

H1 2020 Interim Report



H1 2020 highlights

PROFIT BEFORE TAX

DKK 92.6m

Net profit amounts to DKK 84.7m and provides a 5.2% return on opening equity.

CORE EARNINGS

Up 16%

The satisfactory development from 2019 has continued in H1 2020.

TRANSLATION AND MARKET VALUE ADJUSTMENTS

Negative by DKK 30.4m

The uncertainty arising from COVID-19 has had an adverse effect – particularly in Q1 2020 – on the financial markets and has widened the credit spread for mortgage credit bonds. The situation on the financial markets has generally stabilised in Q2 2020.

LEVEL OF COSTS

Down by close on 2%

Staff costs and administrative expenses and amortisation, depreciation and impairment losses on assets have gone down by a total of DKK 6.1m to DKK 380.9m.

TOTAL CREDITS ARRANGED

Up 8%

Total credits arranged in the form of loans and advances and mortgage loans arranged for private and corporate customers have increased to DKK 54.0bn.

IMPAIRMENT LOSSES ON LOANS AND ADVANCES ETC

Total DKK 112.8m

In H1 2020, management add-ons have increased to a total of DKK 161.4m at 30 June 2020, which is equivalent to around 1.4% of Sparekassen's loans and advances.

CAPITAL RATIO

Gone up to 20.4%

Most satisfactorily, Sparekassen's capital ratio has gone up in H1 2020.

EARNINGS EXPECTATIONS MAINTAINED AT THE LEVEL OF

DKK 170-210m

Despite the uncertain economic situation, Sparekassen expects to realise a pre-tax profit ranging between DKK 170m and DKK 210m.

EXECUTION OF THE FINANCIAL TARGETS IN

NEW WAYS

In spite of difficult market conditions, developments in core earnings are reflecting the results of the execution of the strategic plan "New Ways". Sparekassen maintains full focus on delivering on all four financial targets in the strategic plan "New Ways" before the end of 2021.

Contents

2 Management commentary

H1 2020 highlights	page	2
Management commentary	page	4
Outlook for 2020	page	4
Key figures	page	5
Financial ratios	page	6
Core earnings	page	7
The Supervisory Diamond	page	8
Financial review of the Group	page	9
NEW WAYS		
– Sparekassen’s 2021 strategy project1	page	13
Capital structure and liquidity of the Group	page	15
Credit quality categories and sector breakdown	page	17
Financial review of the Parent	page	18

Cover photo: The Sparekassen Sjælland-Fyn Group’s head office in Holbæk.

19 Interim financial statements

Statement by Management on the Interim Report	page	20
Income statement	page	21
Statement of comprehensive income	page	21
Balance sheet at 30 June 2020	page	22
Statement of changes in equity	page	23
Cash flow statement	page	25
Notes	side	26
Parent	page	40

This Interim Report has been prepared in Danish and English, with the Danish version being valid in the event of any inconsistencies.

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Management commentary

Despite COVID-19 and serious financial market unrest particularly in Q1 2020, a net profit of DKK 84.7m has been realised for the period, which is considered satisfactory in view of the extraordinary circumstances seen in H1 2020.

This satisfaction is highly attributable to core earnings and business developments in general making headway. In H1 2020, core earnings have gone up by 16% because of increases in income, and, overall, staff costs and administrative expenses, amortisation, depreciation and impairment losses on assets have decreased. Both factors are a result of a determined execution of the New Ways strategy, which now shows that Sparekassen has been successful in bringing core earnings to a higher level. These determined efforts of optimising both income and expenses will continue in the quarters ahead. Except for IT, most expense items have seen a decline during the period.

Total credits arranged have gone up by 8% to stand at DKK 54.0bn and proves that Sparekassen is winning market shares. This goes for more business from existing private and corporate customers as well as a very satisfactory development in the inflow of customers. Another reason for this development is the determined work on the strategy laid down, under which Sparekassen has succeeded in, for example, streamlining decision-making processes and customer solutions by developing IT solutions and by trimming down the organisation.

The total business volume per employee has grown significantly during the period, and expectations are that this development will improve further.

Despite the deterioration in market conditions since the strategy was launched in November 2017, the aim is still that the financial targets announced will be achieved by the end of the strategy period. Sparekassen still has some initiatives that will be launched in H2 2020 and that will stimulate core earnings even further.

The profit for the period reflects a DKK 130.1m increase in management add-ons on impairment losses to meet potential losses on loans and advances resulting from COVID-19, which brings total management provisions to DKK 161.4m, or approximately 1.4% of Sparekassen's loans and advances. Add-ons we consider both robust and appropriately prudent given the uncertainty that is still characterising economic developments in Denmark.

Ordinary losses and impairment losses for the period constitute an income of around DKK 3m, and no significant losses on or defaults by corporate customers were recorded at 30 June 2020 as a result of the lockdown of the country.

As is evident from page 17 of the financial statements, the share of weak customers (2c and OEI customers) has declined once again. This bears witness of a generally strong credit portfolio. Sparekassen is heavily exposed to businesses where COVID-19 has so far only had little impact – these are farms and crafts firms.

Sparekassen does not have any seriously weak exposures to other more vulnerable sectors such as aviation, hotels and transport.

Society is now opening up again, and there is quite optimism to find in the consumer spending figures. Yet, uncertainty remains high, also with respect to the impact on employment and the business sector when the government aid packages expire. The next two or three quarters are expected to bring more clarity about the economic effects of COVID-19. It is our perception that Sparekassen's customers are generally well placed financially despite the COVID-19 situation.

Sparekassen has strong capital resources, and not least the capital ratios have seen a heavy increase compared to the same period last year. Combined with the cessation of the countercyclical buffer, this has resulted in an increase in Sparekassen's excess capital adequacy.

Because of COVID-19, Sparekassen closed all of its branches in mid-March to protect both staff and customers against the danger of being infected. 75% of the staff began to work from home at short notice, and this has worked well without any problems worth mentioning. Here, we would like to say a huge thank you to our IT centre, Bankdata, but particularly to our staff and the union representatives who together have displayed an extraordinary team spirit.

This has enabled us to service our many customers digitally and over the phone.

Unchanged earnings expectations for 2020 – because of increases in core earnings

In the light of the macroeconomic uncertainty caused by COVID-19, including declining prices, a widened credit spread for mortgage credit bonds and the expected increase in impairment losses and the related increase in management add-ons, the pre-tax earnings expectations for the year were adjusted downwards in company announcement no 13/2020 of 22 April 2020 to a pre-tax profit ranging between DKK 170m and DKK 210m.

Because of the continuously strong core earnings – and despite the heavy management add-ons also in Q2 2020 – we maintain the earnings expectations announced of a pre-tax profit between DKK 170m and DKK 210m.

Lars Petersson
Chief Executive Officer

Bruno Riis-Nielsen
Executive Officer
of the Savings Bank

Lars Bolding
Executive Officer
of the Savings Bank

Financial highlights

Sparekassen Sjælland-Fyn A/S Group

Amounts in DKK'm	30.06 2020	30.06 2019	Index ¹	Year-end 2019
Income statement items				
Interest income calculated under the effective interest method	275	275	100	552
Other interest income	26	29	93	64
Interest expenses	31	25	126	51
Net interest income	271	278	97	565
Dividends on shares	29	24	121	25
Fees and commission income	300	264	114	541
Fees and commission expenses paid	8	9	83	18
Net interest and fee income	592	557	106	1.113
Translation and market value adjustments	-30	-25	121	-44
Other operating income	9	18	53	27
Staff costs and administrative expenses	356	354	101	726
Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment	25	33	75	85
Other operating expenses	11	7	160	19
Impairment losses on loans and advances etc	113	11	-	17
Investments in associates and group enterprises	26	0	-	2
Profit for the period before tax	93	145	64	252
Income tax	8	19	41	25
Profit for the period after tax	85	126	67	227
Profit allocated to shareholders	73	114	64	202

Sparekassen Sjælland-Fyn A/S Group

Amounts in DKK'm	30.06 2020	30.06 2019	Index ¹	Year-end 2019
Balance sheet items				
Loans and advances etc	11,807	12,369	95	12,217
Deposits	19,423	18,343	106	18,700
Deposits in pooled plans	1,853	1,596	116	1,771
Total deposits	21,276	19,940	107	20,470
Subordinated loan capital	674	604	112	673
Equity	3,250	3,148	103	3,237
Capital resources	3,316	3,148	105	3,480
Total business volume (loans, advances and guarantees)	39,473	38,116	104	39,425
Total credits arranged	54,013	50,170	108	52,278
Custody accounts	10,372	10,267	101	10,555

¹ Index: 30 June 2020 relative to 30 June 2019

Amounts in DKK'm	30.06.2020	Year-end 2019	30.06.2019
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Developments in Sparekassen's business areas

Loans and advances etc, Sparekassen	11,807	12,217	12,369
Totalkredit	31,128	29,811	28,323
DLR	11,078	10,250	9,478
Guarantees (exclusive of loss guarantees for mortgage loans)	3,671	4,173	3,366
Deposits	19,423	18,700	18,343
Deposits in pooled plans	1,853	1,771	1,596
Custody accounts	10,372	10,555	10,267
Total	89,332	87,477	83,742
Average headcount (full-time employees on average)	561	587	606
Per employee	159	149	138

Financial ratios

Sparekassen Sjælland-Fyn A/S Group

	30.06 2020	30.06 2019	Index ¹	31.12 2019
Financial ratios				
Capital ratio ²	20.4	16.7	122	20.1
Core capital ratio ²	16.9	13.9	122	16.2
Common equity tier 1 capital ratio ²	14.6	11.9	123	14.0
Excess capital adequacy in percentage points ²	10.5	7.1	148	10.6
Return on equity before tax (for the period)	2.9	4.7	62	8.0
Return on equity after tax (for the period)	2.6	4.0	65	7.2
Income/cost ratio DKK	1.18	1.36	87	1.30
Income/cost ratio according to NEW WAYS	1.54	1.46	105	1.37
Rate of cost	65.1	68.3	95	72.8
Interest rate risk relative to core capital net of deductions	0.2	1.4	14	0.2
Currency position relative to core capital net of deductions	1.2	0.5	240	0.6
Currency risk relative to core capital net of deductions	0.0	0.0	100	0.0
Loans and advances relative to equity	3.6	3.9	92	3.8
Loans and advances plus loan impairment losses relative to deposits	58.4	66.0	88	62.9
Growth in loans and advances for the period	-3.4	1.6	-213	0.4
Impairment ratio for the period	0.5	0.1	500	0.1
Accumulated impairment ratio	3.7	4.5	82	3.7
Zero interest loans and advances relative to total loans and advances	0.7	0.7	100	0.6
Liquidity benchmark (new benchmark)	454.2	325.0	140	383.0
Liquidity, LOR	411.1	230.0	179	335.0
Total large exposures (new benchmark)	82.1	84.0	98	76.5
Return on invested capital	0.3	0.5	60	0.9
Earnings per share (DKK) ³	4.2	6.6	64	11.7
Dividend per share (DKK)	0.0	0.0	100	3.0
Book value per share (DKK)	165.8	159.3	104	164.7
Price/earnings per share ³	20.0	14.5	138	7.7
Price/equity per share ⁴	0.5	0.6	83	0.5
Price at period-end (DKK)	83.6	94.8	88	89.6
Average headcount (full-time employees on average) ⁵	561	606	93	587
Average headcount (converted into full-time employees at year-end) ⁵	559	598	93	561

¹ Index: 30 June 2020 relative to 30 June 2019.

² 30 June 2020 and 30 June 2019 amounts have been calculated exclusive of profit for the period.

³ Calculated based on the average number of shares during the period.

⁴ Calculated based on the number of outstanding shares at the end of the period.

⁵ Engaged in financial business.

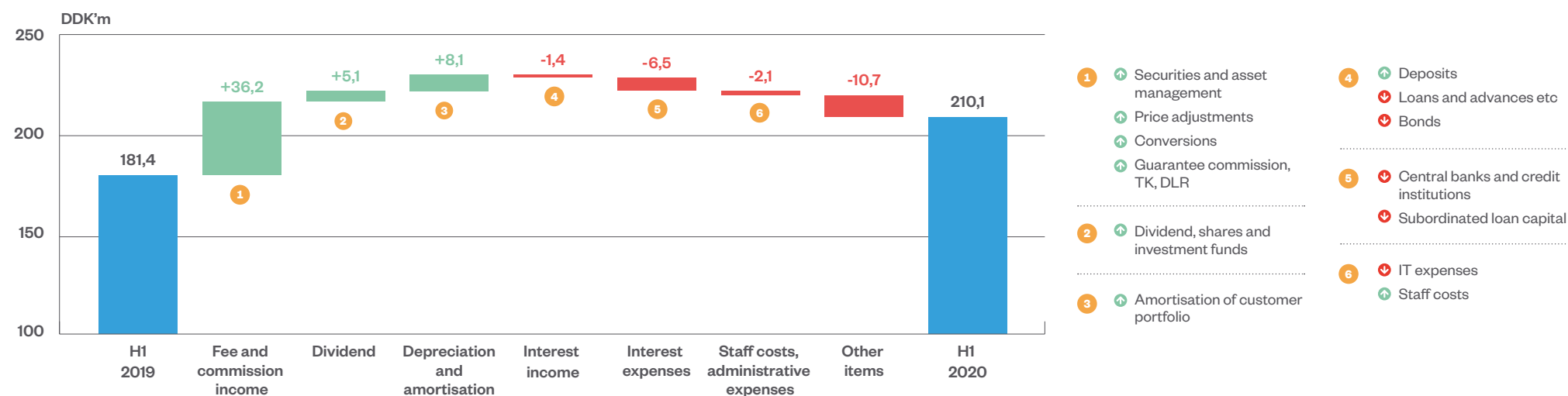
Core earnings, deposits, loan and advances and business volume

Sparekassen Sjælland-Fyn A/S Group

Amounts in DKK'm	Q2 2020	Q1 2020	Q4 2019 ¹	Q3 2019	Q2. 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Core earnings									
Net interest income	132,4	138,2	140,2	146,1	141,2	137,2	142,3	133,1	136,4
Dividends on shares	17,0	12,0	-	1,0	20,6	3,3	0,8	2,3	16,1
Fees and commission income	134,9	165,4	147,4	129,8	126,5	137,6	114,7	106,9	114,0
Fees and commission income paid	3,6	4,0	4,8	3,8	4,2	4,9	5,2	4,5	4,2
Other operating income	4,1	5,2	4,6	5,3	8,7	8,8	3,4	4,9	3,6
Other operating expenses	5,0	5,6	8,7	4,0	3,1	3,4	7,2	3,8	4,1
Core income	279,8	311,2	278,7	274,4	289,7	278,6	248,8	238,9	261,8
Staff costs and administrative expenses	178,0	178,3	194,2	177,3	179,6	174,5	199,7	184,3	186,5
Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment	12,9	11,7	28,2 ¹	24,4	16,5	16,3	11,4	10,9	15,8
Core earnings	88,9	121,2	56,3	72,7	93,6	87,8	37,7	43,7	59,5

¹ Q4 2019 core earnings are affected by non-recurring expenses in the form of the residual write-off of the customer portfolio acquired in 2011 in connection with the acquisition of the healthy part of Max Bank A/S. In Q4 2019, a residual amount of DKK 21.6m was written off. If adjusted for this amount, core earnings for Q4 2019 would stand at DKK 77.9m.

