



Annual Report 2017

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

Management commentary

Sparekassen Sjælland-Fyn A/S – in brief

Pre-tax profit of DKK 273m – Sparekassen Sjælland-Fyn’s best result ever

Pre-tax profit up by a most satisfactory 20%.

This increase in profit is a result of a high inflow of new customers, business volume growth and declining impairment losses.

49 branches and 4 corporate customer centres

on Zealand and Funen

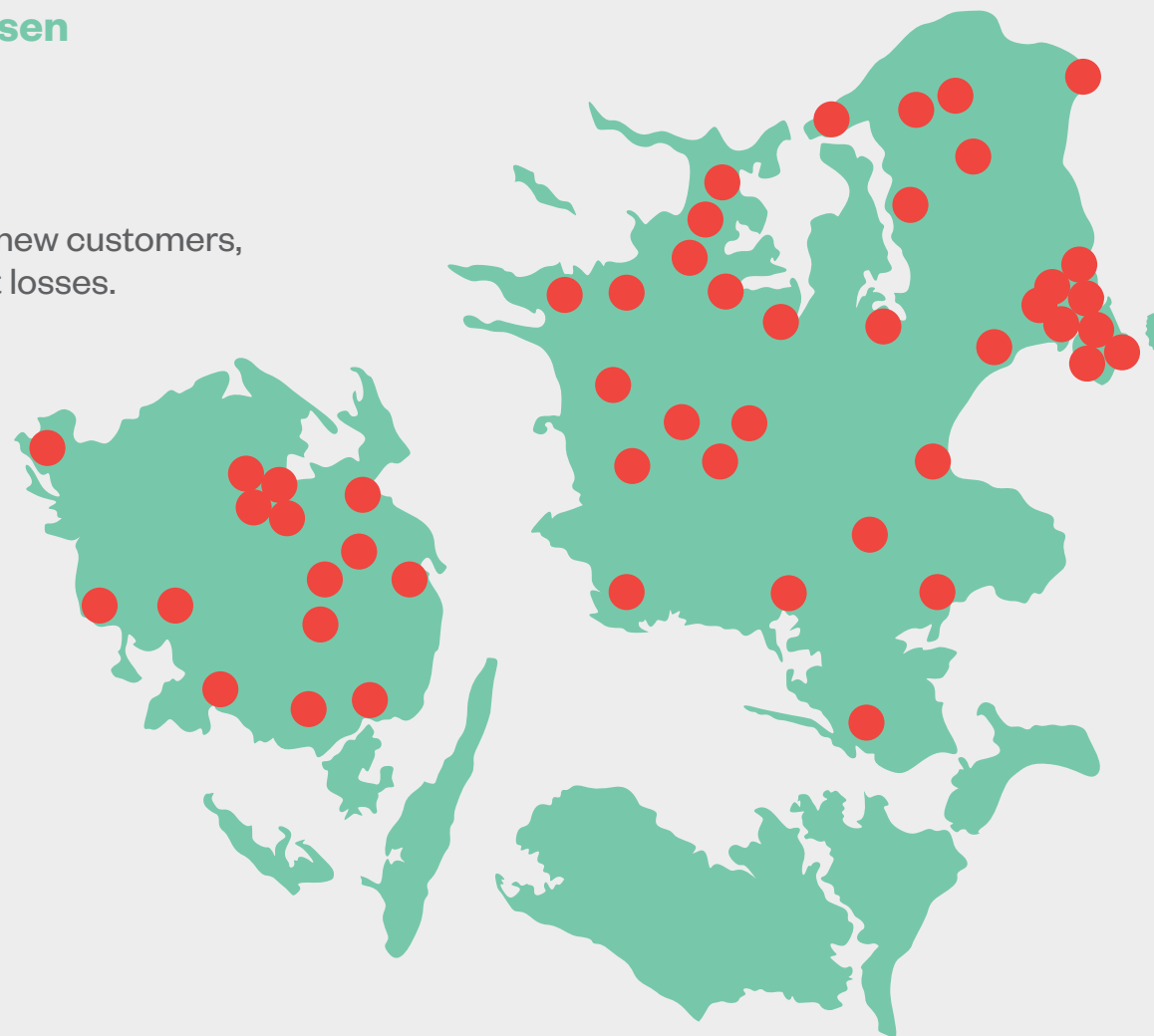
4 new divisions in 2017

being composed of 3 branches and 1 corporate customer centre in Copenhagen (Islands Brygge)

626 staff

distributed on branches and staff functions

>156,000 customers



Highlights from 2017

All benchmarks of the Supervisory Diamond are still observed with a large margin

Strategic plan, "New Ways", launched, including four financial objectives

The work of increasing shares is proceeding as planned – see separate company announcement published together with the issue of the Annual Report.

10.6%

Pre-tax profit provides a 10.6% return on opening equity

11.5%

Loan growth reached 11.5%, and total loans and advances etc now total DKK 11.7bn

DKK 34.4 bn

Business volume up 10.0% and totals DKK 34.4 bn

DKK 33.4 m

Impairment losses down to DKK 33.4 m, equivalent to an impairment ratio of 0.2%

263%

Sparekassen has a strong liquidity position with a stable liquidity surplus and an LCR ratio at year-end 2017 of 263% compared to the statutory requirement of 100% at 1 January 2018.

16.3%

The capital ratio stands at 16.3% and the solvency surplus inclusive of buffers at 6.0%

7,304 new customers

The net inflow of new customers stands at 7,304

Financial highlights

Sparekassen Sjælland-Fyn A/S Group

Amounts in DKK'm	2017	2016	Index*	2015	2014
Income statement items					
Net interest and fee income	999	973	103	1.020	1.019
Translation and market value adjustments	43	47	92	-58	55
Other operating income	31	24	131	15	15
Staff costs and administrative expenses	691	644	107	613	577
Impairment losses on loans and advances etc	33	107	31	150	257
Investments in associates and group enterprises	3	2	113	3	3
Profit for the year before tax	273	228	120	136	176
Profit for the year after tax	257	216	119	144	180

Sparekassen Sjælland-Fyn A/S Group

Amounts in DKK'm	31.12. 2017	31.12. 2016	Index*	31.12. 2015	31.12. 2014
Balance sheet items					
Loans and advances etc	11,681	10,474	112	9,763	9,981
Deposits	16,589	15,647	106	14,633	15,315
Deposits in pooled plans	905	394	230	378	392
Total deposits	17,495	16,041	109	15,011	15,707
Subordinated loan capital	403	466	86	465	595
Equity	2,812	2,588	109	2,469	2,200
Balance sheet total	21,487	19,859	108	18,730	19,322
Capital resources	2,767	2,469	112	2,285	2,118
Total business volume (loans, advances and guarantees)	34,388	31,250	110	28,583	29,618
Custody accounts**	11,077	10,448	106	9,838	6,994

Sparekassen Sjælland-Fyn A/S Group

	31.12. 2017	31.12. 2016	Index*	31.12. 2015	31.12. 2014
Financial ratios					
Number of employees (full-time, average) ***	585	552	106	533	534
Capital ratio	16.3	15.6	104	15.5	14.7
Core capital ratio	14.0	12.9	109	13.0	11.6
Excess capital adequacy in percentage points	7.2	6.3	114	5.5	3.9
Income/cost ratio DKK	1.34	1.28	105	1.16	1.19
Impairment ratio for the year	0.2	0.7	29	1.0	1.6
Return on equity before tax	10.1	7.9	127	5.7	10.0
Loans and advances (incl impairment losses) relative to: deposits	72.2	71.7	101	75.5	76.6
Loan growth for the year in per cent	11.5	7.3	163	-2.2	-8.5
Earnings per share (DKK)	15.5	12.3	126	9.1	n/a
Book value per share, at year-end	170.9	159.1	107	149.7	n/a
Price at year-end (DKK)	114.5	107.0	107	98.0	n/a

* Index – 31 December 2017 relative to 31 December 2016

** 2014 – Sparekassen Sjælland A/S exclusive of Sparekassen Fyn

*** Engaged in financial business



Shareholder letter

Pre-tax profit stands at DKK 273 m against DKK 228 m in 2016, or up just under 20%. This profit is considered most satisfactory and has been produced through a loan growth rate of 11.5%, a decline in impairment losses by just under 69%, an increase in net interest and fee income, positive translation and market value adjustments, and finally a controlled development in costs of 7.4%, inclusive of future-oriented investments in new branches, appointment and training of staff, and development and adjustment of IT systems to handle regulatory amendments.

Sparekassen is happy and proud to present yet another performance record in presenting our financial statements. This performance fulfils the expectations we have had for developments of Sparekassen in 2017.

Many many things are going our way these years. Our business model where, by expanding our local network of branches, come in close contact with our customers and so become even better at assessing local conditions and requirements, economic trends that favour our customers particularly in our market areas who, with both good employment and increasing house prices, have achieved stronger finances, but also the development of our digital offers which allow customers freedom to do business when and when it suits them. There will be more of the latter in future according to Sparekassen's new strategy "New Ways".

Another factor to mention is the continued low interest rate environment. This is good for those customers who need to finance, for instance, a house, a car, the establishment or operation

of a business etc, but this is also contributory to putting pressure on interest income through declines in the so-called interest-rate differential. So is competition. Sparekassen is still experiencing intensified competition on the price of selected products. Sparekassen is fully competitive, but we do deselect business if the price does not match the risk that Sparekassen needs to take or which is not reasonable compared to the local advisory services we provide.

With a net inflow of 7,304 new customers in 2017, which is an increase of just under 5%, we are sure that our offers, local presence and not least our openness to and servicing of new and existing customers are to many people's taste. This is also what we hear when Sparekassen is recommended to a large extent by our current as well as our new customers.

With the profit realised and the solid business foundation, we look into the new year with high hopes and not least look forward to developing Sparekassen further and to welcoming even more new customers.



Bruno Riis-Nielsen
Executive Officer of
the Savings Bank

Lars Petersson
Chief Executive
Officer

At Sparekassen, we have worked intensely over the past few years on monitoring whether our business model does in fact produce the development of Sparekassen we have set as our objective, both in terms of business development and development in financial performance. And as a matter of fact, it does! Over the past three years, we have opened branches in Valby, Dragør, Langeskov, Nyborg, Vanløse, Hundested, Elsinore, Frederiksværk and at Islands Brygge in Copenhagen, where a corporate customer centre was opened as well. The business volume from deposits, loans and advances, guarantees and custody accounts at these branches and the corporate customer centre totals DKK 1.6bn. It should be noted in this respect the Islands Brygge corporate customer centre, the branches in Frederiksværk and at Islands Brygge are new and are not yet included in the combined business volume. Branch operating expenses are mainly composed of staff and IT costs as well as some costs that vary with the number of additional staff and the volume of business and transactions with the customers. These costs will exist whether or not the customers are serviced by a large branch or several small local branches. Additional costs for more branches are increased fixed costs for rent, ordinary operating expenses and depreciation. These additional costs or investments in the range of DKK 50-100,000 per month for being present locally are very well spent in our view and provide us with business opportunities we would not otherwise have.

It is far easier to acquire local staff and not least customers by being present. As one among many examples may be mentioned the branch in Dragør where, only because of having set up the branch, we secured a handful of attractive

corporate customers the earnings from whom pay all fixed costs. We see virtually the same picture in all of our new branches. The nearly 4,300 customers of the more recent branches are served by 48 local advisors who are supported by specialists in the fields of investments, pension plans and asset management. The more recent branches generally experience higher business growth than forecasted, and this is why expectations are that they will be able to meet their business targets faster and so help contribute to the bottom line earlier than the average of three years that Sparekassen uses as the required break-even point for local costs when planning for new branches.

Overall, the financial results speak for themselves, with a pre-tax profit of DKK 273m and a 10.6% return on opening equity. Our ability to maintain our local roots and local commitment whether we look at our presence in the small local communities in Funen and Zealand or in the urban areas around Copenhagen and Odense is just another plus and makes us proud.

At Sparekassen, we know that good results do not come of their own accord and that you cannot rest on your laurels, which is why we have spent 2017 preparing a strategic plan, which was launched on 6 November 2017, as stated in the company announcement previously issued, and points towards 2021. The strategic plan, "New Ways", and the four financial objectives are to ensure that Sparekassen can develop in a satisfactory manner. We look very much forward to proceeding with this work in 2018.

And we would like to round off by looking ahead to our upcoming share issue. This share issue is important to Sparekassen as it forms part

of the future-proofing of the capital structure. Referring to company announcement no 18/2017, Sparekassen will carry through a number of initiatives to support the continued growth following from its 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, the ongoing phase-in of the capital conservation buffer and the expected capitalisation of the countercyclical capital buffer by an expected 0.5% from 31 March 2019.. In addition to the expected proceeds of DKK 400-450m from the share issue and the strengthening of the capital resources by DKK 105m from newly issued capital instruments in December 2017, Sparekassen also wants to 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. As the new capital instruments have been and are expected to be issued at lower interest rates than those we want to repay, this will involve a total of approx DKK 30m in expected interest saved a year.

At Sparekassen, we hope that, together with the strategic plan launched, developments and the results achieved will be met by continued massive support by our current shareholders. This is why we are most pleased that we have already received specific commitments by the largest shareholders, who together hold approx 30% of the share capital, that they will continue to support and exercise at least the future share options granted. We stated this in company announcement no 24/2017 of 14 December.

DKK 273 m

Pre-tax profit stands at DKK 273 m against DKK 228 m in 2016.

DKK 298 m

Capital resources strengthened by DKK 298 m.

5% more new customers

In 2017, Sparekassen had 5% more new customers than in 2016.

At Sparekassen, we are very pleased with this support, and we intend to continue our efforts to develop Sparekassen and make it attractive to customers, staff and shareholders.

Lars Petersson
Chief Executive
Officer

Bruno Riis-Nielsen
Executive Officer of
the Savings Bank

Outlook for 2018

Sparekassen expects a continued slowdown of Danish and European economy in general in 2018. This means, for instance, that Sparekassen foresees a continuation of the currently low interest rate environment which is expected to hold at least for a period into 2018.

Should a correction occur in the form of a rising interest rate and in spite of any international political influences, it is expected to be of a fairly dampened scope. Based on this, market trends in Denmark with respect to the housing market are still expected to lead to a positive development and revenue that Sparekassen will be able to profit from, leading to increased demand for loans and home-buying transactions.

Sparekassen will open new branches also in 2018. Its Greve branch opened on 18 January, and the opening of the new branch in Helsingør will follow in Q1. The branch strategy is revisited on a regular basis as part of the strategic considerations.

As is evident below, Sparekassen intends in future to be guided by pre-tax profit instead of previously by core earnings. It is only a specification of the interpretation of the accounting rules that have led to this change.

- For 2018, Sparekassen expects a consolidated pre-tax profit ranging from DKK 210m to DKK 240m exclusive of impairment losses and translation and market value adjustments.

Other earnings expectations:

- Translation and market value adjustments – here capital gains on sector shares and exchange gains on current currency transactions in the amount of DKK 30m, and for market value adjustments of bonds are expected to generate a profit of DKK 0m, with an unchanged interest rate level throughout 2018.
- Impairment losses on loans and advances etc – expected to amount to DKK 50m net. However, this is subject to uncertainty because of the financial reporting standard, IFRS 9, that becomes effective on 1 January 2018.
- Combined, this means that Sparekassen expects a consolidated pre-tax profit ranging from DKK 190m to DKK 220m.
- Share issue – for comments on Sparekassen's share issue in the spring, please refer to the separate company announcement on timeline etc that is issued together with this Annual Report.

IFRS 9 – Financial reporting standard on impairment of financial assets

2018 will also be the year in which the much discussed IFRS 9 standard becomes effective.

IFRS 9 is a financial reporting standard dealing with the accounting treatment of impairment of financial assets, which, for Sparekassen, will primarily be related to the loan portfolio. The new standard is a more forward-looking measurement that is to help ensure adequate provisions for losses on the assets concerned, and for Sparekassen this means that from 1 January we will increase impairment charges on the assets concerned by a net amount of DKK 138.2m. The amount is based on significant estimation and hence subject to uncertainty. The change in provisions corrected for the tax effect is adjusted through opening equity by a net amount of DKK 107.8m. For this purpose, Sparekassen has opted to use the transitional scheme (phase-in until the year 2022) enabled through the CRR provisions in connection with the capital measurement. Going forward, Sparekassen intends to report specifically on the effect of the phase-in.

Eligible liabilities requirements

Finally, preparations must be made in 2018 for the handling of the eligible liabilities requirements, financial regulations taking effect on

1 January 2019. These requirements cover eligible liabilities that must be used for loss absorbance and recapitalisation if a financial institution is failing and must be restructured or needs to be liquidated. It is the Danish FSA that sets for the financial institutions the required amount of the eligible liabilities.

In January 2018, Sparekassen received a calculation of the initial eligible liabilities from the Danish FSA. The requirement means that Sparekassen must have eligible liabilities of 13.9% of its total liabilities and capital resources, equivalent to 16.8% of the risk-weighted exposures. The requirement has been calculated based on Sparekassen's position at year-end 2016 and was equivalent to a total of DKK 2,675m.

As the requirement is determined based on risk exposures, it will change as they change. In view of Sparekassen's growth and growth targets for the years ahead, it is considered likely that the required amount will increase. This will be accommodated through earnings and the initiatives planned by Sparekassen to strengthen capital resources, for example, the upcoming share issue.

Furthermore, Sparekassen may issue Tier 3 capital to cover the eligible liabilities add-ons.

Sparekassen in words and figures 2017

The positive development in business and earnings has been on a steady rise in 2017 and so progress continues from prior years.

Overall, Sparekassen is affected by the continued low interest rate environment that generally puts pressure on interest income in the financial sector. At Sparekassen, this impact is compensated for in part by positive loan growth arising, for instance, from the many new customers of both new and old branches and corporate customer centres. The range of advisory services and other services develops equally positively, which is reflected in the increasing fee and commission income.

Income statement items

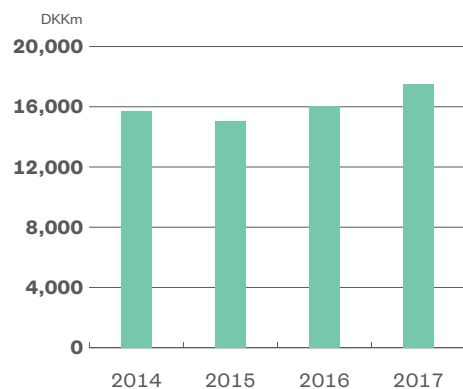
The Group's staff costs and administrative expenses have gone up by 7.4%, which is within the budget. The realisation of the business model by investments in new branches and staff and the costs for handling statutory requirements and general price and pay adjustments are what drive up costs. Key causes for increases in costs are a one-off expense of DKK 4m related to the resignation of an executive officer in Q2, strategy work costs of DKK 4m, the effect of developments in staff levels of DKK 23m, pay

adjustments and an increase payroll tax of DKK 8m and increased IT costs cost DKK 23m. The increase in IT costs cover the rise in capacity needed as a result of the increase in the number of customers and new staff, but it is also very much related to the development of IT solutions that can handle and support the statutory requirements being imposed on the financial sector. Extraordinary expenses and consultancy have gone down by DKK 21m on 2016, which was affected by a number of costs related to

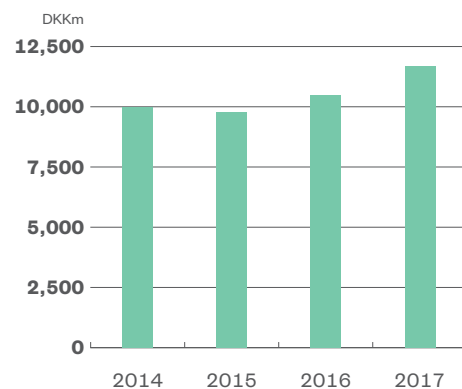
IT conversion and the merger of Sparekassen Sjælland and Sparekassen Fyn.

In 2017, Sparekassen opened new branches in Elsinore, Frederiksværk and at Islands Brygge in Copenhagen (the latter holds both a private customer branch and a corporate customer centre). Employees for these functions and for strengthening the rest of the organisation have caused the average net headcount to grow by 33 people. Sparekassen very closely monitors the development in costs and the earnings

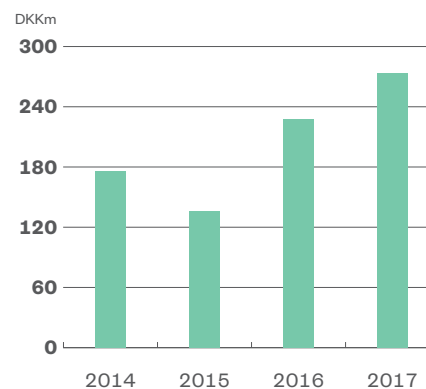
Deposits



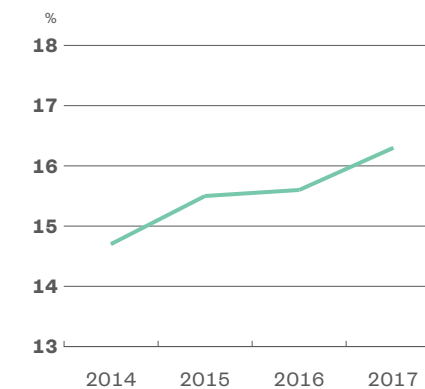
Loans and advances etc



Profit before tax



Capital ratio



expected to be generated from investments in the years ahead.

2017 saw impairment losses on loans and advances etc of DKK 33.4m, equivalent to an impairment ratio of 0.2% a year, which is the lowest in years and DKK 73.8m lower than in 2016. The positive economic trends and focussed credit management are the key drivers of this very positive development in impairment losses. The result realised is within the range expected for impairment losses for the year, which was adjusted positively for the second time in 2017 to reach a maximum of DKK 35m in connection with the publication of Sparekassen's Q3 interim report.

Translation and market value adjustments arising from Sparekassen's share and bond portfolios, from interest rate and currency exposures and related transactions as well as value adjustments of investment property were also positive in 2017. Total translation and market value adjustments amount to just under DKK 43m. To this should be added the dividends received during the year, amounting to more than DKK 27m in total.

In future, Sparekassen intends to be guided by pre-tax profit for the year; this guidance is followed up on below for core earnings that were announced for 2017 and specified during the financial year.

Core earnings

With DKK 320.3m, core earnings are in the middle of the expected earnings range of DKK 310m to DKK 330m announced when publishing results for Q3.

Amounts in DKK'm	Group	
	2017	2016
Net interest income	542.5	551.2
Dividends on shares etc	27.4	18.4
Fees and commission income	449.1	418.9
Fees and commission expenses paid	19.8	15.8
Other operating income, ordinary	18.8	16.6
Other operating expenses, ordinary	15.7	9.8
Core income	1,002.3	979.4
Staff costs and administrative expenses, ordinary	682.0	632.7
Core earnings	320.3	346.7

With respect to the line items disclosed in the income statement, the following adjustments have been made for special items to disclose ordinary base earnings:

- **Other operating income:** Minus DKK 12.3m (profit from sale of properties of DKK 7.4m + other extraordinary income of DKK 4.9m).
- **Other operating expenses:** Minus DKK 3.5m (expense for deposit guarantee scheme of DKK 1.0m + other expenses of DKK 2.5m).
- **Staff costs and administrative expenses:** Minus DKK 9.4m (resignation of executive officer amounting to DKK 4.2m + strategic activities etc amounting to DKK 5.1m).

Balance sheet items

Total deposits and loans and advances etc have gone up by 9.1% and 11.5%, respectively, and at year-end they total DKK 17.5bn (deposits including deposits in pooled plans) and DKK 11.7bn, respectively. These increases are largely attributable to the inflow of new customers that Sparekassen continues to experience. This inflow is on a general scale for Sparekassen, although with a natural overweight at the more recently established branches.

With the results generated, the return on opening equity is 10.6% before tax and 9.9% after tax as opposed to DKK 9.2% and 8.7%, respectively, in 2016. In amounts, equity has gone up by just under DKK 225m and now stands at DKK 2,812.4m.

The Common Equity Tier 1 capital ratio and the capital ratio at year-end 2017 is 10.7% and 16.3%, respectively, compared to 9.9% and 15.6%, respectively, at the beginning of the year.

At 31 December 2017, Sparekassen's individual solvency needs have been calculated at 9.1% compared to 9.3% at the onset of the year.

Inflow of customer continues – both private and corporate customers head for Sparekassen

With 156,000 customers at year-end 2017, Sparekassen has been able to welcome a net total of over 7,000 customers in 2017. The inflow of customers is naturally attributable to the opening of new branches where Sparekassen is winning market shares, however, the "old" branches too are able to welcome new customers.

The predominant reason for this positive inflow is not massive and expensive advertising campaigns, but factors that are at the heart of Sparekassen's business model, namely local roots and customer recommendations. When new customers enter Sparekassen's local branches, and even in large numbers, they do so based on a recommendation from another customer, which makes you proud and humble, and this we are when it comes to the current development.

Sparekassen will have no and is no business without our customers. This is why our business model puts customers first. This means that, if at all possible, services, advice and availability take the customer's needs as their starting point.

To ensure good customer experiences, we have a competent and locally based staff of people who, together with Sparekassen's specialists in the fields of housing and asset management and our corporate customer specialists, regularly develop and adjust Sparekassen's products and services.

As we consider our staff our key resource, we invest regularly in their training and development so that they are well prepared for delivering services to our customers. And to make sure Sparekassen and our staff deliver appropriately, we ask the customers directly. To Sparekassen, the customers' opinions are not unimportant, we listen, and all of their feedback that can help make Sparekassen better, will be taken seriously.

We are quite satisfied with the inflow of new customers which often takes place in a highly

competitive market, but Sparekassen is competitive, and local presence and roots make a huge difference.

The inflow of customers and the increase in activity have resulted in a business volume standing at DKK 34.4bn at 31 December 2017, an increase of 10.0% on the same date last year. The business volume represents the development in deposits, loans and advances and guarantees which are all on the rise. As mentioned, it is within housing loans and corporate customer loans in particular that we continue to experience increased demand.

New branches and a new corporate customer centre – and this will continue in 2018

In 2017, Sparekassen strengthened its customer services by opening new branches. During the summer, we opened branches in Elsinore and Frederiksværk, and on 3 November we opened at Islands Brygge in Copenhagen with a new private customer branch and a new corporate customer branch. The increase in branches will continue in 2018 with the opening of new branches in Greve, which held well-attended opening receptions on 18 January, and later on in Helsingør. It is most satisfactory to see in this context that a lot of really capable talents are heading for Sparekassen.

With these setups, the total network reaches 53 branches, four of which are specialised corporate customer centres located at Islands Brygge in Copenhagen, in Odense, Næstved and Holbæk.

Economic trends are in favour of Sparekassen's customers

The continued positive economic trends which include prices in the housing market and stable developments in the labour market and inflation etc are key to the development in Sparekassen's impairment losses and losses on loans and advances.

The positive economic trends have had a positive effect on Sparekassen's Zealandic and Funen market areas in particular. This also has a noticeable effect on impairment charges and losses which come to DKK 33.4m for the year, the lowest level since 2007.

Capital resources

Sparekassen's capital resources remain satisfactory compared to its business volume, with an excess capital adequacy ratio of 7.2 percentage points relative to the capital requirement, and an excess cover ratio of 6.0 percentage points relative to the total capital requirement and the combined capital buffer requirement.

To match continued growth in business volume and to phase in the capital buffer requirement and new eligible liabilities requirements, Sparekassen intends to increase its capital resources through a share issue focused on its current shareholders – please refer to company announcement no 18/2017 issued on 6 November 2017.

Regulatory impacts

The financial sector is very much subject to changes in existing, and implementation of new, regulatory requirements. It takes many resources to implement and currently ensure compliance with all requirements. Sparekassen has

in 2017 been working on the implementation of new rules on investor protection, market transparency etc under the MiFID Directive, new anti-money laundering rules, future payment and privacy rules, the new financial reporting standard on financial assets as well as future capital adequacy requirement rules, referred to as the eligible liabilities requirements.

The work to ensure implementation and handling of regulatory requirements takes place partly through cooperation with the data centre, Bankdata, through industry associations and not least Sparekassen's organisation which spends considerable resources on this.

Successful dialogue sessions with the shareholders

From the end of August to mid-September, Sparekassen had ten dialogue sessions which started at Vallekilde-Hørve Fritidscenter and continued in Næstved, Ringsted, Kalundborg, Slagelse, Faaborg, Odense, Roskilde, Frederiksværk and Copenhagen. So these dialogue sessions reach out to the entire market area and are an offer to shareholders to come and meet Sparekassen's Executive Board, hear about financial and business developments, have a chance to ask questions and participate in an enjoyable get-together with refreshments and musical entertainment. The dialogue sessions attracted a record high number of around 4,000 shareholders.

It is very encouraging to see the shareholders support Sparekassen locally, which is the essence of our business model. Sparekassen would like to have even more shareholders and would welcome them at the dialogue sessions to come.

”At Sparekassen, we know that good results do not come of their own accord and that you cannot rest on your laurels, which is why we have spent 2017 preparing a strategic plan, which was launched on 6 November 2017, as stated in the company announced previously issued, and points towards 2021.

Lars Petersson
Chief Executive Officer



Share issue and dividend

As mentioned, Sparekassen will launch a share issue during the spring that is focussed on the existing shareholders. The purpose of this share issue is to optimise the capital structure and so in the long term to save around DKK 30m a year in interest expenses, but also to increase capital strength and so to comply with the regulatory requirements for capital resources of financial institutions, which are implemented, for instance, through the Capital Requirements Regulation and the future eligible liabilities requirements.

However, so as to not perform a share issue to improve capital resources and at the same time distribute dividend reducing these resources, it is recommended that no dividend be distributed for the financial year 2017.

