,955
	<b>Total liabilities</b>	<b>44,302</b>	<b>49,955</b>
	<b>Total equity and liabilities</b>	<b>6,910,444</b>	<b>6,913,432</b>

# NOTES

## 1. ACCOUNTING POLICIES

### General

The Guarantee Fund for Depositors and Investors has prepared its 2011 financial statements in accordance with the Danish Act on a Guarantee Fund for Depositors and Investors and the executive order issued in pursuance thereof.

The objective of the Guarantee Fund comprises two main areas:

- The guarantee departments that cover depositors' and investors' losses in connection with a financial institution's suspension of payments or bankruptcy and in connection with the winding up of an institution under the Consolidation Package by injection of funds or by providing a guarantee for the coverage of all of the bank's unsubordinated creditors. Banks, mortgage credit institutions, investment companies and investment management companies in Denmark are required to join and pay contributions to the guarantee departments. The guarantee departments must have assets of at least DKK 3.2 billion, and cash and cash equivalents must represent at least 25% of total assets. If the assets fall below the minimum requirement, contributions must be collected in connection with the next adjustment at the latest in order to comply with the minimum requirement. If cash and cash equivalents fall below 25%, the proportion must be re-established at the next adjustment of contributions.
- The winding up department, which is to cover any losses incurred by Finansiel Stabilitet in connection with its acquisition of a bank under the Exit Package. Danish banks are required to be members of the winding up department. The assets of the winding up department, which must total at least DKK 3.2 billion, consist solely of guarantees from the banks.

The accounting policies are consistent with those of last year.

As a result of the entry into force of the Exit Package and the Consolidation Package, the description of accounting policies has been expanded in relation to loss guarantees and dowry.

### Income statement

**Net interest income** comprises the return on the Guarantee Fund's interest-bearing cash funds and portfolio of listed bonds, net interest in connection with coverage activities and other interest income.

**Commission received on loss guarantees provided** comprises premiums received from loss guarantees provided by the winding up department of the Guarantee Fund to Finansiel Stabilitet A/S in connection with the winding up of distressed banks under the Exit Package and the Consolidation Package. The detailed terms governing the amount of the premium are set out in the Executive Order on the winding up of subsidiaries of Finansiel Stabilitet and payment of a risk premium.

**Value adjustment of bond portfolio** comprises value adjustments concerning the Guarantee Fund's listed bonds. Realised as well as unrealised gains and losses are recognised in the income statement.

**Claims admitted**, including dowry provided within the Guarantee Fund's scope of cover, are recognised in the income statement at the time of disbursement. Payouts in relation to claims for coverage from depositors and investors are calculated less any liabilities of the depositors and investors vis-à-vis the relevant distressed institutions. Furthermore, payouts made after 31 December, but before the presentation of the financial statements, in relation to estates that have suspended their payments or entered into bankruptcy prior to 31 December are expensed.

**Dividends and admitted claims covered by members** are recognised in the income statement at the amounts received. Expected dividend payments for the coming years, which may be reliably calculated, are recognised adjusted for the actual payments received in the financial year. The expected dividend payments are tied up as a special reserve which is not recognised when calculating whether the Guarantee Fund meets the statutory minimum requirements.

**Costs** comprise expenses related to the management of the activities of the Guarantee Fund.

#### Balance sheet

**Listed bonds** are measured at fair value at the end of the financial year.

**Receivables from institutions** comprise ordinary commercial receivables. The item may also include an amount which is necessary in order for the Guarantee Fund to meet the statutory minimum requirement for assets.

**Receivable guarantees from institutions** are measured at the nominal value of the contribution determined by the Board of Directors of the Guarantee Fund, as the receivable is deemed to be current.

In connection with a suspension of payments or bankruptcy, the guarantee from the distressed bank will not

normally be available to the Guarantee Fund. No provisions have been made in this respect in the financial statements, as the Board of Directors of the Guarantee Fund, if necessary, may resolve to collect additional contributions from the institutions in accordance with section 11(4) of the FSA's Executive Order on the Guarantee Fund for Depositors and Investors.