Development in core earnings





The Supervisory Diamond

Sparekassen respects all thresholds for the benchmarks of the Danish FSA's risk management tool, "the Supervisory Diamond"; the Supervisory Diamond lays down risk-based benchmarks for five specific areas that credit institutions must comply with.

The five benchmarks and the current calculations are:

Benchmark	Threshold	Group at 30.06.2020	Group at 30.06.2019
The total of large exposures as a percentage of common equity tier 1 capital	<175 %	82.1 %	84.0 %
Loan growth per annum	<20 %	-4.5 %	2.7 %
Property exposure of loans advances and guarantees	<25 %	10.8 %	12.1 %
Liquidity benchmark	>100 %	454.2 %	325.0 %
Funding ratio loans and advances/working capital less bonds with a term to maturity of less than one year	<1.00	0.47 %	0.52 %

For all five benchmarks, Sparekassen has an internal objective that is below the Supervisory Diamond thresholds.

The latest benchmark of the Supervisory Diamond is the total of large exposures which for Sparekassen reflects the amount of the 20 largest exposures as a percentage of common equity tier 1 capital. For this benchmark, Sparekassen has set an internal threshold of 125% which is much lower than the Supervisory Diamond threshold of 175%.

The internal objectives and the controlled management of developments in the five Supervisory Diamond benchmarks entail that Sparekassen does not expect to have any difficulties in respecting the thresholds of the Supervisory Diamond in future either.

Financial review of the Group

H1 2020 Income statement Income

Net interest income

Net interest income has decreased by DKK 7.9m and amounts to DKK 270.6m against DKK 278.5m in the same period last year.

Total interest income has seen a marginal decline of DKK 1.4m and amounts to DKK 301.9m.

Generally, interest income is still marked by the low interest rate environment, low demand for loans and advances, and fierce competition, causing interest income from loans and advances to go down by DKK 17.1m, or 6%. Interest income from customer deposits, however, has seen an increase of DKK 17.8m. Interest income on bonds has decreased by DKK 8.0m to DKK 14.5m, which is attributable to a lower average direct interest rate on the bond portfolio. Also, the major loan conversation activity in the housing area has a positive impact since arbitrage premiums from interest rate contracts have gone up by DKK 5.6m. Because of the continuously low interest rate levels and the increasing imbalances between deposits and loans and advances, the deposit rate was adjusted from 1 July 2020 for private households having a NemKonto account with Sparekassen. Following this, each customer can only have up to DKK 250,000 deposited with Sparekassen without having to pay interest at the annual rate of 0.6%. This step combined with other initiatives is

intended to support the future development in interest income.

Total interest expenses have gone up by DKK 6.5m to DKK 31.3m. This development has primarily been caused by an increase in the average portfolio of certificates of deposit with Danmarks Nationalbank by slightly over DKK 1.0bn. The interest expense for placing surplus liquidity with Danmarks Nationalbank and credit institutions has gone up by DKK 3.6m on H1 2019. Moreover, interest expenses on subordinated loan capital has increased by DKK 3.5m.

Dividends on shares
DKK 29.0m in dividends was received in H1 2020 compared to DKK 23.9m in the same period last year. Most of these dividends arise from the sector companies co-owned by Sparekassen and from shares held in an investment fund which invests in corporate bonds.

Fees and commission income

Sparekassen's fees and commission income are developing highly satisfactorily and have gone up by DKK 36.2m to DKK 300.3m by the end of H1 2020. This is a 14% increase and attributable to generally heavy business activity, for example, in the housing area where many mortgage loans are still being arranged through the business partners Totalkredit and DLR Kredit in connection with re-mortgaging and house transactions. Also, activities in the asset management area are healthy, and a continued

effect is seen of the price adjustments made for payment of the services provided by Sparekassen.

Translation and market value adjustments

Total translation and market value adjustments are negative by DKK 30.4m whereas in the same period last year they were negative by DKK 25.2m. This development is primarily attributable to market value adjustments of bonds which were negative by DKK 27.6m for the period under review as opposed to a negative DKK 21.8m for the same period last year. Particularly in the last half of Q1 2020, the financial markets have generally been affected by the macro-economic uncertainty caused by the entire COVID-19 situation, including declining prices and a widened credit spread for mortgage credit bonds. The situation on the financial markets has generally stabilised in Q2 2020. Market value adjustments of shares stand at DKK 1.8m compared to DKK 9.5m last year. The development is a combination of increases in the price of shares in Lollands Bank A/S and in Sparekassen's portfolio of sector shares as well as a fall in the price of Sparekassen's shares held in an investment fund. The latter two have also been heavily affected by payments of dividend.

The market value adjustment of shares includes a DKK 6.8m adjustment of the shares in Lollands Bank A/S. From the date when Sparekassen gained an equity interest of over 20% as well as significant influence, the revaluation to

equity value has been recognised as a profit from investments in associates and group enterprises.

Translation and market value adjustments of investment property, foreign currencies and other financial instruments total a negative DKK 4.7m against a negative DKK 12.9m last year.

Other operating income

Other operating income primarily consists of rent from the property portfolio and profits from the sale of depreciated operating equipment. The line item stands at DKK 9.3m against DKK 17.5m for the same period last year. The primary reasons for this development are declining rental income as a result of a smaller property portfolio and the fact that, in H1 2019, the line item was positively affected by non-recurring items.

Staff costs and administrative expenses

Staff costs and administrative expenses amount to DKK 356.3m, reflecting a small increase of DKK 2.1m on the same period last year. Staff and management costs have seen a decline by slightly over 3% to DKK 224.2m. Other administrative expenses, however, have gone up by DKK 9.5m to DKK 132.1m. This increase in other administrative expenses is primarily related to the rise in IT expenses for Sparekassen's IT centre, Bankdata.

Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment

Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment have decreased by DKK 8.2m. The primary reason for this is the residual write-off at year-end 2019 of the customer portfolio acquired in 2011 in connection with the acquisition of the healthy part of Max Bank A/S. Moreover, assets acquired in connection with branches established in prior years are now beginning to be fully written off.

In aggregate, staff costs and administrative expenses and amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment have gone down by just under 2% to stand at DKK 380.9m.

Impairment losses on loans and advances etc

In H1 2020, impairment losses on loans and advances etc total DKK 112.8m, which is an increase of DKK 101.7m compared to the same period last year. The increase is attributable to the uncertainty related to the COVID-19 situation which has caused Sparekassen to make considerable management add-ons in both Q1 and Q2 2020. In Q1 and Q2, management add-ons have been increased by a net amount of DKK 77.9m and DKK 38.2m, respectively, causing them to total DKK 161.4m, or approximately 1.4% of Sparekassen's loans and advances, at 30 June 2020.

Exclusive of management add-ons, the impairment losses line item for H1 2020 reflects a reversal of around DKK 3m.

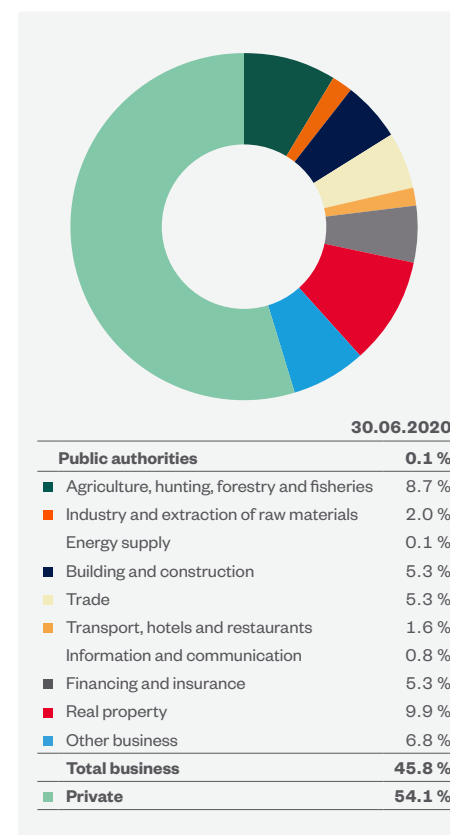
The economic impact of COVID-19 and the stepwise reopening of society are currently subject to considerable uncertainty. The government aid packages to the business sector and pay earners will expire regularly, and already now there are cutbacks and layoffs in Danish businesses. However, Sparekassen has not recorded any significant losses directly related to the COVID-19 situation, although it does not expect the financial impact of COVID-19 to be seen until in the quarters ahead.

The initial assessment is that - despite the stepwise reopening of Denmark - certain types of businesses in particular will suffer from the financial impact of the COVID-19 situation. However, in the little longer run private customers and other businesses too may have a higher or lower risk of experiencing adverse financial consequences. Sparekassen's exposures to corporate customers stand at 45.8% and at 54.1% to private customers.

The industries hit the hardest are still estimated to be the retail industry, the entertainment industry, including hotels and restaurants, and some parts of the transport industry. Sparekassen's exposure to the sectors considered hit the hardest financially is relatively little. Exposures to the retail industry thus stand at 5.3% at the end of H1 2020, and exposures to the transport industry, hotels and restaurants are 1.6%.

Exposures to the agricultural sector come to 8.7%. Overall, the Danish agricultural sector is not considered to be seriously affected by the COVID-19 outbreak. Agricultural products can still be sold and generally at fairly reasonable prices.

Exposures to the real estate sector stand at 9.9%. Sparekassen's property financing portfolio is primarily related to residential rental properties and not so much to commercial properties. Currently, residential properties are not deemed to be much affected by the situation whereas commercial properties may be affected sooner and more.



Lending to construction and craft industries is part of Sparekassen's history as there are several small and medium-sized construction and craft firms in Sparekassen's primary market areas. Sparekassen estimates that, currently, COVID-19 only has little impact on these industries, and in some areas the level of activities is actually increasing. Also, these industries are favoured by the bring forward of public capital expenditure.

Since the lockdown of large parts of Denmark in March, Sparekassen has proactively reached out to many of our customers – particularly corporate customers – who have been affected by financial uncertainty due to COVID-19 for the purpose of providing advice and any credit facilities to the extent possible.

All of the above factors are a key element in the parameters used in determining the management add-ons at 30 June 2020. Sparekassen therefore believes that, for now, the management add-ons reflect a conservative approach to financial developments in the quarters ahead and that the increased credit risk arising from the COVID-19 situation has been hedged using the best add-ons possible. However, it should be emphasised that, considering the situation, these add-ons are subject to considerable uncertainty.

Profit/loss from investments in associates and group enterprises

Profit/loss from investments in associates and group enterprises has increased by DKK 25.3m to DKK 25.6m. This increase is primarily a result of the recognition of the revaluation of DKK 24.0m arising from the shares acquired in Lollands Bank A/S. From the date when

Sparekassen gained an equity interest of over 20% as well as significant influence, the revaluation to equity value has been recognised as a profit from investments in associates and group enterprises.

Profit for the period

Despite the large provisions for potential future losses caused by COVID-19, a pre-tax profit of DKK 92.6m has been realised. Net profit for the period reached DKK 84.7m against DKK 126.0m for the same period in 2019. DKK 12.1m of the profit for the period is allocated to interest on hybrid core capital. At the same time last year, this line item also stood at DKK 12.1m. So the shareholders' share of profit for the period amounts to DKK 72.6m against DKK 113.9m for the same period last year.

Balance sheet

Below, key balance sheet items along with balance sheet items subject to considerable development are described.

Assets

Cash and demand deposits with central banks

The line item primarily consists of Sparekassen's balance on the current account with Danmarks Nationalbank, where Sparekassen has been given a limit of DKK 340m.

Amounts owed by credit institutions and central banks/bonds

Sparekassen has a large deposit surplus which exclusive of deposits in pooled plans has gone up by DKK 1.1bn on the balance at 30 June 2019 and amounts to DKK 7.6bn at the balance sheet date. Sparekassen regularly evaluates the best placement of these funds. Since Sparekassen

Total credits arranged

	H1 2020 DKK'm	H1 2019 DKK'm	2019 DKK'm	2018 DKK'm	2017 DKK'm	2016 DKK'm
Loans and advances etc, Pparekassen	11,807	12,369	12,217	12,174	11,681	10,474
Totalkredit	31,128	28,323	29,811	27,229	25,336	24,293
DLR	11,078	9,478	10,250	9,001	7,857	6,927
Total	54,013	50,170	52,278	48,404	44,874	41,694

can only place DKK 340m on the current account with Danmarks Nationalbank, the primary placement channels are mortgage credit bonds, treasury bills, and certificates of deposit with Danmarks Nationalbank. Sparekassen pays interest of 0.60% per annum (from 1 January to 20 March 2020: 0.75% per annum) when the liquidity is placed in certificates of deposit issued by Danmarks Nationalbank whereas when liquidity is placed in mortgage credit bonds this typically yields a positive albeit small interest. But, conversely, the latter also involves an interest rate or price risk. So, at 30 June 2020, amounts owed by credit institutions and central banks stand at approximately DKK 2.4bn against DKK 1.0bn at the end of the same period last year whereas the bond portfolio inclusive of treasury bills stands at DKK 8.1bn compared to DKK 7.3bn.

Loans and advances etc

The balance of loans and advances has gone down by DKK 562m on the balance at 30 June 2019 and totals DKK 11.8bn. Demand generally remains low, and competition on funding by credit institutions is fierce. However, the development in loans and advances etc on the balance sheet should be seen in conjunc-

tion with recent years' favourable economic climate in the real estate market, entailing that an increasing portion of the customers' total mortgage debts may be financed by means of mortgage loans. Mortgage loans arranged by Sparekassen have risen by over DKK 4.4bn since 30 June 2019, refer to the table above. Also, loans and advances to businesses are affected by the postponement of payment of VAT and income tax.

Shares

The total portfolio of shares has decreased by DKK 343m to DKK 532m. This portfolio is almost entirely made up of shares in sector companies such as DLR Kredit, BI Holding and PRAS, which help support Sparekassen's business activities and earnings. Moreover, Sparekassen has held shares in investment funds which invest in corporate bonds and also held a small portfolio of Danish listed shares. Over the past 12 months, Sparekassen has reduced its portfolio of shares in investment funds significantly, which is the reason for the development in the balance sheet item.

Sparekassen's is keeping its market risk at a moderate level, and the policy is to continue to do so.