Much thought is behind this recommendation, not least in view of the many shareholders who over the past two years have received dividend pursuant to the dividend policy and who have previously received interest in their capacity as guarantors.

2018 Annual General Meeting

Sparekassen's Annual General Meeting will be held Thursday, 8 March 2018, at Vipperødhallen in Vipperød just outside Holbæk.

As usual, the shareholders will be convened for this event at which the 2017 Annual Report will be submitted for approval.

”New Ways” – Sparekassen’s strategy project towards 2021

Sparekassen’s strategy is embedded in its business model. The overarching strategy is to be the local and regional alternative to the national banks on Zealand, Funen and the other islands.

In November 2017, Sparekassen introduced its strategic plan, ”New Ways”. The strategic plan has as a key turning point to maintain continuously strong focus on private customers while in the years ahead Sparekassen will also focus on strengthening its position as a strong locally based savings bank for corporate customers, and asset management too will be strengthened heavily. These three areas are to strengthen, supplement and enhance each other. By sharing knowledge and working together on joint objectives, we can give customers a better experience and create new business opportunities.

Sparekassen’s core values must make it attractive to be a shareholder, a customer and an employee.

Sparekassen considers its strategic plan, ”New Ways”, so important that it closed for nearly all business on 8 November to gather all employees and prepare them the next four years of exciting development. Sparekassen does not doubt that this was a good investment, which is also supported by the overwhelmingly positive feedback from our staff.

Now we look forward to customers and shareholders in particular having an opportunity to familiarise themselves with the strategy and in the years ahead come to benefit from the business and financial results.

In short, this is why we say:
It’s about sticking together.

As part of the strategic plan ”New Ways”, Sparekassen has pointed out four financial objectives that must be met by 2021 – or before

These four financial objectives are;



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 the 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 of both advisers and managers.



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

Sparekassen must be known and recognised for our 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 back 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 advisor 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 and the four corporate customer centres, corporate business must contribute to joint developments towards 2021. The synergies between the 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 inquires 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.

Financial review of the Group

Q4 2017

The pre-tax profit for Q4 2017 stands at DKK 48.7m and is up by 26% on Q4 2016.

This increase in profit for the quarter results from a marginal rise in net interest income, a total decline in net interest and fee income by DKK 9m, which has been caused by, for instance, the discontinuation of direct payment for Sparekassen's arrangement of investment unit certificates, declining impairment losses which conversely contribute positively by just under DKK 7m, translation and market value adjustments, which were up DKK 14.5m on Q4 2016, other operating income, which have increased by DKK 15.7m, and an increase in costs of DKK 13.2m. These and other developments in results improve financial performance by a total of DKK 10.1m in Q4.

Staff costs and administrative expenses have gone up as forecasted, and this is a consequence of investments in the branch strategy, pay increases through collective agreements and the rise in payroll tax. Furthermore, IT costs have gone up primarily because of financial regulations and price adjustments.

At year-end 2017, the deposits balance, including pooled deposits, stands at DKK 17,494.6m compared to DKK 16,040.9m at year-end 2016, which is up DKK 1,453.7m or 9%. In the same period, loans and advances grew by DKK 1,206.5m, or 11.5%.

The development in financial performance and business activities in Q4 is generally considered satisfactory.

Financial year 2017

Income statement

Income

Net interest income

Net interest income amounts to DKK 542.5m for 2017 against DKK 551.2m in 2016. Developments are still affected by the generally low interest rate environment and the pressure on the interest-rate differential as well as the competitive situation, but also the fact that, in a time when some financial institutions experience a dampened or direct reduction in the development in loans and advances, Sparekassen is able to deliver solid loan growth.

The fact that this happens while the credit quality of Sparekassen's customers has improved is encouraging, but also helps ensure fine accounting results.

Developments are mainly based on changes in the interest income and interest expenses generated by Sparekassen's balances of loans and advances and deposits, but also the interest yielded from the placement of surplus liquidity in bond portfolios or from deposits with Danmarks Nationalbank affect this line item. It

is positive that, in the current low interest rate environment, Sparekassen has been able to largely maintain the status quo on net interest income.

Fees and commission income

The positive development in fees and commission income of DKK 30.3m is broad-based. The pick-up in Sparekassen's business activities is evident in securities trading and custody accounts, payment services, loan file management and in guarantee commissions. The increase in guarantee commissions is attributable particularly to Sparekassen's arrangement of mortgage loans for both private customers and corporate customers.

Fees from securities trading and custody accounts have also developed quite satisfactorily. Sparekassen's services are offered so as to be consistent with the transparency provisions of the MiFID II Directive. This means, for example, that investors in mandate programmes will see an increasing expense deducted directly in the programme whereas a declining expense will occur in the underlying investments in investment fund certificates.

Dividends received primarily arise from Sparekassen's investments in sector company shares. Investments in and co-ownership of the sector companies are to ensure that Sparekassen has access to and influence on the scope

and development of relevant financial products and services, it does not itself produce. Dividends received in 2017 total DKK 27.4m against DKK 18.4m in 2016.

Translation and market value adjustments

Developments in these adjustments contribute positively to financial performance by just under DKK 43m, which is a little lower than in 2016. Overall, this is satisfactory particularly when considering that the objective is low risk on the assets forming part of translation and market value adjustments, and investments are therefore made based on this objective.

The large portfolio of especially mortgage credit bonds contributed DKK 29.1m in translation and market value adjustments. This is somewhat less than last year when they contributed DKK 44.9m. This result is regarded as satisfactory, considering the low risk Sparekassen has taken in investments in 2017.

Market value adjustments for shares primarily relate to Sparekassen's portfolio of sector shares. Market value adjustments for these companies rely very much on dividends paid by them and should therefore be viewed in this context. Market value adjustments of shares stand at DKK 23.6m which is a little lower than last year.

Market value adjustments of owner-occupied property and investment property are negative by DKK 15.1m, which is an improvement compared to last year's negative DKK 23.9m. Sparekassen regularly values the properties held by the Group, which ensures a market-consistent valuation.

Costs

Staff and administration

The development of Sparekassen with the opening of new branches and investments in the overall administrative function also result in increasing payroll costs and administrative expenses, which have gone up by a total of DKK 37.3m compared to last year. The increase also includes a one-off expense of approx DKK 4m regarding the resignation of an executive officer, pay increases through collective agreements, the related rise in pension costs and a rise in the payroll tax payable by financial institutions.

Other administrative expenses have gone up by DKK 10.3m, which is also attributable to the increase in branches, general price rises and increasing IT costs, for example, for ensuring compliance with financial regulations and the development of tools that may help enhance the efficiency of, and improve, customer advisory services.

Developments in costs are consistent with the forecast prepared for Sparekassen in connection with the implementation of the strategic plans.

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

Amortisation, depreciation and impairment losses have gone up by just under DKK 7m and now amount to DKK 58.7m. The increase in amortisation and depreciation is consistent with developments the investments that Sparekassen has made in new branches and IT.

Impairment losses on loans and advances etc

With an almost 70% drop on 2016, impairment losses for the year come to DKK 33.4m, which is most satisfactory, and hence also a key factor in the positive development in Sparekassen's financial performance. The impairment ratio for the year then stands at 0.2%. For example, Sparekassen's loan book, ie the credit quality of loan customers, has developed very positively. One of the reasons is the continued positive economic trends in the labour market and the housing market in Sparekassen's market area. Sparekassen's credit policy too ensures that all loan commitments are subjected to a thorough assessment both when incurred and on a regular basis. The latter aims at dealing with any undesired development in exposures together with the customers as early as possible.

Many of Sparekassen's loans and advances and arranged loans are secured against dwellings, land, commercial properties and other collateral. In this way, Sparekassen seeks to minimise the risk that cannot be avoided given its key activity as a loan provider.

Balance sheet

Below, key balance sheet items are commented on, as are line items that have been subject to a significant development.

Assets

Loans and advances etc

The balance of loans and advances etc has grown to DKK 11.7bn from DKK 10.5bn at year-end 2016. As mentioned in the management commentary, the heavy demand for Sparekassen's arrangement of loans to finance housing has helped boost loans and advances by DKK 1.2bn, or 11.5%, during the year.

Although there has also been a growing demand by the many small and medium-sized businesses that have decided to become customers of Sparekassen in 2017. Especially in the areas where Sparekassen has set up in recent years, customers welcome that they can be serviced locally and are able to have their holdings of banknotes and coins processed by Sparekassen.

Bonds

Sparekassen still has a large deposit surplus of DKK 5.8bn inclusive of pooled deposits. Efforts are made to invest it in a way that it will contribute to earnings at a low risk. Sparekassen has placed the largest portion of the deposit surplus in government and mortgage credit bonds. Because of the way the interest rate levels have developed in recent years, the interest yield has been in decline, but instead Sparekassen has been able to earn quite handsome capital gains on the portfolios, although a little less than last year.

Equity and liabilities

Deposits

The deposits balance too continues to increase. At 31 December 2017, total deposits on traditional accounts and pooled plan accounts amount to DKK 17.5bn, which is DKK 1.5bn up on the same date last year. Particularly the development in pooled plan accounts is encouraging. This type of deposits that is related to an investment scheme has grown from DKK 394m to DKK 905m. Sparekassen expects this product to continue to develop nicely.

Subordinated loan capital

In 2017, Sparekassen has redeemed a total of DKK 163m in subordinated debt. In connection with this redemption, Sparekassen incurred new subordinated loan capital of DKK 50m at a much lower interest rate than the subordinated loan capital redeemed. Based on this, Sparekassen has managed to reduce its interest expenses considerably and hence to have yet another positive contribution to the bottom line.

Equity

Equity stands at DKK 2,812m at the balance sheet date and has so been strengthened by just under DKK 225m during the year. Most of the increase represents the positive development in retained earnings, adjusted for dividend paid for 2016, changes in the portfolio of treasury shares, payment of interest on hybrid core capital as well as the issuance of new hybrid core capital of DKK 55.1m.

Please also refer to the comments on capital resources in the section below.

Financial review of the Parent

Net interest income

Net interest income stands at DKK 516.3m and is so down by just under DKK 5m. It is the combination of the negative effect from the current low interest rate environment and the positive effect of the increased balance of loans and advances that are the primary cause of this development.

Fee and commission income

Net fee and commission income has gone up by DKK 26.6m. Considerable activities with Sparekassen's housing market customers and from loan conversions are the main contributors to the improvement. Because of the MiFID II rules, some of the income from securities trading and custody account management has decreased, as opposed to the increase in income from payment services, which is a result of the growing use of debit and credit cards.

Costs

Costs of the Parent are in reality the picture of the entire Group. Staff costs and administrative expenses came to DKK 693.5m compared to DKK 640.7m in 2016. This rise has been caused by Sparekassen's investments in branch openings, the increase in headcount, increased costs for IT and the handling of regulatory requirements as well as increases to cover pay adjustments arising from collective agreements, the increase in payroll tax and general price adjustments of other consumption.

Impairment losses

Impairment losses on loans and advances etc have gone down from DKK 111.7m to DKK 32.2m, a positive development of DKK 79.5m. It is the generally positive economic trends with increases in the value of housing and good demand on the labour market and Sparekassen's credit management in recent years that serve as a basis for this measurable development.

Profit

Pre-tax profit stands at DKK 270.9m against DKK 198.7m in 2016. This is a massive improvement and considered very satisfactory.

Balance sheet

As is the case with the income statement, the consolidated balance sheet is very much composed of the balance sheet of the Parent. The Parent's balances of loans and advances and deposits reflect increases of 11.9% and 9.0%, respectively.

The Parent's equity is consistent with that of the Group and so amounts to DKK 2,812.4m, after having increased by just under DKK 225m.

Income statement items, balance sheet items and notes to the parent financial statements are evident from the corresponding financial disclosures for the Group.

Events after the balance sheet date

No events have occurred subsequent to the balance sheet date which are expected to have a material influence on the Group's or the Parent's financial position.

The commencement of IFRS 9 from 1 January 2018 and the effect thereof are described in more detail in the section "Outlook for 2018".

Capital structure and liquidity of the Group

Capital structure

Sparekassen's risk exposures total DKK 16,973m and have gone up by DKK 1,116m in connection with the increase in business activities. Credit risk and market risk have been determined using the standard method. Operational risk has been determined based on the basic indicator method.

Sparekassen's capital ratio is then 16.3%. The capital requirement has been calculated at 9.1%, leading to an excess capital adequacy ratio of 7.2 percentage points. In amount, this excess is equivalent to DKK 1,224m.

The combined buffer requirement has been calculated at 1.3 percentage points. This results in Sparekassen's excess capital adequacy ratio net of capital requirement and combined buffer requirements standing at 6.0 percentage points. In amount, this excess is equivalent to DKK 1,012m.

The above calculations are based on distribution of dividend for 2017 being suspended, as recommended to the Annual General Meeting.

Sparekassen develops capital plans on a regular basis. These plans enable the assessment of whether the volume of the current capital resources is sufficient.

Sparekassen believes that the capital resources are sufficient to match the risk associated with its current and planned activities and business volume. Please also refer to company announcement no 18/2017 of 6 November 2017 for a specification of Sparekassen's statements on capital structure.

Liquidity

Liquidity coverage ratio (LCR)

The LCR requirement is to ensure that credit institutions have sufficient liquid funds to honour expected cash outflows, calculated using an applicable stress model. In addition to the amount of the required liquidity buffer, the requirements define the required composition of the liquid assets that may be used for the buffer. For example, at least 30% of the liquid assets that may be included in the liquidity buffer must be composed of so-called Level 1A assets.

Level 1A assets mean operating cash, Sparekassen's balance on the current account with Danmarks Nationalbank, the portfolio of certificates of deposit issued by Danmarks Nationalbank and the portfolios of bonds issued or guaranteed by the Danish Government.

As, for reasons of returns, Sparekassen has a very large portion of its liquidity surplus and capital resources invested in mortgage credit

bonds compared to Level 1A assets, the 30% rule implies that parts of its portfolio of bonds are not included in the calculation of the LCR liquidity buffer. Conversely, Sparekassen may fairly easily raise the LCR by replacing elements of the portfolio of mortgage credit bonds with Level 1A assets instead.

At 31 December 2017, Sparekassen's LCR is 263% against the then applicable statutory requirement of minimum 80%. On 1 January 2018, the LCR rules were finally fully phased in and the minimum requirement is now 100% which Sparekassen fulfils with a major margin.

With the fine liquidity surplus and without optimising the composition of liquid assets to optimise the LCR ratio, Sparekassen has been well above the statutory requirement during the period of phasing in the ratio. Sparekassen expects to have a solid surplus on this liquidity requirement also in future.

Liquidity surplus according to the Supervisory Diamond benchmark

Sparekassen has a liquidity surplus calculated under the Supervisory Diamond rules for the benchmark of 216.6% relative to a minimum surplus threshold of 50%. Consequently, Sparekassen continues to have a solid surplus, also for this calculation of liquidity. The aim is always

to have a sufficiently high level of liquidity, which is both currently and historically the case.

Sparekassen's business model dictates that deposits must fund loans and advances and that it must therefore not be dependent on external funding by way of market funding and transient high-yielding deposits.

Sparekassen has a large deposit surplus of over DKK 5.8bn. Its deposits are primarily made by retail customers and small business operators. There are no large single deposits of significance. There are no deposits of significance from other financial institutions. Deposits are also characterised by a very large portion of them being covered by the Danish Deposit Guarantee Fund.

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

The Supervisory Diamond

Both individually and at group level, 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 financial institutions must comply with.

The five benchmarks and the current calculations are:

Benchmark	Threshold	Group at 31.12.2017
The total of large exposures	< 125% of capital resources	0.0%
Loan growth per annum	< 20%	11.5%
Property exposure	< 25% of loans, advances and guarantees	13.4%
Stable funding	< 1.00 Loans and advances/working capital less bonds with a term to maturity of less than one year	0.56
Liquidity surplus	> 50%	216.6%

Nor in future does Sparekassen expect to have any difficulties in respecting the thresholds of the Supervisory Diamond or the new liquidity benchmark to be implemented from the end of June 2018. This new benchmark will replace the current benchmark and is a hybrid of the LCR requirement, but covering a longer time frame.



Group

Sparekassen Sjælland-Fyn A/S Group

The Sparekassen Sjælland-Fyn A/S Group is composed of the Parent, Sparekassen Sjælland-Fyn A/S, and related subsidiaries. The group structure is evaluated on a regular basis by Management for optimisation.

Group enterprises and their business activities:

Sparekassen Sjælland-Fyn A/S, Parent

The Parent of the Group has as its primary activity to carry on banking activities. The Parent accounts for the largest portion of the consolidated balance sheet. The Parent is a listed company and operates under licence from and supervision by the Danish FSA. As part of its business activities, the Parent owns subsidiaries whose primary business activities are related to investment business, including investment in and lease of properties etc. The Parent also holds equity interests in a number of associates and related companies.

Ejendomsselskabet Sjælland-Fyn A/S, subsidiary

Effective from 1 January 2017, Sjælland Ejendomme A/S merged with the other group property companies, Ejendomsselskabet af 15. december 2008 A/S, Udviklingselskabet Blindestræde ApS, Ejendomsselskabet Faaborg A/S and Spar Fyns Ejendomsselskab A/S, and changed its name to Ejendomsselskabet Sjælland-Fyn A/S. The property portfolio of Ejendomsselskabet Sjælland-Fyn A/S is composed of owner-occupied properties leased out to the Parent and of investment properties leased out to individuals and business operators.

Ejendomsselskabet Sjælland-Fyn A/S is the parent of Investeringsselskabet af 10. marts 2015 ApS, which currently holds a number of investment properties.

Investeringsselskabet Sjælland-Fyn A/S, subsidiary

Under its former name, Sparekassen Fyn A/S, the company carried on the Group's banking activities on Funen. When the business activities of Sparekassen Sjælland A/S and Sparekassen Fyn A/S were combined in mid-October 2016, the subsidiary changed its name to Investeringsselskabet Sjælland-Fyn A/S. The company is engaged in investment business, including the Group's portfolio of mortgages, and handles various group-related administrative tasks.

Leasing Fyn Faaborg A/S, subsidiary

The company holds 33.33% of the shares in Leasing Fyn Bank A/S and, through this structure, it engages in finance leases for small and medium-sized enterprises.

Please refer to note 17 for a specification of group enterprises and associates.

Business foundation

Sparekassen Sjælland-Fyn A/S is among the 11 largest financial institutions in Denmark. In October 2016, Sparekassen Sjælland A/S and Sparekassen Fyn A/S merged, and the combined company became Sparekassen Sjælland-Fyn A/S. Sparekassen Sjælland-Fyn A/S is represented by 49 branches, including the planned openings in 2018 in Greve and Helsingør, composed of 15 on Funen and 34 on Zealand, and so the company is strongly represented by branches in the entire market area. In addition to the 49 private customer branches, Sparekassen has four corporate customer centres distributed strategically around the entire market area.

Market focus

As a main rule, Sparekassen wants to do business with customers residing on Zealand and Funen. At least 90% of Sparekassen's loans and advances and guarantees must be related to this primary market area.

Considering earnings and capital structure, branch reach is assessed regularly based on the strategic objectives.

Customers

Sparekassen offers financial products and advice to both private customers and businesses in our local market areas as well as digital solutions directed at customers all over Denmark.

Sparekassen has 156,000 customer, about 26,000 of whom are also shareholders.

Distribution network

Sparekassen wants to create the optimum distribution network to be able to offer customers relevant local service and advice. As mentioned, the distribution network consists of our 49 private customer branches, four corporate customer centres and a number of specialists in competence-intensive fields such as housing finance, advice and services to businesses, investment and pension plans. However, this could also be through digital platforms (home banking and mobile banking) or through outreach meeting activities at customers.

Sparekassen has defined and named digitalisation a particular strategic focus area to be implemented to the greatest extent possible in all processes and procedures of the organisation. The Digital Savings Bank ("Den Digitale Sparekasse") has its own customer service centre which supports those of our customers who use self-service combined with personal advisory services.

Business areas, products and services

Sparekassen's three business areas are defined as Private Customers, Corporate Customers and Asset Management. The value propositions in these three areas are based the principles of simplicity and opt-out. Simplicity, because it provides transparency and hence security for customers and investors. Opt-out, because we

do not want to provide complex products associated with high risk for the customers.

This is why Sparekassen primarily offers quite traditional financial products and accompanying advisory services, including deposit and lending business, savings products etc. This is where the primary demand is, and this is where we can offer products on competitive terms.

Sparekassen readily offers funding to private customers and businesses if this can take place on appropriate terms, and if it can create value for the customer as well as for Sparekassen's other stakeholders. To ensure this, we have adopted a credit strategy that is primarily about being close to the customer so that we can find solutions together when the need for funding arises, or should an existing exposure experience difficulties.

Infrastructure and organisation

A well-functioning infrastructure is a precondition for our ability to deliver the value promised to the customer. The key elements in this infrastructure are our staff and our use of IT which we constantly seek to organise in such a way that we maximise synergies and benefit from our competitive advantages as much as possible. The Group's operation and development of IT systems have to a large degree been outsourced to the data centre, Bankdata, who also services other leading financial institutions in Denmark.

The organisation is based on customer focus, adaptability, simplicity, focus on capital and costs and highly decentralised decision-making powers at the different levels of management. As far as possible, fields that are not directly related to our core business must be outsourced, with due regard to the laws that Sparekassen is subject to in order to create and maintain an organisation focussing on our core business.

In that connection, it is a strategic choice to retain and expand the group of highly competent strategic business partners. We intend to continue to develop our cooperation with partners who provide financial solutions within mortgage credit, lease, insurance, pension and investment products, and we will regularly make sure that the products and services we arrange through them are fully consistent with our value proposition of simple and effective solutions that create security and value for our customers. The Group is paid a brokerage and guarantee commission for arranging certain products and investment services. Information about our business partners and any commissions received is evident from Sparekassen's website, www.spks.dk.

We make a point of attracting and retaining qualified staff who can match the challenges that follow from ever-changing economic trends and from growth.

Corporate governance and statutory report on corporate governance

This statutory report on corporate governance covers the financial period 1 January to 31 December 2017.

The Board of Directors and the Executive Board continuously seek to ensure that the management structure and control systems remain appropriate and function satisfactorily. Management continuously assesses – and at least once a year – whether this is the case.

The planning of management tasks is based on the Danish Financial Business Act, the Danish Executive Order on Management and Control of Financial Institutions, etc., the Capital Markets Act, the Market Manipulation Directive, Nasdaq Copenhagen's Rules and Recommendations for Issuers, Articles of Association as well as good practice for financial undertakings. On this basis, a number of internal procedures are continuously being developed and maintained to ensure an active and cost effective management of Sparekassen.

Recommendation for corporate governance

In 2013, the Committee on Corporate Governance issued revised recommendations for corporate governance. These were subsequently updated in November 2014. The recommendations are publicly available at the Committee's website www.corporategovernance.dk.

The recommendations include guidelines for Sparekassen's communication and interaction with our investors and other stakeholders, the tasks and responsibilities of the Board of Directors, the composition and organisation of the Board of Directors, management's remuneration, financial reporting, risk management and internal control as well as audit.

With two exceptions, Sparekassen complies with the principles of "Recommendations for Corporate Governance".

Sparekassen does not follow the recommendation that board members elected by the annual general meeting are up for election every year. In Sparekassen, the Committee of Representatives elects the Board of Directors. According to the Articles of Association, the electoral term for members of the Board of Directors elected by the Committee of Representatives is 2 years with the possibility of re-election. The Board of Directors finds that the electoral system ensures continuity and stability in the board work. Moreover, Sparekassen does not follow the recommendation on setting an age limit for members of the Board of Directors. The age limit for members of the Board of Directors was abolished at the annual general meeting in April 2017, which is in line with the revised recommendations for corporate governance, which will become effective as

of the financial year 2018. The disclosures as well as additional information are available in a report published on Sparekassen's website: www.spks.dk/IR/om_sparekassen#politikker.

Recommendations for active ownership

When, in connection with the preparation of the 2017 annual report, management considered the "Recommendations for Corporate Governance", they also assessed whether Sparekassen is also covered by "Recommendations for Active Ownership". It is the assessment that the "Recommendations for Active Ownership" are not relevant to Sparekassen, as Sparekassen only has a small stock of listed shares, and as Sparekassen, in its role as asset manager, has not entered into an explicit agreement with customers that Sparekassen should exercise active ownership, for example by exercising the right to vote in relation to investments in listed shares.

Finance Denmark's code of conduct

Finance Denmark (formerly the Danish Bankers' Association) has prepared a code of conduct with recommendations to its members. The recommendations, which go beyond legislation and the recommendations of the Committee on Corporate Governance, are followed by Sparekassen. For further information on the code of conduct, please visit Sparekassen's website www.spks.dk/IR/om_sparekassen#politikker.

Composition of the Committee of Representatives

Sparekassen's Committee of Representatives consists of up to 51 members, of whom 26 are elected by the annual general meeting and 25 at shareholder's meetings. Partial election of the Committee of Representatives at shareholders' meetings takes place in order to ensure, as far as possible, equal representation from Sparekassen's field of operation, reflecting the composition of shareholders and the business structure.

According to the Articles of Association, a transitional agreement applies to the Committee of Representatives until the annual general meeting in 2018. As a result of the transitional agreement, all 43 members of the Committee of Representatives incumbent at the time of Sparekassen's conversion into a limited company will be up for election in the period until 2018.

The members of the Committee of Representatives at 31 December 2017 are listed in the annual report under "Committee of Representatives, Board of Directors and Board of Directors Committees" and on Sparekassen's website: www.spks.dk/om_sparekassen/organisation.

Composition of the Board of Directors

Sparekassen's Board of Directors consists of 4-9 members who are elected by and among the

members of the Committee of Representatives. In addition, the Board of Directors consists of a number of members elected by the employees under existing laws as a voluntary arrangement, however, has been set up in accordance with the decision made by the works committee in this respect. According to the Articles of Association, the Committee of Representatives may also elect board members that are not members of the Committee of Representatives to ensure that Sparekassen always meets the current requirements for knowledge and experience of board members in a financial institution.

The Board of Directors continuously evaluates the work of the Board in accordance with the legislation and the Danish Financial Supervisory Authority's guidance and has reviewed the applicable requirements for the Board's competencies. On these grounds, the Board has prepared a competence profile and adopted a policy for diversity in the Board. The Board of Directors' nomination of candidates for election of the Board of Directors at the Committee of Representatives meeting has been prepared in order to ensure that the Board of Directors meets the competence profile and policy for diversity in the Board of Directors to the greatest possible extent.

The members of the Board of Directors are listed in the Annual Report under "Committee of Representatives, Board of Directors and Board of Directors Committees" and on Sparekassen's website: www.spks.dk/om_sparekassen/organisation.

Note 36 includes, in addition to managerial posts held by the members of the Board of Directors and the Executive Board, other disclosures, including whether the board members

are dependent or independent in relation to Sparekassen, their age and the period for which they are elected to the Board of Directors.

Board work

The Board of Directors ensures that the Executive Board observes the objectives and strategies laid down by the Board of Directors. Communication from the Executive Board takes place systematically by means of meetings as well as current reporting, oral as well as written. This reporting comprises developments in the external environment, Sparekassen's development and profitability as well as the financial position.

The Board of Directors convenes according to a fixed meeting schedule, and when deemed necessary. Normally, Sparekassen holds a yearly strategy seminar where its vision, objectives and strategy are determined.

In 2017, the Board of Directors held 29 meetings, one of them in the nature of a strategy seminar.

The Board of Directors makes decisions on, i.e., appropriation of large engagements, acquisitions, major investments and divestments, the size and composition of the capital base, long-term obligations, control and audit matters as well as operational matters.

The Board of Directors rules of procedure lay down procedures for the Executive Board's reporting to the Board of Directors and for these parties' communication. The rules of procedure are reviewed and evaluated annually by the Board of Directors and are currently adjusted to the situation of Sparekassen.

Nomination Committee

The Board of Directors has appointed a nomination committee, which is to assist the Board of Directors in continuously assessing the required and existing qualifications of the members of the Board of Directors and Executive Board in Sparekassen. Moreover, the Nomination Committee shall propose candidates for election to these two management bodies and prepare a nomination to the Board of Directors in this respect.

The Nomination Committee held two meetings in 2017.

Remuneration Committee

The Board of Directors has appointed a Remuneration Committee. This Committee shall undertake the preparatory work, which will subsequently serve as a basis for the Board's decisions on remuneration, including remuneration policy and identification of significant risk-takers.

The Remuneration Committee held two meetings in 2017.

Remuneration policy

Sparekassen's remuneration policy comprises all employees in Sparekassen, including the Executive Board, the Board of Directors and employees who have significant influence on the Group's risk profile as well as employees in Sparekassen's control functions.

The remuneration policy is approved annually at the Annual General Meeting of Sparekassen and was most recently approved on 6 April 2017.

Salaries and remuneration to the Board of Directors, Executive Board and significant risk-takers are specified in note 8.

The remuneration policy is published on Sparekassen's website: www.spks.dk/IR/om_sparekassen#politikker.

Audit Committee

Sparekassen has appointed a separate Audit Committee. The tasks of the committee will be (among other tasks):

- To monitor the Executive Board, the CFO and other relevant management members in relation to the terms of reference drawn up.
- To inform those charged with governance about the outcome of the statutory audit, including the financial reporting process.
- To monitor the financial reporting process and make recommendations or proposals to ensure integrity.
- To monitor whether Sparekassen's internal control system, internal audit and risk management systems function properly and efficiently.
- To monitor the statutory audit of the financial statements etc.
- To monitor and control the external auditor's independence and approve the auditor's non-audit services.
- To be responsible for the procedure for the selection and recommendation of the auditor for appointment.