#### Assets of the Guarantee Fund

The Guarantee Fund's procurement of funds is recognised in the assets of the Guarantee Fund as the sum of contributions and guarantees from institutions that have an obligation to pay contributions at the nominal value plus accumulated profit. As a result of uncertainty with respect to the time of disbursement, an expected dividend payment may not be recognised as part of the minimum assets. The expected dividend payment is shown as a special reserve in the assets of the Guarantee Fund, which is not included in the calculation of the minimum assets of the Guarantee Fund.

**Liabilities** are measured at net realisable value.

**Profit/loss on loss guarantees** is recognised when they can be reliably measured in connection with a realisation in full or in part of the underlying assets and liabilities.

## 2 IMPACT OF BANK BANKRUPTCIES ON THE FINANCIAL STATEMENTS

2011 DKK '000	Claims admitted	Dividends	Commission, loss guarantees
Amagerbanken af 2011 A/S	(2,441,108)	1,519,805	2,231
Fjordbank Mors af 2011 A/S	(1,355,000)	632,432	3,672
Max Bank af 2011 A/S	(911,000)	0	383
Estate in bankruptcy of Capinordic Bank	3,805	0	-
<b>Total</b>	<b>(4,703,303)</b>	<b>2,152,237</b>	<b>6,286</b>

# NOTES

## 3 INCOME STATEMENT BY DEPARTMENT FOR 2011

DKK '000	Guarantee Fund, total	Banking department	Mortgage credit institution department	Investment company department	Winding up department
<b>General distribution</b>					
Interest	13,749				
Value adjustment	(6,427)				
<b>Net financials</b>	<b>7,322</b>	<b>7,245</b>	<b>35</b>	<b>46</b>	<b>(4)</b>
<b>Costs:</b>					
Fees to the Chairman and Deputy Chairman of the Board of Directors	(335)				
Fees for legal and other external assistance	(2,002)				
Management fees	(1,900)				
Other management costs	(312)				
<b>Total</b>	<b>(4,549)</b>	<b>(2,408)</b>	<b>(8)</b>	<b>(18)</b>	<b>(2,115)</b>
<b>Total</b>	<b>2,773</b>	<b>4,837</b>	<b>27</b>	<b>28</b>	<b>(2,119)</b>
<b>Specific distribution</b>					
Claims admitted	(4,703,303)	(4,703,303)			
Dividend received	2,152,237	2,152,237			
Payments from members and management fees received	3,038,929	3,038,919		10	
Net interest income in connection with coverage activities	7,900	7,900			
Commission income received, loss guarantees	6,286				6,286
Costs in connection with bank bankruptcies	(2,307)	(2,307)			
Costs in connection with loss guarantees provided	(1,850)				(1,850)
<b>Total</b>	<b>497,892</b>	<b>493,446</b>	<b>0</b>	<b>10</b>	<b>4,436</b>
<b>Profit for the year</b>	<b>500,665</b>	<b>498,283</b>	<b>27</b>	<b>38</b>	<b>2,317</b>

The Guarantee Fund's profit from interest income and value adjustments is distributed among departments in proportion to their share of the contributions paid plus accumulated profit at the beginning of the year. Net interest income in connection with coverage activities will accrue to/be paid by the banking department, while commission payments from loss guarantees will accrue to the winding up department. Joint expenses will be distributed among the departments in proportion to their assets at the beginning of the period. Claims payments, dividends received and directly attributable costs will be recognised under the relevant department.