By combining historical figures on the correlation between asset classes in the financial markets with Sparekassen's current positions in its securities portfolio, the Value-at-Risk model can – with a 99% probability – estimate the statistical maximum risk of losses over the next 10-day period, assuming that all positions remain unchanged over that period. On the day in H1 2020 when the total VaR figure was at its highest, it was DKK 42.2m, equalling a risk of around 1.3% of equity.

Land and buildings

Land and buildings come to DKK 445.3m compared to DKK 534.3m at 30 June 2019. This line item has declined because leases have been terminated and investment properties and owner-occupied properties have been sold.

Equity and liabilities

Deposits

The deposits balance exclusive of deposits in pooled plans stands at DKK 19.4bn at the balance sheet date compared to DKK 18.3bn at the same date in 2019, equal to an increase of 6%. This development in the deposits balance is attributable to the ongoing general propensity to save witnessed in society. Like most other credit institutions, Sparekassen has introduced negative deposit rates. The negative deposit rates for corporate customers were introduced in 2019, and effective from mid-January 2020 such rates have also been charged on pension funds and on private customers not having a NemKonto account with Sparekassen. Because

of the continuously low interest rate levels and the increasing imbalances between deposits and loans and advances, the deposit rate was adjusted from 1 July 2020 also for private households having a NemKonto account with Sparekassen. Following this, each customer can only have up to DKK 250,000 deposited with Sparekassen without having to pay interest at the annual rate of 0.6%. Sparekassen is actively and regularly monitoring the market situation with regard to deposits from both corporate customers and private households.

Deposits in pooled plans

Deposits in pooled plans have increased by 16% on the same date in 2019 so as to stand at DKK 1.85bn at 30 June 2020. Aside from the inflow of new customers, the increase may to some degree probably be explained by the continuously low interest rate levels, for which reason customers are turning their eye to alternatives other than placement in traditional deposit accounts.

Subordinated loan capital

Subordinated loan capital amounts to DKK 674.1m compared to DKK 604.1m at the same date last year. Capital transactions are made on a regular basis in Sparekassen's process of optimising its capital structure. Since 30 June 2019, Sparekassen has obtained subordinated loan capital once, totalling DKK 152m, and repaid DKK 82m worth of subordinated capital. The new capital has been obtained to carry interest at the rate of 4.45% per annum, whereas on the capital repaid the rate was 7.81% per annum.

According to company announcement no 16/2020 of 15 June 2020, Sparekassen has terminated DKK 105m worth of subordinated

loan capital that was repayable on 17 July 2020. Consequently, the loan capital issued is not included in the calculation of capital resources at 30 June 2020.

Equity

Equity amounts to DKK 3,250.4m at the balance sheet date against DKK 3,148.4m in the same date last year. The increase in equity is broadly attributable to the profit for the period, reduced by dividend paid and interest paid on hybrid capital.

Financial review for Q2 2020

Net interest income is down DKK 8.9m to DKK 132.4m. Interest income totals DKK 147.7m for Q2 2020 against DKK 153.8m for the same period last year. Interest income from loans and advances is still affected by generally low interest rate levels, low demand and fierce competition and has decreased by DKK 10.8m. Interest income from the bond portfolio has gone down by DKK 4.6m. On the positive side is interest income from deposits which is up DKK 8.4m. Interest expenses have gone up by DKK 2.9m, primarily because of a larger portfolio of certificates of deposits with Danmarks Nationalbank and higher increased expenses on subordinated loan capital. The latter interest expenses will, all things being equal, decline in Q3 2020 since DKK 105m worth of subordinated loan capital carrying a nominal annual interest rate of 7.66% was repaid on 17 July 2020.

Fees and commission income total DKK 134.9m, which is DKK 8.4m up on Q2 2019. This increase is primarily a result of the increase in the volume of mortgage loans arranged and more activity in the asset management area. Also, the effect is recorded of recent years' price adjustments

made for payment of the services provided by Sparekassen.

Translation and market value adjustments are negative by DKK 5.8m, and in Q2 2019 they were negative by DKK 24.0m. This development primarily results from the bond portfolio where Sparekassen experienced higher negative price adjustments of bonds in Q2 2019 than in the same period in 2020.

The line items of staff costs and administrative expenses and amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment have gone down by a total of DKK 5.3m on Q2 2019. Overall, staff costs and depreciation of assets have gone down whereas IT expenses for the IT centre Bankdata are up.

Impairment losses on loans and advances stand at DKK 38.9m in Q2 2020 compared to DKK 2.3m in Q2 2019. The increase is attributable to management add-ons having been increased due to the uncertainty caused by the COVID-19 situation. Exclusive of management add-ons, the impairment ratio for Q2 2020 would have been at a level lower than DKK 1m.

Pre-tax profit for Q2 2020 then stands at DKK 45.8m against DKK 66.8m for Q2 2019. Net profit for the period amounts to DKK 41.0m against DKK 54.7m for the same period in 2019.

“New Ways” – Sparekassen’s 2021 strategic plan

In company announcement no 18 of 6 November 2017, Sparekassen introduced its strategic plan "New Ways". The plan contains seven strategic paths and four financial targets to be executed by the end of 2021.



1 Increased efficiency

Staff costs and administrative expenses and business volume (deposits, loans and advances and guarantees), with business volume being calculated as a simple average of opening and closing amounts for the financial period. In interim statements, the ratio is annualised. The ratio is calculated in per cent.

It is Sparekassen’s objective to have the development in efficiency reduce the ratio to 1.75% by the end of 2021 at the latest. This is equivalent to an efficiency improvement of 15%, which in an arithmetical example is equal to DKK 100m using 30 September 2017 figures. To make sure that this target for the ratio is met by the end of 2021, Sparekassen has set up an internal dedicated unit with relevant competencies to focus on efficiency improvements, not least by using new and improved IT solutions.

The calculated ratio at 31 December 2017 is 2,11 %
The calculated ratio at 31 December 2018 is 2,09 %
The calculated ratio at 31 December 2019 is 1.90%
The calculated ratio at 30 June 2020 is 1,81 %

2 Solid profitability

This financial ratio reflects the net profit amount relative to equity.

Equity is calculated as a simple average of opening and closing amounts for the financial period. In interim statements, the ratio is annualised. The ratio is calculated in per cent.

The calculated ratio at 31 December 2017 is 9.5%
The calculated ratio at 30 December 2018 is 7.2%
The calculated ratio at 31 December 2019 is 7.2%
The calculated ratio at 30 Junen 2020 is 5,2 %

3 High income/cost ratio

This financial ratio reflects the income/cost ratio DKK but exclusive of the effect of impairment losses and translation and market value adjustments. The financial ratio reflects how much income in DKK can be calculated per DKK unit of cost.

It is Sparekassen’s objective to optimise the income/cost ratio DKK in the strategy period. Realising the objective will lead to a substantial improvement of ordinary profit before impairment losses and translation and market value adjustments.

The ambitious objective will be attempted to be realised through a combination of the following elements:

- 1) Strong focus on efficiency measures so as to be able to handle more business with the same amount or a reduced amount of resources.
- 2) Tight cost control to utilise the savings potential, including savings through branch network optimisations and administrative efficiency improvements.
- 3) Optimisation of the earnings potential of business activities. Some initiatives have already been identified and are being implemented.
- 4) Increase in income arising from expected growth in total business volume as a result of a much stronger distribution power.

The calculated ratio at 31 December 2017 is DKK 1.34
The calculated ratio at 31 December 2018 is DKK 1.25
The calculated ratio at 31 December 2019 is DKK 1.37
The calculated ratio at 30 June 2020 is 1,54 kr.

4 A strong foundation

This financial ratio reflects the amount of common equity tier 1 capital and capital resources, respectively, relative to risk-weighted items.

The calculations are evident from the financial statements and are stated in per cent.

Calculated ratio at	Common equity tier 1 capital	Capital ratios
31.12.2017	10.7 %	16.3 %
31.12.2018	13.0 %	17.7 %
31.12.2019	14.0 %	20.1 %
30.06.2020	14.6 %	20.4 %

The seven paths

The strategic plan, "New Ways", has seven strategic focus areas



Path 4 We need to train to create more business

Sparekassen must be best at driving a large network of branches, and a precondition for this is that we become better at developing sales through natural upselling of services and products. Sparekassen's three business divisions – private customers, corporate customers and asset management – must be better at working together on the individual customers. Focus on asset management must be intensified. Sparekassen intends to invest massively in sales training and management training so as to develop skills in both advisers and managers.



Path 1 Our object must be the driving force for our growth

Sparekassen must be known and recognised for its object. We must be recognised as an engine in our local communities. This means that we must be known as the financial institution that drives local communities, links businesses with each other and backs both private customers and corporate customers. At the same time, we must be known as the financial sector's local and digital alternative to the large national banks.



Path 5 We need to optimise our systems and processes

Sparekassen's internal processes and procedures need to be optimised. In the years ahead, Sparekassen must grow without costs growing equally. By 2021, we must be able to run a large business with relatively lower costs than today. This means that Sparekassen must be able to use its systems better and reduce time consumption on administrative tasks. The purpose of all optimising efforts must be that each adviser will have more time for dialogue with customers. The optimising efforts will lead to changes in both branches and staff functions. This will entail the introduction of new ways of doing tasks and that some employees will see a change in their job description.



Path 2 We must increase the inflow of small and medium-sized corporate customers

Sparekassen must be strengthened as a savings bank for corporate customers. Based on the network of branches, the nine district centres and the two corporate customer centres, corporate business must contribute to joint developments towards 2021. The synergies between corporate customer, private customer and asset management areas must be strengthened. Sparekassen's trademark in the corporate customer and asset management areas must be improved further, and the corporate customer centres must also be enabled to better attract small and medium-sized enterprises, and the branches must have the conditions in place for entering into dialogue with crafts firms, retailers and other businesses.



Path 6 Our data must be used to improve business

Sparekassen must be better at harnessing digital opportunities and the vast quantities of data we have. This must put Sparekassen in a better position to support business and work life of managers and staff. New technological solutions must be implemented, and internal digital skills must be improved.



Path 3 We must realise the digital potential

Sparekassen's digital marketing and its digital path must be developed further. The digital savings bank must ensure that digital prospective customers and inquiries are guided all the way through to an adviser so as to reach more customers. Digital marketing is to be used to profile Sparekassen's values and efforts locally, including the efforts of the foundation, Sparekassen Sjælland Fonden. Customer dialogue through social media must be developed and optimised by building a customer-oriented model for profiling Sparekassen. Also, digital campaigns must be launched on social media such as Facebook, Twitter, LinkedIn, etc.



Path 7 Our organisation must be structured to strengthen growth of the branches

Sparekassen's staff functions must be structured to support the branch network as well as business in the private customer, corporate customer and asset management areas. Concurrently, the staff functions must ensure continued development of business and improvement of the head office throughout the strategy period.

Capital structure and liquidity of the Group

Capital structure

Sparekassen's risk exposures total DKK 16,248m against DKK 18,843m at 30 June 2019, which is a decrease of DKK 2,595m. Credit risk is down DKK 1,987m on 30 June 2019, which is ascribable to the bring forward of the commencement of the revised SME discount under CRR II and to a general decline in loans and advances, including a reduction in exposures associated with particularly high risk (150% weight). Market risk is down DKK 665m, which is attributable to changes in the composition of the portfolio of bonds. Operational risk, however, is up DKK 57m.

Credit risk and market risk have been determined using the standard method. Operational risk has been determined based on the basic indicator method.

At 30 June 2020, capital resources are DKK 168m larger than at 30 June 2019 and amounts to DKK 3,316m. The increase is primarily attributable to retained earnings and to a small rise in supplementary capital.

Sparekassen's capital ratio is then 20.4% against 16.7% at 30 June 2019. The core capital ratio has gone up by 3.0 percentage points on the same date last year and stands at 16.9% whereas the common equity tier 1 capital ratio is up 2.7 percentage points to 14.6%. The capital requirement has been calculated at 9.9%, leading to an excess capital adequacy ratio of 10.5

percentage points. In Danish kroner, this excess is equivalent to DKK 1,699m.

The combined buffer requirement has been calculated at 2.5 percentage points after the countercyclical capital buffer has been reset. This results in Sparekassen's excess capital adequacy ratio net of capital requirement and combined buffer requirement standing at 8.0 percentage points. In Danish kroner, this excess is equivalent to DKK 1,293m.

In the Q2 2020 statement of Sparekassen's capital requirement, a provision of DKK 63m has been made under credit risks to match the uncertainty related to COVID-19. Despite the increased management add-ons, the level of the amount is fairly similar to that for Q1 2020. Sparekassen estimates that, due to the COVID-19 situation, the quarters ahead are subject to considerable uncertainty.

Eligible liabilities

Financial sector regulation has implemented a requirement for financial institutions regarding the amount of on-balance sheet eligible liabilities. The requirement for eligible liabilities aims to ensure that financial institutions have sufficient eligible liabilities to enable the execution of an appropriate restructuring or resolution of a financial institution should it be failing or likely to fail.

The requirement for eligible liabilities can be met by capital instruments and debts that,

in the event of resolution or bankruptcy, may be written down or converted before unsecured claims and which also comply with the requirements for eligible liabilities. The total requirement for eligible liabilities is calculated as the total amount of the solvency needs, the combined buffer requirement (the countercyclical buffer and the capital conservation buffer) and an eligible liabilities add-on. The eligible liabilities add-on is composed of a loss absorption add-on and a recapitalisation amount.

The requirement for eligible liabilities will be phased in stepwise over a five-year period, starting 1 January 2019. Consequently, the requirement will take full effect from 1 July 2023.

It is the Danish Financial Supervisory Authority that lays the requirement for eligible liabilities for each financial institution. The requirement will be recalculated once a year and be determined relative to the financial institution's risk-weighted exposures.

Because of the resetting of the countercyclical capital buffer, Sparekassen has in March 2020 received the reassessed requirement for eligible liabilities based on the 2018 accounting figures, which are therefore currently applicable from 1 July 2023. At group level, the requirement for eligible liabilities has been calculated at 17.1% (equivalent to 12.9% of its total liabilities and capital resources). The requirement for the Parent is largely the same. With the current capital resources, Sparekassen complies

with the phased-in element of the calculated requirement for eligible liabilities with a margin of 6.3 percentage points at the end of Q2 2020. With the current capital resources, the fully phased-in requirement for eligible liabilities is met as well with a margin of 2.9 percentage points. With Sparekassen's current and expected development in its capital resources, the phase-in established and the development in risk-weighted exposures, we do not expect to face any challenges in meeting the requirement for eligible liabilities in future either. Sparekassen intends to regularly evaluate the opportunities for optimising the composition of the capital and liability instruments that meet the requirements for eligible liabilities.