The Committee meets according to a fixed schedule at least four times a year, to a great extent based on the monitoring of the accounting processes.

Sparekassen has as the qualified member appointed former CEO Bent Andersen. Bent Andersen has acquired extensive knowledge and experience in accounting and auditing of

financial enterprises through his previous work, especially as Executive Director of Sydbank and CEO of DLR Kredit A/S.

The Audit Committee held 6 meetings in 2017.

Risk Committee

Moreover, in accordance with the financial legislation, the Board of Directors has set up a risk committee that prepares the Board's work and advises the Board of Directors on Sparekassen's risk profile and risk strategy and ensures implementation of the Board's risk strategy, etc. so that the Board is aware of current and relevant risks when making business decisions. The Risk Committee's work is specified in written terms of reference.

The Risk Committee consists of 5 members who are appointed by the entire Board of Directors.

The Risk Committee held 5 meetings in 2017.

Executive Board

The Board of Directors appoints the Executive Board, which is responsible for the planning and implementation of day-to-day operations and strategic plans. The Executive Board is not a member of the Board of Directors but participates in the Board of Directors meetings.

The Board of Directors' instructions to the Executive Board lay down the Executive Board's powers, procedures for the Executive Board's reporting to the Board of Directors and for these parties' communication. The instructions to the Executive Board are reviewed and evaluated at least once a year by the Board of Directors and are currently adjusted to the situation of Sparekassen.

Managerial posts

Please refer to note 36 to the financial statements.

Shareholders

Sparekassen continuously seeks to inform shareholders about relevant matters and to enable a dialogue with the shareholders. This is done, i.a. by publishing news, quarterly reports and annual reports and at general meetings. Sparekassen's website www.spks.dk is continuously updated with published information. Sparekassen frequently holds information meetings for investors.

The Board of Directors regularly assesses whether the capital structure is consistent with the interests of Sparekassen and its shareholders. The general objective is to ensure a capital structure that supports long-term and profitable growth.

The shareholders' voting rights are exercised as follows: Each nominal share denomination of DKK 10 carries one vote. However, for shares held by the same shareholder, the maximum vote cast may be equivalent to 7.5% of the total share capital.

If an offer is submitted for acquisition of the shares in Sparekassen, the Board of Directors will consider the offer pursuant to regulations. The share capital is not divided into classes.

Sparekassen's largest shareholder is Fonden for Sparekassen Sjælland, which holds 6.5% of the shares and voting rights in Sparekassen.

Annual General Meeting

The Annual General Meeting has the supreme authority in all matters relating to Sparekassen.

Accordingly, the Annual General Meeting can make decisions on alterations to the Articles of Association and distribution of dividends on recommendation by the Board of Directors.

According to the Articles of Association, the Annual General Meeting of Sparekassen is held every year by the end of April in Region Sjælland or in Region Hovedstaden upon further decision by the Board of Directors.

Annual General Meetings, ordinary and well as extraordinary, are convened by the Board of Directors not earlier than five weeks and not later than three weeks before the Annual General Meeting through announcement at Nasdaq Copenhagen and through announcement at Sparekassen's website as well as in writing to all the shareholders listed in the register of shareholders who have made a request in this respect.

Extraordinary general meetings are held in Region Sjælland or in Region Hovedstaden according to further decision made by the Board of Directors or convened at the request of a) the Board of Directors, b) the Committee of Representatives c) Shareholders in Sparekassen Sjælland-Fyn A/S who hold at least 1/20 of the share capital and who state in writing to the Board of Directors what they want to be presented at the Annual General Meeting or d) Sparekassen's auditor appointed by the general meeting. Extraordinary general meetings are convened in accordance with the above rules not later than two weeks after receiving the request.

The Annual General Meeting forms a quorum regardless of the size of the share capital represented at the Annual General Meeting. Decisions are made by a simple majority of

votes among the votes cast when nothing else is explicitly prescribed.

Rules of alterations to Articles of Association and shareholders' rights

Proposals for alterations to the Articles of Association or for the voluntary dissolution of Sparekassen can under current legislation be adopted only by at least 2/3 of the votes cast as well as the voting share capital represented at the General Meeting. Blank votes do not count as votes cast, but are included in the calculation of the voting share capital.

No shares in Sparekassen Sjælland-Fyn A/S carry special rights.

Risk management

Sparekassen assumes different risks as part of carrying on financial business and other related activities. The most significant types of risk are credit risk, market risk, liquidity risk and operational risk. The Board of Directors defines the Group's risk policies and the framework for the risk areas that Sparekassen is exposed towards. The Executive Board provides, within the policies, the framework for each division's and employee's powers in carrying on risky operations.

To provide an overview of the individual and total risks, Sparekassen has established a risk management function and appointed a risk manager. The risk manager reports to the Executive Board.

The overall goals of the risk management is that Sparekassen, with early and precise identification of risks, learning of incidents and focused management of assumed risks achieves satisfactory earnings on a known risk basis. For

further specifications on Sparekassen's risk management and current risks, see note 40 to the financial statements.

Compliance

Sparekassen's Compliance function assesses and checks the observance of the legislation, industrial standards and internal rules applicable to Sparekassen Sjælland Fyn. Moreover, the Compliance function assesses whether the business processes and controls that are implemented as part of Sparekassen's control environment are designed so they can detect whether the sets of rules are complied with.

The Compliance function includes the Money Laundering Prevention function. The Money Laundering Prevention function is responsible for Sparekassen's money laundering prevention setup, which is to prevent and implement measures against using Sparekassen to launder money or finance terrorism.

The function is headed by a compliance manager who is responsible to the Executive Board.

Capital management

Sparekassen's capital management is based on the Capital Requirements Regulation and relating executive orders. Sparekassen actively seeks to optimise capital management, including the capital structure, so it is continuously able to cover the existing and planned risk exposures and also ensures that it is as cheap and stable as possible.

The Board of Directors discusses continuously and at least once every quarter the overall composition and development of the risk on the balance sheet, assesses existing and expected

future risk effects and uncertainties and assesses on this background the capital requirement and target excess cover. This monitoring enables Sparekassen to plan its activities, which can thus be optimised in relation to the capital base.

It is Sparekassen's strategy to continuously ensure an adequate excess cover to ensure the freedom of action to implement the planned business activities and thus to maintain continuity in the operation and development of Sparekassen. Also, through risk management, Sparekassen makes a current effort to reduce risk as well as capital charge on non-core activities as much as possible.

A further description of Sparekassen's risks, the efforts to reduce and optimise on the risks as well as a calculation of the capital requirement is available in the notes to this annual report and in the related reports on risk data and capital requirement.

The annual report and the reports on risk data and capital requirement are available on Sparekassen's website: https://www.spks.dk/om_sparekassen/regnskab

Financial reporting process

The Board of Directors and the Executive Board have the overall responsibility for the Group's control and risk management in connection with the financial reporting process, including compliance with relevant legislation and other regulations relating to financial reporting.

It is the finance department that books, reconciles, analyses and handles general quality assurance in Sparekassen's financial reporting processes. The financial reporting processes are described in detail in a number of business

processes to ensure that items are handled in compliance with current legislation and internal instructions. As part of the process, time schedules are prepared defining the delivery time and the person responsible, which ensures that financial statements are prepared and submitted so the Audit Committee and the Board of Directors are able to discuss and approve the financial statements within the set deadlines.

Sparekassen's control and risk management systems can create reasonable but not absolute assurance that inappropriate use of assets, loss and/or material misstatements in connection with the financial reporting are avoided.

Upon presentation of the financial statements, Sparekassen's internal audit and the independent auditors appointed by the General Meeting will issue a report on their audit review of the financial statements etc.

Control environment

At least once a year, the Board of Directors assesses the organisational structure, the risk of fraud and the extent and relevance of internal rules and guidelines.

The Board of Directors establishes and approves overall policies and risk frameworks, whereas the Executive Board is responsible for these being observed when business activities are implemented. The Executive Board is also responsible for the preparation of business processes and relating controls in all significant risk areas, including for the financial reporting process. Compliance of policies and business processes is currently strongly emphasised, and monitoring and control of compliance are made on a random sample basis.

Sparekassen wants a strong control environment which can help reduce its risks. Therefore, the Executive Board monitors the compliance of relevant laws and other regulations and provisions and reports to the Board of Directors on an ongoing basis.

Risk assessment

At least once a year, the Board of Directors makes an overall assessment of risks relating to the financial reporting. As part of the risk management, the Board of Directors considers the risk of fraud and the measures to be taken in order to reduce and/or eliminate such risks. Moreover, the Board of Directors assesses whether management may be able to override controls and exercise inappropriate impact on the financial reporting process.

Auditors

To safeguard the shareholders' and the public interests, at least one firm of state-authorised public accountants is appointed at the Annual General Meeting upon recommendation of the Board of Directors. This audit firm appointed becomes Sparekassen's independent auditors.

In addition to the independent auditor appointed by the General Meeting, Sparekassen has set up an internal audit function. The internal audit is working independently of daily operations and reports directly to the Board of Directors.

The auditors report to the entire Board of Directors at least twice a year and also immediately after observance of any matters which the Board of Directors should approach. The auditors participate in Board of Directors meetings and Audit Committee meetings in connection with the presentation of reports to the Board of Directors and as required.

Statutory report on the underrepresented gender in the Group's supreme governing body and other management levels

In pursuance of Section 79 a of the Danish Financial Business Act, the Board of Directors has set target figures for the share of the underrepresented gender in the Board of Directors and prepared the following policy to increase the share of the underrepresented gender in the Group's other management levels.

Target figures for the representation of the underrepresented gender on the Board of Directors

The gender composition of board members elected by the Committee of Representatives of Sparekassen was 100% male and 0% female in 2017. It is Board of Director's objective to increase the share of women in the Committee of Representatives so that there will be a recruitment basis of both genders for directorships. Since 2012, the share of women in the Committee of Representatives has increased from just under 5% to almost 20% in 2017.

It is the Board of Directors objective that women elected by the Committee of Representatives are represented on the Board of Directors by the end of 2020.

Policy to increase the representation of the underrepresented gender in the Group's other management levels

It is Sparekassen's overall objective to provide an equal distribution of men and women in management. We want to be able to follow up on the development of the gender composition in management and to be able to adjust the efforts on the way in relation to the goals that are set. We consider objectives and target figures as an efficient tool to ensure progress and achieve results.

Sparekassen has set the following concrete targets:

- The employees must experience that they have the same opportunities for career and management positions regardless of gender.
- The share of female leaders must be increased from the current level of 32% to 40% by the end of 2020.

Implementation of the policy and targets achieved in 2017

Sparekassen's objectives and policy for increasing the share of the underrepresented gender have been followed and observed throughout 2017. The results are presented in this report and in the outline of the Board of Directors and management at the end of the annual report.

Board of Directors

In 2017, the election period of four incumbent male members of the Board of Directors expired. Three of the members were renominated and were elected, whereas the fourth member did not accept renomination. Upon recommendation of the Board of Directors, the Committee of Representative decided to reduce the number of board members elected by the Committee of Representatives from seven to six.

The members of the Board of Directors elected by the employees consist of one woman and three men.

On this background, no significant changes have been observed in the gender distribution on the Board of Directors in 2017.

Other management levels

The gender composition of other management levels is based on the policy prepared for this area. According to this policy, leaders are employed or appointed based on their competencies, regardless of gender.

Shareholder information

Sparekassen's shares were listed at Nasdaq Copenhagen on 3 December 2015. At the end of 2016, Sparekassen's shares were listed at Nasdaq Copenhagen at a rate of 107. During 2017, the share price increased to a price of 114.5 at the end of 2017. Moreover, dividend payments amounted to DKK 3.05 per share. The market value of Sparekassen's shares amounted to DKK 1,492.1m at 31 December 2017.

According to Company announcement no. 18/2017, Sparekassen published on 6 November

their plans for a number of initiatives to support continued growth and a forthcoming share issue in spring 2018 with a favourable subscription price and aimed at the existing shareholders of Sparekassen.

Investor relations

Sparekassen constantly strives to develop and maintain favourable relations with its stakeholders as such relations are considered to have a significant and positive impact on its development. On this basis, Sparekassen has drawn up

a communications policy. The communications policy and related procedures are to ensure that investors, employees and authorities, etc are provided with the information that is of importance to them, and that such information is published in accordance with the current rules and agreements.

Communication with investors and share analysts is handled by Sparekassen's Executive Board, which is supported by the Investor Relations department. The dialogue comprises

a wide range of activities and takes place in accordance with Nasdaq Copenhagen A/S's rules and the Market Manipulation Directive. Immediately after its publication, all investor information is distributed to shareholders who have requested such information. The investor information is also available at www.spks.dk/ir.

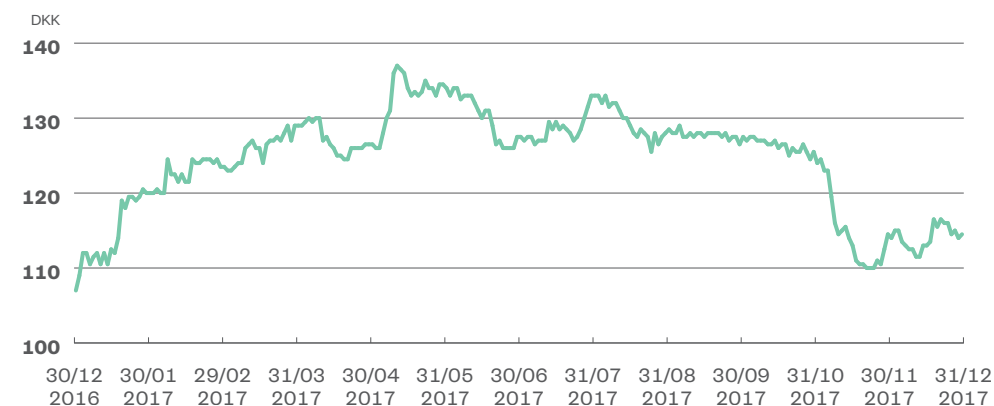
Efforts are constantly made to communicate extensive information to the share market on Sparekassen's financial and operating conditions and strategies. This is done, i.a. by publishing news, quarterly reports and annual reports and at general meetings. As stated before, Sparekassen's website www.spks.dk/ir is continuously updated with published information. Furthermore, Sparekassen holds regular meetings with investors and analysts.

In the autumn of 2017, Sparekassen held a number of shareholder events consisting of dialogue meetings.

Share information

Stock exchange	Nasdaq Copenhagen A/S
Share capital	DKK 130,312,300
Nominal denomination	DKK 10
Number of shares	13,031,230
Share classes	One
Number of votes per share	One
Bearer security	No
Voting right restrictions	Yes
Restrictions on negotiability	No
ISIN code	DK0060670776

Development in share price in 2017



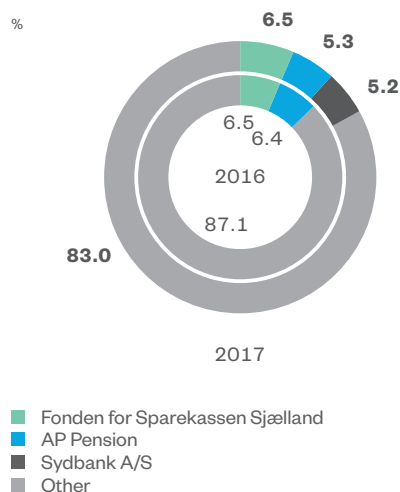
Shareholder structure at 31 December 2017

At 31 December 2017, Sparekassen had approx. 26,000 shareholders.

Three shareholders have an ownership interest over 5%:

- Fonden for Sparekassen Sjælland – with an ownership interest of 6.5%
- AP Pension – with an ownership interest of 5.3%
- Sydbank A/S – with an ownership interest of 5.2%

Shareholder structure



Treasury shares

At 31 December 2017, Sparekassen's portfolio of treasury shares amounted to 0 shares at a nominal value of DKK 10, equal to 0.0% of the share capital.

In 2017, Sparekassen was permitted by the Danish Financial Supervisory Authority to acquire treasury shares for up to DKK 15m in market value.

Dividend policy

To ensure compliance with regulatory capital requirements, Sparekassen's targets for relevant excess covers and to safeguard the shareholders' interests, the Board of Directors of Sparekassen has adopted the following dividend policy:

It is the Board of Directors' goal to pay 25% of profit for the year after tax and payment of interest to hybrid core capital, taking into account capital targets and ensuring that Sparekassen has sufficient capital to meet regulatory requirements as well as business and socio-economic conditions. The payment can be made as common dividend or as a share buy-back depending on what is found most appropriate.

As previously stated, the dividend policy and dividend payments for 2017 were derogated from in 2017 due to the share issue in 2018.

Financial ratios of shares and dividends are shown in the statements of financial highlights in note 1.

Financial calendar 2018

Time	Event
Thursday, 8 February	Publication of annual report 2017
Thursday, 8 March	Annual General Meeting
Tuesday, 8 May	Interim Announcement for Q1 2018
Tuesday, 14 August	Publication of financial statements for H1 2018
Tuesday, 6 November	Interim Announcement for Q3 2018

Accounting estimates

In connection with the preparation of the financial statements, Management makes assessments and estimates of future conditions as basis for the accounting valuation of assets and liabilities. These estimates and assessments are based on assumptions that management finds appropriate, and there have not been any unusual circumstances affecting the assessments. The assumptions, however, are uncertain, by their very nature, and are subject to unpredictability. For further details, please refer to note 3 to the financial statements: Significant judgements, assumptions and key sources of estimation uncertainty

Disclosure requirements

According to schedule 20 of the Executive Order on Capital Adequacy, Sparekassen is required to publish a number of disclosures on capital basis, solvency needs, credit risks etc. Sparekassen has chosen to publish the disclosures in the Report on risk disclosures.

The report is available at Sparekassen's website www.spks.dk/om_sparekassen/regnskab.

Statutory report on corporate social responsibility – CSR

Sparekassen is subject to rules on the preparation of a report on corporate social responsibility. The specific rules are laid down in Section 135 B of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

As part of the rules, Sparekassen is required to prepare policies within the following areas:

- Environmental and climatic impacts
- Social conditions and staff conditions
- Human rights
- Anti-corruption and bribery

These policies define how Sparekassen integrates corporate social responsibility in the stated areas. Sparekassen may choose not to prepare policies in these areas, but must in such cases explain why.

Sparekassen has specifically chosen not to develop a policy for the area, Environmental and Climatic Impact, due to Sparekassen's activities as a financial institution and related business activities. Sparekassen does not produce or work with chemicals or consume natural resources to a significant extent. Moreover, as a result of the operation of the enterprise, it is not regarded as having any significant negative impact on environment or resulting in undesirable climatic impact. The decision not to have a specific policy in the area does not mean, however, that Sparekassen is not making any effort to protect environment and reduce unwanted climatic impacts. Sparekassen has already implemented a large number of initiatives relating to environmental and climatic impacts, which are described in the CSR report.

Statutory report on corporate social responsibility – CSR for the Sparekassen Sjælland-Fyn Group is published at the website: www.spks.dk/om_sparekassen/regnskab



Financial statements

Group and Parent

Statement by Management on the Annual Report

We have today considered and approved the Annual Report of Sparekassen Sjælland-Fyn A/S for the financial year 1 January to 31 December 2017.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the parent financial statements have been prepared in accordance with the

Danish Financial Business Act. The management commentary has been prepared in accordance with the Danish Financial Business Act. Furthermore, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for listed financial companies.

In our opinion, the consolidated financial statements and the parent financial statements give

a true and fair view of the Group's and Sparekassen's financial position at 31 December 2017 as well as of their financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2017.

In our opinion, the management commentary contains a fair review of the development in the Group's and Sparekassen's activities and finances, performance for the year and the

Group's and Sparekassen's financial position as a whole as well as a description of the principal risks and uncertainties that they face.

We recommend the Annual Report for adoption at the Annual General Meeting.

Holbæk, 8 February 2018

Executive Board

Lars Petersson
Chief Executive Officer

Leo Bruno Riis-Nielsen
Executive Officer of the Savings Bank

Board of Directors

Thomas Kullegaard
Chairman

Jakob Nørrekjær Andersson
Vice-Chairman

Otto Frederik Spliid

Per Bjørnsholm

Bent Andersen

Erik Larsen

Per Olsen

Michael Agergaard

Mads Wallin

Helle Lindhof Bjørnøe

Internal auditor's report

To the shareholders of Sparekassen Sjælland-Fyn A/S

Opinion

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and Sparekassen's financial position at 31 December 2017 and of their financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies with respect to the consolidated financial statements and in accordance with the Danish Financial Business Act with respect to the parent financial statements.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis of opinion

We have audited the consolidated financial statements and the parent financial statements of Sparekassen Sjælland-Fyn A/S for the financial year 1 January to 31 December 2017. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for

listed financial companies. The parent financial statements are prepared in accordance with the Danish Financial Business Act.

We conducted our audit in accordance with the Danish Financial Supervisory Authority's Executive Order on Auditing Financial Undertakings, etc. as well as Financial Groups and International Standards on Auditing regarding the planning and performance of the audit.

We planned and performed the audit to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements are free from material misstatement. We participated in the audit of all significant and risky areas.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the management commentary.

Holbæk, 8 February 2018

Thomas Sandal
Chief Internal Auditor

Independent auditor's report

To the shareholders of Sparekassen Sjælland-Fyn A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Sparekassen Sjælland-Fyn A/S for the financial year 1 January to 31 December 2017, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as Sparekassen and the consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and Sparekassen's financial position at 31 December 2017 and of their financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies with respect to the consolidated

financial statements and in accordance with the Danish Financial Business Act with respect to the parent financial statements.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Sparekassen Sjælland-Fyn A/S for the first time on 13 March 2014 for the financial year 2014. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 4 years up to and including the financial year 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Statement on the management commentary

Management is responsible for the management commentary.

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

In connection with our audit of the consolidated financial statements and the parent

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the management commentary.

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

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Business Act with respect to the consolidated

Impairment losses on loans and advances

Determining impairment losses on loans and advances is subject to estimation and judgement. Due to their significance, the audit of impairment losses on loans and advances is a key audit matter.

Loans and advances of the Group and Sparekassen amount to DKK 11,681m and DKK 11,672m, respectively, and impairment losses on loans and advances amount to DKK 955m for the Group and DKK 912m for Sparekassen at 31 December 2017.

The principles for determining the impairment losses are described in the summary of significant accounting policies, and Management has further described the

management of credit risks and the review for impairment in note 40 to the consolidated financial statements.

The areas involving the highest level of management judgement, thus requiring greater audit attention, are:

- Determining whether any objective evidence of impairment exists for loans and advances
- Valuation of collateral which forms part of the determination of impairment losses
- Management add-ons.

How the matter was addressed in our audit

We have audited the measurement of loans and advances, including the write-down for impairment of loans and advances. Our audit comprised a review of relevant business procedures, test of controls and analysis of the amount of impairment losses.

Our audit procedures also comprised:

- Test of the Group's and Sparekassen's internal controls for identifying loans and advances for which indication of a loss risk exists.
- Challenging the methodologies applied for the statistical models and areas involving the highest level of management judgement by using our industry knowledge and experience, focusing on changes since last year.
- Assessing the changes in the assumptions for the areas requiring the highest level of management judgement against sector trends and historical observations.
- Performing a risk-based test of exposures to ensure timely identification of objective evidence of impairment of loans and advances, including correct write-down for impairment thereof.
- Obtaining audit evidence of management add-ons.

financial statements and in accordance with the Danish Financial Business Act with respect to the parent financial statements, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of

users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Sparekassen's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Group's and Sparekassen's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Sparekassen to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

Copenhagen, 8 February 2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Anders Oldau Gjelstrup	Christian Dalmoose Pedersen
State-Authorised	State-Authorised
Public Accountant	Public Accountant

MNE no 10777	MNE no 24730
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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Income statement

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
4	Interest income	606,130	653,479	579,963	623,502
5	Interest expenses	63,635	102,301	63,626	102,198
	Net interest income	542,495	551,178	516,337	521,304
	Dividends on shares etc	27,353	18,361	27,353	18,361
6	Fees and commission income	449,144	418,870	448,861	418,564
	Fees and commission expenses	19,817	15,770	19,290	15,606
	Net interest and fee income	999,175	972,639	973,261	942,623
7	Market value adjustments	42,994	46,528	57,165	68,963
	Other operating income	31,051	23,723	21,022	17,476
8	Staff costs and administrative expenses	691,393	643,802	693,456	640,720
	Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment	58,667	51,807	39,886	44,989
9	Other operating expenses	19,190	14,172	12,670	12,821
10	Impairment losses on loans and advances etc	33,440	107,205	32,185	111,735
17	Profit/loss on investments in associates and group enterprises	2,618	2,309	-2,395	-20,104
	Profit before tax	273,148	228,213	270,856	198,693
11	Income tax	15,875	12,491	13,583	-17,029
	Profit for the year	257,273	215,722	257,273	215,722
	Proposal for distribution of profit				
	Interest on hybrid core capital			56,480	56,315
	Dividend for the financial year			0	39,745
	Retained earnings			200,793	119,662
	Total amount distributed			257,273	215,722
	Earnings per share				
30	Earnings per share (DKK)	15.5	12.3	15.5	12.3
30	Diluted earnings per share (DKK)	15.5	12.3	15.5	12.3

Statement of comprehensive income

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
	Profit for the year	257,273	215,722	257,273	215,722
	Other comprehensive income that may not be reclassified to profit or loss				
	Fair value adjustment of properties	-500	0	-500	0
	Tax related to fair value adjustment of properties	4	0	4	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	65	161	65	161
	- Tax on other comprehensive income	-14	-41	-14	-41
	Total other comprehensive income	-445	120	-445	120
	Total comprehensive income	256,828	215,842	256,828	215,842

¹ The fair value adjustment concerns a jointly controlled enterprise.