## 4 ASSETS BY DEPARTMENT

DKK '000	Guarantee Fund, total	Banking department	Mortgage credit institution department	Investment company department	Winding up department
<b>Contributions from members</b>					
Contributions paid at 1 Jan 2011	684,971	680,000	2,500	2,471	0
Adjustments for the year	(680,000)	(680,000)	0	0	0
<b>Balance at 31 Dec 2011</b>	<b>4,971</b>	<b>0</b>	<b>2,500</b>	<b>2,471</b>	<b>0</b>
Guarantees provided at 1 Jan 2011	5,609,912	2,385,000	7,500	7,412	3,210,000
Adjustments for the year	(498,000)	(498,000)	-	-	-
<b>Balance at 31 Dec 2011</b>	<b>5,111,912</b>	<b>1,887,000</b>	<b>7,500</b>	<b>7,412</b>	<b>3,210,000</b>
<b>Total contributions at 31 Dec 2011</b>	<b>5,116,883</b>	<b>1,887,000</b>	<b>10,000</b>	<b>9,883</b>	<b>3,210,000</b>
<b>Accumulated profit/(loss) before recognition of expected dividend:</b>					
Balance at 1 Jan 2011	118,594	115,181	1,318	2,576	(481)
Adjustments for the year	680,000	680,000			
Profit for the year	500,665	498,283	27	38	2,317
<b>Balance at 31 Dec 2011</b>	<b>1,299,259</b>	<b>1,293,464</b>	<b>1,345</b>	<b>2,614</b>	<b>1,836</b>
<b>Expected dividend, estates in bankruptcy</b>	<b>450,000</b>	<b>450,000</b>			
<b>Total assets of the Guarantee Fund/ departments</b>	<b>6,866,142</b>	<b>3,630,464</b>	<b>11,345</b>	<b>12,497</b>	<b>3,211,836</b>

The current guarantee from the institutions is stated at the nominal value both under assets and under liabilities.

## 5 EXPECTED DIVIDEND, ESTATE IN BANKRUPTCY

The estate in bankruptcy of Capinordic Bank is recognised at an estimated value of DKK 450 million.

## 6 CONTINGENT LIABILITIES

The Guarantee Fund has provided a loss guarantee to Finansiell Stabilitet A/S with respect to the winding up of Amagerbanken af 2011 A/S, Fjordbank Mors af 2011 A/S and Max Bank af 2011 A/S.

## STATEMENT BY MANAGEMENT

The Board of Directors has today considered and adopted the financial statements for 2011 of the Guarantee Fund for Depositors and Investors.

The financial statements are prepared in accordance with the Act on a Guarantee Fund for Depositors and Investors and the executive order issued in pursuance thereof.

In our opinion, the financial statements give a true and fair view of the Guarantee Fund's assets, liabilities and financial position at 31 December 2011 and of the results of the Guarantee Fund's operations for the financial year 1 January - 31 December 2011.

Furthermore, in our opinion, the management's review includes a fair review of the development and performance of the business and the financial performance of the Guarantee Fund, the results for the year and of the financial position of the Guarantee Fund.

Moreover, in our opinion, the transactions performed by the Guarantee Fund which are comprised by the financial statements are in accordance with laws and other regulations and with agreements concluded and normal practice.

Copenhagen, 19 March 2012

### BOARD OF DIRECTORS

Charlotte Møller  
*Chairman*

Ulrik Rammeskov Bang-Pedersen  
*Deputy Chairman*

Jørgen A. Horwitz

Klaus Willerslev-Olsen

Ane Arnth Jensen

Claus N. Sørensen

Morten Bruun Pedersen

Tine Roed

# THE ENGAGED INTERNAL AUDITORS' REPORT

## TO THE BOARD OF DIRECTORS OF THE GUARANTEE FUND FOR DEPOSITORS AND INVESTORS

### Report on the financial statements

We have audited the financial statements of Garantifonden for Indskydere og Investor for the financial year 1 January - 31 December 2011. The financial statements comprise accounting policies, income statement, statement of financial position and notes. The financial statements are prepared in accordance with the Danish Guarantee Fund for Depositors and Investors Act and related executive order.

### Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Guarantee Fund for Depositors and Investors Act and related executive order and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In addition, it is Management's responsibility to ensure that transactions comprised by the financial statements are in accordance with legislation and regulation as well as agreements entered into and common practice.

### Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, additional requirements under Danish audit regulation and generally accepted public auditing standards, cf. the Danish Auditor General's Act. This requires that we

comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to Garantifonden's preparation of financial statements that give a true and fair view 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 Garantifonden's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

Further, the audit comprises an assessment as to whether Garantifonden has established business procedures and internal control to ensure that the transactions comprised by the financial statements are in accordance with legislation and regulations, agreements entered into and common practice.

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

Our audit has not resulted in any qualification.

### Opinion

In our opinion, the financial statements give a true and fair view of Garantifonden's financial position at 31 December

2011 and of the results of its operations for the financial year 1 January - 31 December 2011 in accordance with the Danish Guarantee Fund for Depositors and Investors Act and related executive order.

Further, in our opinion, business procedures and internal control have been established to ensure that the transactions comprised by the financial statements are in

accordance with legislation and regulations, agreements entered into and common practice.

**Statement on the Management's review**

We have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 19 March 2012

**KPMG**

Statsautoriseret Revisionspartnerselskab

Lars Rhod Søndergaard  
*State Authorised Public Accountant*

Bent-Ole Byg  
*State Authorised Public Accountant*



# INDEPENDENT AUDITORS' REPORT

## TO THE BOARD OF GARANTIFONDEN FOR INDSKYDERE OG INVESTORER

### **Auditor's report on the financial statements**

We have audited the financial statements of Garantifonden for Indskydere og Investorer for the financial year 1 January - 31 December 2011. The financial statements include accounting practice, profit & loss statement, balance sheet, and notes. The financial statements have been prepared in accordance with law the Danish Guarantee Fund for Depositors and Investors Act and regulations.

### **Management's responsibility for the financial statements**

The management is responsible for preparing and presenting financial statements that give a true and fair view in accordance with law the Danish Guarantee Fund for Depositors and Investors Act and regulations. The management's responsibility also includes internal controls relevant to the preparation and fair presentation of financial statements and a management report free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Further, it is the responsibility of the management to ensure that the transactions included in the financial statements are consistent with appropriations granted, legislation, other rules and regulations, agreements made and common practice.

### **Auditor's responsibility and basis of opinion**

Our responsibility is to express an opinion on the financial statements based on our audit. We performed our audit in accordance with international auditing standards and additional requirements following from Danish audit

legislation, generally accepted public auditing standards cf. the Auditor General's Act. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit includes procedures to obtain audit evidence about the amounts and disclosures in the financial statements and management report. The procedures selected depend on the auditor's judgment, including assessment of the risk of material misstatement in the financial statements, whether due to fraud or error. In making the risk assessment, the auditor considers internal controls relevant to the preparation and fair presentation of the financial statements by Garantifonden for Indskydere og Investorer and to the preparation of a fair management report. The objective is to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of Garantifonden for Indskydere og Investorer internal controls. An audit also includes evaluating the appropriateness of the accounting policies applied by management and the reasonableness of the accounting estimates made as well as evaluating the overall presentation of the financial statements and management report.

Moreover, the audit includes evaluating whether the business procedures and internal controls established support the consistency of the transactions included in the financial statements with the appropriations granted, legislation, other rules and regulations, contracts made and common practice.

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

Our audit did not result in any qualification.

**Opinion**

In our opinion the financial statements give a true and fair view of Garantifonden for Indskydere og Investorer assets, liabilities and financial position as at 31 December 2011 and the result of Garantifonden for Indskydere og Investorer transactions for the fiscal year 1 January - 31 December 2011 in accordance with law the Danish

Guarantee Fund for Depositors and Investors Act and regulations. We are also of the opinion that the business procedures and internal controls established support the consistency of the transactions included in the financial statements with the appropriations granted, legislation, other rules and regulations, agreements made and common practice.

Copenhagen, 19 March 2012

**RIGSREVISIONEN**

Annie Nørskov  
*The Auditor General*

Tina M. Laigaard  
*Head of Office*