Capital measure

Sparekassen's objective is to have a capital ratio surplus of at least 2.5 percentage points. This surplus should be viewed in relation to the total amount of (i) Pillar I requirements, (ii) Pillar II add-on (8+ add-on) and (iii) expected combined buffer requirement for each year (2.5% at 30 June 2020 as a result of the countercyclical capital buffer having been reset, and with a maximum of 5.0%). Another objective of Sparekassen is to have a common equity tier 1 capital ratio surplus of at least 2.5 percentage points. This surplus should be viewed in relation to the total amount of common equity tier 1 capital to meet (i) Pillar I requirements (at least 4.5%) and (ii) expected combined buffer requirement for each year (2.5% at 30 June 2020 as a result of the countercyclical capital

buffer having been reset, and with a maximum of 5.0%) as well as Pillar II requirements that are not covered by supplementary capital or hybrid core capital.

Sparekassen's capital measure, excess capital adequacy and capital plans in the short and long term are discussed and approved by the Board of Directors on a regular basis and at least once a year. According to Sparekassen's strategic plan, "New Ways", the long-term objective is for the common equity tier 1 capital ratio and the capital ratio to be at least 13.0% and 17.0%, respectively, by the end of 2021. This objective will be regularly evaluated in relation to new capital requirements implemented that were not known at the beginning of the strategy period. The Board of Directors intends to reconsider the objectives before the end of the strategy period

Liquidity

Overall, Sparekassen's business model dictates that deposits must fund loans and advances and that Sparekassen must not be dependent on external funding by way of market funding and transient deposits.

At the end of H1 2020, Sparekassen has a deposit surplus of DKK 7.6bn exclusive of deposits in pooled plans. Its deposits are primarily made by private customers and small business operators. There are no large single deposits of major significance or no deposits of significance from other financial services companies.

Deposits are also characterised by a large portion of them being covered by the Danish Deposit Guarantee Fund and therefore secured for the customer.



Based on the above and the continued stress testing of liquidity that is carried out, the current funding profile is regarded as being relatively stable and subject to low risk.

Liquidity Coverage Ratio (LCR)

At 30 June 2020, Sparekassen's LCR is 411% against the applicable statutory requirement of a minimum LCR of 100%. So the excess liquidity coverage ratio relative to the statutory requirement is 311 percentage points. With the current excess liquidity coverage, and even without regularly optimising the composition of liquid assets to improve the LCR, Sparekassen expects to have a solid excess cover for this liquidity requirement also in future.

Liquidity surplus according to the Supervisory Diamond benchmark

Sparekassen has a liquidity surplus that has been calculated at 454% under the Supervisory Diamond rules for the benchmark relative to a minimum surplus threshold of 100%. Consequently, Sparekassen continues to have a solid surplus.

Liquidity target

Sparekassen's liquidity target in the short and long term is to constantly have sufficient liquidity with comfortable excess cover in accordance with current liquidity requirements. A comfortable excess cover means a level in the range of 25 percentage points in accordance with the LCR requirement, which prescribes a liquidity coverage of 100% of net cash outflow covering a period of 30 days. The 25 percentage point excess cover is also the target for the liquidity benchmark of the Danish FSA Supervisory Diamond. Here the requirement is 100% as well. The internal liquidity management uses

higher requirements for excess covers, which gives a longer response time to handle liquidity transactions before there is a risk of exceeding the high excess cover requirements.

The level of excess liquidity coverage, the ratio of deposits to loans and advances (liquidity funding), and the composition and quality of placements of liquidity are monitored on an ongoing basis. Sparekassen's liquidity plans are updated and approved by the Board of Directors once a year.

Credit quality categories and sector breakdown

Loans, advances and guarantees net of impairment losses by credit quality category of the Danish FSA – the Sparekassen Sjælland-Fyn A/S (Group)

	H1 2020		2019		2018		2017		2016	
	DKK'm	%	DKK'm	%	DKK'm	%	DKK'm	%	DKK'm	%
3 / 2a – Loans, advances and guarantees with normal credit quality	10,396	57.1	10,768	56.8	10,249	58.5	9,965	59.0	9,011	59.2
2b – Loans, advances and guarantees with certain indications of weakness	6,266	34.4	6,424	33.9	4,942	28.2	4,174	24.7	2,850	18.7
2c – Loans, advances and guarantees with substantial weaknesses	940	5.2	1,058	5.6	1,143	6.5	1,389	8.2	1,434	9.4
1 – Loans, advances and guarantees with objective evidence of impairment	595	3.3	704	3.7	1,197	6.8	1,366	8.1	1,914	12.6
Total	18,197	100.0	18,954	100.0	17,531	100.0	16,894	100.0	15,209	100.0

Loans, advances and guarantee debtors by sector

	H1 2020	2019	2018
	%	%	%
Public authorities	0.1	0.4	0.8
Business			
Agriculture, hunting, forestry and fisheries	8.7	8.2	8.3
Industry and extraction of raw materials	2.0	2.1	2.0
Energy supply	0.1	0.1	0.0
Building and construction	5.3	5.3	5.0
Trade	5.3	5.8	5.8
Transport, hotels and restaurants	1.6	1.9	2.0
Information and communication	0.8	0.8	0.7
Financing and insurance	5.3	5.3	4.1
Real property	9.9	9.9	11.0
Other business	6.8	7.0	7.3
Total business	45.8	46.3	46.3
Private	54.1	53.3	52.9
Total	100.0	100.0	100.0

Financial review of the Parent

H1 2020

The profit or loss and the balance sheet of the Parent are to a great extent reflected in the consolidated financial statements as only a small portion of the Group's total business activities are carried on in the subsidiaries, for which reason reference is made to the financial review for the Group for supplementary information.

Most of the Group's property portfolio is held by the subsidiary, Ejendomselskabet Sjælland-Fyn A/S.

The first six months have seen improved earnings before translation and market value adjustments and impairment losses on loans and advances etc and profit/loss from investments in associates and group enterprises (core earnings) for the Parent, Sparekassen Sjælland-Fyn A/S.

Net interest and fee income has increased by DKK 34.6m to DKK 580.2m, or 6%. Fees and commission income are developing positively and have gone up by DKK 36.5m to DKK 300.8m at 30 June 2020. This is a 14% increase and attributable to generally heavy business activities, for example, in the housing area where many mortgage loans are being arranged through the business partners Totalkredit and DLR Kredit in connection with re-mortgaging and house transactions. Also, activities in the asset management area are healthy, and a continued effect is seen of the price adjustments made for payment of the services provided by Sparekassen.

Net interest income has decreased by DKK 8.5m and amounts to DKK 258.0m against DKK 266.5m in the same period last year.

Total interest income has seen a decline of DKK 2.5m and amounts to DKK 289.5m.

Generally, interest income is still marked by the low interest rate environment, low demand for loans and advances, and fierce competition, causing interest income from loans and advances to go down by DKK 18.1m. Interest income from customer deposits, however, has seen an increase of DKK 17.8m. Interest income on bonds has decreased by DKK 8.0m to DKK 14.5m, which is attributable to a lower average direct interest rate on the bond portfolio. Also, the major loan conversation activity in the housing area has a positive impact since arbitrage premiums from interest rate contracts have gone up by DKK 5.6m. Because of the continuously low interest rate levels and the increasing imbalances between deposits and loans and advances, the deposit rate was adjusted from 1 July 2020 for private households having a NemKonto account with Sparekassen. Following this, each customer can only have up to DKK 250,000 deposited with Sparekassen without having to pay interest at the annual rate of 0.6%. This step combined with other initiatives is intended to support the future development in interest income.

Total interest expenses have gone up by DKK 6.0m to DKK 31.5m. This development has primarily been caused by an increase in the average portfolio of certificates of deposit with

Danmarks Nationalbank by slightly over DKK 1.0bn. The interest expense for placing surplus liquidity with Danmarks Nationalbank and credit institutions has gone up by DKK 3.6m on H1 2019. Moreover, interest expenses on subordinated loan capital have increased by DKK 3.5m.

DKK 29.0m in dividends was received in H1 2020 compared to DKK 23.9m in the same period last year. Most of these dividends arise from the sector companies co-owned by Sparekassen and from shares held in an investment fund which invests in corporate bonds.

In aggregate, staff costs and administrative expenses and amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment have gone down by DKK 10.3m, or close on 3%. Overall, IT expenses have increased, whereas staff costs and amortisation of primarily intangible assets have decreased.

Total translation and market value adjustments are negative by DKK 21.8m whereas in the same period last year they were negative by DKK 20.5m. This development is primarily attributable to market value adjustments of bonds which were negative by DKK 27.7m for the period under review as opposed to a negative DKK 21.9m for the same period last year. Particularly in the last half of Q1 2020, the financial markets have generally been affected by the macroeconomic uncertainty caused by the entire COVID-19 situation, including declining prices and a widened credit spread for mortgage credit bonds. The situation on the financial markets has generally stabilised in Q2 2020.

Market value adjustments of shares stand at DKK 1.8m compared to DKK 9.5m last year. The development is a combination of increases in the price of shares in Lollands Bank A/S and in Sparekassen's portfolio of sector shares as well as a fall in the price of Sparekassen's shares held in an investment fund. The latter two have also been heavily affected by payments of dividend.

The market value adjustment of shares includes a DKK 6.8m adjustment of the shares in Lollands Bank A/S. From the date when Sparekassen gained an equity interest of over 20% as well as significant influence, the revaluation to equity value has been recognised as a profit from investments in associates and group enterprises.

Translation and market value adjustments of investment property, foreign currencies and other financial instruments total DKK 4.1m against a negative DKK 8.2m last year.

Impairment losses on loans and advances etc amount to DKK 114.1m, which is DKK 104.4m up on the balance at the same date last year. The main reason for the increase in management add-ons is the uncertainty that the COVID-19 situation has caused for Sparekassen's customers. Exclusive of this add-on, the line item would, all things being equal, have reflected a reversal of impairment losses.

Pre-tax profit then amounts to DKK 90.8m against DKK 142.4m at the same date last year, and net profit is DKK 84.7m against DKK 126.0m.

Interim financial statements

H1 2020

Statement by Management on the Interim Report

The Board of Directors and the Executive Board have today considered and approved the Interim Report of Sparekassen Sjælland-Fyn A/S for the period 1 January to 30 June 2020.

The Interim Report of the Group has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and Danish disclosure requirements for interim reports of listed financial companies. Sparekassen's

Interim Report and management commentary have been prepared in accordance with the Danish Financial Business Act. Furthermore, the Interim Report is presented in accordance with Danish disclosure requirements for interim reports of listed financial companies.

In our opinion, the Interim Report gives a true and fair view of the Group's and Sparekassen's financial position at 30 June 2020 and of their

financial performance and the consolidated cash flows for the period 1 January to 30 June 2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein, as well as a description of the most material risks and elements of uncertainty that may affect the Group and Sparekassen.

The Interim Report has not been audited or reviewed.

Holbæk, 11 August 2020

Executive Board

Lars Petersson
Chief Executive Officer

Bruno Riis-Nielsen
Officer of the Savings Bank

Lars Bolding
Officer of the Savings Bank

Board of Directors

Thomas Kullegaard
Chairman

Jakob Nørrekjær Andersson
Vice-Chairman

Bent Andersen

Erik Larsen

Otto Frederik Spliid

Kirsten Hede Nielsen

Per Olsen

Helle Lindhof Bjørnøe

Mads Wallin

Income statement

Sparekassen Sjælland-Fyn A/S Group					
Note	Amounts in DKK'000	H1 2020	H1 2019	Q2 2020	Q2 2019
4	Interest income calculated using the effective interest method	275,431	274,695	136,126	138,612
4	Other interest income	26,454	28,549	11,613	15,155
5	Interest expenses	31,264	24,748	15,363	12,485
	Net interest income	270,621	278,496	132,376	141,282
	Dividends on shares etc	28,994	23,940	17,007	20,609
6	Fees and commission income	300,328	264,123	134,881	126,472
	Fees and commission expenses	7,621	9,163	3,597	4,244
	Net interest and fee income	592,322	557,396	280,667	284,119
7	Market value adjustments	-30,393	-25,205	-5,829	-24,033
	Other operating income	9,281	17,518	4,077	8,721
8	Staff costs and administrative expenses	356,300	354,211	177,979	179,649
	Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment	24,624	32,788	12,879	16,477
	Other operating expenses	10,527	6,593	4,953	3,164
9	Impairment losses on loans and advances etc	112,760	11,108	38,860	2,307
	Profit/loss on investments in associates and group enterprises	25,584	254	1,512	-454
	Profit before tax	92,583	145,263	45,756	66,756
	Income tax	7,887	19,234	4,772	12,017
	Profit after tax	84,696	126,029	40,984	54,739
	Earnings per share				
	Earnings per share (DKK)	4.2	6.6	2.0	2.8
	Diluted earnings per share (DKK)	4.2	6.6	2.0	2.8
	Distributed as follows:				
	Retained earnings (profit allocated to shareholders)	72,553	113,892	34,926	48,637
	Interest, hybrid core capital	12,143	12,137	6,058	6,102
	Total	84,696	126,029	40,984	54,739

Statement of comprehensive income

Sparekassen Sjælland-Fyn A/S Group					
Note	Amounts in DKK'000	H1 2020	H1 2019	Q2 2020	Q2 2019
	Profit for the period	84,696	126,029	40,984	54,739
	Other comprehensive income that may not be reclassified to profit or loss				
	Fair value adjustment of properties	-1,480	0	0	0
	Tax related to fair value adjustment of properties	1	0	0	0
	Other comprehensive income that may be reclassified to profit or loss				
	Fair value adjustment of financial instruments entered into to hedge future cash flows ¹				
	- Value adjustment for the year	22	-283	-99	-189
	- Tax on other comprehensive income	-5	62	22	41
	Total other comprehensive income	-1,462	-221	-77	-148
	Total comprehensive income	83,235	125,808	40,907	54,591

¹ The fair value adjustment concerns a jointly controlled enterprise.