Balance sheet at 31 December

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
Assets					
	Cash and balances on demand at central banks	356,906	384,241	356,906	384,241
12	Amounts owed by credit institutions and central banks	1,830,790	1,364,273	1,822,445	1,359,975
13	Loans and other amounts owed at amortised cost	11,680,562	10,474,059	11,671,702	10,429,309
14	Bonds at fair value	4,839,742	5,361,280	4,839,742	5,361,280
15	Bonds at amortised cost	99,999	99,634	99,999	99,634
16	Shares etc	653,583	663,287	653,583	663,287
17	Investments in associates	70,584	66,566	33,801	30,437
17	Investments in group enterprises	0	0	381,559	433,654
18	Assets related to pooled plans	905,222	393,877	905,222	393,877
19	Intangible assets	137,658	149,786	137,658	149,786
20	Total land and buildings	399,499	439,288	59,807	103,818
	Investment property	124,446	144,780	8,337	17,470
	Owner-occupied property	275,053	294,508	51,470	86,348
21	Other property, plant and equipment	47,830	47,135	47,830	47,135
	Current tax assets	11,310	13,407	15,647	17,664
22	Deferred tax assets	162,718	161,769	152,160	151,393
23	Temporarily held assets	0	16,180	0	16,180
24	Other assets	272,044	209,375	246,370	188,210
	Prepayments	18,716	14,841	18,675	14,841
	Total assets	21,487,163	19,858,998	21,443,106	19,844,721

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
Equity and liabilities					
Liabilities other than provisions					
25	Amounts owed to credit institutions and central banks	439,229	428,846	437,892	424,060
26	Deposits and other debt	16,589,332	15,647,044	16,591,918	15,658,816
18	Deposits in pooled plans	905,222	393,877	905,222	393,877
27	Other liabilities	246,572	229,627	216,286	221,929
	Deferred income	20,848	17,123	5,828	3,558
	Total liabilities other than provisions	18,201,203	16,716,517	18,157,146	16,702,240
Provisions					
	Provisions for losses on guarantees etc	55,905	67,061	55,905	67,061
	Other provisions	14,794	21,693	14,794	21,693
28	Total provisions	70,699	88,754	70,699	88,754
29	Subordinated loan capital	402,848	465,956	402,848	465,956
Equity					
30	Share capital	130,312	130,312	130,312	130,312
	Revaluation reserves	3,128	3,642	3,128	3,642
	Undistributable savings bank reserve, other reserves	561,378	561,378	561,378	561,378
	Retained earnings	1,532,758	1,362,741	1,532,758	1,362,741
	Total equity exclusive of hybrid core capital	2,227,576	2,058,073	2,227,576	2,058,073
	Hybrid core capital	584,837	529,698	584,837	529,698
	Total equity	2,812,413	2,587,771	2,812,413	2,587,771
	Total equity and liabilities	21,487,163	19,858,998	21,443,106	19,844,721
31	Contingent liabilities				

Statement of changes in equity

Note	Amounts in DKK'000	Group								
		Share capital	Revaluation reserves	Undistributable savings bank reserve	Reserve for value adjustment of hedging ¹	Dividend	Retained earnings	Total equity exclusive of hybrid core capital	Hybrid core capital	Total equity
	Equity at 1.1.2016	130,312	24,337	561,378	-289	39,094	1,184,655	1,939,486	529,725	2,469,210
	Profit for the year	0	0	0	0	39,745	119,662	159,407	56,315	215,722
	Other comprehensive income									
	Fair value adjustment of properties	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 year	0	0	0	161	0	0	161	0	161
	Tax on other comprehensive income	0	0	0	-41	0	0	-41	0	-41
	Total other comprehensive income	0	0	0	120	0	0	120	0	120
	Comprehensive income for the financial year	0	0	0	120	39,745	119,662	159,527	56,315	215,842
	Purchase of treasury shares	0	0	0	0	0	-2,148	-2,148	0	-2,148
	Sale of treasury shares	0	0	0	0	0	79	79	0	79
	Realised from the sale of properties	0	-20,695	0	0	0	20,695	0	0	0
	Dividend paid	0	0	0	0	-39,094	224	-38,870	0	-38,870
	Interest paid on hybrid core capital	0	0	0	0	0	0	0	-56,342	-56,342
	Equity at 31.12.2016	130,312	3,642	561,378	-170	39,745	1,323,167	2,058,073	529,698	2,587,771

Statement of changes in equity

Note	Amounts in DKK'000	Group								
		Share capital	Revaluation reserves	Undistributable savings bank reserve	Reserve for value adjustment of hedging ¹	Dividend	Retained earnings	Total equity exclusive of hybrid core capital	Hybrid core capital	Total equity
	Equity at 1.1.2017	130,312	3,642	561,378	-170	39,745	1,323,167	2,058,073	529,698	2,587,771
	Profit for the year	0	0	0	0	0	200,793	200,793	56,480	257,273
	Other comprehensive income									
	Fair value adjustment of properties	0	-500	0	0	0	0	-500	0	-500
	Fair value adjustment of financial instruments entered into to hedge future cash flows:									
	Value adjustment for the year	0	0	0	65	0	0	65	0	65
	Tax on other comprehensive income	0	4	0	-14	0	0	-10	0	-10
	Total other comprehensive income	0	-496	0	51	0	0	-445	0	-445
	Comprehensive income for the financial year	0	-496	0	51	0	200,793	200,348	56,480	256,828
	Purchase of treasury shares	0	0	0	0	0	-15,766	-15,766	0	-15,766
	Sale of treasury shares	0	0	0	0	0	24,720	24,720	0	24,720
	Realised from the sale of properties	0	-18	0	0	0	18	0	0	0
	New hybrid core capital	0	0	0	0	0	-661	-661	55,000	54,339
	Dividend paid	0	0	0	0	-39,745	607	-39,138	0	-39,138
	Interest paid on hybrid core capital	0	0	0	0	0	0	0	-56,341	-56,341
	Equity at 31.12.2017	130,312	3,128	561,378	-119	0	1,532,878	2,227,576	584,837	2,812,413

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

Statement of changes in equity

Note	Amounts in DKK'000	Sparekassen (Parent)									
		Share capital	Revaluation reserves	Undistributable savings bank reserve	Reserve for value adjustment of hedging ¹	Dividend proposed	Other reserves	Retained earnings	Total equity exclusive of hybrid core capital	Hybrid core capital	Total equity
	Equity at 1.1.2016	130,312	24,337	561,378	-289	39,094	159,775	1,024,880	1,939,486	529,725	2,469,210
	Profit for the year	0	0	0	0	39,745	0	119,662	159,407	56,315	215,722
	Other comprehensive income										
	Fair value adjustment of properties	0	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 year	0	0	0	161	0	0	0	161	0	161
	Tax on other comprehensive income	0	0	0	-41	0	0	0	-41	0	-41
	Total other comprehensive income	0	0	0	120	0	0	0	120	0	120
	Comprehensive income for the financial year	0	0	0	120	39,745	0	119,662	159,527	56,315	215,842
	Transferred for Sparekassen Fyn	0	0	0	0	0	-159,775	159,775	0	0	0
	Purchase of treasury shares	0	0	0	0	0	0	-2,148	-2,148	0	-2,148
	Sale of treasury shares	0	0	0	0	0	0	79	79	0	79
	Realised from the sale of properties	0	-20,695	0	0	0	0	20,695	0	0	0
	Dividend paid	0	0	0	0	-39,094	0	224	-38,870	0	-38,870
	Interest paid on hybrid core capital	0	0	0	0	0	0	0	0	-56,342	-56,342
	Equity at 31.12.2016	130,312	3,642	561,378	-170	39,745	0	1,323,167	2,058,073	529,698	2,587,771

Statement of changes in equity

Note	Amounts in DKK'000	Sparekassen (Parent)									
		Share capital	Revaluation reserves	Undistributable savings bank reserve	Reserve for value adjustment of hedging ¹	Dividend proposed	Other reserves	Retained earnings	Total equity exclusive of hybrid core capital	Hybrid core capital	Total equity
	Equity at 1.1.2017	130,312	3,642	561,378	-170	39,745	0	1,323,167	2,058,073	529,698	2,587,771
	Profit for the year	0	0	0	0	0	0	200,793	200,793	56,480	257,273
	Other comprehensive income										
	Fair value adjustment of properties	0	-500	0	0	0	0	0	-500	0	-500
	Fair value adjustment of financial instruments entered into to hedge future cash flows:										
	Value adjustment for the year	0	0	0	65	0	0	0	65	0	65
	Tax on other comprehensive income	0	4	0	-14	0	0	0	-10	0	-10
	Total other comprehensive income	0	-496	0	51	0	0	0	-445	0	-445
	Comprehensive income for the financial year	0	-496	0	51	0	0	200,793	200,348	56,480	256,828
	Purchase of treasury shares	0	0	0	0	0	0	-15,766	-15,766	0	-15,766
	Sale of treasury shares	0	0	0	0	0	0	24,720	24,720	0	24,720
	Realised from the sale of properties	0	-18	0	0	0	0	18	0	0	0
	New hybrid core capital	0	0	0	0	0	0	-661	-661	55,000	54,339
	Dividend paid	0	0	0	0	-39,745	0	607	-39,138	0	-39,138
	Interest paid on hybrid core capital	0	0	0	0	0	0	0	0	-56,341	-56,341
	Equity at 31.12.2017	130,312	3,128	561,378	-119	0	0	1,532,878	2,227,576	584,837	2,812,413

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

Cash flow statement

Note	Amounts in DKK'000	Group	
		2017	2016
		256,828	215,842
Comprehensive income for the year			
Adjustment for amounts without cash flow effect			
	Market value adjustment, shares	-23,565	-27,149
	Market value adjustment, bonds	-29,133	-44,948
	Impairment losses on loans and advances etc	33,440	107,205
	Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment	57,097	51,807
	Prepayments (net)	6,410	6,203
	Provisions	-18,055	-22,852
	Value adjustments of investment property	18,614	24,196
	Deferred income tax	15,875	12,491
Adjustment for amounts with cash flow effect			
	Income tax paid	25,000	20,000
	Cash flows from ordinary operating activities	342,511	342,795
Working capital changes			
	Credit institutions	10,383	110,274
	Loans and advances adjusted for impairment losses etc for the year	-1,246,461	-822,993
	Other assets and liabilities (net)	-66,917	-143,217
	Shares etc	33,269	-58,734
	Bonds at fair value	550,671	451,859
	Bonds at amortised cost - held to maturity	-365	-364
	Deposits and other debt	942,288	1,014,012
		222,868	550,837
	Cash flows from operating activities	565,379	893,632

Note	Amounts in DKK'000	Group	
		2017	2016
Investing activities			
	Additions, investments in associate	-6,522	-26,882
	Purchase of intangible assets	-5,188	-4,366
	Sale of intangible assets	0	0
	Purchase of property, plant and equipment	-81,555	-61,827
	Sale of property, plant and equipment	62,254	46,787
	Cash flows from investing activities	-31,011	-46,288
Financing activities			
	Subordinated loan capital	-63,000	-172
	Hybrid core capital	54,339	0
	Treasury shares etc	8,954	-2,069
	Interest paid on hybrid core capital	-56,341	-56,342
	Dividend paid	-39,138	-38,870
	Cash flows from financing activities	-95,186	-97,453
	Increase/decrease in cash	439,182	749,891
	Cash and cash equivalents at beginning of year	1,748,514	998,623
	Cash and cash equivalents at end of year	2,187,696	1,748,514
Cash and cash equivalents			
	Cash and balances on demand at central banks	356,906	384,241
	Amounts owed by credit institutions and central banks	1,830,790	1,364,273
	Cash and cash equivalents at end of year	2,187,696	1,748,514

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Note	Amounts in DKK'm	Group				
		2017	2016	2015	2014	2013
1	Five-year financial highlights					
	Principal items of income statement					
	Net interest income	542	551	602	654	511
	Net interest and fee income	999	973	1,020	1,019	799
	Market value adjustments	43	47	-58	55	-31
	Staff costs and administrative expenses	691	644	613	577	500
	Amortisation, depreciation and impairment losses on assets	59	52	31	36	48
	Impairment losses on loans and advances etc	33	107	150	257	1,460
	Profit/loss on investments in associates and group enterprises	3	2	3	3	1
	Income tax	16	12	-8	-4	-152
	Profit for the year	257	216	144	180	-743
	Principal items of balance sheet					
	Loans and advances	11,681	10,474	9,763	9,981	10,906
	Securities portfolio	5,593	6,124	6,445	6,425	6,711
	Deposits including pooled deposits	17,495	16,041	15,011	15,707	16,153
	Equity	2,812	2,588	2,469	2,200	1,529
	Total assets	21,487	19,859	18,730	19,322	20,099
	Subordinated loan capital	403	466	465	596	1,282

Note	Group					
	2017	2016	2015	2014	2013	
	Financial ratios					
	Capital ratio	16.3	15.6	15.5	14.7	15.1
	Core capital ratio	14.0	12.9	13.0	11.6	12.7
	Return on equity before tax	10.1	9.0	5.8	9.4	-47.8
	Return on equity after tax	9.5	8.5	6.2	9.7	-39.7
	Operating income over operating expenses	1.34	1.28	1.16	1.19	0.56
	Interest rate risk relative to core capital net of deductions	1.1	-0.2	1.3	-1.1	-4.2
	Currency position relative to core capital net of deductions	0.7	0.2	0.6	1.0	0.6
	Currency risk relative to core capital net of deductions	0.0	0.0	0.0	0.0	0.0
	Loans and advances plus loan impairment losses relative to deposits	72.2	71.7	75.5	76.6	81.9
	Loans and advances relative to equity	4.2	4.0	4.0	4.5	7.1
	Growth in loans and advances for the year	11.5	7.3	-2.2	-8.5	17.8
	Excess cover relative to statutory liquidity requirements	216.6	171.8	240.1	236.3	255.7
	Total large exposures relative to capital resources	0.0	0.0	0.0	0.0	10.7
	Impairment ratio for the year	0.2	0.7	1.0	1.6	9.2
	Accumulated impairment ratio ¹	5.6	6.8	9.1	11.5	12.7
	Return on capital employed	1.2	1.1	0.8	0.9	-4.0
	Earnings per share (DKK) ³	15.5	12.3	6.5		
	Book value per share (DKK) ²	170.9	159.1	149.7		
	Dividend per share (DKK)	0.0	3.1	3.0		
	Price/earnings per share ³	7.4	8.7	15.1		
	Price/equity per share ²	0.7	0.7	0.7		

Financial and operating data and key ratios have been prepared in accordance with the requirements of the Executive Order on Financial Reports. Financial ratios for 2017 and comparative figures for 2016-2013 are presented in accordance with the International Financial Reporting Standards (IFRS).

1. The ratio does not include discount. Refer to note 10 for a specification of total impairment losses, provisions and discounts.
2. Calculated based on the number of shares outstanding at the end of the year.
3. Calculated based on the average number of shares during the year. The calculation for 2015 only includes profit for the period from the initial public offering on 3 December 2015 until year-end.

Notes

Note	Amounts in DKK'm	Sparekassen (Parent)				
		2017	2016	2015	2014	2013
1	Five-year financial highlights					
	Principal items of income statement					
	Net interest income	606	521	566	421	433
	Net interest and fee income	999	943	987	697	693
	Market value adjustments	43	69	-47	47	-3
	Staff costs and administrative expenses	691	641	608	400	443
	Amortisation, depreciation and impairment losses on assets	59	45	30	28	38
	Impairment losses on loans and advances etc	33	112	146	179	1,438
	Profit/loss on investments in associates and group enterprises	3	-20	16	77	-4
	Income tax	16	-17	-12	6	-152
	Profit for the year	257	216	144	180	-743
	Principal items of balance sheet					
	Loans and advances	11,681	10,429	9,668	6,664	7,457
	Securities portfolio	5,594	6,124	6,445	5,161	5,176
	Deposits including pooled deposits	17,494	16,053	15,005	11,220	11,513
	Equity	2,812	2,588	2,469	2,200	1,529
	Total assets	21,487	19,845	19,254	14,502	14,830
	Subordinated loan capital	403	466	465	595	1,062

Note	Sparekassen (Parent)					
	2017	2016	2015	2014	2013	
	Financial ratios					
	Capital ratio	16.4	15.6	15.6	20.4	19.2
	Core capital ratio	14.1	13.0	13.1	16.1	15.4
	Return on equity before tax	10.0	7.9	5.7	10.0	-47.8
	Return on equity after tax	9.5	8.5	6.2	9.7	-39.7
	Operating income over operating expenses	1.35	1.25	1.16	1.29	0.54
	Interest rate risk relative to core capital net of deductions	0.8	-0.6	1.1	-1.2	-3.0
	Currency position relative to core capital net of deductions	0.7	0.2	0.6	0.2	0.2
	Currency risk relative to core capital net of deductions	0.0	0.0	0.0	0.0	0.0
	Loans and advances plus loan impairment losses relative to deposits	71.9	71.1	72.9	73.5	81.5
	Loans and advances relative to equity	4.2	4.1	3.9	3.0	4.9
	Growth in loans and advances for the year	11.9	7.9	-2.9	-10.6	-20.8
	Excess cover relative to statutory liquidity requirements	216.8	161.9	230.5	274.5	274.4
	Total large exposures relative to capital resources	0.0	0.0	0.0	0.0	21.1
	Impairment ratio for the year	0.2	0.7	1.0	1.7	12.9
	Accumulated impairment ratio ¹	5.4	6.5	8.9	15.7	17.6
	Return on capital employed	1.2	1.1	0.9	1.2	-4.7
	Earnings per share (DKK) ³	15.5	12.3	6.5		
	Book value per share (DKK) ²	170.9	159.1	149.7		
	Dividend per share (DKK)	0.0	3.1	3.0		
	Price/earnings per share ³	7.4	8.7	15.1		
	Price/equity per share ²	0.7	0.7	0.7		

Financial and operating data and key ratios have been prepared in accordance with the requirements of the Executive Order on Financial Reports. Comparative figures for 2014 and 2013 were not restated as part of the combination with Sparekassen Fyn in 2016. Calculating comparative figures would be extensive and resource-demanding and not contribute details that are not already inferable from the financial highlights at group level as post-combination developments in the Parent are very similar to those in the Group.

1. The ratio does not include discount. Refer to note 10 for a specification of total impairment losses, provisions and discounts.
2. Calculated based on the number of shares outstanding at the end of the year.
3. Calculated based on the average number of shares during the year. The calculation for 2015 only includes profit for the period from the initial public offering on 3 December 2015 until year-end.

Notes

2 Summary of significant accounting policies

The consolidated financial statements of Sparekassen Sjælland-Fyn A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The parent financial statements have been prepared in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc (the Executive Order on Financial Reports) as well as guidelines issued by the Danish Financial Supervisory Authority (the Danish FSA). Furthermore, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial companies.

The Annual Report is presented in Danish kroner (DKK), which is the presentation currency of the Group's activities and the functional currency of the Parent, and rounded to the nearest thousand.

Significant judgements, assumptions and key sources of estimation uncertainty related to the preparation of the financial statements are evident from note 3 to the consolidated financial statements. To enhance transparency and reduce the number of note disclosures where both amounts and qualitative information are considered insignificant to users, some information has been left out.

Accounting policy changes

Accounting policies applied to the consolidated financial statements and the parent financial statements remain unchanged from previous years and are as described below.

The implementation of new or revised IFRSs and Interpretations effective from 1 January 2017 has not resulted in any changes in accounting policies.

Standards and Interpretations not yet in force

At financial year-end, a number of new or revised Standards and Interpretations exist that have yet to come into force or be adopted for use in the EU. Sparekassen does not expect to implement these new Standards and Interpretations until they become compulsory. Except for those referred to below, none of the new Standards or Interpretations are expected to have a major effect on the Group's financial reporting.

IFRS 9, which replaces IAS 39, will involve a considerable change in the current rules governing classification and measurement of financial assets, impairment charges and, to some degree, the rules governing hedge accounting.

Applying IFRS 9 is compulsory for financial years beginning on or after 1 January 2018, and early adoption of this Standard is possible. Sparekassen will apply IFRS 9 from 1 January 2018.

The IFRS 9 provisions on financial instruments stipulate as follows:

IFRS 9 – Classification and measurement:

Under IFRS 9, financial assets are classified and measured using the business model for the financial assets and the contractual cash flows related to such financial assets.

Financial assets held to generate contractual payments, and where such contractual payments are

solely composed of interest and repayments on the amounts outstanding, are measured at amortised cost after the time of initial recognition.

Financial assets held in a mixed business model in which some financial assets are held to generate the contractual payments and other financial assets are sold, and in which the contractual payments related to the financial assets in the mixed business model are solely composed of interest and repayments on the amounts outstanding, are normally measured at fair value through other comprehensive income after the time of initial recognition. However, the relevant financial assets are included in a risk management system and an investment strategy that is based on fair values, and, based on this, they form part of Sparekassen's management reporting. Against this background, Sparekassen does not consider the financial assets to qualify as a business model related to the measurement categories of amortised cost and fair value through other comprehensive income. The relevant financial assets are therefore measured at fair value through profit or loss.

Financial assets that do not qualify as a business model or whose contractual payments are not solely composed of interest and repayments on the amounts outstanding, are measured at fair value through profit or loss after the time of initial recognition.

Consequently, applying the IFRS 9 measurement categories is not expected to involve changes in the measurement principles compared to those applied for Sparekassen's 2017 Annual Report.

IFRS 9 – Impairment losses:

With IFRS 9, the current impairment model, which applies the incurred loss model, is replaced by one applying an expected loss model. The new expected loss impairment model entails that, on initial recognition, a financial asset is written down by an amount equivalent to the expected credit loss over a 12-month period (Stage 1). If, subsequently, credit risk has increased significantly since initial recognition, the asset is written down by an amount equivalent to the expected credit loss over the remaining maturity period of the asset (Stage 2). If the value of the asset is credit-impaired (Stage 3), the asset will continue to be written down by an amount equivalent to the expected credit loss over the remaining maturity period of the asset, which amount will be exceeded that in Stage 2, and interest income is recognised in profit or loss applying the effective interest method to the amount written down.

Write-down for impairment of Stage 1 and 2 customers/facilities, except for the weak portion of Stage 2, is performed based on a portfolio model calculation whereas write-down for impairment of weak Stage 2 customers/facilities and Stage 3 customers/facilities is performed by way of a manual individual review.

In the assessment of credit risk development, a significant increase in credit risk will be assumed to have taken place since initial recognition if Sparekassen's internal rating of a debtor has been lowered equivalent to one rating class in the Danish FSA's guideline rating classification and if arrears exceed 30 days.

If the credit risk of the financial asset is considered low at the balance sheet date, then the asset will remain in Stage 1, which is characterised by the absence of a sig-

Notes

2 Summary of significant accounting policies (continued)

nificant increase in credit risk. Sparekassen considers credit risk low when its internal rating of a customer is equivalent to a class 2a rating (normal credit quality) or higher.

Loans, advances and guarantees are defined as in default if they meet at least one of the following criteria:

- Objective evidence of impairment (OEI) exists
- The loan has been in arrears/overdrawn for 90 days or more, except for insignificant amounts.

With the default definition adopted, a high degree of consistency exists between the default definition of the Capital Requirements Regulation (CRR) and the default definition for financial reporting purposes, and the definition is also consistent with the default definition used for Sparekassen's internal credit risk management purposes.

The portfolio model calculation is made using a more simple model based on Sparekassen's division of customers into different rating classes and an assessment of the risk related to each rating class. The calculation is made in a set-up developed and maintained by Sparekassen's data centre and supplemented with a forward-looking macroeconomic module that is developed and maintained by the industry association Lokale Pengeinstitutter (LOPI).

The forward-looking macroeconomic module builds on a series of regression models that determine the historical link between impairment losses for the year in a number of sectors and industries and a number of explanatory macroeconomic variables. Then estimates

of the macroeconomic variables are fed into the regression models based on prognoses from consistent sources such as the Danish Economic Councils, Danmarks Nationalbank etc, where such prognoses generally span two years ahead in time and cover variables such as increase in public spending, increase in GDP, interest rates, etc. Thereby, expected impairment losses are calculated for up to two years ahead in time within each sector and industry. For maturity periods of more than two years and up to year 10, the impairment ratio is projected so as to converge towards a normal level in year 10. Maturity periods of more than 10 years are given the same impairment ratio as in year 10.

Finally, the calculated impairment ratios are transformed into adjustment factors that correct the data centre's "rough" estimates for each sector and industry. Management of Sparekassen regularly assesses the adjustment factors and adjusts the factors to best reflect Sparekassen's actual affairs and conditions.

The expected impact of the IFRS 9 impairment rules on the impairment account is subject to significant judgement and is estimated to be at the level of DKK 135-143m, which is recognised in full in the opening balance sheet at 1 January 2018. This amount includes reversal of impairment losses on collectively reviewed loans, advances and guarantees under the former rules in the amount of DKK 55m and a tax effect of DKK 30m.

To meet any unintended effect on capital resources and hence the financial institutions' possibilities of supporting credit granting, the European Commission has proposed a five-year transitional scheme as an element of the reform package presented by the Com-

mission on 23 October 2016 (the risk reduction package, also referred to as CRR II/CRD V/BRRD II), to the effect that any adverse effect of the IFRS 9 impairment rules will not feed fully through to capital resources until after five years. The transitional scheme has now been adopted and takes effect at the same time as IFRS 9, that is 1 January 2018.

It is optional for financial institutions to use the transitional scheme, however, they must inform the Danish FSA of their decision and publish such decision.

Sparekassen has decided to adopt the transitional scheme. Sparekassen estimates that the effect of IFRS 9 on capital resources will be insignificant when the provisions take effect on 1 January 2018, whereas the future effect on capital resources will be adversely dampened as the transitional scheme is phased out.

IFRS 9 – Hedge accounting:

The new hedge accounting rules expand the use of hedge accounting rules to bring enterprises' financial reporting more in line with their actual risk management.

The amended hedge accounting rules do not affect Sparekassen's financial reporting as it does not apply the hedge accounting rules.

IFRS 15, Revenue from Contracts with Customers, must be implemented no later than on 1 January 2018 and will replace IAS 18, Revenue, and IAS 11, Construction Contracts, and accompanying Interpretations. It will comprise a simple, yet comprehensive, model for recognising revenue from goods and services.

The implementation of this Standard is only expected to be of limited relevance to the Group.

On 13 January 2016, the IASB issued a new standard on accounting for leases, IFRS 16, Leases, which replaces IAS 17. This Standard is effective for financial years beginning on 1 January 2019 or later.

IFRS 16 is not expected to be of major significance to the Group's activities as a lessor as IFRS 16 generally carries on the provisions of IAS 17 governing lessors.

IFRS 16 is expected to be of substantial significance to the accounting treatment of the leases incepted by the Group as a lessee. IFRS 16 requires all leases (except for leases of short duration and on low value assets) to be recognised in the balance sheet as a right of use and a lease commitment that is measured at present value of minimum lease payments over the lease term. Subsequently, the right of use must be amortised like other non-current assets, typically straight-line over the lease term, and interest must be calculated for the lease commitment consistent with the treatment of finance leases under IAS 17.

Consequently, the change will also be of relevance to the recognition of lease costs in the income statement/statement of comprehensive income as well as the presentation in the income statement/statement of comprehensive income and the cash flow statement. The Standard is expected to be implemented at its effective date. Presently, it is not possible to estimate the effect of implementing the Standard. Sparekassen's operational non-discounted lease commitment is evident from note 3.1 to the consolidated financial statements.

Notes

2 Summary of significant accounting policies (continued)

Consolidated financial statements

The consolidated financial statements comprise Sparekassen Sjælland-Fyn A/S and subsidiaries in which Sparekassen has control over financial and operating decisions. Sparekassen is deemed to have control when it has control over the relevant activities of the entity in question, has exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its control over the investee to affect the amount of variable returns.

Refer to note 17 to the consolidated financial statements for investments in group enterprises

The consolidated financial statements combine the financial statements of the Parent and the individual subsidiaries, which have all been prepared applying group accounting policies, and intra-group income and expenses, shareholdings, intra-group accounts and dividends as well as realised and unrealised profits on transactions between the consolidated enterprises have been eliminated.

Jointly controlled enterprises are recognised applying the equity method in the line item "Associates".

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the date of acquisition or establishment of such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied in the acquisition of new enterprises, under which identifiable assets and liabilities of these newly acquired enterprises are meas-

ured at fair value at the acquisition date. Allowance is made for the tax effect of the restatements made.

Positive differences (goodwill) between cost of the investment acquired and the fair value of the assets and liabilities acquired are recognised under intangible assets and written down in case of impairment. Negative differences (negative goodwill) are recognised as income in the income statement.

Profits or losses from divestment or winding-up of subsidiaries and associates are calculated as the difference between, on one hand, the fair value of the sales proceeds or the settlement price and the fair value of any remaining investments and, on the other hand, the carrying amount of net assets at the time of divestment or winding-up, including goodwill. The calculated profit or loss is recognised in the income statement together with accumulated foreign currency translation adjustments, which were previously recognised in other comprehensive income.

Recognition and measurement

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

Liabilities are recognised in the balance sheet when Sparekassen has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of Sparekassen, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at fair value. However, intangible assets and property, plant and equipment are measured at cost at the

time of initial recognition. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Financial instruments which, subsequent to initial recognition are measured at amortised cost, are on initial recognition measured at fair value plus any transaction costs directly related to the acquisition or issuance of the financial instrument and net of fees and commissions received that form an integral part of the effective interest rate.

Anticipated risks and losses that arise before the time of presentation of the financial statements and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial period. However, increases in the value of owner-occupied property are recognised directly in other comprehensive income.

The purchase and sale of financial instruments are recognised on the settlement date, and such recognition ceases when the right to have cash inflow and outflow from the financial asset or liability has expired, or if such right has been transferred, and the institution has transferred substantially all risks and rewards of ownership.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not

been settled at the balance sheet date are translated using the closing exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the balance sheet date, are recognised in the income statement as translation adjustments.

Interest, fees and commission

Interest income, interest expenses and current commissions are recognised in the income statement in the period to which they relate. Commissions and fees that are an integral part of the effective interest rate on a lending or borrowing arrangement are recognised as part of amortised cost and therefore as an integral part of the financial instrument in interest income or interest expenses.

Commissions and fees which are part of a current payment are accrued over the term of the loan or advance. Other fees (such as custody fees) are recognised in the income statement at the date of transaction.

Staff costs and administrative expenses

Staff costs comprise salaries and wages, social security costs, pension contributions, etc. Costs for payments and benefits to employees, including anniversary bonuses and severance payments, are recognised concurrently with the employees' performance of such work as entitle them to receive the payments and benefits concerned.

Other operating income

Other operating income comprises income of a nature secondary to Sparekassen's activities.

Notes

2 Summary of significant accounting policies (continued)

Other operating expenses

Other operating expenses comprise expenses of a nature secondary to the institution's activities, including contributions to sector solutions.

Income tax

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in profit or loss by the portion attributable to the profit/loss for the year, and in other comprehensive income or directly in equity by the portion attributable to entries in other comprehensive income or directly in equity.

The current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

When computing the current tax for the year, the tax rates and tax rules in effect at the balance sheet date are used.

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities. Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets against future positive taxable income. At every balance sheet date, it is assessed whether sufficient taxable income is likely to arise in the future for the deferred tax asset to be used.

Sparekassen is jointly taxed with all Danish subsidiaries and serves as the administration company in the joint taxation arrangement. The current income tax is allocated among the jointly taxed Danish enterprises

proportionally to their taxable income (full allocation with a refund concerning tax losses).

Cash and balances on demand at central banks

Cash and balances on demand at central banks are measured at fair value on initial recognition and subsequently measured at amortised cost.

Amounts owed by credit institutions and central banks

Amounts owed by credit institutions and central banks comprise amounts owed by other credit institutions as well as time deposits with central banks.

At initial recognition, such amounts are measured at fair value net of front-end fees etc. Subsequently, these amounts are measured at amortised cost less write-down to any lower amount if objective evidence of impairment exists.

Loans and other amounts owed at amortised cost

This item consists of loans which have been paid directly to the borrower.

Loans are measured at amortised cost which is usually equivalent to the nominal value less front-end fees etc and any write-down for incurred, but not yet realised losses.

Write-down for impairment on loans and other amounts owed is made on an individual basis as well as on a collective basis. In the review for impairment, allowance has been made for the latest specification of the rules made in Annex 10 to the Executive Order on Financial Reports of 26 March 2014. Write-down for bad and doubtful debts is made when any objective evidence of impairment exists. Objective evidence of

impairment of a loan exists if one or more of the following events have occurred:

- The borrower faces serious financial difficulties
- The borrower violates the contract, for example, by defaulting payment of instalments or interest
- When Sparekassen grants the borrower easier terms that would not otherwise have been considered had the borrower not been in financial difficulties, or
- It is probable that the borrower will go into insolvent liquidation or be subjected to other financial restructuring.

Write-down is made by the difference between the carrying amount before write-down and the present value of the expected future payments on the loan, including the realisable value of any collateral.

The originally determined effective interest rate is used to calculate the present value of fixed-rate loans and other amounts owed. For floating-rate loans and other amounts owed, the current effective interest rate is applied to such loan or other amount owed. The write-down is calculated as the difference between the carrying amount and the discounted value of the expected future payments, including the realisable value of any collateral.

Loans, which have not been written down individually for impairment, are divided into groups to be reviewed for impairment (collective impairment losses).

