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Sparekassen Sjælland-Fyn to optimise and future-proof its capital structure

In 2017 and 2018, Sparekassen intends to carry through a number of initiatives to support the continued growth following from its future strategic plan, "New Ways", as well as to prepare Sparekassen for the increased capital requirements in the years ahead, including the implementation of the new eligible liabilities requirements and the ongoing phase-in of the capital conservation buffer.

Sparekassen wants to:

- Strengthen its capital resources in 2017 by approx DKK 125m to DKK 150m, one of the means being newly issued capital instruments.
- Carry through an issue in Q1 2018 with a pre-emption right for Sparekassen's current shareholders to subscribe for shares at a favourable subscription price, however, at not less than a price of 100, resulting in expected net proceeds of between DKK 400m and DKK 450m.
- Issue new hybrid core capital and new supplementary capital in H2 2018 to replace in part the two capital instruments for DKK 520m and DKK 118m, respectively, that may be repaid early in October 2018 provided that the Danish FSA's prior approval thereof has been obtained.

The net effect of these initiatives is at year-end 2018 expected to be an increase of Sparekassen's total capital by DKK 315m to DKK 395m and an increase of the common equity tier 1 capital by DKK 450m to DKK 525m.

The issue with a pre-emption right for Sparekassen's current shareholders will be carried out at a favourable subscription price, however, not less than a price of 100, and it is planned to take place in Q1 2018 in continuation of the adoption of Sparekassen's 2017 Annual Report. Sparekassen expects extraordinarily to omit payment of dividend for 2017 to also in this way strengthen the capital resources.

Combined with the effect of the other initiatives, the proceeds from the issue will be applied to capitalise Sparekassen to bolster it for expected growth in the years ahead and the coming increased capital requirements. Expectations are that the new supplementary capital and hybrid core capital expected to be issued in 2017 and 2018 will be issued at much lower interest rates than the capital instruments requested to be repaid. Overall, this leads to an expected saving in interest in the order of DKK 30m a year, with full effect from 2019. With the planned initiatives, Sparekassen's capital structure will be optimised and strengthened considerably, both quantitatively and qualitatively.

As part of the future strategic plan, "New Ways", Sparekassen has defined four financial strategic target that must be achieved by 2021:

1. Enhanced efficiency – staff costs and administrative expenses as a percentage of business volume must have improved by approx 20% by year-end 2021. Specifically, Sparekassen intends to ensure that maximum staff costs and administrative expenses as a percentage

of business volume at 31 December 2021 are 1.75%. Based on Sparekassen's business volume of DKK 33.7bn at 30 September 2017, this target is equivalent to an annual efficiency gain of DKK 100m.

2. High operating income over operating expenses – this ratio must be at least 1.70 and so reflects solid earnings while Sparekassen remains close to its customers through a fine-meshed branch network.
3. Strong foundation – the common equity tier 1 capital ratio and the capital ratio must be at least 13.0% and 17.0%, respectively.
4. Solid profitability – a return on equity of 9% to 11% after tax – also after equity has been increased to meet heightened capital requirements.

A more detailed presentation of the content of the strategic plan, "New Ways", will be available on Sparekassen Sjælland-Fyn's websites www.spks.dk and www.sparfyn.dk

Kind regards

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