Balance sheet at 30 June

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	30.06.2020	31.12.2019	30.06.2019
Assets				
	Cash and balances on demand at central banks	439,367	441,069	409,977
	Amounts owed by credit institutions and central banks	2,390,944	2,540,933	973,696
	Loans and other amounts owed at amortised cost	11,806,846	12,217,237	12,368,930
	Bonds at fair value	8,090,089	6,591,480	7,287,537
	Shares etc	532,273	693,719	875,009
	Investments in associates	184,053	46,709	72,326
	Assets related to pooled plans	1,852,522	1,770,777	1,596,475
	Intangible assets	91,287	91,323	119,029
10	Total land and buildings	445,313	473,832	534,285
	<i>Investment property</i>	153,383	157,465	192,105
	<i>Owner-occupied property</i>	291,930	316,367	342,180
	Other property, plant and equipment	34,568	34,151	46,535
	Current tax assets	12,144	0	2,965
	Deferred tax assets	161,024	163,753	163,029
	Other assets	228,681	226,864	286,415
	Prepayments	68,161	66,722	72,430
	Total assets	26,337,272	25,358,569	24,808,638

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	30.06.2020	31.12.2019	30.06.2019
Equity and liabilities				
Liabilities other than provisions				
	Amounts owed to credit institutions and central banks	693,555	525,436	601,590
	Deposits and other debt	19,423,403	18,699,583	18,343,050
	Deposits in pooled plans	1,852,522	1,770,777	1,596,475
	Current tax liabilities	0	3,601	0
	Other liabilities	306,439	339,667	405,472
	Deferred income	37,707	32,800	33,785
	Total liabilities other than provisions	22,313,626	21,371,864	20,980,372
Provisions				
	Provisions for losses on guarantees etc	77,830	64,795	65,569
	Other provisions	21,322	11,416	10,255
	Total provisions	99,152	76,211	75,824
11	Subordinated loan capital	674,092	673,141	604,090
Equity				
12	Share capital	173,750	173,750	173,750
	Revaluation reserves	1,407	2,886	2,882
	Undistributable savings bank reserve, other reserves	561,378	561,378	561,378
	Retained earnings	2,134,032	2,113,447	2,030,513
	Total equity exclusive of hybrid core capital	2,870,568	2,851,461	2,768,523
	Hybrid core capital	379,835	385,892	379,829
	Total equity	3,250,402	3,237,353	3,148,352
	Total equity and liabilities	26,337,272	25,358,569	24,808,638

15 Contingent liabilities and assets

Statement of changes in equity

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	Share capital	Revaluation reserves	Undistributable savings bank reserve	Reserve for value adjustment of hedging instrument ¹	Dividend	Retained earnings	Total equity exclusive of hybrid core capital	Hybrid core capital	Total equity
	Equity at 1.1.2020	173,750	2,886	561,378	-240	52,125	2,061,564	2,851,461	385,892	3,237,353
	Profit for the period	0	0	0	0	0	72,553	72,553	12,143	84,696
	Other comprehensive income									
	Fair value adjustment of owner-occupied property	0	-1,480	0	0	0	0	-1,480	0	-1,480
	Fair value adjustment of financial instruments entered into to hedge future cash flows:									
	Value adjustment for the period	0	0	0	22	0	0	22	0	22
	Tax on other comprehensive income	0	1	0	-5	0	0	-4	0	-4
	Total other comprehensive income	0	-1,479	0	18	0	0	-1,462	0	-1,462
	Comprehensive income for the period	0	-1,479	0	18	0	72,553	71,092	12,143	83,235
	Purchase of treasury shares	0	0	0	0	0	0	0	0	0
	Sale of treasury shares	0	0	0	0	0	0	0	0	0
	Dividends paid	0	0	0	0	-52,125	138	-51,987	0	-51,987
	Interest paid on hybrid core capital	0	0	0	0	0	0	0	-18,200	-18,200
	Equity at 30.06.2020	173,750	1,407	561,378	-223	0	2,134,256	2,870,567	379,835	3,250,402

¹ Reserve for værdiregulering af sikringsinstrument vedrører fællesledet virksomhed.

Statement of changes in equity

Sparekassen Sjælland-Fyn A/S Group										
Note	Amounts in DKK'000	Share capital	Revaluation reserves	Undistributable savings bank reserve	Reserve for value adjustment of hedging instrument ¹	Dividend	Retained earnings	Total equity exclusive of hybrid core capital	Hybrid core capital	Total equity
	Equity at 1.1.2019	173,750	2,882	561,378	-177	43,437	1,916,152	2,697,420	385,892	3,083,312
	Profit for the period	0	0	0	0	0	113,892	113,892	12,137	126,029
	Other comprehensive income									
	Fair value adjustment of owner-occupied property	0	0	0	0	0	0	0	0	0
	Fair value adjustment of financial instruments entered into to hedge future cash flows:									
	Value adjustment for the period	0	0	0	-283	0	0	-283	0	-283
	Tax on other comprehensive income	0	0	0	62	0	0	62	0	62
	Total other comprehensive income	0	0	0	-221	0	0	-221	0	-221
	Comprehensive income for the period	0	0	0	-221	0	113,892	113,671	12,137	125,808
	Purchase of treasury shares	0	0	0	0	0	-5,743	-5,743	0	-5,743
	Sale of treasury shares	0	0	0	0	0	6,590	6,590	0	6,590
	Dividends paid	0	0	0	0	-43,437	23	-43,414	0	-43,414
	Interest paid on hybrid core capital	0	0	0	0	0	0	0	-18,200	-18,200
	Equity at 30.06.2019	173,750	2,882	561,378	-398	0	2,030,913	2,768,523	379,829	3,148,352

¹ Reserve for værdiregulering af sikringsinstrument vedrører fællesledet virksomhed.

Cash flow statement

Sparekassen Sjælland-Fyn A/S Group			
Note	Amounts in DKK'000	H1 2020	H1 2019
	Comprehensive income for the period	83,235	125,808
	Adjustment for amounts without cash flow effect		
	Market value adjustment, shares	-1,845	-9,521
	Market value adjustment, bonds	27,573	21,825
	Impairment losses on loans and advances etc	112,760	11,108
	Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment	24,624	31,567
	Prepayments (net)	2,237	-265
	Provisions	22,941	4,217
	Value adjustments of investment property	8,562	4,642
	Deferred income tax	7,887	-19,234
	Adjustment for amounts with cash flow effect		
	Income tax paid	-16,024	5,786
	Cash flows from ordinary operating activities	271,950	175,933
	Working capital changes		
	Credit institutions	168,119	176,399
	Loans and advances adjusted for impairment losses etc for the period	296,347	-206,218
	Other assets and liabilities (net)	-62,040	8,536
	Shares etc	163,291	-64,181
	Bonds at fair value	-1,526,182	-688,479
	Deposits and other debt	723,820	120,101
	Total working capital changes	-236,645	-653,842
	Cash flows from operating activities	35,305	-477,909

Sparekassen Sjælland-Fyn A/S Group			
Note	Amounts in DKK'000	H1 2020	H1 2019
	Investing activities		
	Additions, investments in associate	-111,760	0
	Purchase of intangible assets	-5,566	-4,721
	Purchase of property, plant and equipment	-42,174	-78,890
	Sale of property, plant and equipment	42,691	35,232
	Cash flows from investing activities	-116,809	-48,379
	Financing activities		
	Bonds issued	0	150,000
	Additions from share issue	0	847
	Treasury shares etc	-18,200	-18,200
	Interest paid on hybrid core capital	-51,987	-43,414
	Cash flows from financing activities	-70,187	89,233
	Increase/decrease in cash	-151,692	-437,055
	Cash and cash equivalents at beginning of year	2,982,002	1,820,728
	Cash and cash equivalents at end of year	2,830,311	1,383,673
	Cash and cash equivalents		
	Cash and balances on demand at central banks	439,367	409,977
	Amounts owed by credit institutions and central banks	2,390,944	973,696
	Cash and cash equivalents at end of year	2,830,311	1,383,673

Notes

Sparekassen Sjælland-Fyn A/S Group				
Note	Amounts in DKK'm	H1 2020	H1 2019	Financial year 2019
1	Financial highlights			
	Principal items of income statement			
	Net interest income	271	278	565
	Net interest and fee income	592	557	1,113
	Market value adjustments	-30	-25	-44
	Staff costs and administrative expenses	356	354	726
	Amortisation, depreciation and impairment losses on assets	25	33	85
	Impairment losses on loans and advances etc	113	11	17
	Profit on investments in associates and group enterprises	26	0	2
	Income tax	8	19	25
	Profit for the period	85	126	227
	Principal items of balance sheet			
	Loans and advances	11,807	12,369	12,217
	Securities portfolio	8,622	8,163	7,285
	Deposits including pooled deposits	21,276	19,940	20,470
	Subordinated loan capital	674	604	673
	Equity	3,250	3,148	3,237
	Total assets	26,337	24,809	25,359

Sparekassen Sjælland-Fyn A/S Group				
Note	Amounts in DKK'm	H1 2020	H1 2019	Financial year 2019
	Financial ratios			
	Capital ratio ⁵	20.4	16.7	20.1
	Core capital ratio ⁵	16.9	13.9	16.2
	Return on equity before tax	2.9	4.7	8.0
	Return on equity after tax	2.6	4.0	7.2
	Operating income over operating expenses	1.18	1.36	1.30
	Interest rate risk relative to core capital net of deductions	0.2	1.4	0.2
	Currency position relative to core capital net of deductions	1.2	0.5	0.6
	Currency risk relative to core capital net of deductions	0.0	0.0	0.0
	Loans and advances plus loan impairment losses relative to deposits	58.4	66.0	62.9
	Loans and advances relative to equity	3.6	3.9	3.8
	Growth in loans and advances for the period	-3.4	1.6	0.4
	Liquidity, LCR	411	230	335
	Total large exposures (<175 %)	82.1	82.7	76.5
	Impairment ratio for the period	0.5	0.1	0.1
	Accumulated impairment ratio ¹	3.7	4.5	3.7
	Return on capital employed	0.3	0.5	0.9
	Earnings per share (DKK) ³	4.2	6.6	11.7
	Dividend per share (DKK)	0.0	0.0	3.0
	Book value per share (DKK) ²	165.8	159.3	164.7
	Price/earnings per share ³	20.0	14.5	7.7
	Price/equity per share ²	0.5	0.6	0.5
	Share price at end of period	83.6	94.8	89.6
	Staff			
	Average number of employees for the period converted into full-time employees ³	561	606	587

1 The ratio does not include discount. Please refer to note 9 for a specification of total impairment losses, provisions and discounts.

2 Calculated based on the number of outstanding shares at the end of the period.

3 Calculated based on the average number of shares during the period.

4 Engaged in financial business.

5 30 June 2020 and 30 June 2019 amounts have been calculated exclusive of profit for the period.

Notes

2 Summary of significant accounting policies

The Interim Report for H1 2020 has been presented in accordance with IAS 34. The presentation of interim financial statements is consistent with EU provisions and additional Danish disclosure requirements for interim reports of listed financial companies. Applying ISA 34 entails that presentation is more limited than in a complete annual report and that the measurement principles of the International Financial Reporting Standards (IFRS) have been used.

The accounting policies remain unchanged with respect to those applied in the presentation of the consolidated financial statements for 2019.

Sparekassen's 2019 Annual Report and other reports on capital requirement, statutory report on corporate social responsibility etc can be found on this website: www.spks.dk/om/regnskab

3 Significant accounting judgements and estimates, assumptions and uncertainties

Measuring certain assets and liabilities is subject to management estimates of how future events affect the value of such assets and liabilities. Estimates, which are significant to the presentation of financial statements, are made, for example, when determining write-downs on impaired loans and advances, and provisions. The estimates used are based on assumptions which are considered reasonable by Management, but which are inherently uncertain.

The most significant estimates made by Management in using the Group's accounting policies and the related key sources of estimation uncertainty are the same used in the preparation of the interim financial statements for the year as those used to prepare the consolidated financial statements for 2019.

Notes

		Sparekassen Sjælland-Fyn A/S Group	
Note	Amounts in DKK'000	H1 2020	H1 2019
4	Interest income		
	Credit institutions and central banks	348	388
	Loans and advances and other amounts owed	252,292	269,350
	Negative interest income on credit institutions and central banks	22,537	4,723
	Bonds	14,475	22,443
	Total derivatives	11,979	6,106
	Thereof: - Interest rate contracts	12,478	6,898
	- Foreign exchange contracts	-499	-790
	Other interest income	254	234
	Total interest income	301,885	303,244
5	Interest expenses		
	Credit institutions and central banks	287	294
	Negative interest expenses on deposits and other debt	6,642	3,035
	Deposits and other debt	5,602	6,130
	Subordinated loan capital	18,021	14,536
	Other interest expenses	712	753
	Total interest expenses	31,264	24,748
6	Fees and commission income		
	Securities trading and custody accounts	43,778	30,303
	Payment services	27,809	30,302
	Loan fees	27,923	22,352
	Guarantee commission	97,909	89,778
	Custody services	28,485	29,030
	Other fees and commissions	74,424	62,358
	Total fees and commission income	300,328	264,123

		Sparekassen Sjælland-Fyn A/S Group	
Note	Amounts in DKK'000	H1 2020	H1 2019
7	Market value adjustments		
	Bonds	-27,573	-21,825
	Shares	1,845	9,521
	Investment property	-9,352	-4,597
	Foreign exchange	5,111	4,428
	Currency, interest rate, share, commodity and other contracts and derivatives	-424	-12,732
	Assets related to pooled plans	-108,822	109,268
	Deposits in pooled plans	108,822	-109,268
	Total market value adjustments	-30,393	-25,205
8	Staff costs and administrative expenses		
	Remuneration of the Board of Directors and Executive Board		
	Board of Directors and Executive Board	8,488	6,866
	Total	8,488	6,866
	Staff costs		
	Wages and salaries	169,270	176,462
	Pension contributions	18,609	19,422
	Social security expenses	27,800	28,825
	Total staff costs	215,679	224,709
	Other administrative expenses	132,133	122,636
	Total staff costs and administrative expenses	356,300	354,211

¹ The number of members of the Executive Board was increased from two to three effective from 1 April 2019.