The collective review is performed on groups of loans and other amounts owed with similar characteristics

as regards credit risk. Sparekassen operates with 12 groups consisting of one group of public authorities, one group of private customers and ten groups of corporate customers, with the corporate customers broken down by sector group.

The collective review is made by applying a segmentation model developed by LOPI, which is responsible for current maintenance and development.

The segmentation model determines the correlation of the individual groups between realised losses and a number of significant explanatory macroeconomic variables through a linear regression analysis. The explanatory macroeconomic variables include unemployment, real property prices, interest rates, number of bankruptcies/forced sales, etc.

As a rule, the macroeconomic segmentation model is calculated on the basis of loss data for the entire banking sector. Sparekassen has therefore assessed whether the model estimates reflect the credit risk of its own loan portfolio. This assessment has led to an adjustment of the model estimates to own conditions after which the adjusted estimates are used to calculate the collective impairment losses. An estimate is produced for each group of loans and other amounts owed that reflects the percentage impairment related to a given group of loans and other amounts owed at the balance sheet date. By comparing the individual loan's current loss risk with its original loss risk and loss risk at the beginning of the current financial period, the individual loan's contribution to the collective impairment losses results.

Write-downs on loans and other amounts owed for impairment are recognised in an allowance account,

Notes

2 Summary of significant accounting policies (continued)

which is offset against loans and advances. Impairment losses are recognised in profit or loss in the line item "Impairment losses on loans and advances".

Loans and other amounts owed are written off as lost when such loss is finally recognised, for example, after a bankruptcy estate, a debt relief order or debt collection have been closed, or when Sparekassen considers no realistic possibility to exist that the loan will be recovered within the foreseeable future.

No interest is recognised as income on the written-down portion of the individual loans.

Leasing

Leased assets under finance leases under which the Group serves as the lessor, are recognised in loans and advances at the net amount invested in the lease net of amortisation (repayment), which is calculated applying the annuity principle over the lease term. Income from leased assets is recognised based on the effective interest rate arranged in the lease and in interest income in profit or loss. Gains or losses from the sale of leased assets are recognised in "Other operating income" and "Other operating expenses", respectively.

Derivatives and unsettled spot transactions

Derivatives are measured at fair value which is normally based on listed market prices. If the instruments are unlisted, the fair value is calculated in accordance with generally accepted principles based on market-based parameters. Derivatives are recognised in other assets and other liabilities, respectively.

Changes in the fair value of derivatives are recognised in the income statement.

Hedge accounting

Value adjustments of financial instruments effectively hedging fluctuations in payments of interest on Sparekassen's funding, are accounted for as a cash flow hedge and recognised in other comprehensive income.

Changes in the fair value of derivatives classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are taken to profit or loss together with changes in the value of the hedged asset or the hedged liability.

Bonds

Bonds traded on active markets are measured at fair value. The fair value is calculated on the basis of the closing price on the market in question at the balance sheet date.

Bonds reclassified out of the trading portfolio into held to maturity are measured at amortised cost.

Shares etc

Shares are measured at fair value. The fair value of shares traded on active markets is calculated on the basis of the closing price at the balance sheet date.

The fair value of unlisted shares and illiquid shares is based on available information on transactions etc or, alternatively, calculations of net present value. Illiquid and unlisted shares, for which it is not possible to determine a reliable fair value, are measured at cost.

Investments in group enterprises

Investments in group enterprises are recognised and measured at equity value in the parent financial statements in accordance with the Executive Order on

Financial Reports. Shares of net profit or loss of group enterprises are recognised in profit or loss in "Profit/loss on investments in group enterprises".

Shares of changes in equity of group enterprises are recognised directly in equity.

Investments in associates and jointly controlled enterprises in the Group and the Parent

Investments in associates and jointly controlled enterprises are recognised and measured using the equity method which entails that such investments are measured at the proportionate share of the equity value of the enterprises, calculated in accordance with group accounting policies.

The proportionate share of the enterprise's profit or loss after tax and elimination of a proportionate share of unrealised intra-group profits or losses and less any impairment losses on goodwill is recognised in profit or loss. The proportionate share of all transactions and events recognised in other comprehensive income in the associate is recognised in the Group's other comprehensive income.

Investments in associates and jointly controlled enterprises with a negative equity value are measured at zero value. Receivables and other non-current financial assets that are considered part of the overall investment in the associate are written down by any remaining negative equity value. Trade receivables and other receivables from associates are written down only if they are deemed irrecoverable.

Provisions for the remaining negative equity are only recognised if the Group has a legal or constructive obligation to cover the relevant entity liabilities.

The purchase method is used in the acquisition of investments in associates and jointly controlled enterprises.

Intangible assets

Goodwill

Goodwill acquired is recognised at cost and subsequently measured at cost net of accumulated impairment losses, as described in "Impairment test".

Customer relationships

Customer relationships acquired in business combinations are recognised at cost and amortised on a straight-line basis over their expected useful economic life, which does not exceed ten years. The useful economic life relies on customer loyalty. Useful economic life is reassessed annually.

Prospectively, changes in amortisation due to changes in useful economic life are recognised as a change in accounting estimates.

Other intangible assets

Software acquired is recognised at cost and amortised on a straight line basis over its expected useful life which does not exceed five years.

Impairment test

The carrying amount of intangible assets is regularly reviewed and written down through profit or loss if the carrying amount exceeds the estimated future net income from the enterprise or the asset.

Acquisitions of short-lived intangible assets are recognised directly in profit or loss in the line item "Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment".

Notes

2 Summary of significant accounting policies (continued)

Investment property

Investment properties are properties which are owned to obtain rental income and/or capital gains.

After initial recognition, investment properties are measured at fair value. Changes in fair value of investment properties are recognised in the income statement.

Owner-occupied property

Owner-occupied properties are properties which the institution itself uses for administration, branches or other services. After initial recognition, owner-occupied properties are measured at revalued amount. Revaluation is made so often that no significant differences occur in relation to the fair value.

The fair value of the property is revalued annually based on value in use calculations for expected future cash flows.

Increases in the revalued amount of owner-occupied property are recognised in other comprehensive income and allocated to revaluation reserves in equity. Any decrease in value is recognised in the income statement unless it is a case of reversal of previously performed revaluations. Depreciation is calculated based on the revalued amount.

Owner-occupied properties are depreciated on a straight-line basis over a period of 50 years. The expected scrap value of such properties is not depreciated.

Other property, plant and equipment

On initial recognition, property, plant and equipment are measured at cost less accumulated depreciation

and impairment losses. Straight-line depreciation is made on the basis of the following estimated useful lives of the other assets:

IT equipment and machinery	3 to 5 years
Tools and equipment	3 to 5 years
Motor vehicles	3 to 5 years
Leasehold improvements	5 to 10 years

Temporarily held assets

Temporarily held assets comprise property, plant and equipment acquired in connection with non-performing loans or advances. The assets are measured at the lower of carrying amount and fair value net of costs of sale. The assets are only held temporarily by Sparekassen, and sale is considered probable within the foreseeable future. Temporarily held assets are not depreciated. Assets and related liabilities are recognised in separate line items in the balance sheet.

Any value adjustment of temporarily held assets is recognised in the income statement in impairment losses on loans and other amounts owed.

Other assets

Other assets include other assets not included in other asset items. The line item includes positive market values of derivatives and income not falling due for payment until after the end of the financial year, including interest and dividends receivable. Except for derivatives having a positive value at the balance sheet date and being measured at fair value, the line item is measured at cost at initial recognition and subsequently at amortised cost.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Amounts owed to credit institutions and central banks

At initial recognition, amounts owed to credit institutions and central banks are recognised at fair value net of transaction costs and subsequently at amortised cost.

Deposits and other debt

Deposits and other debt comprise deposits with counterparties that are not credit institutions or central banks. At initial recognition, deposits and other debt are measured at fair value net of transaction costs and subsequently at amortised cost.

Other liabilities

Other liabilities include other liabilities not attributable to other liability items. The line item includes negative market value of derivatives and expenses not falling due for payment until after the end of the financial year, including interest payable. Except for derivatives having a negative value at the balance sheet date and being measured at fair value, the line item is measured at cost at initial recognition and subsequently at amortised cost.

Deferred income

Deferred income comprises income received before the balance sheet date but which relates to a subsequent financial period, including interest and commission received in advance. Deferred income is measured at cost.

Subordinated loan capital

At the time of borrowing, subordinated loan capital is measured at the proceeds received net of front-end fees etc. After initial recognition, measurement is effected at amortised cost to the effect that the difference between net proceeds and nominal value is recognised in interest expenses over the expected term of the subordinated loan capital.

Other financial liabilities

Other financial liabilities are measured at amortised cost which usually corresponds to nominal value.

Provisions

Liabilities, guarantees and other liabilities, which are uncertain in terms of amount or time of settlement, are recognised as provisions when it is probable that the liability will lead to outflow of Sparekassen's financial resources, and the liability can be measured reliably. The liability is stated at present value of the costs that are necessary to meet the obligation.

Equity

Dividend proposed

Dividend proposed by the Board of Directors for adoption by the general meeting is presented as a separate line item in equity. Dividend is recognised as a liability once the general meeting has adopted payment of dividend.

Treasury shares

Acquisition and selling prices as well as dividend on treasury shares are recognised directly in retained earnings in equity.

Notes

2 Summary of significant accounting policies (continued)

Hybrid core capital

Hybrid core capital with an indefinite time to maturity and for which Sparekassen has an unconditional right to omit payment of interest is classified as equity, and payments of interest are recognised directly in equity at the time of payment as distribution.

Undistributable savings bank reserve

This reserve was established as part of Sparekassen's conversion into a public limited company. The undistributable savings bank reserve is equivalent to the guarantee savings bank's undistributable reserve net of contributions made in connection with the formation of the foundation, Fonden for Sparekassen Sjælland.

The undistributable savings bank reserve may be used to cover losses that are not covered by amounts eligible for distribution as dividend in the public limited company.

Pursuant to Section 213 of the Danish Financial Business Act, a portion of profits of Sparekassen Sjælland-Fyn A/S must annually be allocated to this savings bank reserve. However, such allocation may not exceed a reference rate set by the Danish FSA. For 2017, this rate was set at 0%.

Cash flow statement

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as Sparekassen's cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are calculated as the operating profit or loss adjusted for non-cash operating items, working capital changes and corporate income taxes paid. Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities as well as acquisition, development, improvement and sale, etc. of intangible assets and property, plant and equipment. Cash flows from financing activities comprise changes in Sparekassen's share capital, subordinated loan capital and related expenses as well as dividend.

Cash and cash equivalents comprise cash and balances on demand at central banks, receivables from credit institutions with original maturity periods of up to three months as well as securities with an original term to maturity of up to three months which may readily be converted into cash and which are only subject to insignificant risks of price changes.

Segment reporting

The Group and Sparekassen only have one operating segment, for which reason no segment information is provided.

Financial highlights

Financial and operating data and key ratios have been prepared in accordance with the requirements of the Executive Order on Financial Reports.

Financial ratios for the Group for 2017 and comparative figures for 2016-2013 are presented in accordance with the International Financial Reporting Standards (IFRS).

Notes

3 Critical accounting estimates, assumptions and key sources of estimation uncertainty

The financial statements are prepared based on specific assumptions which involve the use of estimates. These estimates are made by Management in accordance with the accounting policies and based on historical experience as well as assumptions which Management considers reasonable and realistic. The assumptions may be incomplete, and unexpected future events or circumstances may occur, and other parties may arrive at different estimates. The areas involving a higher level of judgement or complexity or areas in which assumptions and estimates are material to the financial statements, are disclosed below.

In preparing the financial statements, Management makes a number of accounting judgments which form the basis of presentation, recognition and measurement of the institution's assets and liabilities. The financial statements have been presented applying the principle of going concern based on current practice and interpretation of the rules governing Danish banks. Key management judgements in recognising and measuring these assets and liabilities, and the key source of estimation uncertainty related to the preparation of the 2017 Annual Report are:

- Impairment losses on loans and advances as well as provisions for guarantees
- Investment property and owner-occupied property
- Fair value of financial instruments
- Goodwill
- Deferred tax assets.

Impairment losses on loans and advances as well as provisions for guarantees

Write-down for impairment of loans and other amounts owed and provisions for guarantees have been made in accordance with the accounting policies and are based

on a number of assumptions. If these assumptions are changed, this may affect the presentation of financial statements, and the effect may be material.

Key accounting judgements are made for impaired loans and advances the valuation of which is based on the most likely outcome of cash flows, including realisable value of collateral. Any subsequent variation in realised cash flows or collateral will cause a change in the valuation of loans and advances. It may therefore be necessary to change previous estimates based on new information, additional experience or subsequent events.

For provisions for loss on guarantees, uncertainty is also inherent in determining to what extent the guarantee will be effective and payment is to be made for the guarantee provided.

The factors particularly affecting management judgements in 2017 are developments in the agricultural sector, rates of return on properties, technically insolvent customers and the economic situation of the housing market.

The value of mortgaged properties is determined based on a specific assessment of the required rate of return on each property less a prudence-based provision for costs and uncertainty. Considerable geographical differences exist with respect to the required rates of return, for which reason pricing is regularly aligned with the professional market.

Owner-occupied property is priced similarly to rental property, refer to note 20, although typically at a higher required rate of return due to the re-lease risk. Consequently, there is always a risk that a need may

arise in future for further write-down for impairment, for example, on Sparekassen's property exposures, including mortgages.

Fair value of financial instruments

For financial instruments, the measurement of which is based on available data that is only to a limited extent observable market data, such measurement is subject to estimation. This is the case with unlisted shares.

For shares in sector-owned companies where such shares are reallocated, such reallocation is considered to be the primary market of the shares. For other unlisted shares in sector-owned companies for which observable input is not directly available, measurement includes information from the companies' financial statements, experience from trading in shares in the relevant companies and input from a qualified third party.

Goodwill

Goodwill is tested at least twice a year (semi-annually and annually) for impairment and more frequently in the event of indications of impairment.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses insofar as it is deemed probable that taxable income will be generated in the foreseeable future (3 to 5 years) against which these losses may be offset. Determining the size of the amount recognisable as a deferred tax asset is based on estimation of the probable time and size of future taxable income. The estimated amount of future taxable profits include the effect of changes in accounting policies resulting from the implementation of IFRS 9.

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
4 Interest income					
Credit institutions and central banks	1,487	1,304	1,345	1,087	
Loans and other amounts owed	575,223	615,941	549,409	586,301	
Bonds	23,687	35,749	23,687	35,749	
Total derivatives	5,428	17	5,428	17	
Thereof:					
- Interest rate contracts	7,332	1,773	7,332	1,773	
- Foreign exchange contracts	-1,904	-1,756	-1,904	-1,756	
Other interest income	305	468	94	348	
Total interest income	606,130	653,479	579,963	623,502	
5 Interest expenses					
Credit institutions and central banks	7,600	5,151	7,593	4,862	
Deposits and other debt	25,096	57,692	25,096	57,878	
Subordinated loan capital	30,821	39,182	30,821	39,182	
Other interest expenses	118	276	116	276	
Total interest expenses	63,635	102,301	63,626	102,198	

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
6 Fees and commission income					
Securities trading and custody accounts	109,308	119,673	109,308	119,673	
Payment services	50,818	38,066	50,818	38,066	
Loan fees	42,115	22,040	42,115	22,040	
Guarantee commission	159,252	140,003	159,252	140,003	
Other fees and commissions	87,651	99,088	87,368	98,782	
Total fees and commission income	449,144	418,870	448,861	418,564	
7 Market value adjustments					
Bonds	29,133	44,948	28,946	44,438	
Shares	23,565	27,149	23,565	27,149	
Investment property	-15,141	-23,888	-783	-942	
Foreign exchange	8,829	5,595	8,829	5,595	
Currency, interest rate, share, commodity and other contracts, and derivatives	-3,392	-7,277	-3,392	-7,277	
Assets related to pooled plans	45,950	13,020	45,950	13,020	
Deposits in pooled plans	-45,950	-13,020	-45,950	-13,020	
Total market value adjustments	42,994	46,528	57,165	68,963	

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
8	Staff costs and administrative expenses				
	Remuneration of the Board of Directors and Executive Board				
	Board of Directors and Executive Board	15,407	9,511	15,407	9,511
	Total	15,407	9,511	15,407	9,511
	Staff costs				
	Wages and salaries	326,833	303,439	326,833	303,317
	Pension contributions	36,489	34,755	36,489	34,755
	Social security costs	51,249	44,948	51,249	44,948
	Total staff costs	414,571	383,142	414,571	383,020
	Other administrative expenses	261,415	251,149	263,478	248,189
	Total staff costs and administrative expenses	691,393	643,802	693,456	640,720
	Specification of wages, salaries and remuneration for the Board of Directors, Executive Board and key risk takers				
	Board of Directors				
	Thomas Kullegaard, Chairman	455	350	455	350
	Jakob N. Andersson, Vice-Chairman	380	279	380	279
	Erik Larsen	242	174	242	174
	Bent Andersen	322	208	322	208
	Per Bjørnsholm	242	174	242	174
	Otto Spliid	208	160	208	160
	Per Olsen	208	160	208	160
	Helle L. Bjørnøe	188	160	188	160
	Mads Wallin	188	129	188	129
	Michael Agergaard	188	129	188	129
	Resigned members (incl Sparekassen Fyn 2016)	113	877	113	877
	Total remuneration for the Board of Directors	2,734	2,800	2,734	2,800

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
8	Staff costs and administrative expenses (continued)				
	Executive Board				
	Lars Petersson				
	Set salary	4,897	4,057	4,897	4,057
	Variable one-off remuneration	100	100	100	100
	Pension contribution	0	165	0	165
	Total	4,997	4,322	4,997	4,322
	In 2017, Lars Petersson has also received a director's fee of DKK 20k from Regional Invest Fyn A/S. In 2016, Lars Petersson also received a director's fee of DKK 7k from Leasing Fyn Bank (resigned in March 2016).				
	Bruno Riis-Nielsen (took up office in March 2016)				
	Set salary	2,951	1,847	2,951	1,847
	Total	2,951	1,847	2,951	1,847
	Bruno Riis-Nielsen has also received a director's fee of DKK 20k from Regional Invest Fyn A/S and at DKK 35k from Leasing Fyn Bank (2016: DKK 28k took up office 3 March 2016).				
	Flemming Bisgaard Nielsen (took up office in October 2016, resigned in May 2017)				
	Set salary	4,299	488	4,299	488
	Pension contribution	426	54	426	54
	Total	4,725	542	4,725	542

In 2016, Flemming Bisgaard Nielsen also received a director's fee of DKK 20k from Regional Invest Fyn A/S

In addition, company cars were made available to the Executive Board. The tax base thereof is: Lars Petersson DKK 148k (2016: DKK 161k), Bruno Riis-Nielsen DKK 139k (2016: DKK 129k) and Flemming Bisgaard Nielsen DKK 97k (2016: DKK 26k).

Terms of termination of members of the Executive Board

The employment contracts of the members of the Executive Board contain arrangements on the following terms of termination:

Lars Petersson – There is a notice period of 12 months and 18 months, respectively, for the Chief Executive Officer and Sparekassen. In the event of termination effected by Sparekassen, the Chief Executive Officer is entitled to receive a termination benefit equivalent to four months' gross salary.

Bruno Riis-Nielsen – There is a notice period of 6 months and 18 months, respectively, for the Executive Officer and Sparekassen. In the event of termination effected by Sparekassen, the Executive Officer is not entitled to receive a termination benefit.

Other information about Sparekassen's pay salary is evident from its website, www.spks.dk.

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
8	Staff costs and administrative expenses (continued)				
	Other staff impacting on the risk profile				
	Set salary	21,532	15,920	21,532	15,920
	Variable salary	0	0	0	0
	Variable one-off remuneration	165	427	165	427
	Pension contribution	2,479	1,907	2,479	1,907
	Total	24,176	18,254	24,176	18,254
	Staff materially impacting on the risk profile	25	22	25	22
	Other staff impacting on the risk profile by business area				
	Business/credit				
	Set salary	4,582	2,858	4,582	2,858
	Variable salary	0	0	0	0
	Variable one-off remuneration	0	115	0	115
	Pension contribution	531	346	531	346
	Total	5,113	3,319	5,113	3,319
	Staff materially impacting on the risk profile	6	4	6	4
	Investment/asset management				
	Set salary	3,847	2,993	3,847	2,993
	Variable salary	0	0	0	0
	Variable one-off remuneration	75	30	75	30
	Pension contribution	432	339	432	339
	Total	4,354	3,362	4,354	3,362
	Staff materially impacting on the risk profile	6	5	6	5

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
8	Staff costs and administrative expenses (continued)				
	Other business areas				
	Set salary	13,104	10,070	13,104	10,070
	Variable salary	0	0	0	0
	Variable one-off remuneration	90	282	90	282
	Pension contribution	1,515	1,221	1,515	1,221
	Total	14,709	11,573	14,709	11,573
	Staff materially impacting on the risk profile	13	13	13	13

Sparekassen's Board of Directors has appointed a Remuneration Committee. Among its duties is to meet at least once a year to assess Sparekassen's remuneration policy and propose any amendments to the Board of Directors. The remuneration policy approved by the Board of Directors is submitted to the general meeting for adoption.

The Remuneration Committee consists of Executive Officer Thomas Kullegaard, Architect MAA (Chairman), Financial Manager Jakob N. Andersson (Vice-Chairman), former Chief Executive Officer Bent Andersen, Customer Advisor Helle Lindhof Bjørnøe, Branch Manager Mads Wallin and Administrative Officer Michael Agergaard.

The Board members are paid a fixed fee in accordance with the remuneration policy.

Salary agreements with members of the Executive Board are managed by the Chairman of Sparekassen's Board of Directors based on a prior recommendation by the Remuneration Committee. Salary agreements are submitted to the Board of Directors for final approval. The Executive Board's retirement benefit plans do not deviate from industry standards. The Executive Board and the Board of Directors are not covered by any bonus schemes.

Remuneration of key risk takers is managed by the Executive Board.

Sparekassen does not use retirement benefit plans or pension plans that are not in compliance with Danish law or collective agreements.

Sparekassen has decided to remunerate using fixed pay elements. Consequently, Sparekassen does not have variable pay elements as an arranged element of remuneration of staff, the Executive Board or the Board of Directors. So no deferred variable pay has been provided for 2017. Variable pay means remuneration schemes under which the final remuneration is not known in advance and depends on the performance of the individual, the division or Sparekassen, for example, bonus schemes or similar arrangements.

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016

8 Staff costs and administrative expenses (continued)

If the Board of Directors or the Executive Board consider a person to have performed extraordinarily, a one-off remuneration may be granted exceptionally. If a Board member, an executive officer, a key risk taker or a staff member in a control function receives a one-off payment, such payment will be treated in accordance with Sections 77a and 77b of the Danish Financial Business Act.

An extraordinary remuneration may only be granted if the budget approved by the Board of Directors for the current year shows a profit. Then only one-off payments are made below the clearly trivial threshold laid down in the Danish FSA's Executive Order on Remuneration Policy. Per person, the one-off remuneration must not exceed 20% of fees and the fixed base pay, respectively, including pension contributions. No persons of the Group are paid EUR 1m or more per financial year.

The complete remuneration policy (in Danish) is available on https://www.spks.dk/om_sparekassen/regnskab

Appointed auditors' fees				
Statutory audit services	1,091	1,148	969	971
Assurance engagements	88	92	88	92
Other services	432	813	432	808
Total	1,611	2,053	1,489	1,871

Fees for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab to the Group amount to DKK 682k and cover advice on the merger of subsidiaries, International Financial Reporting Standards, risk management and increase of capital.

9 Other operating expenses

Expenses for the resolution plan	1,014	831	1,014	831
Other operating expenses	18,176	13,341	11,656	11,990
Total other operating expenses	19,190	14,172	12,670	12,821

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016

10 Impairment losses on loans and advances etc and provisions for guarantees

Individual impairment losses on loans and advances etc

Balance of impairment losses at beginning of year	952,977	1,191,700	908,281	1,173,534
Impairment losses for the year	322,787	254,800	311,067	246,389
Reversal of impairment losses	262,710	144,106	257,811	139,522
Other changes	123,895	65,029	123,985	36,723
Value adjustment of assets acquired	-186	1,758	-186	1,758
Finally written off, previously written down	257,247	416,203	248,141	410,601
Balance of impairment losses at end of year	879,516	952,977	837,195	908,281

Collective impairment losses on loans and advances etc

Balance of impairment losses at beginning of year	81,771	99,902	80,442	90,656
Impairment losses for the year	5,422	8,393	5,359	7,729
Reversal of impairment losses	11,819	23,361	11,287	17,123
Other changes	0	-3,163	0	-820
Balance of impairment losses at end of year	75,374	81,771	74,514	80,442

Individual provisions for guarantees

Balance of provisions at beginning of year	67,061	62,320	67,061	62,320
Provisions for the year	31,830	12,620	31,830	12,620
Reversal of provisions	35,274	33,244	35,274	33,244
Finally written off, previously provided for	7,712	12,416	7,712	12,416
Other changes	0	37,781	0	37,781
Balance of provisions at end of year	55,905	67,061	55,905	67,061

Collective provisions for guarantees

Balance of provisions at beginning of year	0	2,343	0	2,343
Provisions for the year	0	0	0	0
Reversal of provisions	0	2,708	0	2,708
Other changes	0	365	0	365
Balance of provisions at end of year	0	0	0	0

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
10	Impairment losses on loans and advances etc and provisions for guarantees (continued)				
	Total				
	Balance of impairment losses/provisions at beginning of year	1,101,809	1,356,266	1,055,784	1,328,853
	Impairment losses/provisions for the year	360,039	275,813	348,256	266,738
	Reversal of impairment losses/provisions	309,803	203,419	304,372	192,597
	Other changes	123,895	100,012	123,985	74,049
	Value adjustment of assets acquired	-186	1,758	-186	1,758
	Finally written off, previously written down/provided for	264,959	428,619	255,853	423,017
	Balance of impairment losses/provisions at end of year	1,010,795	1,101,811	967,614	1,055,784
	Discount regarding business acquisitions	131,891	259,361	131,891	259,361
	Balance of impairment losses/provisions and discount at end of year	1,142,686	1,361,172	1,099,505	1,315,145
	Impairment losses/provisions for the year	360,039	275,813	348,256	266,738
	Reversal of impairment losses/provisions in prior years	309,803	203,419	304,372	192,597
	Value adjustment of assets acquired	-186	1,758	-186	1,758
	Written off, not previously written down	12,734	55,613	11,723	55,251
	Recovery of claims previously written off	29,343	22,560	23,236	19,415
	Recognised in profit or loss	33,440	107,205	32,185	111,735
	Individually reviewed loans and advances etc				
	Loans and advances etc with objective evidence of impairment	1,746,691	1,947,328	1,663,805	1,856,485
	Impairment losses on loans and advances etc with objective evidence of impairment	879,516	952,977	837,195	908,281
	Total recognised in the balance sheet	867,175	994,351	826,610	948,204

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
10	Impairment losses on loans and advances etc and provisions for guarantees (continued)				
	Collectively reviewed loans and advances etc				
	Loans and advances etc with no objective evidence of impairment	9,711,155	6,631,395	9,063,998	6,074,554
	Impairment losses on loans and advances etc	75,374	81,771	74,514	80,442
	Total recognised in the balance sheet	9,635,781	6,549,624	8,989,484	5,994,112
11	Income tax				
	Computed tax on income for the year	19,159	9,217	14,822	5,495
	Deferred tax	-945	6,610	-763	-20,621
	Readjustment of tax computed for previous years	-2,339	-3,336	-476	-1,903
	Total income tax	15,875	12,491	13,583	-17,029
	Effect of income tax rate lowered to 22% (2015: 23.5%)		803		374
	Effective tax rate				
	Income tax rate in Denmark	22.00	22.00	22.00	22.00
	Adjustments:				
	Interest on hybrid capital	-4.55	-4.98	-4.59	-5.65
	Readjustment of tax computed for previous years	-0.86	-1.34	-0.18	-0.87
	Non-taxable income and non-deductible expenses etc	0.42	-0.02	-2.67	-7.27
	Profit/loss on investments in associates and group enterprises	-0.21	-0.20	0.19	2.02
	Use of group loss etc	-10.99	-9.99	-9.74	-18.80
	Total	5.81	5.47	5.01	-8.57

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
12	Amounts owed by credit institutions and central banks				
	By time to maturity				
	Demand deposits	129,799	133,254	121,454	128,956
	Up to 3 months	1,672,211	1,229,519	1,672,211	1,229,519
	From 3 months to 1 year	28,780	0	28,780	0
	From 1 year to 5 years	0	1,500	0	1,500
	More than 5 years	0	0	0	0
	Total	1,830,790	1,364,273	1,822,445	1,359,975
	Claims at notice on central banks	1,672,211	330,042	1,672,211	330,042
	Claims on credit institutions	158,579	1,034,231	150,234	1,029,933
	Total	1,830,790	1,364,273	1,822,445	1,359,975
13	Loans and other amounts owed at amortised cost				
	By time to maturity				
	At call	285,272	509,828	281,481	504,714
	Up to 3 months	631,366	766,892	631,366	766,399
	From 3 months to 1 year	2,971,427	2,431,750	2,999,118	2,990,207
	From 1 year to 5 years	3,413,527	2,936,970	3,560,302	2,571,459
	More than 5 years	4,378,970	3,828,619	4,199,435	3,596,530
	Total	11,680,562	10,474,059	11,671,702	10,429,309

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
13	Loans and other amounts owed at amortised cost (continued)				
	Loans, advances and guarantee debtors by sector				
	Public authorities	1.0	1.7	1.0	1.7
	Business				
	Agriculture, hunting, forestry and fisheries	7.4	7.2	6.8	6.6
	Industry and extraction of raw materials	1.9	1.7	1.6	1.5
	Energy supply	0.0	0.1	0.1	0.1
	Building and construction	4.7	3.6	4.3	3.2
	Trade	5.4	5.8	5.0	5.3
	Transport, hotels and restaurants	2.2	2.7	1.5	1.8
	Information and communication	0.8	0.9	0.7	0.8
	Financing and insurance	4.4	5.8	8.4	9.7
	Real property	11.8	12.8	12.2	13.2
	Other business	7.0	7.5	6.2	6.8
	Total business	45.5	48.1	46.7	49.0
	Private	53.5	50.2	52.3	49.3
	Total	100.0	100.0	100.0	100.0

The break-down by sector and industry has been made using the industry codes of Statistics Denmark.