Notes

Note	Amounts in DKK'000	Sparekassen Sjælland-Fyn A/S Group	
		30.06.2020	30.06.2019
9	Impairment losses on loans and advances and other receivables and provisions for guarantees and undrawn credit facilities (impairment account)		
	Stage 1 impairment		
	Balance of stage 1 impairment losses at beginning of period	56,035	59,013
	New impairment losses (net)	68,586	3,651
	Balance of stage 1 impairment losses at end of period	124,621	62,664
	- Of which amounts owed by credit institutions and central banks	1	1
	Stage 2 impairment		
	Balance of stage 2 impairment losses at beginning of period	109,573	106,153
	New impairment losses (net)	14,852	-14,128
	Balance of stage 2 impairment losses at end of period	124,425	92,025
	- Of which amounts owed by credit institutions and central banks	341	267
	Stage 3 impairment		
	Balance of stage 3 impairment losses at beginning of period	491,878	848,954
	New impairment losses (net)	8,743	25,672
	Other changes	12,200	15,200
	Previously written down, now finally written off	145,503	248,031
	Balance of stage 3 impairment losses at end of period	367,318	641,795
	- Of which amounts owed by credit institutions and central banks	0	0

Note	Amounts in DKK'000	Sparekassen Sjælland-Fyn A/S Group	
		30.06.2020	30.06.2019
9	Impairment losses on loans and advances and other receivables and provisions for guarantees and undrawn credit facilities (impairment account) (continued)		
	Provisions losses for guarantees and undrawn credit facilities		
	Balance of provisions at beginning of year	73,252	67,183
	New provisions (net)	24,002	5,995
	Previously provided for, now finally written off	0	719
	Balance of provisions at end of period	97,254	72,459
	Total		
	Balance of impairment losses/provisions at beginning of period	730,738	1,081,302
	Impairment losses/provisions for the period (net)	116,183	21,190
	Other changes	12,200	15,200
	Finally written off, previously written down/provided for	145,503	248,750
	Balance of impairment losses/provisions at end of period	713,618	868,942
	Impairment losses/provisions for the period (net)	116,183	21,189
	Written off, not previously written down/provided for	10,123	3,142
	Recovery of claims previously written off	13,546	13,223
	Total recognised in the income statement	112,760	11,108

Notes

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	30.06.2020	31.12.2019	30.06.2019
10 Land and buildings				
Investment property				
Fair value at beginning of period		157,465	158,728	158,728
Additions		31,392	93,652	72,751
Disposals		26,912	85,380	34,732
Fair value adjustments for the period		-8,562	-9,535	-4,642
Fair value at end of period		153,383	157,465	192,105
Rental income		6,036	16,202	8,080
Operating expenses		3,803	4,314	1,858
Thereof, operating expenses recognised for investment property not having generated rental income for the year		812	1,047	544

	Quoted prices	Observable input	Non-observable input	Total
Fair value hierarchy for investment property				
Group at 30.06.2020	0	0	153,383	153,383
Group at 31.12.2019	0	0	157,465	157,465
Group at 30.06.2019	0	0	192,105	192,105

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	30.06.2020	31.12.2019	30.06.2019
10 Land and buildings (continued)				
Owner-occupied property				
Cost at beginning of period		293,735	337,803	337,803
Additions		2,714	6,326	0
Disposals		19,167	50,394	0
Cost at end of period		277,282	293,735	337,803
Accumulated depreciation/impairment losses at beginning of period		43,114	71,997	71,997
Depreciation for the period		205	411	213
Impairment losses for the period		1,308	800	500
Disposals for the period		4,867	30,094	0
Accumulated depreciation/impairment losses at end of period		39,760	43,114	72,710
Accumulated revaluation at beginning of period		2,926	2,926	2,926
Additions for the period		0	0	0
Disposals for the period		1,479	0	0
Accumulated revaluation at end of period		1,447	2,926	2,926
Revalued amount at end of period		238,969	253,547	268,019
If no revaluation had been made, the carrying amount of owner-occupied property would have been:		237,522	250,621	265,093

External experts have been involved in the valuation of owner-occupied property. Impairment losses for the year result from normal value adjustment arising from revaluation.

Notes

Note	Amounts in DKK'000	Quoted prices	Observable input	Non-observable input	Total
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10 Land and buildings (continued)

Fair value hierarchy for owner-occupied property

Group at 30.06.2020	0	0	238,969	238,969
Group at 31.12.2019	0	0	253,547	253,547
Group at 30.06.2019	0	0	268,019	268,019

Investment properties and owner-occupied properties are measured at fair value/revalued amount calculated using a return-based model which is based on an estimate of prices per square metre and a required rate of return. A required rate of return ranging between 5.5% and 18.45% has been used in measuring properties located on Zealand and Funen and in Jutland (Q1 2019: 5.8% and 10.8%). An increase in the required rate of return would result in a decline in the property's fair value, whereas an increase in rent per square metre relative to the assumptions applied would result in an increase in the value of the property.

	30.06.2020	31.12.2019	30.06.2019
Owner-occupied property, revalued amount at period-end, see above	238,969	253,547	268,019
Owner-occupied property, leased assets	52,961	62,820	74,161
Total owner-occupied property, see balance sheet	291,930	316,367	342,180

Notes

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	Current interest rate	30.06.2020	31.12.2019	30.06.2019
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1.1 Subordinated loan capital

Supplementary capital

Floating interest rate, maturing July 2024, redeemable in 2019 ²⁾ , from 2019 to 2024, the interest rate will be 3 months CIBOR + 6,75% with quarterly adjustment,	7,81 % ¹⁾			82,000	
Floating interest rate, maturing July 2025, redeemable in 2020 ²⁾ , from 2020 to 2025, the interest rate will be 6 months CIBOR + 6,9% with half-yearly adjustment,	7,66 % ¹⁾	105,000	105,000	105,000	
Floating interest rate, maturing February 2027, redeemable in 2022, From 2022 to 2027, the interest rate will be 6 months CIBOR + 5,5% with half-yearly adjustment,	5,94 % ¹⁾	50,000	50,000	50,000	
Floating interest rate, maturing in December 2027, redeemable in 2022, from 2022 to 2027, the interest rate will be six months' CIBOR + 4,39% with half-yearly adjustment,	4,75 % ¹⁾	50,000	50,000	50,000	
Floating interest rate, maturing in June 2028, redeemable in 2023, from 2023 to 2028, the interest rate will be six months' CIBOR + 4,11% with half-yearly adjustment,	4,50 % ¹⁾	130,000	130,000	130,000	
Floating interest rate, maturing in November 2028, redeemable in 2023, from 2023 to 2028, the interest rate will be six months' CIBOR + 4,24% with half-yearly adjustment,	4,75 % ¹⁾	41,000	41,000	41,000	
Floating interest rate, maturing in June 2029, redeemable in 2024, from 2024 to 2029, the interest rate will be six months' CIBOR + 4,64% with half-yearly adjustment,	4,50 % ¹⁾	150,000	150,000	150,000	
Floating interest rate, maturing in December 2029, redeemable in 2024, from 2024 to 2029, the interest rate will be six months' CIBOR + 4,51% with half-yearly adjustment,	4,45 % ¹⁾	152,000	152,000		
Total supplementary capital		678,000	678,000	608,000	
Total hybrid capital		0	0	0	
Total subordinated loan capital		678,000	678,000	608,000	
Costs of establishment are charged to profit or loss over the expected term to maturity		3,908	4,859	3,910	
Total subordinated loan capital according to balance sheet		674,092	673,141	604,090	

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	Current interest rate	30.06.2020	31.12.2019	30.06.2019
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1.1 Subordinated loan capital (continued)

Hybrid capital reclassified to equity

Floating interest rate, perpetual, redeemable in 2022. From 2022, the interest rate will be six months' CIBOR + 6.39% with half-yearly adjustment.	6.75 % ¹⁾	55,000	55,000	55,000
Floating interest rate, perpetual, redeemable in 2023. From 2023, the interest rate will be six months' CIBOR + 6.11% with half-yearly adjustment.	6.50 % ¹⁾	280,000	280,000	280,000
Floating interest rate, perpetual, redeemable in 2023. From 2023, the interest rate will be six months' CIBOR + 5.74% with half-yearly adjustment.	6.25 % ¹⁾	41,000	41,000	41,000
Total hybrid capital, reclassified to equity		376,000	376,000	376,000
Subordinated loan capital included in the calculation of capital resources		1,049,700	1,049,141	830,825

1) Fixed interest rate for the first 5 years.

2) The issue may be used without restrictions to fulfil the capital requirement addition under the 8+ approach

The Sparekassen Sjælland-Fyn A/S Group

All of the capital issuances mentioned for Sparekassen are included the capital resources of both the Parent Sparekassen Sjælland-Fyn A/S and the Group.

Notes

Sparekassen Sjælland-Fyn A/S Group				
Note	Amounts in DKK'000	30.06.2020	31.12.2019	30.06.2019

11 Subordinated loan capital (continued)

Interest etc on subordinated loan capital

	30.06.2020	31.12.2019	30.06.2019
Interest (excluding interest on reclassified hybrid core capital recognised as equity)	18,021	29,730	14,536
Extraordinary repayments/redemptions/remortgaging	0	82,000	0
Expenses for raising subordinated loan capital	0	2,671	1,075
Expenses for redeeming subordinated loan capital	0	0	0

All of Sparekassen's capital issuances may be used to cover the capital requirements under the CRR/CRD IV rules. All capital not applied to cover the capital requirements of the CRR/CRD IV rules may be applied to fulfil the capital requirement addition under the 8+ approach.

Sparekassen Sjælland-Fyn A/S Group					
Note	Amounts in DKK'000	Number of shares		Nominal value (DKK'000)	
		30.06.2020	30.06.2019	30.06.2020	30.06.2019

12 Share capital

Share capital, Sparekassen Sjælland-Fyn A/S	17,374,973	17,374,973	173,750	173,750
Total	17,374,973	17,374,973	173,750	173,750

	Number of shares	Nominal value (DKK'000)	Participation %
Treasury shares			
Treasury shares at 31.12.2018	9,265	93	0.1
Purchased	62,969	630	0.4
Sold	72,000	720	0.4
Treasury shares at 30.06.2019	234	2	0.0
Treasury shares at 31.12.2019	58,989	590	0.3
Purchased	0	0	0.0
Sold	0	0	0.0
Treasury shares at 30.06.2020	58,989	590	0.3

Total purchase price DKK 0 (H1 2019: DDK 5,743k)

Total selling price DKK 0 (H1 2019: DDK 6,590k)

The share capital consists of 17,374,973 shares of a nominal value of DKK 10. The shares have been fully paid up. The shares have not been divided into classes and carry no special rights. Sparekassen's treasury share portfolio consists of 58,989 shares, corresponding to 0.3 % of the share capital. The shares were acquired as part of ordinary trading.

Sparekassen has been authorised by the general meeting to acquire treasury shares for up to 2% of the share capital.

Notes

Note	Amounts in DKK'000	Sparekassen Sjælland-Fyn A/S Group	
		30.06.2020	30.06.2019
12 Share capital (continued)			
Earnings per share			
Earnings of shareholders of the Parent Sparekassen Sjælland-Fyn A/S		72.553	113.892
Average number of shares		17.374.973	17.374.973
Average number of treasury shares		58.989	4.750
Average number of shares outstanding		17.315.984	17.370.224
Average dilution effect of outstanding share options		0	0
Average number of outstanding shares (diluted)		17.315.984	17.370.224
Earnings per share (DKK)		4.2	6.6
Diluted earnings per shares (DKK)		4.2	6.6

Note	Amounts in DKK'000	Sparekassen Sjælland-Fyn A/S Group		
		30.06.2020	31.12.2019	30.06.2019
13 Assets provided as collateral				
Bonds deposited with Danmarks Nationalbank, clearing centres etc		1,168,416	1,138,504	1,146,758
Cash deposited with credit institutions, CSA agreements		22,696	22,696	18,871
Loss limit towards the Danish Growth Fund		261	262	291
Total		1,191,373	1,161,462	1,165,920

Unencumbered deposited securities may be released at call.

14 Related party transactions

Sparekassen serves as bank to the Group's group enterprises, and intra-group transactions primarily comprise interest payments, settlement of rent and administration fee. All transactions have been conducted at arm's length.

There have been no unusual related party transactions in H1 2020.

Notes

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	30.06.2020	31.12.2019	30.06.2019
15	Contingent liabilities and assets			
	Financial guarantees	201,804	233,270	1,567,122
	Mortgage finance guarantees	2,719,505	2,564,684	2,442,157
	Registration and remortgaging guarantees	15,508	72,014	88,697
	Other contingent liabilities	3,453,465	3,867,787	1,710,059
	Total	6,390,282	6,737,755	5,808,035

Other contingent liabilities include performance guarantees and other contingent liabilities, including commitments towards the Danish Deposit Guarantee Fund (guarantee capital).

Sparekassen's participation in the data centre Bankdata implies that, in the event of withdrawal, it is obliged to pay a withdrawal compensation. Like other Danish financial institutions, Sparekassen is subject to the Danish Deposit Guarantee Fund and is so obliged, together with other financial institutions, to cover depositors' balances etc of up to EUR 100k with financial institutions in the process of liquidation or bankruptcy.

The Parent participates in a Danish joint taxation arrangement with its subsidiaries. According to the joint taxation provisions of the Danish Corporation Tax Act, Sparekassen is therefore liable for income taxes etc for the jointly taxed companies, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies. Together with Investeringselskabet Sjælland-Fyn A/S and Leasing Fyn Faaborg A/S, Sparekassen Sjælland-Fyn A/S is jointly registered for VAT and payroll tax.

Totalkredit loans arranged by the Group from 2007 are subject to an agreed right of set-off against future current commissions which Totalkredit may enforce if any losses are recorded on the loans arranged. Sparekassen does not expect that this right of set-off will have a material effect on its financial position.

Except for ordinary contracts of employment with its staff, Sparekassen does not have any other significant obligating arrangements. Due to its business activities, Sparekassen is or may be party to different lawsuits or disputes. Sparekassen assesses the risk in each case, and any necessary provisions are recorded under provisions.

No other contingent liabilities are estimated to exist that have not been recognised as relevant in the balance sheet.

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	30.06.2020	31.12.2019	30.06.2019
15	Contingent liabilities and assets (continued)			
	Contingent assets, group			
	Deferred tax assets, written down	78,294	85,264	99,608

Deferred tax assets have been partially written down as it is difficult to document with sufficient certainty that they can be used in full within the foreseeable future. Subsequent use of the written-down asset is not subject to any time limits.

Notes

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	30.06.2020	31.12.2019	30.06.2019
16 Capital resources¹				
Equity excluding hybrid core capital		2,870,568	2,851,461	2,768,523
Intangible assets		-91,287	-91,323	-119,029
Tax assets		-161,024	-163,753	-163,029
Proposed dividend		0	-52,125	0
Deduction, capital instruments exceeding 10%		-242,055	-209,744	-199,701
Other deductions etc		-5,616	96,634	-37,092
Common Equity Tier 1 capital		2,370,586	2,431,150	2,249,672
Hybrid core capital		376,000	376,000	376,000
Core capital (including hybrid core capital) net of primary deductions		2,746,586	2,807,150	2,625,672
Supplementary capital		569,092	673,141	522,090
Capital resources		3,315,678	3,480,291	3,147,762
Risk exposures				
Credit risk		13,318,231	14,374,537	15,305,389
Market risk		1,016,450	1,112,212	1,681,922
Operational risk		1,912,923	1,856,049	1,856,049
Total risk exposures		16,247,604	17,342,798	18,843,360
Capital ratio		20.4	20.1	16.7
Core capital ratio		16.9	16.2	13.9
Common Equity Tier 1 capital ratio		14.6	14.0	11.9
Capital resources, requirement under Section 124(2) of the Danish Financial Business Act		1,299,808	1,387,424	1,507,469

¹ Sparekassen's capital resources and capital ratios have been calculated inclusive of the transitional scheme and exclusive of net profit for the period ended 30 June 2020 and 30 June 2019.

Had net profit for the period been included in capital resources, the capital ratio, core capital ratio and common equity tier 1 capital ratio would have been 1.0 percentage point higher. Distribution of dividend in 2021 has been suspended. (30 June 2019: Capital ratio, core capital ratio and common equity tier 1 capital ratio 0.6 percentage point higher).