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
14 Bonds at fair value					
Listed		4,814,742	5,321,280	4,814,742	5,321,280
Unlisted		25,000	40,000	25,000	40,000
Total		4,839,742	5,361,280	4,839,742	5,361,280

The Group has provided bonds at a total bond price of DKK 554m (2016: DKK 705m) as security for the day-to-day performance of clearing operations and securities trading. Refer to note 32 - Assets provided as collateral.

15 Bonds at amortised cost

Amortised cost	99,999	99,634	99,999	99,634
Fair value	100,000	100,150	100,000	100,150

Due to the heavy distortion of pricing of a number of bonds in the autumn of 2008, at 1 July 2008 Sparekassen reclassified bonds with a nominal value of DKK 100m and a fair value of DKK 96.14m out of the trading portfolio into hold-to-maturity assets. At year-end 2017, the reclassified portfolio has been recognised in the balance sheet at DKK 100.0m (2016: DKK 99.6m) whereas fair value amounts to DKK 100.0m (2016: DKK 100.2m).

In the current financial year, the portfolio is recognised and measured at amortised cost and therefore not subjected to fair value adjustment, whereas the fair value adjustment of the portfolio up to the time of reclassification in the financial year 2008 amounted to DKK 1.25m.

If no reclassification had taken place at 1 July 2008, pre-tax profit for 2017 would have been DKK 0.5m lower (2016: DKK 1.6m higher).

At the time of reclassification, the average effective interest rate was 5.02% on the portfolio and the estimated cash flows amounted to DKK 150m. The bond expires on 1 January 2018.

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
16 Shares etc					
Shares/unit trust certificates listed on NASDAQ Copenhagen A/S		54,933	50,985	54,933	50,985
Shares/unit trust certificates listed on other stock exchanges		159,891	109,470	159,891	109,470
Other shares		438,759	502,832	438,759	502,832
Total		653,583	663,287	653,583	663,287

17 Investments in associates and group enterprises

Investments in group enterprises				
Total cost at beginning of year			834,618	815,317
Additions for the year			0	19,301
Disposals for the year			-68,642	0
Total cost at end of year			765,976	834,618
Revaluations and impairment losses at beginning of year			-400,964	236,605
Profit/loss for the year			-2,236	-20,239
Other changes			51	120
Disposals for the year			54,089	0
Dividend			-35,357	-617,450
Revaluations and impairment losses at end of year			-384,417	-400,964
Holding recognised at end of year			381,559	433,654
Thereof, credit institutions			0	0

Notes

Note	Amounts in DKK'000	Capital	Ownership interest in %	Equity at end of year	Profit/loss
17	Investments in associates and group enterprises (continued)				
	Group enterprises, 2017				
	Investeringsselskabet Sjælland-Fyn A/S	162,000	100	225,055	12,669
	Leasing Fyn Faaborg A/S	5,000	100	14,199	7,347
	Ejendomsselskabet Sjælland-Fyn A/S				
	Ejendomsselskabet Sjælland-Fyn A/S	20,000	100	142,304	-22,253
	Investeringsselskabet af 10. marts 2015 ApS	10,000	100	18,881	-9,236

The above enterprises are registered in the Municipality of Faaborg-Midtfyn, except for Investeringsselskabet af 10. marts 2015 ApS, which is registered in the Municipality of Holbæk.

The companies Sjælland Ejendomme A/S, Ejendomsselskabet af 15. december 2008 A/S, Udviklings-selskabet Blindestræde ApS, Ejendomsselskabet Faaborg A/S and Spar Fyns Ejendomsselskab A/S merged effective from 1 January 2017. The continuing name for the company is Ejendomsselskabet Sjælland-Fyn A/S.

Group enterprises, 2016

	Investeringsselskabet Sjælland-Fyn A/S	162,000	100	242,386	-7,443
	Leasing Fyn Faaborg A/S	5,000	100	12,158	5,357
	Ejendomsselskabet Faaborg A/S	7,000	100	13,711	-2,790
	Spar Fyns Ejendomsselskab A/S	1,000	100	841	-1,717

The above enterprises are registered in the Municipality of Faaborg-Midtfyn.

	Sjælland Ejendomme A/S	20,000	100	164,557	-13,647
	Ejendomsselskabet af 15/12 2008 A/S	1,000	100	26,825	-515
	Udviklings-selskabet Blindestræde ApS	200	100	4,985	-5,836
	Investeringsselskabet af 10. marts 2015 ApS	30,000	100	8,116	-12,994

The above enterprises are registered in the Municipality of Holbæk.

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
17	Investments in associates and group enterprises (continued)				
	Investments in associates and jointly controlled enterprises				
	Total cost at beginning of year	65,770	38,888	30,197	3,315
	Additions for the year	6,522	26,882	6,522	26,882
	Total cost at end of year	72,292	65,770	36,719	30,197
	Revaluations and impairment losses at beginning of year	796	1,107	240	104
	Profit/loss for the year/share of profit/loss for the year	2,618	2,309	-158	136
	Other changes	51	121	0	0
	Dividend	5,173	2,741	3,000	0
	Revaluations and impairment losses at end of year	-1,708	796	-2,918	240
	Holding recognised at end of year	70,584	66,566	33,801	30,437
	Thereof, credit institutions	36,783	36,129	0	0

Notes

Note	Amounts in DKK'000	Capital	Ownership interest in %	Equity at end of year	Profit/loss
17	Investments in associates and group enterprises (continued)				
	Associates, 2017				
	Alutec Holding ApS (2016 Annual Report)	200	49.5	6,351	105
	Sparekassen Sjælland-Fyn, group share			3,144	52
	The above enterprises are registered in the Municipality of Middelfart.				
	Regional Invest Fyn A/S (balance sheet at 30.09.2017)	45,000	50.0	55,557	3,516
	Sparekassen Sjælland-Fyn, group share during period of ownership			27,779	1,758
	The above enterprises are registered in the Municipality of Faaborg-Midtfyn.				
	FinanceZealand A/S (the company was established in 2017)	2,760	49.0	13,310	
	Sparekassen Sjælland-Fyn, group share during period of ownership			6,522	
	The above enterprises are registered in the Municipality of Vordingborg.				
	Associates, 2016				
	Alutec Holding ApS (2015 Annual Report)	200	49.5	6,246	-660
	Sparekassen Sjælland-Fyn, group share			3,092	-327
	The above enterprises are registered in the Municipality of Middelfart.				
	Regional Invest Fyn A/S (balance sheet at 30.09.2016)	45,000	50.0	54,690	2,648
	Sparekassen Sjælland-Fyn, group share during period of ownership			27,345	462
	The above enterprises are registered in the Municipality of Faaborg-Midtfyn.				

Note	Amounts in DKK'000	Capital	Ownership interest in %	Equity at end of year	Profit/loss
17	Investments in associates and group enterprises (continued)				
	Jointly controlled enterprises, 2017				
	Leasing Fyn Bank A/S	58,500	33.3	110,349	8,328
	Sparekassen Sjælland-Fyn, group share			36,783	2,776
	The above enterprises are registered in the Municipality of Faaborg-Midtfyn.				
	Jointly controlled enterprises, 2016				
	Leasing Fyn Bank A/S	58,500	33.3	108,386	6,518
	Sparekassen Sjælland-Fyn, group share			36,129	2,173
	The above enterprises are registered in the Municipality of Faaborg-Midtfyn.				

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
18 Pooled plans					
Assets related to pooled plans					
Cash balance	28,863	19,906	28,863	19,906	
Bonds	401,286	177,222	401,286	177,222	
Shares/unit trust certificates	469,934	193,934	469,934	193,934	
Other assets	5,139	2,815	5,139	2,815	
Total pooled assets	905,222	393,877	905,222	393,877	
Deposits under pooled plans					
Total deposits	855,402	380,274	855,402	380,274	
Other debt	49,820	13,603	49,820	13,603	
Fair value at end of year	905,222	393,877	905,222	393,877	
Return on pooled assets (recognised in market value adjustments)					
Fees and commission expenses	5,245	1,829	5,245	1,829	
Interest income	6,713	4,386	6,713	4,386	
Dividend	17,078	4,087	17,078	4,087	
Market value adjustments	27,404	6,376	27,404	6,376	
Total return on pooled assets	45,950	13,020	45,950	13,020	

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
19 Intangible assets					
Goodwill					
Cost at beginning of year	109,654	109,654	109,654	109,654	
Cost at end of year	109,654	109,654	109,654	109,654	
Amortisation and impairment losses at beginning of year	18,500	18,500	18,500	18,500	
Amortisation and impairment losses at end of year	18,500	18,500	18,500	18,500	
Total	91,154	91,154	91,154	91,154	
Other intangible assets					
Cost at beginning of year	135,821	131,455	135,821	131,455	
Additions for the year	5,188	4,366	5,188	4,366	
Cost at end of year	141,009	135,821	141,009	135,821	
Amortisation and impairment losses at beginning of year	77,189	61,063	77,189	61,063	
Amortisation for the year	17,316	16,126	17,316	16,126	
Amortisation and impairment losses at end of year	94,505	77,189	94,505	77,189	
Total	46,504	58,632	46,504	58,632	
Total intangible assets	137,658	149,786	137,658	149,786	

Goodwill is tested at least twice a year for impairment and more frequently in the event of indications of impairment.

Previously, the test was based on the Group's expected development of the Max Bank portfolio which originally served as a basis for the calculation of goodwill. As business has developed, there has been a natural assimilation of activities, making it no longer possible to separate the Max Bank portfolio as an independent entity. Goodwill of Sparekassen is therefore tested at parent level instead.

Management's expected development in core earnings over a five-year budget period is used as a basis. The calculation takes as its starting point historical growth adjusted by Management's expectations, see below. Management's required rate of return is 10.0% before tax (2016: 10.0%) and 7.8% after tax (2016: 7.8%). The annual terminal value growth rate is assumed to be 1.5% (2016: 1.5%). Sparekassen's budget serves as a basis for the calculation.

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016

19 Intangible assets (continued)

The key parameter for the projection of cash flows over the budget period is the development in balance sheet items and hence growth. In addition, future cash flows will be affected by the development in interest-rate differential, rate of cost and impairment losses on loans and advances etc. Management expects core earnings to increase over the budget period because of continued growth in loans, increasing interest-rate differentials and fulfilment of Sparekassen's earnings expectations that were announced earlier in the year in connection with the publication of Sparekassen's new four-year strategy "New Ways".

Around 51 % (2016: 47%) of the present value of future cash flows of DKK 2,842m (2016: DKK 3,163m) is expected to arise from the terminal period. An increase in the required rate of return after tax from 7.8% to 13.5% (2016: 7.8% to 13%) would not impair goodwill. A reduction in earnings in the terminal period of up to 48% (2016: 45%), or a decline in budgeted core earnings by up to 24% (2016: 20%), would not cause impairment either.

20 Land and buildings

Investment property

Fair value at beginning of year	144,780	138,932	17,470	3,420
Additions	23,330	30,044	5,917	15,300
Disposals	25,700	0	14,550	0
Fair value adjustments for the year	-17,964	-24,196	-500	-1,250
Fair value at end of year	124,446	144,780	8,337	17,470

Rental income	9,430	9,806	571	677
Operating expenses	4,674	3,371	637	330
Thereof, operating expenses for investment property not having generated rental income for the year	460	576	123	67

Fair value hierarchy for investment property

Group 2017	0	0	124,446	124,446
Group 2016	0	0	144,780	144,780

Note	Amounts in DKK'000	Quoted prices	Observable input	Non-observable input	Total
20 Land and buildings (continued)					
Owner-occupied property					
Cost at beginning of year	340,409	382,290	97,407	154,918	
Additions	32,652	15,730	0	100	
Disposals	35,258	57,611	35,258	57,611	
Cost at end of year	337,803	340,409	62,149	97,407	
Accumulated depreciation and impairment losses at beginning of year	49,595	57,363	14,753	29,317	
Depreciation for the year	2,057	1,668	505	572	
Impairment losses for the year	17,729	15,865	0	10,165	
Disposals for the year	3,455	25,301	1,403	25,301	
Accumulated depreciation and impairment losses at end of year	65,926	49,595	13,855	14,753	
Accumulated revaluation at beginning of year	3,694	24,337	3,694	24,337	
Revaluation for the year	-518	-20,643	-518	-20,643	
Accumulated revaluation at end of year	3,176	3,694	3,176	3,694	
Revalued amount at end of year	275,053	294,508	51,470	86,348	
If no revaluation had been made, the carrying amount of owner-occupied property would be	271,877	290,814	48,294	82,654	

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

Fair value hierarchy for owner-occupied property

Group 2017	0	0	275,053	275,053
Group 2016	0	0	294,508	294,508

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 4.7% and 9.4% has been used in measuring properties located on Zealand and Funen and in Jutland (2016: 5.75% and 9.75% and Copenhagen 3.2%). 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.

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
21 Other property, plant and equipment					
Total cost at beginning of year		179,940	166,439	170,115	154,769
Additions		25,573	16,053	25,573	16,053
Disposals		4,036	2,552	4,036	707
Total cost at end of year		201,477	179,940	191,652	170,115
Depreciation and impairment losses at beginning of year		132,805	123,375	122,980	111,727
Depreciation and impairment losses for the year		22,065	18,148	22,065	18,126
Depreciation and impairment losses reversed		1,223	8,718	1,223	6,873
Depreciation and impairment losses at end of year		153,647	132,805	143,822	122,980
Carrying amount		47,830	47,135	47,830	47,135
22 Deferred tax assets/liabilities					
Deferred tax at beginning of year		161,769	168,431	151,393	130,824
Change in deferred tax for the year		-29,341	-42,671	-26,169	-23,411
Adjustment of deferred tax asset, written down		30,290	36,009	26,936	43,980
Net deferred tax asset at end of year		162,718	161,769	152,160	151,393
Deferred tax assets		162,718	161,769	152,160	151,393
Deferred tax liabilities		0	0	0	0
Net deferred tax at end of year		162,718	161,769	152,160	151,393

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.

Note	Amounts in DKK'000	Deferred tax at beginning of year	Recognised in profit or loss for the year	Recognised in other comprehensive income	Deferred tax at end of year
Change in deferred tax					
Group 2017					
Intangible assets		-10,045	-3,336	0	-13,381
Other intangible assets, customer lists		-5,113	-1,109	0	-6,222
Machinery and equipment		818	859	0	1,677
Properties		308	-777	4	-465
Loans, lease contracts		-1,520	870	0	-650
Other		7,451	4,511	0	11,962
Tax loss		315,739	-30,364	0	285,375
Deferred tax asset, written down		-145,869	30,290	0	-115,579
Total		161,769	945	4	162,718
Group 2016					
Intangible assets		-6,014	-4,031	0	-10,045
Other intangible assets, customer lists		-4,004	-1,109	0	-5,113
Machinery and equipment		3,185	-2,367	0	818
Properties		-745	1,105	-52	308
Loans, lease contracts		19,736	-21,256	0	-1,520
Other		4,077	3,374	0	7,451
Tax loss		334,074	-18,335	0	315,739
Deferred tax asset, written down		-181,878	36,009	0	-145,869
Total		168,431	-6,610	-52	161,769

Notes

Note	Amounts in DKK'000	Deferred tax at beginning of year	Recognised in profit or loss for the year	Recognised in other comprehensive income	Deferred tax at end of year
22	Deferred tax assets/liabilities (continued)				
	Change in deferred tax				
	Sparekassen (Parent) 2017				
	Intangible assets	-10,045	-3,336	0	-13,381
	Other intangible assets, customer lists	-5,113	-1,109	0	-6,222
	Machinery and equipment	818	859	0	1,677
	Properties	308	-600	4	-288
	Other	10,530	4,950	0	15,480
	Tax loss	245,164	-26,937	0	218,227
	Deferred tax asset, written down	-90,269	26,936	0	-63,333
	Total	151,393	763	4	152,160
	Sparekassen (Parent) 2016				
	Intangible assets	-6,709	-3,336	0	-10,045
	Other intangible assets, customer lists	-4,004	-1,109	0	-5,113
	Machinery and equipment	1,622	-804	0	818
	Properties	334	26	-52	308
	Other	5,381	5,149	0	10,530
	Tax loss	268,449	-23,285	0	245,164
	Deferred tax asset, written down	-134,249	43,980	0	-90,269
	Total	130,824	20,621	-52	151,393

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
23	Temporarily held assets				
	Temporarily held assets	0	16,180	0	16,180
	Loss/profit from sale	880	663	880	663
	Temporarily held assets comprise properties acquired as part of the settlement of customer exposures with a view to disposing of the assets as soon as possible.				
	Sparekassen has acquired the assets by enforcing its charge on the properties. No assets other than properties have been acquired.				
	It is Sparekassen's policy to acquire assets, either voluntarily or in a forced sale, for which expectations are, based on a specific assessment, that a subsequent sale net of acquisition and operating expenses will reduce the Group's losses. Its policy is also to sell on the acquired assets as soon as possible.				
24	Other assets				
	Positive market value of derivatives	25,943	32,853	25,943	32,853
	Various receivables	64,401	22,040	41,855	1,447
	Interest and commission receivable	8,634	19,405	8,324	18,894
	Other assets	173,066	135,077	170,248	135,016
	Total	272,044	209,375	246,370	188,210

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
25	Amounts owed to credit institutions and central banks				
	Amounts owed to central banks	0	0	0	0
	Amounts owed to credit institutions	439,229	428,846	437,892	424,060
	Total	439,229	428,846	437,892	424,060
	By time to maturity:				
	Debt payable on demand	420,252	391,960	420,252	391,960
	Up to 3 months	17,640	23,840	17,640	23,840
	From 3 months to 1 year	133	1,962	0	0
	From 1 year to 5 years	542	1,852	0	1,852
	More than 5 years	662	9,232	0	6,408
	Total	439,229	428,846	437,892	424,060
26	Deposits and other debt				
	On demand	15,102,150	13,954,892	15,104,736	13,966,664
	At notice	22,947	29,018	22,947	29,018
	Time deposits	23,318	77,989	23,318	77,989
	Special deposits	1,440,917	1,585,145	1,440,917	1,585,145
	Total	16,589,332	15,647,044	16,591,918	15,658,816
	Debt payable on demand	15,145,583	14,025,268	15,148,169	14,075,749
	Deposits at notice:				
	Up to 3 months	190,620	237,459	190,620	198,750
	From 3 months to 1 year	36,628	41,050	36,628	41,050
	From 1 year to 5 years	181,508	198,613	181,508	198,613
	More than 5 years	1,034,993	1,144,654	1,034,993	1,144,654
	Total	16,589,332	15,647,044	16,591,918	15,658,816

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
27	Other liabilities				
	Various payables	78,578	71,772	70,754	67,465
	Negative market value of derivatives	27,379	32,977	27,379	32,977
	Interest and commission payable	12,286	20,331	12,286	20,331
	Other liabilities	128,329	104,549	105,867	101,156
	Total	246,572	229,627	216,286	221,929
28	Provisions				
	Provisions for losses on guarantees etc	55,905	67,061	55,905	67,061
	Other provisions	14,794	21,693	14,794	21,693
	Total	70,699	88,754	70,699	88,754
	Provisions for losses on guarantees				
	Balance at beginning of year	67,061	64,663	67,061	64,663
	Provisions for the year	31,829	12,620	31,829	12,620
	Reversals for the year	35,273	35,952	35,273	35,952
	Other changes	0	38,146	0	38,146
	Finally written off	7,712	12,416	7,712	12,416
	Provisions for losses on guarantees at end of year	55,905	67,061	55,905	67,061
	By time to maturity:				
	Up to 1 year	150	16,412	150	16,412
	From 1 year to 5 years	2,258	2,260	2,258	2,260
	More than 5 years	53,497	48,389	53,497	48,389
	Total	55,905	67,061	55,905	67,061

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
28 Provisions (continued)					
Other provisions					
Balance at beginning of year		21,693	46,943	21,693	46,943
Provisions for the year		5,092	14,838	5,092	14,838
Reversals for the year		11,991	2,400	11,991	2,400
Other changes		0	-37,688	0	-37,688
Finally written off		0	0	0	0
Other provisions at end of year		14,794	21,693	14,794	21,693
By time to maturity:					
Up to 1 year		0	5,731	0	5,731
From 1 year to 5 years		14,794	15,962	14,794	15,962
More than 5 years		0	0	0	0
Total		14,794	21,693	14,794	21,693

The time of maturity for provisions for losses on guarantees is subject to considerable uncertainty.

Note	Amounts in DKK'000	Current rate of interest	Sparekassen (koncern/moderselskab)	
			2017	2016
29 Subordinated loan capital				
Supplementary capital				
Floating interest rate, maturing in February 2022, may be repaid early in 2017. ²⁾		8.31 % ¹⁾		148,000
From 2017 to 2022, the interest rate will be three months' CIBOR + 6.65% with quarterly adjustment.				
Floating interest rate, maturing in June 2022, may be repaid early in 2017. ²⁾		8.29 % ¹⁾		15,000
From 2017 to 2022, the interest rate will be three months' CIBOR + 7.00% with quarterly adjustment.				
Floating interest rate, maturing in October 2023, may be repaid early in 2018. ²⁾		8.38 % ¹⁾	118,000	118,000
From 2018 to 2023, the interest rate will be three months' CIBOR + 6.8% with quarterly adjustment.				
Floating interest rate, maturing in July 2024, may be repaid early in 2019. ²⁾		7.81 % ¹⁾	82,000	82,000
From 2019 to 2024, the interest rate will be three months' CIBOR + 6.75% with quarterly adjustment.				
Floating interest rate, maturing in July 2025, may be repaid early in 2020. ²⁾		7.66 % ¹⁾	105,000	105,000
From 2020 to 2025, the interest rate will be six months' CIBOR + 6.9% with half-yearly adjustment.				
Floating interest rate, maturing in February 2027, may be repaid early in 2022.		5.94 % ¹⁾	50,000	
From 2022 to 2027, the interest rate will be six months' CIBOR + 5.5% with half-yearly adjustment.				
Floating interest rate, maturing in December 2027, may be repaid early in 2022.		4.75 % ¹⁾	50,000	
From 2022 to 2027, the interest rate will be six months' CIBOR + 4.39% with half-yearly adjustment.				
Other ³⁾			520	520
Total supplementary capital			405,520	468,520
Total hybrid capital			0	0
Total subordinated loan capital			405,520	468,520
Allowance account			2,672	2,564
Total subordinated loan capital according to the balance sheet			402,848	465,956

Notes

Note	Amounts in DKK'000	Aktuel rentesats	Sparekassen (koncern/moderselskab)	
			2017	2016
29 Subordinated loan capital (continued)				
Hybrid capital reclassified to equity				
Floating interest rate, indefinite term to maturity, may be repaid early in 2018. ²⁾	10.83 % ¹⁾	520,000	520,000	
From 2018, the interest rate will be a five-year swap rate + 9.25%, with adjustment every five years.				
Floating interest rate, indefinite term to maturity, may be repaid early in 2022. ²⁾	6.75 % ¹⁾	55,000		
From 2022, the interest rate will be six months' CIBOR + 6.39% with semi-annual adjustment.				
Total hybrid capital, reclassified to equity		575,000	520,000	
Subordinated loan capital included in the calculation of capital resources		977,328	985,436	

1) Fixed interest rate for the first five years.

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

3) 'Top interest-rate certificates' 10-year maturity period. Fixed interest rate of 4.5% to 5.75% maturing in May 2018 (DKK 500,000) and December 2018 (DKK 20,000); cannot be included in the calculation of capital resources and to fulfil the capital requirement addition under the 8+ approach.

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
29 Subordinated loan capital (continued)					
Interest etc on subordinated loan capital					
Interest (excluding interest on reclassified hybrid core capital recognised in equity)	30,821	39,182	30,821	39,182	
Extraordinary instalments/repayment/conversions	163,000	172	163,000	172	
Expenses for raising subordinated loan capital	1,176	0	1,176	0	
Expenses for repaying subordinated loan capital	0	0	0	0	

Except for 'top interest-rate certificates', 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, for most of Sparekassen's issuances, be applied to fulfil the capital requirement addition under the 8+ approach.

At the time of borrowing, subordinated loan capital is measured at the proceeds received net of front-end fees etc. After initial recognition, measurement is effected at amortised cost to the effect that the difference between net proceeds and nominal value is recognised in interest expenses over the expected term of the subordinated loan capital.

In calculating capital resources, subordinated loan capital is included at DKK 977,328k compared to DKK 985,436k in 2016.

Sparekassen repaid DKK 163,000k in supplementary capital in 2017.

In 2017, Sparekassen obtained DKK 100,000k in supplementary capital and DKK 55,000 in hybrid capital. Expenses for obtaining supplementary capital amounted to DKK 1,176k. The amount is expensed over the expected term of the loans. Expenses for obtaining the hybrid capital amounted to DKK 661k. The amount has been recognised directly in equity, as has the hybrid capital.

Notes

Note	Number of shares		Nominal value (DKK'000)	
	2017	2016	2017	2016
30 Share capital				
Share capital, Sparekassen Sjælland-Fyn A/S	13,031,230	13,031,230	130,312	130,312
Total	13,031,230	13,031,230	130,312	130,312

	Number of shares	Nominal value (DKK'000)	Participation %
Treasury shares			
Treasury shares at 1.1.2016	72,257	723	0.5
Purchased	21,713	217	0.2
Sold	1,000	10	0.0
Treasury shares at 31.12.2016	92,970	930	0.7
Purchased	127,300	1,273	1.0
Sold	220,270	2,203	1.7
Treasury shares at 31.12.2017	0	0	0.0

Total purchase price DKK 15,766k (2016: DKK 2,148k)

Total selling price DKK 24,720k (2016: DKK 79k)

The share capital consists of 13,031,230 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 holds no treasury shares (2016: 92,970,000), corresponding to 0.0% of the share capital (2016: 0.7%). The shares were acquired as part of ordinary trading.

Sparekassen has adopted special rules for exercising the voting rights of its shares. Each nominal share denomination of DKK 10 carries one vote. However, for shares held by the same shareholder, the maximum vote cast may be equivalent to 7.5% of the total share capital.

Sparekassen has been authorised by the general meeting to acquire treasury shares for up to 2% of the share capital. Sparekassen has been permitted by the Danish FSA to acquire treasury shares in 2017 for up to DKK 15m in market value in addition to the shares acquired in prior financial years.

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
30 Share capital (continued)					
Earnings per share					
The Parent Sparekassen Sjælland-Fyn A/S, shareholders' share		200,793	159,407		
Average number of shares (units)		13,031,230	13,031,230		
Average number of treasury shares		46,485	82,613		
Average number of shares outstanding		12,984,745	12,948,617		
Share options outstanding, average dilution effect		0	0		
Average number of shares outstanding (diluted)		12,984,745	12,948,617		
Earnings per share (DKK)		15.5	12.3		
Diluted earnings per share (DKK)		15.5	12.3		
31 Contingent liabilities and assets					
Contingent liabilities					
Finance guarantees		1,502,821	1,277,134	1,542,995	1,302,141
Loss guarantees for mortgage loans		2,167,326	1,987,191	2,167,326	1,987,191
Property registration and conversion guarantees		40,378	180,639	40,378	180,639
Other contingent liabilities		1,502,599	1,290,129	1,589,875	1,293,525
Total		5,213,124	4,735,093	5,340,574	4,763,496

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

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016

31 Contingent liabilities and assets (continued)

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 100,000 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.

Sparekassen has entered into a number of leases on premises used for bank operations or other activities. If the leases entered into are terminated, a maximum amount of DKK 79.4m (2016: DKK 73.2m) will have to be paid at group level.

Rental liabilities by time to maturity				
Period of notice of up to 1 year	4,127	7,873	8,249	7,873
Period of notice from 1 year to 5 years	40,281	13,746	40,281	13,746
Period of notice of more than 5 years	35,005	51,625	118,159	51,625
Total	79,414	73,244	166,690	73,244
Rent charged to profit or loss	17,260	31,610	35,772	31,610
Lease commitments	1,257	194	1,257	194

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016

31 Contingent liabilities and assets (continued)

Lease commitments cover some of the company cars made available to Sparekassen's employees.

Totalkredit loans arranged by the Group from 2007 are subject to an agreed right of set-off against future current commission 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.

Contingent assets				
Deferred tax asset, written down	115,579	145,869	63,333	90,269

32 Assets provided as collateral

Bonds deposited with Danmarks Nationalbank, clearing centres etc	554,400	705,185	554,400	705,185
Cash deposited with credit institutions, CSA agreements	28,780	10,347	28,780	10,347

Unencumbered deposited securities may be discharged on demand.