Sparekassen applies the transitional scheme in the implementation of IFRS 9. The statistical element and the dynamic element which both permit Sparekassen to phase in the negative consequences of IFRS 9 into capital resources for a specified period.

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	30.06.2020	31.12.2019	30.06.2019
16 Capital resources¹ (continued)				
Solvency capital elements calculated exclusive of transitional scheme²				
Common Equity Tier 1 capital		2,295,832	2,331,300	2,149,821
Core capital (including hybrid core capital) net of primary deductions		2,671,832	2,707,300	2,525,821
Capital resources		3,240,924	3,380,441	3,047,912
Total risk exposures		16,214,347	17,305,825	18,838,027
Capital ratio		20.0	19.5	16.2
Core capital ratio		16.5	15.6	13.4
Common Equity Tier 1 capital ratio		14.2	13.5	11.4

² Sparekassen's capital items have been calculated exclusive of the transitional scheme and net profit for the period ended 30 June 2020 and 30 June 2019.

Had net profit for the period been included in capital resources, the capital ratio, core capital ratio and common equity tier 1 capital ratio would have been 0.6 percentage point higher. (30 June 2019: Capital ratio, core capital ratio and common equity tier 1 capital ratio 0.6 percentage point higher).

Notes

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	Fair value	Amortised costs	Fair value	Amortised costs
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17 Financial assets and liabilities, Sparekassen Sjælland-Fyn A/S Group

Financial assets and liabilities are recognised in the balance sheet either at fair value through profit or loss or at amortised cost.

Below, the valuation method is stated for each financial statement item.

	30.06.2020		30.06.2019	
Financial assets				
Cash and balances on demand at central banks		439,367		409,977
Amounts owed by credit institutions and central banks		2,390,944		973,696
Loans and advances and other amounts owed at amortised cost		11,806,846		12,368,930
Bonds at fair value	8,090,089		7,287,537	
Shares etc	532,273		875,009	
Assets related to pooled plans	1,852,522		1,596,475	
Positive market value of derivatives	32,914		30,040	
Total financial assets	10,507,798	14,637,157	9,789,061	13,752,603
Financial liabilities				
Amounts owed to credit institutions and central banks		693,555		601,590
Deposits and other debt		19,423,403		18,343,050
Deposits in pooled plans	1,852,522		1,596,475	
Subordinated loan capital		674,092		604,090
Negative market value of derivatives	33,413		30,916	
Total financial liabilities	1,885,935	20,791,050	1,627,391	19,548,730

Sparekassen Sjælland-Fyn A/S Group

Note

17 Financial assets and liabilities, Sparekassen Sjælland-Fyn A/S Group (continued)

Financial instruments recognised at fair value

Financial instruments are measured based on quoted prices in active markets (Level 1), on generally accepted valuation models with observable market data (Level 2) or on available data that is observable only to a limited extent (Level 3).

Measurement of financial instruments for which prices are quoted in active markets or which is based on generally accepted valuation models with observable market data is not subject to significant estimates.

For financial instruments the measurement of which is based on available data that only to a limited extent is observable market data, such measurement is subject to estimates. Shares etc in Levels 2 and 3 primarily comprise unlisted shares in sector companies and unlisted investment fund certificates.

For unlisted shares in the form of shares in sector-owned companies where such shares are reallocated, such reallocation is considered to be the primary market of the shares. Fair value is determined as the reallocation price, and the shares are included as Level 2 input (observable prices).

For other unlisted shares in sector-owned companies for which observable input is not directly available, measurement is subject to estimates which include information from the companies' financial statements, experience from trading in shares in the relevant companies and input from a qualified external party. The industry association Lokale Pengeinstitutter (LOPI) recommends quarterly fair values of some of the so-called sector shares, meaning the shares held by the banks to participate actively in the infrastructure and the ranges of products supporting the business foundation of the sector. The prices recommended by LOPI are based on shareholders' agreements and transactions conducted in the sector.

Sparekassen makes an independent assessment of the prices recommended and verifies consistency with transactions conducted and financial statements published. Sparekassen estimates that alternative methods for measuring fair value of these shares will not led to much different fair values.

Notes

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	Quoted prices (Level 1)	Observable input (Level 2)	Non-observable input (Level 3)	Total
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17 Financial assets and liabilities, Sparekassen Sjælland-Fyn A/S Group (continued)

Fair value hierarchy of financial instruments measured at fair value in balance sheet

	30.06.2020			
Financial assets				
Bonds at fair value	8,090,089	0	0	8,090,089
Shares etc	29,802	456,145	46,326	532,273
Assets related to pooled plans	1,845,541	6,981	0	1,852,522
Derivatives	0	32,914	0	32,914
Total financial assets	9,965,432	496,040	46,326	10,507,798
Financial liabilities				
Deposits in pooled plans	0	1,852,522	0	1,852,522
Derivative financial liabilities	0	33,413	0	33,413
Total financial liabilities	0	1,885,935	0	1,885,935
	30.06.2019			
Financial assets				
Bonds at fair value	7,287,537	0	0	7,287,537
Shares etc	101,347	385,689	387,973	875,009
Assets related to pooled plans	1,592,291	4,184	0	1,596,475
Derivatives	0	30,040	0	30,040
Total financial assets	8,981,175	419,913	387,973	9,789,061
Financial liabilities				
Deposits in pooled plans	0	1,596,475	0	1,596,475
Derivative financial liabilities	0	30,916	0	30,916
Total financial liabilities	0	1,627,391	0	1,627,391

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	30.06.2020	30.06.2019
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17 Finansielle aktiver og forpligtelser, Sparekassen Sjælland-Fyn A/S (koncernen) (fortsat)

Financial instruments measured at fair value in balance sheet based on Level 3

Carrying amount at beginning of period	216,507	382,871
Market value adjustment in profit or loss, under market value adjustments	-15,291	4,124
Purchased	11,539	76,631
Sold	166,429	75,653
Carrying amount at end of period	46,326	387,973

Sparekassen does not have data to make a sensitivity analysis of the investment fund certificates that are measured at fair value in the balance sheet based on Level 3. The investment fund certificates amount to DKK 4.2m (30.06.2019: DKK 258.9m).

No financial instruments were transferred among the different levels. There are no financial instruments for which it has not been possible to measure fair value reliably. If the classification of a financial instrument has changed compared to the beginning of the financial period, such change is deemed to have taken place at the end of the financial period.

Notes

Sparekassen Sjælland-Fyn A/S Group

Note

17 Financial assets and liabilities, Sparekassen Sjælland-Fyn A/S Group (continued)

Financial instruments recognised at amortised cost

The predominant portion of the Group's receivables, loans and advances and deposits cannot be transferred without the customers' prior consent, and no active market exists for trading in such financial instruments. Fair value estimates are based on factors where changes have occurred in market conditions subsequent to initial recognition of the instrument that are of relevance to the price which would have been agreed had the terms and conditions been agreed on the balance sheet date. Other parties might reach another amount for such estimates.

The data on fair value of financial instruments recognised at amortised cost is based on the following assessments:

- If a quoted market price exists for a financial instrument, such price is used. This is the case for bonds measured at amortised cost.
- For some of the Group's deposits and loans and advances etc, the interest rate relies on developments in interest rates. Therefore, the fair value is essentially deemed to be consistent with the carrying amount.
- The fair value of loans and advances has been determined based on an informed estimate that is built on the Group regularly changing its loan covenants to match current market conditions. For loans and advances, the impairment losses recognised are considered to correspond to fair value adjustments of the credit risk. The difference relative to fair values is composed entirely of fees and commission received but not recognised.
- Fair value of amounts owed by credit institutions and central banks is determined using the same method as for loans and advances.
- The fair value of deposits, bonds issued and subordinated loan capital is deemed to be equivalent, in all material respects, with the carrying amount.

Sparekassen Sjælland-Fyn A/S Group

Note	Amounts in DKK'000	Carrying amount	Fair value	Carrying amount	Fair value
17 Financial assets and liabilities, Sparekassen Sjælland-Fyn A/S Group (continued)					
Financial instruments recognised at amortised cost, disclosures on fair value					
Financial assets		30.06.2020		30.06.2019	
Cash and balances on demand at central banks		439,367	439,367	409,977	409,977
Amounts owed by credit institutions and central banks		2,390,944	2,390,944	973,696	973,696
Loans and advances and other amounts owed at amortised cost		11,806,846	11,864,576	12,368,930	12,424,959
Total financial assets		14,637,157	14,694,887	13,752,603	13,808,632
Financial liabilities					
Amounts owed to credit institutions and central banks		693,555	693,555	601,590	601,590
Deposits and other debt		19,423,403	19,423,403	18,343,050	18,343,050
Subordinated loan capital		674,092	674,092	604,090	604,090
Total financial liabilities		20,791,050	20,791,050	19,548,730	19,548,730

Income statement

		Sparekassen Sjælland-Fyn A/S (Parent)			
Note	Amounts in DKK'000	H1 2020	H1 2019	Q2 2020	Q2 2019
4	Interest income calculated using the effective interest method	263,077	263,477	130,119	133,354
4	Other interest income	26,454	28,549	11,613	15,156
5	Interest expenses	31,549	25,542	15,504	12,850
	Net interest income	257,982	266,484	126,228	135,660
	Dividends on shares etc	28,994	23,940	17,007	20,609
6	Fees and commission income	300,751	264,225	135,120	126,543
	Fees and commission expenses	7,508	9,050	3,541	4,192
	Net interest and fee income	580,219	545,599	274,814	278,620
7	Market value adjustments	-21,821	-20,547	72	-19,994
	Other operating income	1,981	6,961	851	3,628
8	Staff costs and administrative expenses	345,195	344,455	172,297	174,754
	Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment	29,551	40,558	15,279	20,339
	Other operating expenses	7,236	4,101	3,353	2,036
	Impairment losses on loans and advances etc	114,117	9,686	40,130	1,919
9	Profit/loss on investments in associates and group enterprises	26,535	9,138	303	2,157
	Profit before tax	90,815	142,351	44,981	65,363
	Income tax	6,119	16,322	3,997	10,624
	Profit after tax	84,696	126,029	40,984	54,739
	Earnings per share				
	Earnings per share (DKK)	4.2	6.6	2.0	2.8
	Diluted earnings per share (DKK)	4.2	6.6	2.0	2.8
	Distributed as follows:				
	Retained earnings (profit allocated to shareholders)	72,553	113,892	34,926	48,637
	Interest, hybrid core capital	12,143	12,137	6,058	6,102
	Total	84,696	126,029	40,984	54,739

Statement of comprehensive income

		Sparekassen Sjælland-Fyn A/S (Parent)			
Note	Amounts in DKK'000	H1 2020	H1 2019	Q2 2020	Q2 2019
	Profit for the period	84,696	126,029	40,984	54,739
	Other comprehensive income that may not be reclassified to profit or loss				
	Fair value adjustment of properties	-1,480	0	0	0
	Tax related to fair value adjustment of properties	1	0	0	0
	Other comprehensive income that may be reclassified to profit or loss				
	Fair value adjustment of financial instruments entered into to hedge future cash flows ¹				
	- Value adjustment for the period	22	-283	-99	-189
	- Tax on other comprehensive income	-5	62	22	41
	Total other comprehensive income	-1,462	-221	-77	-148
	Total comprehensive income	83,235	125,808	40,907	54,591

¹ The fair value adjustment concerns a jointly controlled enterprise.

Balance sheet at 30 June

Sparekassen Sjælland-Fyn A/S (Parent)				
Note	Amounts in DKK'000	30.06.2020	31.12.2019	30.06.2019
Assets				
	Cash and balances on demand at central banks	439,367	441,069	409,977
	Amounts owed by credit institutions and central banks	2,383,942	2,529,609	966,636
	Loans and other amounts owed at amortised cost	11,898,352	12,305,355	12,484,889
	Bonds at fair value	8,090,089	6,591,480	7,287,537
	Shares etc	532,273	693,719	875,009
	Investments in associates	146,738	10,194	37,315
	Investments in group enterprises	363,747	367,937	357,195
	Assets related to pooled plans	1,852,522	1,770,777	1,596,475
	Intangible assets	91,287	91,323	119,029
	Total land and buildings	168,403	188,899	220,507
	<i>Investment property</i>	3,197	6,258	6,641
	<i>Owner-occupied property</i>	165,204	182,641	213,866
	Other property, plant and equipment	34,569	34,151	46,535
	Current tax assets	19,218	1,705	9,538
	Deferred tax assets	152,341	155,070	152,966
	Other assets	185,262	186,892	248,704
	Prepayments	68,965	66,654	72,252
	Total assets	26,427,073	25,434,834	24,884,564

Sparekassen Sjælland-Fyn A/S (Parent)				
Note	Amounts in DKK'000	30.06.2020	31.12.2019	30.06.2019
Equity and liabilities				
Liabilities other than provisions				
	Amounts owed to credit institutions and central banks	692,401	524,210	600,278
	Deposits and other debt	19,479,177	18,762,345	18,380,976
	Deposits in pooled plans	1,852,522	1,770,777	1,596,475
	Other liabilities	363,733	379,406	462,825
	Deferred income	15,594	11,391	15,744
	Total liabilities other than provisions	22,403,427	21,448,129	21,056,298
Provisions				
	Provisions for losses on guarantees etc	77,830	64,795	65,569
	Other provisions	21,322	11,416	10,255
	Total provisions	99,152	76,211	75,824
	Subordinated loan capital	674,092	673,141	604,090
Equity				
	Share capital	173,750	173,750	173,750
	Revaluation reserves	1,407	2,886	2,882
	Undistributable savings bank reserve, other reserves	561,378	561,378	561,378
	Retained earnings	2,134,033	2,113,447	2,030,513
	Total equity exclusive of hybrid core capital	2,870,568	2,851,461	2,768,523
	Hybrid core capital	379,835	385,892	379,829
	Total equity	3,250,402	3,237,353	3,148,352
	Total equity and liabilities	26,427,073	25,434,834	24,884,564

Statement of changes in equity

Sparekassen Sjælland-Fyn A/S (Parent)