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
33 Capital resources					
Equity excluding hybrid core capital	2,227,576	2,058,073	2,227,576	2,058,073	
Intangible assets	-137,658	-149,786	-137,658	-149,786	
Deferred tax assets	-162,718	-161,769	-152,160	-151,393	
Proposed dividend	0	-39,745	0	-39,745	
Deduction, capital instruments exceeding 10%	-114,400	-133,897	-113,226	-133,220	
Other deductions etc	5,675	2,919	9,799	3,951	
Common Equity Tier 1 capital	1,818,475	1,575,795	1,834,331	1,587,880	
Hybrid core capital	575,000	520,000	575,000	520,000	
Deduction, investments exceeding 10%	-14,300	-44,632	-14,153	-44,407	
Core capital (including hybrid core capital) net of primary deductions	2,379,175	2,051,163	2,395,178	2,063,473	
Supplementary capital	402,328	465,436	402,328	465,436	
Deduction, investments exceeding 10%	-14,300	-44,632	-14,153	-44,407	
Supplementary investments	0	-2,568	0	-2,555	
Capital resources	2,767,203	2,469,398	2,783,353	2,481,947	
Risk exposures					
Credit risk	14,170,225	13,094,153	14,237,951	13,171,095	
Market risk	1,015,417	1,079,748	1,015,022	1,079,930	
Operational risk	1,787,720	1,683,682	1,737,859	1,647,721	
Total risk exposures	16,973,362	15,857,583	16,990,832	15,898,746	
Capital ratio	16.3	15.6	16.4	15.6	
Core capital ratio	14.0	12.9	14.1	13.0	
Common Equity Tier 1 capital ratio	10.7	9.9	10.8	10.0	
Capital resources, requirement under Section 124(2) of the Danish Financial Business Act	1,357,869	1,268,607	1,359,267	1,271,900	

Note

33 Capital resources (continued)

In 2017, the capital ratio has been calculated in accordance with the Danish FSA's Executive Order on Capital Adequacy for Banks and certain Credit Institutions. Sparekassen complies with the Danish rules for step phase-in of the requirements of the Capital Requirements Regulation and the Capital Requirements Directive (CRR/CRD IV). The comparative figures have not been restated.

The capital adequacy rules require a minimum capital of 8% of calculated risks plus an individual solvency requirement. The statement of individual solvency requirement is evident from Sparekassen's risk report which is published together with the Annual Report on Sparekassen's website, https://www.spks.dk/om_sparekassen/regnskab. The risk report and the statement of the individual solvency requirement have not been audited.

Capital resources are composed of core capital (equity and hybrid capital) and supplementary capital. Under certain conditions, the subordinated loan capital may be included in capital resources. Subordinated loan capital is disclosed note 29.

It is Sparekassen's strategy to continuously have a comfortable excess capital adequacy to secure latitude for Sparekassen to pursue its business and strategic priorities and aims and to maintain continuity in what we do. Also, Sparekassen makes a current effort to reduce risk as well as charge on capital on non-core activities as much as possible. Sparekassen considers its excess capital adequacy to be satisfactory.

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
34 Related parties					
	The amount of loans, mortgages, recourse or non-recourse guarantees as well as related collateral security established for the members of Management listed below.				
Executive Board					
Loans and non-recourse guarantees		628	1,031	628	1,031
Interest rate for loans		5.00% - 7.00%	3.65% - 7.0%	5.00% - 7.00%	3.65% - 7.0%
Board of Directors					
Loans and non-recourse guarantees		37,807	40,547	37,807	40,547
Interest rate for loans		1.05% - 8.45%	1.05% - 8.45%	1.05% - 8.45%	1.05% - 8.45%

Loans to employee board members are granted on Sparekassen's general terms for employees. Loans to other board members are granted on an arm's length basis.

Sparekassen has had the following transactions with related parties in the financial year:

Executive Board	0	0
Board of Directors	1,678	2,935

The transactions cover consultancy services from Kullegaard Arkitekter A/S, in which Chairman Thomas Kullegaard is Chief Executive Officer, management services from Hvidt & Partnere, in which Board Member Per Bjørnsholm is partner, and trade assistance from HM Gruppen A/S, in which Vice-Chairman Jakob N. Andersen serves as a board member. All related party transactions have been conducted on an arm's length basis.

Note	Amounts in DKK'000	Associates and jointly controlled enterprises		Group enterprises	
		2017	2016	2017	2016
34 Related parties (continued)					
Balances and transactions with:					
Loans and other amounts owed		36,058	50,130	700,451	694,200
Deposits and other debt		36,114	51,567	41,943	57,039
Interest, loans and advances		1,040	1,105	12,746	12,348
Interest, deposits and other debt		0	19	0	186
Rent		156	747	18,512	15,606
Commission and fee income		0	0	487	367
Management fee, income		32	399	1,702	1,304
Guarantees		9,106	3,101	40,174	25,007
Land and buildings				0	15,630
Investments/dividend				19,909	617,449

Sparekassen serves as banker for group enterprises. The transactions primarily cover payment of interest and rent. All transactions with the companies mentioned have been conducted on an arm's length basis.

Note	Group		Sparekassen (Parent)	
	2017	2016	2017	2016
35 Staff headcount				
Average headcount in the financial year converted into full-time employees	585	552	585	552

Notes

Note

36 Managerial posts

Executive Board

Lars Petersson, Chief Executive Officer, born 1967

Chairman of the Board of Directors: Holbæk Kommunes Talentråd, Museum Vestsjælland, Lokal Puljepension **Board member:** Ejendomsselskabet Sjælland-Fyn A/S, Investeringselskabet Sjælland-Fyn A/S, Investeringselskabet af 10. marts 2015 ApS, Regional Invest Fyn A/S, Poulsgade A/S, BI Holding A/S, DLR Kredit A/S, Nærpension A/S (Vice-Chairman), Tilskuds-fonden for pensionister i DLR, Copenhagen FinTech **Chief Executive Officer:** Sparekassen Sjælland-Fyn A/S **Executive Officer:** Investeringselskabet af 10. marts 2015 ApS

Bruno Riis-Nielsen, Executive Officer of the Savings Bank, born 1953

Board Member: Regional Invest Fyn A/S, Poulsgade A/S, Leasing Fyn Bank A/S, Leasing Fyn Faaborg A/S, FinanceZealand A/S **Executive Officer of the Savings Bank:** Sparekassen Sjælland-Fyn A/S

Board of Directors

Thomas Kullegaard, Chairman, Architect MMA, born 1953, independent Board member since 2011, term of office expires in 2018

Chairman of the Board of Directors: Sparekassen Sjælland-Fyn A/S **Board member:** Ejendomsselskabet Sjælland-Fyn A/S, Investeringselskabet Sjælland-Fyn A/S, Investeringselskabet af 10. marts 2015 ApS, Holbæk Erhvervsforum, Tokasi Holding ApS with three related subsidiaries, Fonden for Sparekassen Sjælland, Fonden Holbæk Sportsby **Executive Officer:** Kullegaard Arkitekter A/S, Tokasi Holding ApS

Jakob N. Andersson, Vice-Chairman, Financial Manager, born 1967, independent Board member since 2011, term of office expires in 2019

Board Member: Sparekassen Sjælland-Fyn A/S (Vice-Chairman), Ejendomsselskabet Sjælland-Fyn A/S, Investeringselskabet Sjælland-Fyn A/S, Investeringselskabet af 10. marts 2015 ApS, HM Gruppen Holding with five related subsidiaries, HM Gruppen A/S, Safire Holding ApS with one related subsidiary **Executive Officer:** Safire Holding ApS with one related subsidiary

Otto Spliid, Attorney-at-Law, born 1961, independent Board member since 2013, term of office expires in 2018

Chairman of the Board of Directors: Tool Danmark A/S, Henning Ibsen A/S, Viemose-Driboga A/S, Gardin Montøren Botex Home ApS, Drivhus Holding A/S, TC Anlæg A/S, DGS-Danish Greenhouse Supply A/S, EI-team kbh.ApS, Øko-Oil A/S, Chr. P Holding ApS **Board member:** Sparekassen Sjælland-Fyn A/S, Maskinfabrikken H.M.A. Odense A/S, EI-Team Fyn A/S, Schiang Living A/S, Titech Holding ApS and one related subsidiary, EL-Installatør Jørgen Holst ApS, Gartneriet Thoruplund A/S, Fraugde, Natex of Scandinavia A/S, Siolit A/S Eurostar Danmark A/S Saferoad Daluiso A/S Am Værktøj Odense A/S, Exodraft Systems A/S **Attorney-at-law/Partner:** Focus-Advokater P/S, From Holding ApS and SLK Advokatanpartsselskab

Note

36 Managerial posts (continued)

Board of Directors

Per Bjørnsholm, Attorney-at-Law, born 1969, independent Board member since 2013, term of office expires in 2019

Chairman of the Board of Directors: SVANEENG A/S, Net-Nurse A/S, EIDOM A/S **Board member:** Sparekassen Sjælland-Fyn A/S, Ejendomsselskabet Sjælland-Fyn A/S, Investeringselskabet Sjælland-Fyn A/S, Investeringselskabet af 10. marts 2015 ApS, Storkøbenhavns Køretekniske Anlæg A/S, S.K.A. Holding A/S, Ejendomsaktieselskabet Helleholm, Selskabet af 26. oktober 1966 ApS Bjørnsholm A/S **Executive Officer:** ApS af 15. juni 1986, Bjørnsholm A/S, Bjørnsholm ApS, Eivind Eckbo's Dansk Norske Legat, Ejendomsaktieselskabet 'Hermes', Fælledvej 16. København ApS, P Bjørnsholm, Advokatanpartsselskab, P Bjørnsholm ApS, Selskabet D.N. af 17. maj 2007 A/S og Bjørnsholm Ejendomsservice ApS

Erik Larsen, Farmer, born 1958, independent Board member since 2013, term of office expires in 2019

Board Member: Sparekassen Sjælland-Fyn A/S, Landbrug & Fødevarer OK a.m.b.a. (Vice-Chairman)

Bent Andersen, former Chief Executive Officer, born 1948, independent Board member since 2015, term of office expires in 2018

Chairman of the Board of Directors: Ejendomsselskabet Sjælland-Fyn A/S, Investeringselskabet Sjælland-Fyn A/S, Investeringselskabet af 10. marts 2015 ApS **Board member:** Sparekassen Sjælland-Fyn A/S, Danske Andelskassers Bank A/S (DAB)

Per Olsen, Development Manager, born 1963, dependent Board member since 1994, term of office expires in 2020

Board Member: Employee representative Sparekassen Sjælland-Fyn A/S

Mads Wallin, Branch Manager, born 1980, dependent Board member since 2016, term of office expires in 2020

Board Member: Employee representative Sparekassen Sjælland-Fyn A/S

Michael Agergaard, Project Worker, born 1971, dependent Board member since 2016, term of office expires in 2018

Board Member: Employee representative Sparekassen Sjælland-Fyn A/S

Helle Lindhof Bjørnøe, Customer Advisor, born 1963, dependent Board member since 2015, term of office expires in 2020

Board Member: Employee representative Sparekassen Sjælland-Fyn A/S

Notes

		Group 2017			
Note	Amounts in DKK'000	Nominal value	Net market value	Positive market value	Negative market value
37	Derivatives				
	Currency contracts				
	Forward contracts, purchases	130,276	-921	991	1,912
	Forward contracts, sales	481,613	-115	1,475	1,590
	Currency swaps	0	0	0	0
	Unsettled spot transactions, purchases	0	0	0	0
	Unsettled spot transactions, sales	0	0	0	0
	Interest rate contracts				
	Forward contracts, purchases	150,937	1,344	1,345	1
	Forward contracts, sales	150,921	-765	24	789
	Interest rate swaps	424,802	-3,448	19,423	22,871
	Unsettled spot transactions, certificates, purchases	389,239	2,410	2,430	20
	Unsettled spot transactions, certificates, sales	57,328	32	73	41
	Shares contracts				
	Forward contracts, purchases	0	0	0	0
	Forward contracts, sales	0	0	0	0
	Unsettled spot transactions, purchases	9,155	-43	56	99
	Unsettled spot transactions, sales	8,722	69	117	48
	Other derivative contracts				
	Options, acquired	93	9	9	0
	Options, issued	93	-9	0	9
	Total derivatives	1,803,179	-1,437	25,943	27,380

		Group 2016			
Note	Amounts in DKK'000	Nominal value	Net market value	Positive market value	Negative market value
37	Derivatives (continued)				
	Currency contracts				
	Forward contracts, purchases	26,226	-108	122	230
	Forward contracts, sales	398,590	2,464	2,782	318
	Currency swaps	0	0	0	0
	Unsettled spot transactions, purchases	0	0	0	0
	Unsettled spot transactions, sales	0	0	0	0
	Interest rate contracts				
	Forward contracts, purchases	155,720	3,431	3,432	1
	Forward contracts, sales	304,399	-2,154	680	2,834
	Interest rate swaps	518,433	-4,232	21,110	25,342
	Unsettled spot transactions, certificates, purchases	116,835	90	98	8
	Unsettled spot transactions, certificates, sales	28,874	-69	27	96
	Shares contracts				
	Forward contracts, purchases	0	0	0	0
	Forward contracts, sales	0	-21	0	21
	Unsettled spot transactions, purchases	9,087	14	57	43
	Unsettled spot transactions, sales	9,282	-8	46	54
	Other derivative contracts				
	Options, acquired	38,135	4,499	4,499	0
	Options, issued	37,845	-4,030	0	4,030
	Total derivatives	1,643,426	-124	32,853	32,977

2017 **2016**

The market value is recognised in the balance sheet at the following amounts for the Group

Other assets	25,943	32,853
Other liabilities	27,380	32,977

Notes

Sparekassen (Parent) 2017

Note	Amounts in DKK'000	Nominal value	Net market value	Positive market value	Negative market value
37	Derivatives (continued)				
	Currency contracts				
	Forward contracts, purchases	130,276	-921	991	1,912
	Forward contracts, sales	481,613	-115	1,475	1,590
	Currency swaps	0	0	0	0
	Unsettled spot transactions, purchases	0	0	0	0
	Unsettled spot transactions, sales	0	0	0	0
	Interest rate contracts				
	Forward contracts, purchases	150,937	1,344	1,345	1
	Forward contracts, sales	150,921	-765	24	789
	Interest rate swaps	424,802	-3,448	19,423	22,871
	Unsettled spot transactions, certificates, purchases	389,239	2,410	2,430	20
	Unsettled spot transactions, certificates, sales	57,328	32	73	41
	Shares contracts				
	Forward contracts, purchases	0	0	0	0
	Forward contracts, sales	0	0	0	0
	Unsettled spot transactions, purchases	9,155	-43	56	99
	Unsettled spot transactions, sales	8,722	69	117	48
	Other derivative contracts				
	Options, acquired	93	9	9	0
	Options, issued	93	-9	0	9
	Total derivatives	1,803,179	-1,437	25,943	27,380

Sparekassen (Parent) 2016

Note	Amounts in DKK'000	Nominal value	Net market value	Positive market value	Negative market value
37	Derivatives (continued)				
	Currency contracts				
	Forward contracts, purchases	26,226	-108	122	230
	Forward contracts, sales	398,590	2,464	2,782	318
	Currency swaps	0	0	0	0
	Unsettled spot transactions, purchases	0	0	0	0
	Unsettled spot transactions, sales	0	0	0	0
	Interest rate contracts				
	Forward contracts, purchases	155,720	3,431	3,432	1
	Forward contracts, sales	304,399	-2,154	680	2,834
	Interest rate swaps	518,433	-4,232	21,110	25,342
	Unsettled spot transactions, certificates, purchases	116,835	90	98	8
	Unsettled spot transactions, certificates, sales	28,874	-69	27	96
	Shares contracts				
	Forward contracts, purchases	0	0	0	0
	Forward contracts, sales	0	-21	0	21
	Unsettled spot transactions, purchases	9,087	14	57	43
	Unsettled spot transactions, sales	9,282	-8	46	54
	Other derivative contracts				
	Options, acquired	38,135	4,499	4,499	0
	Options, issued	37,845	-4,030	0	4,030
	Total derivatives	1,643,426	-124	32,853	32,977

2017 2016

The market value is recognised in the balance sheet at the following amounts for Sparekassen (Parent)

Other assets	25,943	32,853
Other liabilities	27,380	32,977

Notes

Group 2017, Net market value

Note	Amounts in DKK'000	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total
37	Derivatives (continued)					
	Currency contracts					
	Forward contracts, purchases	-968	47	0	0	-921
	Forward contracts, sales	-74	-41	0	0	-115
	Currency swaps	0	0	0	0	0
	Unsettled spot transactions, purchases	0	0	0	0	0
	Unsettled spot transactions, sales	0	0	0	0	0
	Interest rate contracts					
	Forward contracts, purchases	1,302	42	0	0	1,344
	Forward contracts, sales	-734	-32	0	0	-766
	Interest rate swaps	0	0	0	-3,447	-3,447
	Unsettled spot transactions, certificates, purchases	2,410	0	0	0	2,410
	Unsettled spot transactions, certificates, sales	32	0	0	0	32
	Shares contracts					
	Forward contracts, purchases	0	0	0	0	0
	Forward contracts, sales	0	0	0	0	0
	Unsettled spot transactions, purchases	-43	0	0	0	-43
	Unsettled spot transactions, sales	69	0	0	0	69
	Other derivative contracts					
	Options, acquired	9	0	0	0	9
	Options, issued	-9	0	0	0	-9
	Total derivatives	1,994	16	0	-3,447	-1,437

Group 2016, Net market value

Note	Amounts in DKK'000	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total
37	Derivatives (continued)					
	Currency contracts					
	Forward contracts, purchases	-108	0	0	0	-108
	Forward contracts, sales	2,424	42	0	0	2,466
	Currency swaps	0	0	0	0	0
	Unsettled spot transactions, purchases	0	0	0	0	0
	Unsettled spot transactions, sales	0	0	0	0	0
	Interest rate contracts					
	Forward contracts, purchases	2,983	448	0	0	3,431
	Forward contracts, sales	-1,751	-404	0	0	-2,155
	Interest rate swaps	0	0	2	-4,234	-4,232
	Unsettled spot transactions, certificates, purchases	90	0	0	0	90
	Unsettled spot transactions, certificates, sales	-69	0	0	0	-69
	Shares contracts					
	Forward contracts, purchases	0	0	0	0	0
	Forward contracts, sales	-21	0	0	0	-21
	Unsettled spot transactions, purchases	14	0	0	0	14
	Unsettled spot transactions, sales	-8	0	0	0	-8
	Other derivative contracts					
	Options, acquired	11	0	-4,019	0	-4,008
	Options, issued	-11	0	4,487	0	4,476
	Total derivatives	3,554	86	470	-4,234	-124

Notes

Sparekassen (Parent) 2017, Net market value

Note	Amounts in DKK'000	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total
37	Derivatives (continued)					
	Currency contracts					
	Forward contracts, purchases	-968	47	0	0	-921
	Forward contracts, sales	-74	-41	0	0	-115
	Currency swaps	0	0	0	0	0
	Unsettled spot transactions, purchases	0	0	0	0	0
	Unsettled spot transactions, sales	0	0	0	0	0
	Interest rate contracts					
	Forward contracts, purchases	1,302	42	0	0	1,344
	Forward contracts, sales	-734	-32	0	0	-766
	Interest rate swaps	0	0	0	-3,447	-3,447
	Unsettled spot transactions, certificates, purchases	2,410	0	0	0	2,410
	Unsettled spot transactions, certificates, sales	32	0	0	0	32
	Shares contracts					
	Forward contracts, purchases	0	0	0	0	0
	Forward contracts, sales	0	0	0	0	0
	Unsettled spot transactions, purchases	-43	0	0	0	-43
	Unsettled spot transactions, sales	69	0	0	0	69
	Other derivative contracts					
	Options, acquired	9	0	0	0	9
	Options, issued	-9	0	0	0	-9
	Total derivatives	1,994	16	0	-3,447	-1,437

Sparekassen (Parent) 2017, Net market value

Note	Amounts in DKK'000	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total
37	Derivatives (continued)					
	Currency contracts					
	Forward contracts, purchases	-108	0	0	0	-108
	Forward contracts, sales	2,424	42	0	0	2,466
	Currency swaps	0	0	0	0	0
	Unsettled spot transactions, purchases	0	0	0	0	0
	Unsettled spot transactions, sales	0	0	0	0	0
	Interest rate contracts					
	Forward contracts, purchases	2,983	448	0	0	3,431
	Forward contracts, sales	-1,751	-404	0	0	-2,155
	Interest rate swaps	0	0	2	-4,234	-4,232
	Unsettled spot transactions, certificates, purchases	90	0	0	0	90
	Unsettled spot transactions, certificates, sales	-69	0	0	0	-69
	Shares contracts					
	Forward contracts, purchases	0	0	0	0	0
	Forward contracts, sales	-21	0	0	0	-21
	Unsettled spot transactions, purchases	14	0	0	0	14
	Unsettled spot transactions, sales	-8	0	0	0	-8
	Other derivative contracts					
	Options, acquired	11	0	-4,019	0	-4,008
	Options, issued	-11	0	4,487	0	4,476
	Total derivatives	3,554	86	470	-4,234	-124

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
38	Cash and cash equivalents				
	Balance at beginning of year				
	Cash and balances on demand at central banks	384,241	622,681	384,241	622,681
	Amounts owed by credit institutions and central banks	1,362,773	373,330	1,358,475	367,943
	Total	1,747,014	996,011	1,742,716	990,624
	Balance at end of year				
	Cash and balances on demand at central banks	356,906	384,241	356,906	384,241
	Amounts owed by credit institutions and central banks	1,830,790	1,362,773	1,822,445	1,358,475
	Total	2,187,696	1,747,014	2,179,351	1,742,716

Cash and cash equivalents comprise cash etc and unencumbered amounts owed by credit institutions and central banks with an original term to maturity of up to three months.

Note	Amounts in DKK'000	2017		2016	
		Fair value	Amortised cost	Fair value	Amortised cost
39	Financial assets and liabilities, Group				
	Financial assets and liabilities are recognised in the balance sheet either at fair value or at amortised cost.				
	Below, the valuation method is disclosed for each line item.				
	Financial assets				
	Cash and balances on demand at central banks		356,906		384,241
	Amounts owed by credit institutions and central banks		1,830,790		1,364,273
	Loans and other amounts owed at amortised cost		11,680,562		10,474,059
	Bonds at fair value	4,839,742		5,361,280	
	Bonds at amortised cost		99,999		99,634
	Shares etc	653,583		663,287	
	Assets related to pooled plans	905,222		393,877	
	Positive market value, derivatives	25,943		32,853	
	Total financial assets	6,424,490	13,968,257	6,451,297	12,322,207
	Financial liabilities				
	Amounts owed to credit institutions and central banks		439,229		428,846
	Deposits and other debt		16,589,332		15,647,044
	Deposits in pooled plans		905,222		393,877
	Subordinated loan capital		402,848		465,956
	Negative market value, derivatives	27,380		32,977	
	Total financial liabilities	27,380	18,336,631	32,977	16,935,723

Notes

Note

39 Financial assets and liabilities, 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 are 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 is only to a limited extent observable market data, such measurement is subject to estimation. Shares etc in Levels 2 and 3 primarily comprise unlisted shares in sector companies.

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 third 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 lead to much different fair values.

Note	Amounts in DKK'000	Quoted prices (Level 1)	Observable input (Level 2)	Non-observable input (Level 3)	Total
39	Financial assets and liabilities, Group (continued)				
	Fair value hierarchy for financial instruments measured at fair value in the balance sheet				
	31.12.2017				
	Financial assets				
	Bonds at fair value	4,814,742	25,000	0	4,839,742
	Shares etc	58,493	184,264	410,826	653,583
	Assets related to pooled plans	871,221	34,001	0	905,222
	Derivatives	0	25,943	0	25,943
	Total financial assets	5,744,456	269,208	410,826	6,424,490
	Financial liabilities				
	Derivative financial liabilities	0	27,380	0	27,380
	Total financial liabilities	0	27,380	0	27,380
	31.12.2016				
	Financial assets				
	Bonds at fair value	5,321,280	40,000	0	5,361,280
	Shares etc	57,460	259,110	346,717	663,287
	Assets related to pooled plans	371,156	22,721	0	393,877
	Derivatives	0	32,853	0	32,853
	Total financial assets	5,749,896	354,684	346,717	6,451,297
	Financial liabilities				
	Derivative financial liabilities	0	32,977	0	32,977
	Total financial liabilities	0	32,977	0	32,977

Notes

Note	Amounts in DKK'000	Group	
		2017	2016
39 Financial assets and liabilities, Group (continued)			
Financial instruments measured at fair value in the balance sheet based on Level 3			
Carrying amount at beginning of year		346,717	220,642
Market value adjustments recognised in profit or loss in market value adjustments		12,433	13,622
Purchases		288,118	124,408
Sales		236,442	11,955
Carrying amount at end of year		410,826	346,717
Unrealised market value adjustments		10,430	12,266
Sensitivity information			
If the actual market value varies by plus/minus 10% compared to fair value, this affects profit or loss by plus/minus		41,083	34,672

Sparekassen's key investment in shares based on Level 3 is the investment in PRAS A/S amounting to DKK 117.3m (2016: DKK 109.4m), equivalent to 28.6% (2016: 32%) of the total fair value of financial instruments in Level 3. The fair value of the investment in PRAS A/S is based on the company's equity value. A change in the company's equity by DKK 100m would affect the fair value of Sparekassen by DKK 5.0m (2016: DKK 4.8m).

Sparekassen does not have data to perform a sensitivity analysis of the unlisted investment unit certificates. Unlisted investment unit certificates amount to DKK 290.6m (2016: DKK 234.6m) of the financial instruments measured at fair value in the balance sheet based on level 3.

Neither in 2017 nor in 2016 have financial instruments been 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.

Note	Amounts in DKK'000	Balance at beginning of year	Cash flows	Accrual of initial expenses	Balance at end of year
Funding activity 2017					
Subordinated loan capital		465,956	-63,000	-108	402,848
Hybrid core capital		520,000	55,000	0	575,000
Total liabilities related to funding activity		985,956	-8,000	-108	977,848
2016					
Subordinated loan capital		464,841	-172	1,287	465,956
Hybrid core capital		520,000	0	0	520,000
Total liabilities related to funding activity		984,841	-172	1,287	985,956

Sparekassen wants to be independent of external funding in the form of market financing, and, in its business model, it attaches importance to deposits funding loans and advances.

Notes

Note

39 Financial assets and liabilities, 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.
- The fair value of deposits, bonds issued and subordinated loan capital is deemed to be equivalent, in all material respects, with the carrying amount.

Note	Amounts in DKK'000	2017		2016	
		Carrying amount	Fair value	Carrying amount	Fair value
39	Financial assets and liabilities, Group (continued)				
	Financial instruments recognised at amortised cost, disclosure of fair values				
	Financial assets				
	Cash and balances on demand at central banks	356,906	356,906	384,241	384,241
	Amounts owed by credit institutions and central banks	1,830,790	1,830,790	1,364,273	1,364,273
	Loans and other amounts owed at amortised cost	11,680,562	11,735,128	10,474,059	10,522,107
	Bonds at amortised cost	99,999	100,000	99,634	100,150
	Total financial assets	13,968,257	14,022,824	12,322,207	12,370,771
	Financial liabilities				
	Amounts owed to credit institutions and central banks	439,229	439,229	428,846	428,846
	Deposits and other debt	16,589,332	16,589,332	15,647,044	15,647,044
	Deposits in pooled plans	905,222	905,222	393,877	393,877
	Subordinated loan capital	402,848	402,848	465,956	465,956
	Total financial liabilities	18,336,631	18,336,631	16,935,723	16,935,723

Notes

Note	Amounts in DKK'000	Fair value recognised in profit or loss			Amortised cost		Total
		Trading portfolio	Fair value option	Assets	Hold to maturity	Liabilities	
39	Financial assets and liabilities, Group (continued)						
	Return on and classification of financial assets and liabilities – Group 2017						
	Return						
	Interest income	29,420	0	576,710	0	0	606,130
	Interest expenses	0	0	0	0	63,635	63,635
	Net interest income	29,420	0	576,710	0	-63,635	542,495
	Dividend on shares etc	19,704	7,649	0	0	0	27,353
	Market value adjustments	30,500	27,270	0	365	0	58,135
	Total return	79,624	34,919	576,710	365	-63,635	627,983
	Financial assets						
	Cash and balances on demand at central banks	0	0	356,906	0	0	356,906
	Amounts owed by credit institutions and central banks	0	0	1,830,790	0	0	1,830,790
	Loans and advances at amortised cost	0	0	11,680,562	0	0	11,680,562
	Bonds at fair value	4,839,742	0	0	0	0	4,839,742
	Bonds at amortised cost	0	0	0	99,999	0	99,999
	Shares etc	214,824	438,759	0	0	0	653,583
	Derivatives	25,943	0	0	0	0	25,943
	Assets related to pooled plans	0	905,222	0	0	0	905,222
	Total financial assets	5,080,509	1,343,981	13,868,258	99,999	0	20,392,747
	Financial liabilities						
	Amounts owed to credit institutions and central banks	0	0	0	0	439,229	439,229
	Deposits	0	0	0	0	16,589,332	16,589,332
	Subordinated loan capital	0	0	0	0	402,848	402,848
	Derivatives	27,380	0	0	0	0	27,380
	Deposits in pooled plans	0	905,222	0	0	0	905,222
	Total financial liabilities	27,380	905,222	0	0	17,431,409	18,364,011

Notes

Note	Amounts in DKK'000	Fair value recognised in profit or loss		Amortised cost		Total	
		Trading portfolio	Fair value option	Assets	Hold to maturity		Liabilities
39	Financial assets and liabilities, Group (continued)						
	Return on and classification of financial assets and liabilities – Group 2016						
	Return						
	Interest income	36,195	0	617,245	39	0	653,479
	Interest expenses	0	0	0	0	102,301	102,301
	Net interest income	36,195	0	617,245	39	-102,301	551,178
	Dividend on shares etc	3,466	14,895	0	0	0	18,361
	Market value adjustments	43,991	26,060	0	364	0	70,415
	Total return	83,652	40,955	617,245	403	-102,301	639,954
	Financial assets						
	Cash and balances on demand at central banks	0	0	384,241	0	0	384,241
	Amounts owed by credit institutions and central banks	0	0	1,364,273	0	0	1,364,273
	Loans and advances at amortised cost	0	0	10,474,059	0	0	10,474,059
	Bonds at fair value	5,361,280	0	0	0	0	5,361,280
	Bonds at amortised cost	0	0	0	99,634	0	99,634
	Shares etc	160,455	502,832	0	0	0	663,287
	Derivatives	32,853	0	0	0	0	32,853
	Assets related to pooled plans	0	393,877	0	0	0	393,877
	Total financial assets	5,554,588	896,709	12,222,573	99,634	0	18,773,504
	Financial liabilities						
	Amounts owed to credit institutions and central banks	0	0	0	0	428,846	428,846
	Deposits	0	0	0	0	15,647,044	15,647,044
	Subordinated loan capital	0	0	0	0	465,956	465,956
	Derivatives	32,977	0	0	0	0	32,977
	Deposits in pooled plans	0	393,877	0	0	0	393,877
	Total financial liabilities	32,977	393,877	0	0	16,541,846	16,968,700

Notes

Note

40 Financial risks and financial risk management policies and objectives

Risk management

Sparekassen assumes different risks as part of carrying on financial business and other related activities. The most significant types of risk are credit risk, market risk, liquidity risk and operational risk.