Note	Amounts in DKK'000	Share capital	Revaluation reserves	Undistributable savings bank reserve	Reserve for value adjustment of hedging instrument ¹	Dividend	Retained earnings	Total equity exclusive of hybrid core capital	Hybrid core capital	Total equity
	Equity at 1.1.2020	173,750	2,886	561,378	-240	52,125	2,061,564	2,851,461	385,892	3,237,353
	Profit for the period	0	0	0	0	0	72,553	72,553	12,143	84,696
	Other comprehensive income									
	Fair value adjustment of owner-occupied property	0	-1,480	0	0	0	0	-1,480	0	-1,480
	Fair value adjustment of financial instruments entered into to hedge future cash flows:									
	Value adjustment for the period	0	0	0	22	0	0	22	0	22
	Tax on other comprehensive income	0	1	0	-5	0	0	-4	0	-4
	Total other comprehensive income	0	-1,479	0	18	0	0	-1,462	0	-1,462
	Comprehensive income for the period	0	-1,479	0	18	0	72,553	71,092	12,143	83,235
	Purchase of treasury shares	0	0	0	0	0	0	0	0	0
	Sale of treasury shares	0	0	0	0	0	0	0	0	0
	Dividends paid	0	0	0	0	-52,125	138	-51,987	0	-51,987
	Interest paid on hybrid core capital	0	0	0	0	0	0	0	-18,200	-18,200
	Equity at 30.06.2020	173,750	1,407	561,378	-223	0	2,134,255	2,870,566	379,835	3,250,402

¹ Reserve for value adjustment of hedging instrument concerns a jointly controlled enterprise

Statement of changes in equity

		Sparekassen Sjælland-Fyn A/S (Parent)								
Note	Amounts in DKK'000	Share capital	Revaluation reserves	Undistributable savings bank reserve	Reserve for value adjustment of hedging instrument ¹	Dividend	Retained earnings	Total equity exclusive of hybrid core capital	Hybrid core capital	Total equity
	Equity at 1.1.2019	173,750	2,882	561,378	-177	43,437	1,916,152	2,697,420	385,892	3,083,312
	Profit for the period	0	0	0	0	0	113,892	113,892	12,137	126,029
	Other comprehensive income									
	Fair value adjustment of financial instruments entered into to hedge future cash flows:									
	Value adjustment for the period	0	0	0	-283	0	0	-283	0	-283
	Tax on other comprehensive income	0	0	0	62	0	0	62	0	62
	Total other comprehensive income	0	0	0	-221	0	0	-221	0	-221
	Comprehensive income for the period	0	0	0	-221	0	113,892	113,671	12,137	125,808
	Purchase of treasury shares	0	0	0	0	0	-5,743	-5,743	0	-5,743
	Sale of treasury shares	0	0	0	0	0	6,590	6,590	0	6,590
	Dividends paid	0	0	0	0	-43,437	23	-43,414	0	-43,414
	Interest paid on hybrid core capital		0	0	0	0	0	0	-18,200	-18,200
	Equity at 30.06.2019	173,750	2,882	561,378	-398	0	2,030,913	2,768,523	379,829	3,148,352

¹ Reserve for værdiregulering af sikringsinstrument vedrører fællesledet virksomhed.

Notes

Sparekassen Sjælland-Fyn A/S (Parent)

Note	Amounts in DKK'm	H1 2020	H1 2019	Financial year 2019
1	Financial highlights			
	Principal items of income statement			
	Net interest income	258	266	540
	Net interest and fee income	580	546	1,089
	Market value adjustments	-22	-21	-28
	Staff costs and administrative expenses	345	344	708
	Amortisation, depreciation and impairment losses on assets	30	41	98
	Impairment losses on loans and advances etc	114	10	28
	Profit on investments in associates and group enterprises	27	9	20
	Income tax	6	16	18
	Profit for the period	85	126	227
	Principal items of balance sheet			
	Loans and advances	11,898	12,485	12,305
	Securities portfolio	8,622	8,163	7,285
	Deposits including pooled deposits	21,332	19,977	20,533
	Subordinated loan capital	674	604	673
	Equity	3,250	3,148	3,237
	Total assets	26,427	24,885	25,436

Sparekassen Sjælland-Fyn A/S (Parent)

Note	Amounts in DKK'm	H1 2020	H1 2019	Financial year 2019
	Financial ratios			
	Capital ratio ⁵	20.4	16.7	19.9
	Core capital ratio ⁵	16.9	13.9	16.1
	Return on equity before tax	2.8	4.6	7.7
	Return on equity after tax	2.6	4.0	7.2
	Operating income over operating expenses	1.18	1.36	1.29
	Interest rate risk relative to core capital net of deductions	0.0	1.1	0.0
	Currency position relative to core capital net of deductions	1.2	0.5	0.6
	Currency risk relative to core capital net of deductions	0.0	0.0	0.0
	Loans and advances plus loan impairment losses relative to deposits	58.6	66.3	63.0
	Loans and advances relative to equity	3.7	4.0	3.8
	Growth in loans and advances for the period	-3.3	2.0	0.5
	Liquidity, LCR	411	230	335
	Total large exposures (<175 %)	81.7	82.0	76.2
	Impairment ratio for the period	0.5	0.0	0.1
	Accumulated impairment ratio ¹	3.5	4.3	3.5
	Return on capital employed	0.3	0.5	0.9
	Earnings per share (DKK) ³	4.2	6.6	11.7
	Dividend per share (DKK)	0.0	0.0	3.0
	Book value per share (DKK) ²	165.8	159.3	164.7
	Price/earnings per share ³	20.0	14.5	7.7
	Price/equity per share ²	0.5	0.6	0.5
	Share price at end of period	83.6	94.8	89.6
	Staff			
	Average number of employees for the period converted into full-time employees ³	561	606	587

¹ The ratio does not include discount. Please refer to note 9 for a specification of total impairment losses, provisions and discounts.

² Calculated based on the number of outstanding shares at the end of the period.

³ Calculated based on the average number of shares during the period.

⁴ Engaged in financial business.

⁵ 30 June 2020 and 30 June 2019 amounts have been calculated exclusive of profit for the period.

Notes

2 Summary of significant accounting policies

The Interim Report for H1 2020 has been presented in accordance with IAS 34. The presentation of interim financial statements is consistent with EU provisions and additional Danish disclosure requirements for interim reports of listed financial companies. Applying ISA 34 entails that presentation is more limited than in a complete annual report and that the measurement principles of the International Financial Reporting Standards (IFRS) have been used.

The accounting policies remain unchanged with respect to those applied in the presentation of the consolidated financial statements for 2019.

Sparekassen's 2019 Annual Report and other reports on capital requirement, statutory report on corporate social responsibility etc can be found on this website: www.spks.dk/om/regnskab

3 Significant accounting judgements and estimates, assumptions and uncertainties

Measuring certain assets and liabilities is subject to management estimates of how future events affect the value of such assets and liabilities. Estimates, which are significant to the presentation of financial statements, are made, for example, when determining write-downs on impaired loans and advances, and provisions. The estimates used are based on assumptions which are considered reasonable by Management, but which are inherently uncertain.

The most significant estimates made by Management in using the Group's accounting policies and the related key sources of estimation uncertainty are the same used in the preparation of the interim financial statements for the year as those used to prepare the consolidated financial statements for 2019.

Notes

		Sparekassen Sjælland-Fyn A/S (Parent)	
Note	Amounts in DKK'000	H1 2020	H1 2019
4	Interest income		
	Credit institutions and central banks	270	257
	Loans and advances and other amounts owed	240,192	258,337
	Negative interest income on credit institutions and central banks	22,537	4,723
	Bonds	14,475	22,443
	Total derivatives	11,979	6,106
	Thereof: - Interest rate contracts	12,478	6,896
	- Foreign exchange contracts	-499	-790
	Other interest income	78	160
	Total interest income	289,531	292,026
5	Interest expenses		
	Credit institutions and central banks	283	288
	Negative interest expenses on deposits and other debt	6,642	3,035
	Deposits and other debt	5,260	6,033
	Subordinated loan capital	18,021	14,536
	Other interest expenses	1,343	1,650
	Total interest expenses	31,549	25,542
6	Fees and commission income		
	Securities trading and custody accounts	43,778	30,303
	Payment services	27,809	30,302
	Loan fees	27,923	22,352
	Guarantee commission	97,909	89,778
	Custody services	28,485	29,030
	Other fees and commissions	74,847	62,460
	Total fees and commission income	300,751	264,225

		Sparekassen Sjælland-Fyn A/S (Parent)	
Note	Amounts in DKK'000	H1 2020	H1 2019
7	Market value adjustments		
	Bonds	-27,727	-21,857
	Shares	1,845	9,521
	Investment property	-626	94
	Foreign exchange	5,111	4,428
	Currency, interest rate, share, commodity and other contracts and derivatives	-424	-12,733
	Assets related to pooled plans	-108,822	109,268
	Deposits in pooled plans	108,822	-109,268
	Total market value adjustments	-21,821	-20,547
8	Staff costs and administrative expenses		
	Remuneration of the Board of Directors and Executive Board		
	Board of Directors and Executive Board	8,488	6,866
	Total	8,488	6,866
	Staff costs		
	Wages and salaries	169,270	176,462
	Pension contributions	18,609	19,422
	Social security expenses	27,800	28,825
	Total staff costs	215,679	224,709
	Other administrative expenses	121,028	112,879
	Total staff costs and administrative expenses	345,195	344,455

¹ The number of members of the Executive Board was increased from two to three effective from 1 April 2019.

Notes

Note	Amounts in DKK'000	Sparekassen Sjælland-Fyn A/S (Parent)	
		30.06.2020	30.06.2019
9	Impairment losses on loans and advances and other receivables and provisions for guarantees and undrawn credit facilities (impairment account)		
	Stage 1 impairment		
	Balance of stage 1 impairment losses at beginning of period	53,875	57,590
	New impairment losses (net)	68,790	3,300
	Balance of stage 1 impairment losses at end of period	122,665	60,890
	- Of which amounts owed by credit institutions and central banks	1	1
	Stage 2 impairment		
	Balance of stage 2 impairment losses at beginning of period	98,318	104,699
	New impairment losses (net)	14,895	-13,862
	Balance of stage 2 impairment losses at end of period	113,213	90,837
	- Of which amounts owed by credit institutions and central banks	343	267
	Stage 3 impairment		
	Balance of stage 3 impairment losses at beginning of period	479,443	814,534
	New impairment losses (net)	9,630	23,356
	Other changes	12,200	15,200
	Previously written down, now finally written off	145,376	247,530
	Balance of stage 3 impairment losses at end of period	355,897	605,560
	- Of which amounts owed by credit institutions and central banks	0	0

Note	Amounts in DKK'000	Sparekassen Sjælland-Fyn A/S (Parent)	
		30.06.2020	30.06.2019
9	Impairment losses on loans and advances and other receivables and provisions for guarantees and undrawn credit facilities (impairment account) (continued)		
	Provisions losses for guarantees and undrawn credit facilities		
	Balance of provisions at beginning of year	73,252	67,183
	New provisions (net)	24,002	5,995
	Previously provided for, now finally written off	0	719
	Balance of provisions at end of period	97,254	72,459
	Total		
	Balance of impairment losses/provisions at beginning of period	704,888	1,044,006
	Impairment losses/provisions for the period (net)	117,315	18,789
	Other changes	12,200	15,200
	Finally written off, previously written down/provided for	145,376	248,249
	Balance of impairment losses/provisions at end of period	689,027	829,745
	Impairment losses/provisions for the period (net)	117,315	18,789
	Written off, not previously written down/provided for	8,715	2,945
	Recovery of claims previously written off	11,914	12,047
	Total recognised in the income statement	114,117	9,686

Notes

Sparekassen Sjælland-Fyn A/S (Parent)

Note	Amounts in DKK'000	30.06.2020	31.12.2019	30.06.2019
10 Assets provided as collateral				
Bonds deposited with Danmarks Nationalbank, clearing centres etc		1,168,416	1,138,504	1,146,758
Cash deposited with credit institutions, CSA agreements		22,696	22,696	18,871
Loss limit towards the Danish Growth Fund		261	262	291
Total		1,191,373	1,161,462	1,165,920

Unencumbered deposited securities may be released at call.

Sparekassen Sjælland-Fyn A/S (Parent)

Note	Amounts in DKK'000	30.06.2020	31.12.2019	30.06.2019
11 Capital resources¹				
Equity excluding hybrid core capital		2,870,568	2,851,461	2,768,523
Intangible assets		-91,287	-91,323	-119,029
Tax assets		-152,341	-155,070	-152,966
Proposed dividend		0	-52,125	0
Deduction, capital instruments exceeding 10%		-240,963	-208,672	-198,512
Other deductions etc		-3,378	98,678	-35,266
Common Equity Tier 1 capital		2,382,599	2,442,949	2,262,750
Hybrid core capital		376,000	376,000	376,000
Core capital (including hybrid core capital) net of primary deductions		2,758,599	2,818,949	2,638,750
Supplementary capital		569,092	673,141	522,090
Capital resources		3,327,691	3,492,090	3,160,840
Risk exposures				
Credit risk		13,417,402	14,610,040	15,491,944
Market risk		1,016,547	1,112,309	1,682,118
Operational risk		1,879,639	1,805,486	1,805,485
Total risk exposures		16,313,588	17,527,835	18,979,547
Capital ratio		20.4	19.9	16.7
Core capital ratio		16.9	16.1	13.9
Common Equity Tier 1 capital ratio		14.6	13.9	11.9
Capital resources, requirement under Section 124(2) of the Danish Financial Business Act		1,305,087	1,402,227	1,518,364

¹ Sparekassen's capital resources and capital ratios have been calculated inclusive of the transitional scheme and exclusive of net profit for the period ended 30 June 2020 and 30 June 2019.

Had net profit for the period been included in capital resources, the capital ratio, core capital ratio and common equity tier 1 capital ratio would have been 1.0 percentage point higher. Distribution of dividend in 2021 has been suspended. (30 June 2019: Capital ratio, core capital ratio and common equity tier 1 capital ratio 0.6 percentage point higher).

Sparekassen applies the transitional scheme in the implementation of IFRS 9. The statistical element and the dynamic element which both permit Sparekassen to phase in the negative consequences of IFRS 9 into capital resources for a specified period.

Notes

Sparekassen Sjælland-Fyn A/S (Parent)

Note	Amounts in DKK'000	30.06.2020	31.12.2019	30.06.2019
11	Capital resources ¹ (continued)			
	Solvency capital elements calculated exclusive of transitional scheme ²			
	Common Equity Tier 1 capital	2,307,845	2,343,099	2,162,899
	Core capital (including hybrid core capital) net of primary deductions	2,683,845	2,719,099	2,538,899
	Capital resources	3,252,937	3,392,240	3,060,990
	Total risk exposures	16,283,666	17,494,197	18,982,066
	Capital ratio	20.0	19.4	16.1
	Core capital ratio	16.5	15.5	13.4
	Common Equity Tier 1 capital ratio	14.2	13.4	11.4

² Sparekassen's capital items have been calculated exclusive of the transitional scheme and net profit for the period ended 30 June 2020 and 30 June 2019.

Had net profit for the period been included in capital resources, the capital ratio, core capital ratio and common equity tier 1 capital ratio would have been 0.6 percentage point higher. (30 June 2019: Capital ratio, core capital ratio and common equity tier 1 capital ratio 0.6 percentage point higher).