The Board of Directors defines Sparekassen's risk policy and the framework for the risk areas that Sparekassen is engaged in. The Executive Board provides the framework for each division's and employee's powers in carrying on the day-to-day operations. The objective of this overall policy is that, with strong control of risks assumed, Sparekassen will have earnings and hence equity to secure future operations.

Sparekassen only wants to participate in the funding of business that it understands and can comprehend from an advisory perspective. Generally, Sparekassen wants to have a risk profile at portfolio level that is at the lower range compared to its competitors.

Sparekassen does not want to help fund business with an excessive risk profile, speculative projects or leveraged investment activities. In credit granting, Sparekassen has adopted an ethical profile.

Sparekassen has appointed an independent risk manager who is responsible for risk management taking place in an appropriate manner, which includes providing an overview of Sparekassen's risk exposures and total risk profile. The Risk Manager's area of responsibility comprises Sparekassen's risky assets across risk areas and organisational units as well as risks arising from outsourced areas. The Risk Manager reports to the Executive Board.

The types of risk and management thereof are described below.

Credit risk

Credit risk is the risk of losses resulting from debtors' non-performance of payment obligations towards Sparekassen.

Note

40 Financial risks and financial risk management policies and objectives (continued)

Credit policy and management as well as collateral

Sparekassen's credit risks are managed according to policies and frameworks laid down by Management. The credit policy stipulates, for example, that a sound spread must exist between lending to private customers and corporate customers and, within these groups, also a sound spread of exposure amounts and industries. The credit policy is regularly adjusted to current conditions. Sparekassen grants loans and advances to Danish private customers and small and medium-sized enterprises placed geographically in Zealand, Funen and the metropolitan area. Sparekassen's loans, advances and guarantee debtors by sector and industry are disclosed in note 13.

Credit risks are managed at single customer level when loans or advances are authorised and on an ongoing basis with particular focus on exposures deemed risky. Various data which forms part of the overall basis for decision is obtained for each credit assessment. This data includes finance and accounting data, budgets, disposable income, collateral offered, supplementary comments by the customer advisor, previous credits authorised, etc.

When trading in securities, currencies and derivatives as well as in relation to payment services etc, exposures arise towards financial counterparties in the form of settlement risk or credit risk. Management authorises lines on settlement risk and credit risk towards financial counterparties, based on each counterparty's risk profile. Risks and lines on financial counterparties are monitored on an ongoing basis.

The primary objective of our individual assessment of the customer is to decide whether they have the necessary debt servicing capabilities and the will to repay their loans to the mortgage bank, Sparekassen and any other creditors. We use this assessment to decide whether collateral must be provided in part or in full or whether the loan may be granted without providing collateral. Provision of collateral is required to hedge the risk of the ability to pay failing for unforeseen reasons. Our experience with the customer, our knowledge of their finances and their sensitivity to external influences play a vital role in the assessment.

Sparekassen seeks to reduce exposure risk by obtaining collateral in the form of mortgages on debtors' assets. Security is usually granted through mortgage on property, movables and/or claims. In addition, security may be provided by way of enterprises' shares, letters of subordination and recourse guarantees.

The value of the collateral provided is monitored on an ongoing basis. If risk increases, collateral is assessed even more critically. The value is assessed as realisable value net of any costs of realisation. The assessment of collateral on rental properties is based on publicly available information about returns on similar properties.

Notes

Note

40 Financial risks and financial risk management policies and objectives (continued)

Corporate exposures are reassessed at least annually based on the customer's latest financial statements and outlook compared to economic trends and conditions in general in the customer's industry.

The individual solvency needs per exposure are calculated on a quarterly basis for exposures exceeding 2% of capital resources.

If the customer's creditworthiness is impaired, it is important to identify this as quickly as possible in order to be able to take the necessary steps to provide for any losses. Therefore, Sparekassen's credit exposures for both corporate customers and private customers are monitored and followed up on a regular basis. Each exposure is segmented based on credit quality, and weak exposures are placed in special credit segments.

Impairment charges

In reviewing for impairment, all exposures exceeding 2% of capital resources and all other exposures with objective evidence of impairment are reviewed. Other exposures and those of the above exposures for which no individual indication of impairment is deemed to exist are transferred to groups with uniform credit characteristics for collective review. The balance of loans and advances with objective evidence of impairment is evident from note 10 – Impairment losses on loans and advances etc.

Non-performing loans

If the above ongoing monitoring identifies a credit exposure as weak, then that exposure will be placed in a special credit segment, as mentioned above. Then an individual action plan is designed to have the exposure back on track. Sparekassen makes a great effort to identify these exposures as early as possible in the process. On the one hand, it is easier to help the customer get on their feet again, and, on the other hand, it may reduce possible losses suffered by Sparekassen. The aim of the action plan is to re-transfer the customer to a higher-rated credit segment. If, for different reasons, it is not possible to keep to the action plan, and there is no appropriate and sustainable solution to the matter, the next step is debt collection. If it turns out that the claim is irrecoverable after having performed the debt collection procedure, the exposure is written off.

Exposures written off will be taken up again before any legal time limitation arises in order to determine whether the debtor has partially or fully regained their ability to pay.

Exposures placed for collection are managed by a separate entity at Sparekassen's head office.

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016

40 Financial risks and financial risk management policies and objectives (continued)

Maximum credit exposure

The Group's and Sparekassen's credit exposure is composed of selected on-balance sheet and off-balance sheet items.

Credit exposure on lending activities

On-balance sheet items

Amounts owed by credit institutions and central banks	1,830,790	1,362,773	1,822,445	1,358,475
Subordinated loan capital in credit institutions	0	1,500	0	1,500
Loans and other amounts owed at amortised cost	11,680,562	10,474,059	11,671,702	10,429,309

Off-balance sheet items

Guarantees	5,213,124	4,735,093	5,340,574	4,763,496
Undrawn credit lines	3,161,790	2,836,018	3,161,790	2,836,018

Credit exposure on lending activities	21,886,266	19,409,443	21,996,511	19,388,798
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Credit exposure on trade and investment activities

On-balance sheet items

Bonds at fair value	4,839,742	5,361,280	4,839,742	5,361,280
Bonds at amortised cost	99,999	99,634	99,999	99,634
Shares etc	653,583	663,287	653,583	663,287
Positive value of derivatives	25,943	32,853	25,943	32,853

Credit exposure on trade and investment activities	5,619,267	6,157,054	5,619,267	6,157,054
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Total credit exposure	27,505,533	25,566,497	27,615,778	25,545,852
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The risk exposure on loans, advances and guarantees etc is reduced through the provision of collateral in the form of a mortgage on real property, movables, securities and guarantees, etc.

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016

40 Financial risks and financial risk management policies and objectives (continued)

The table below shows nominal values of collateral. This means the value of the nominal mortgage without any reduction. It may be relevant to reduce the value of the mortgage if the actual value of an asset will not suffice to ensure full value from a mortgage if realised. Collateral is typically provided when a loan is set up. As a loan is settled, some cases may see security excess cover. Conversely, there may also be exposures where the value of any collateral provided will not cover the current debt.

The table shows total nominal collateral relative to total loans and advances. So the individual exposures may hold unsecured elements. The actual value of the collateral is disclosed under the table.

	Group		Sparekassen (Parent)	
	2017	2016	2017	2016
Collateral received				
Collateral by type:				
Charge on real property	13,961,851	12,600,472	14,028,902	12,818,365
Charge on movables etc	4,153,731	3,461,284	3,777,436	3,251,987
Securities accounts and bank deposits	339,490	314,666	339,490	314,666
Other collateral	61,653	127,176	61,653	67,682
Total collateral	18,516,725	16,503,598	18,207,481	16,452,700
Value of collateral	11,019,768	8,911,549	10,602,705	8,797,455
Arrears				
Arrears on loans and advances not written down				
Amounts due, 0-90 days	34,147	44,472	33,279	25,521
Amounts due, more than 90 days	23,850	1,575	1,645	409
Total arrears	57,997	46,047	34,924	25,930

Collateral received to reduce risk exposure on loans, advances and guarantees etc also covers the risk exposure on arrears.

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016

40 Financial risks and financial risk management policies and objectives (continued)

Concentration risk

Net of particularly secure claims, exposures with customers or groups of inter-connected customers must not exceed 25% of capital resources in accordance with Article 395 of the Capital Requirements Regulation. The Group has not had exposures exceeding the limits laid down in Article 395.

Concentration risk on large exposures accounting for 10% or more of capital resources

Credit institutions

Credit exposure net of deductions	881,481	1,610,334	1,536,500	2,213,056
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Other business

Credit exposure net of deductions	0	0	0	0
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More than 20% of capital resources	881,481	1,610,334	1,536,500	2,213,056
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15-20% of capital resources	0	0	0	0
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10-15% of capital resources	0	0	0	0
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Number of large exposures

Credit institutions before deductions	4	5	5	6
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Other business before deductions	1	2	2	3
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Total large exposures exclusive of credit institutions as a percentage of capital resources	0.00	0.00	0.00	0.00
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Sparekassen has focus on avoiding concentration of risk and minimising the risk on large single exposures. The exposures were set up after carefully assessing that appropriate risk and collateral exist.

Notes

Note	Amounts in DKK'000	Group		
		Credit exposure before write-down for impairment	Collateral	Unsecured

40 Financial risks and financial risk management policies and objectives (continued)

Credit exposures written down, by sector

2017				
Agriculture	209,252	103,939	105,313	79,928
Financing and insurance	131,250	87,777	43,473	24,519
Real property	758,952	530,361	228,591	216,916
Other business	479,868	189,842	290,026	255,706
Private	509,199	119,632	389,567	358,351
Total	2,088,521	1,031,551	1,056,970	935,420

2016				
Agriculture	250,287	128,757	121,530	107,360
Financing and insurance	155,802	78,665	77,137	52,697
Real property	984,830	702,471	282,359	239,208
Other business	502,032	159,227	342,805	285,386
Private	435,473	91,949	343,524	335,386
Total	2,328,424	1,161,069	1,167,355	1,020,037

Note	Amounts in DKK'000	Sparekassen (Parent)		
		Credit exposure before write-down for impairment	Collateral	Unsecured

40 Financial risks and financial risk management policies and objectives (continued)

Credit exposures written down, by sector

2017				
Agriculture	206,580	102,716	103,864	78,479
Financing and insurance	130,413	87,172	43,241	24,287
Real property	731,510	510,706	220,804	209,129
Other business	469,463	184,998	284,465	250,145
Private	466,884	104,608	362,276	331,060
Total	2,004,850	990,200	1,014,650	893,100

2016				
Agriculture	241,123	128,757	112,366	106,830
Financing and insurance	154,813	78,665	76,148	52,443
Real property	960,059	702,471	257,588	233,236
Other business	476,842	159,227	317,615	279,133
Private	383,746	91,949	291,797	303,699
Total	2,216,583	1,161,069	1,055,514	975,341

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
40	Financial risks and financial risk management policies and objectives (continued)				
	Loans, advances and guarantees not written down for impairment				
	Category 1: Exposures with substantial weaknesses	1,750,626	2,184,654	1,724,232	2,095,177
	Category 2: Exposures with slightly impaired credit quality and certain signs of weakness	4,173,812	2,849,779	4,033,214	2,603,360
	Category 3: Exposures with normal credit quality	9,965,160	9,011,110	10,291,785	9,372,946
	Total loans, advances and guarantees not written down for impairment	15,889,598	14,045,543	16,049,231	14,071,483

Category 1 comprises customers whose future finances are subject to great uncertainty and great uncertainty exists as to whether the customer will be able to honour their payment obligations should any negative unforeseen events occur.

Category 2 comprises customers whose finances are weak due to below-standard disposable income, negative assets or other financial vulnerabilities.

Loans with zero interest rates					
	Loans with zero interest rates ¹	420,037	533,326	395,369	507,770
	Thereof, written down for impairment/adjusted for discount	275,671	237,468	260,010	220,213
	On-balance sheet loans with zero interest rates	144,366	295,858	135,359	287,557

¹ Zero interest-rate loans before impairment losses and adjustment for discount.

Note	Amounts in DKK'000	2017		2016	
		Credit exposure before write-down for impairment	Write-down for impairment	Credit exposure before write-down for impairment	Write-down for impairment
40	Financial risks and financial risk management policies and objectives (continued)				
	Credit exposures written down for impairment				
	The allocation of individual and collective impairment losses is disclosed in note 10 to the consolidated financial statements. For the Group, interest on financial assets written down for impairment amounted to DKK 39,213k in 2017 (2016: DKK 41,314k) and is included in the line item "Impairment losses on loans and advances etc.				
	Loans and advances, amounts owed and guarantees were subjected to individual write-down for impairment for the reasons stated below.				
	Credit exposures written down for impairment, reasons				
	Group				
	Bankruptcy	85,808	54,929	54,988	45,256
	Debt collection and suspension of payments	144,728	110,948	100,980	77,411
	Other financial difficulties	1,857,985	769,543	2,144,913	897,370
	Total	2,088,521	935,420	2,300,881	1,020,037
	Value of collateral	1,031,551		1,161,070	
	Sparekassen (Parent)				
	Bankruptcy	81,132	51,273	49,691	40,617
	Debt collection and suspension of payments	112,820	92,962	67,980	55,411
	Other financial difficulties	1,810,898	748,865	2,098,913	879,314
	Total	2,004,850	893,100	2,216,584	975,342
	Value of collateral	990,200		1,161,070	

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016
40	Financial risks and financial risk management policies and objectives (continued)				
	The Group as lessor				
	The Group serves as lessor in the areas of commercial leasing and vendor leasing with particular emphasis on transport, agricultural, industrial and contracting businesses. Finance leases are provided.				
	Finance leases				
	Balance at beginning of year	520,226	443,599	0	0
	Additions	202,646	282,638	0	0
	Disposals	203,387	206,011	0	0
	Balance at end of year	519,485	520,226	0	0
	By time to maturity				
	Up to 1 year	138,836	133,391	0	0
	From 1 year to 5 years	355,503	361,581	0	0
	More than 5 years	25,146	25,254	0	0
	Total	519,485	520,226	0	0
	Gross investments				
	Up to 1 year	155,188	151,522	0	0
	From 1 year to 5 years	379,135	388,417	0	0
	More than 5 years	26,053	26,002	0	0
	Total	560,376	565,941	0	0
	Unearned finance income	40,891	45,715	0	0

Note

40 Financial risks and financial risk management policies and objectives (continued)

Market risk

Market risk is the risk that the market value of Sparekassen's assets and/or equity and liabilities changes as a result of changes in market conditions. Market risk covers interest rate risk, share price risk and currency risk.

The Board of Directors lays down the overall policies, framework and principles for managing market risk. The Board of Directors defines the framework for the Executive Board who then delegates frameworks to the individual employees.

The Finance Department is responsible for determining and reporting market risks to the Board of Directors and the Executive Board. The Board of Directors and the Executive Board are every month informed about the frameworks set up and are provided with a report on any overruns.

Interest rate risk

Interest rate risk is measured as the expected loss on interest rate positions that would result from an immediate upwards or downwards change in all interest rates by 1 percentage point.

Sparekassen's interest rate risk arises from fixed-rate loans, bonds, deposits, subordinated loan capital and bonds issued. Financial derivatives are used to a limited extent to hedge interest rate risk. The interest rate risk constitutes the largest element of Sparekassen's market risk and is reported every month to the Board of Directors and the Executive Board.

According to Sparekassen's internal rules, the maximum total interest rate risk must not exceed 5% of core capital net of deductions.

Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016

40 Financial risks and financial risk management policies and objectives (continued)

The table below shows interest risk specified by currency, product and duration.

Total interest rate risk	26,276	-3,610	18,281	-13,113
Interest rate risk as a percentage of core capital net of deductions	1.1	-0.2	0.8	-0.6
Interest rate risk by high-risk currency				
DKK	26,849	16,086	18,854	6,583
EUR	-464	-19,528	-464	-19,528
USD	-115	-207	-115	-207
CHF	0	0	0	0
SEK	6	13	6	13
Other currencies	0	26	0	26
Interest rate risk by product				
Assets				
Amounts owed by credit institutions and central banks	-6	103	-6	103
Loans and advances etc	11,724	14,849	3,729	5,346
Shares	0	1	0	1
Bonds	43,959	13,040	43,959	13,040
Equity and liabilities				
Deposits	-9,745	-9,903	-9,745	-9,903
Bonds issued	0	0	0	0
Subordinated loan capital	-10,655	-9,515	-10,655	-9,515
Hybrid core capital	-8,066	-11,051	-8,066	-11,051
Derivatives				
Interest rate and currency swaps	-938	-1,135	-938	-1,135
Other derivatives	2	1	2	1
Total	26,276	-3,610	18,281	-13,113

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016

40 Financial risks and financial risk management policies and objectives (continued)

Interest rate risk by modified duration range	2017	2016	2017	2016
0-3 months	802	245	586	-4
3-6 months	-9,416	-9,302	-9,426	-9,315
6-12 months	-5,530	1,228	-5,577	1,163
1-2 years	-802	-11,018	-1,437	-11,448
2-3.6 years	510	8,190	-472	7,071
More than 3.6 years	40,712	7,047	34,607	-580
Total	26,276	-3,610	18,281	-13,113

Share price exposure

According to Sparekassen's internal rules, shares exclusive of equity investments and sector shares must account for no more than 5% of core capital net of deductions. Holdings in one company must not exceed 4.5% of core capital net of deductions. Sparekassen also has a non-trading book of shares in sector companies where Sparekassen, together with other financial institutions, has acquired shares in a number of sector companies. The objective of these sector companies is to support the financial institutions' activities in terms of mortgage financing, payment services, IT, investment funds, etc.

Shareholding broken down	2017	2016	2017	2016
Listed shares etc	41,270	33,689	41,270	33,689
Other equity investments etc	307,985	259,238	307,985	259,238
Shares in sector-owned enterprises	304,328	370,360	304,328	370,360
Total shareholding	653,583	663,287	653,583	663,287

Shares exclusive of equity investments and sector shares as a percentage of core capital net of deductions	1.7	1.6	1.7	1.6
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Sensitivity to share price exposure

If the actual market value varies by plus/minus 10% compared to fair value, this affects profit or loss (after tax) by plus/minus	50,979	51,736	50,979	51,736
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Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2017	2016	2017	2016

40 Financial risks and financial risk management policies and objectives (continued)

Currency risk

According to Sparekassen's internal rules, the maximum currency indicator for euro must not exceed 7% of core capital net of deductions, and for other currencies it must not exceed 3% of core capital net of deductions.

Assets denominated in foreign currencies (long net positions)	3,246	4,549	3,246	4,549
Equity and liabilities denominated in foreign currencies (short net positions)	16,843	3,606	16,843	3,606
Currency indicator 1	16,843	4,549	16,843	4,549
Currency indicator 1 as a percentage of core capital net of deductions	0.7	0.2	0.7	0.2
Currency indicator 2	534	160	534	160
Currency indicator 2 as a percentage of core capital net of deductions	0.0	0.0	0.0	0.0
Currency indicator 1 for euro as a percentage of core capital net of deductions	0.0	0.0	0.0	0.0
Currency indicator 1 for other currencies as a percentage of core capital net of deductions	0.7	0.2	0.7	0.2

Note

40 Financial risks and financial risk management policies and objectives (continued)

Liquidity risk

Liquidity risk is the risk caused by the inability to obtain the necessary funding to cover the liquidity needs.

No material changes have been made in 2017 in assumptions, objectives, policies, etc compared to 2016.

Sparekassen regularly reviews its cash resources to ensure that liquidity is always adequate to ensure both a satisfactory excess cover relative to legal requirements and funding of expected growth. This regular assessment of liquidity includes a number of stress tests under which liquidity for at least 12 months ahead is subjected to testing. In addition to raising liquidity through equity financing and deposits by customers, liquidity is raised by obtaining subordinated loan capital, issuance of bonds, borrowing, lines on the money market and irrevocable loan commitments.

Sparekassen aims to have a liquidity surplus of at least 100% relative to the requirements of the Danish Financial Business Act. The surplus has been higher than 100% throughout the year. The liquidity surplus calculated in accordance with Section 152 of the Danish Financial Business Act is 216,9% for the Group at 31 December 2017. At 31 December 2016, the surplus was 171.8%.

Notes

Note	Amounts in DKK'000	Group				
		Carrying amount	Contractual cash flows	Up to 1 year	From 1 year to 5 years	More than 5 years

40 Financial risks and financial risk management policies and objectives (continued)

Contractual maturities of financial liabilities

2017

Non-derivative financial liabilities

Amounts owed to credit institutions and central banks

Amounts owed to credit institutions and central banks	439,229	439,229	438,025	542	662
Deposits and other debt	16,589,332	16,589,332	15,372,831	181,508	1,034,993
Deposits in pooled plans	905,222	905,222	66,568	52,397	786,257
Subordinated loan capital	402,848	405,520	520	0	405,000
Guarantees	5,213,124	5,213,124	2,223,275	223,097	2,766,752
Undrawn credit lines	0	3,161,790	3,161,790	0	0

2016

Non-derivative financial liabilities

Amounts owed to credit institutions and central banks

Amounts owed to credit institutions and central banks	428,846	428,846	417,762	1,852	9,232
Deposits and other debt	15,647,044	15,647,044	14,303,777	198,613	1,144,654
Deposits in pooled plans	393,877	393,877	15,022	29,309	349,546
Subordinated loan capital	465,956	468,520	0	520	468,000
Guarantees	4,735,093	4,735,093	2,037,589	272,204	2,425,300
Undrawn credit lines	0	2,836,018	2,836,018	0	0

The maturity analysis shows the contractual cash flows and comprises repayments agreed on the principal, but not interest.

Payments on guarantees mature when a number of predetermined conditions have been fulfilled. Such payment obligations are included at the time of expiry of the agreements.

Undrawn credit lines may be revoked at three months' notice.

The above break-down by maturity has been made based on the earliest time at which it is possible to demand payment of an amount.

Note

40 Financial risks and financial risk management policies and objectives (continued)

Operational risk

Operational risk is the risk of losses resulting from inappropriate or inadequate internal processes, human errors or actions, system errors or from external events, including legal risks.

Operational risk is also the risk of Sparekassen not being operated according to legal and regulatory requirements, market standards and ethical requirements governing the industry.

It is Sparekassen's policy to hedge operational risks to the extent possible considering the related costs.

To minimise operational risks, Sparekassen has developed different policies, written procedures and internal controls. Executing functions and controlling functions have been segregated as far as is possible.

Sparekassen avails itself of insurance as a means to reducing losses caused by operational risks. Possible losses and events that may lead to operational risks are recorded and reported regularly to avoid such losses by improving processes and procedures.

IT supply solutions are a key area of operational risk. Management of Sparekassens addresses IT security on a regular basis. Sparekassen's primary data service provider is Bankdata, which has duplication of systems and operations in all significant areas.

The internal audit function is part of the assurance that the risk of operational errors is reduced as much as possible by auditing Sparekassen's business areas. Internal Audit reports to the Board of Directors.

The compliance function monitors compliance with laws and regulations, industry standards and internal guidelines for all business areas. This function has as its purpose to test and assess whether processes and procedures are adequate and satisfactory. The compliance officer reports to the Executive Board.

Notes

Note	Number of shares	Ownership interest
41 Shareholder information		
At 31 December, Sparekassen Sjælland-Fyn has registered the following shareholders as holding more than 5% of the voting rights or nominal value of the share capital:		
2017		
Fonden for Sparekassen Sjælland, Holbæk, Denmark	850,000	6.5%
AP Pension Livsforsikringsaktieselskab, Copenhagen, Denmark	686,200	5.3%
Sydbank A/S, Aabenraa, Denmark	684,137	5.3%
2016		
Fonden for Sparekassen Sjælland, Holbæk, Denmark	850,000	6.5%
AP Pension Livsforsikringsaktieselskab, Copenhagen, Denmark	836,200	6.4%

Note	2017	2016	Change, number
42 Shares held by members of the Executive Board and the Board of Directors at year-end			
Board of Directors			
Thomas Kullegaard	9,600	8,757	843
Jakob Nørrekjær Andersson	6,718	3,977	2,741
Bent Andersen	470	235	235
Per Bjørnsholm	1,000	860	140
Erik Larsen	3,081	2,300	781
Allan Nørholm (resigned in March 2017)	-	1,000	-
Otto Spliid	300	300	0
Helle Lindhof Bjørnøe	2,006	1,576	430
Per Olsen	4,010	2,000	2,010
Mads Wallin	576	480	96
Michael Agergaard	182	0	182
Executive Board			
Lars Petersson	8,320	6,821	1,499
Bruno Riis-Nielsen (took up office in March 2016)	6,018	5,700	318
Flemming Bisgaard Nielsen (resigned in May 2017)	-	1,000	-

Determined inclusive of related parties. Sparekassen has not granted any share options, warrants or convertible bonds to any members of the Board of Directors or the Executive Board.

Notes

Note

43 Company announcements

List of company announcements sent by Sparekassen Sjælland-Fyns to NASDAQ Copenhagen A/S:

15.12.2017	Capital transactions Financial calendar 2018
14.12.2017	Indications of major shareholders Announcement concerning disclosure of major shareholder
20.11.2017	Reportable transactions
09.11.2017	Reportable transactions
07.11.2017	Reportable transactions
06.11.2017	Reportable transactions Sparekassen Sjælland-Fyn to optimise and future-proof its capital structure Net profit has increased quite satisfactorily by 28% to DKK 204.6m.
30.10.2017	Change in financial calendar
17.08.2017	Pre-tax profit has increased very satisfactorily by 25% to DKK 150.4m.
23.05.2017	Repayment of supplementary capital
11.05.2017	Reportable transactions
10.05.2017	Reportable transactions Pre-tax profit has increased very satisfactorily by 24% to DKK 81.5m.
09.05.2017	Change of the Executive Board of Sparekassen Sjælland-Fyn A/S
26.04.2017	Board of Directors of Sparekassen Sjælland-Fyn A/S
06.04.2017	Result of the Annual General Meeting
23.03.2017	Reportable transactions with Sparekassen Sjælland-Fyn A/S shares
14.03.2017	Notice convening the Annual General Meeting on 6 April 2017
09.03.2017	Reportable transactions with Sparekassen Sjælland-Fyn A/S shares Pick-up and historical net profit of DKK 215.7m of Sparekassen Sjælland-Fyn A/S
28.02.2017	Repayment of supplementary capital
01.02.2017	Issuance of supplementary capital (Tier 2)
27.01.2017	Sparekassen exploring the possibilities of repaying supplementary capital (Tier 2)

Committee of shareholders, Board of Directors and board of directors committees

Committee of shareholders at 1 January 2018

Attorney-at-Law Palle Andersen, Vipperød
 Glazier Kim Rørdam Andersen, Kalundborg
 Financial Manager Jakob Andersson, Holbæk
 Executive Officer Lene Bakgaard, Holbæk
 Shop Owner Jeanette Benard, Frederiksberg C
 Attorney-at-Law Per Bjørnsholm, Frederiksberg C
 Car Dealer Arne Busk, Faxø
 Chief Executive Officer Christina F. Bustrup, Vedbæk
 Contractor John Ravn Christensen, Holbæk
 Executive Officer Annette Christensen, Holbæk
 Hard Candy Maker Michael B. Christensen, Næstved
 MSc (Econ.) Jørgen Dyhrfeldt, Frederikssund
 Office Manager Finn Hallberg, Vig
 Cemetery Supervisor Henning Hansen, Kastrup
 Executive Officer Gert Torben Hansen, Slagelse
 Forest Contractor Michael Henriksen, Holbæk
 Chief Executive Officer Anders Hestbech, Frederiksberg
 Chief Executive Officer Michael Huus, Holbæk
 Executive Officer Peter Klyngø Ilsøe, Roskilde
 Machinery Dealer Gert Jensen, Hørve
 Executive Officer Jesper I. Justesen, Holbæk
 Executive Officer Birgitte Kastrup, Kerteminde
 Farm Owner Egon Lund Keinicke, Gørlev
 Executive Officer Allan Kienast, Holbæk
 Financial Consultant Hans Jørgen B. Kolding, Slagelse
 Executive Officer, Architect MAA Thomas Kullegaard, Holbæk
 Farm Owner Erik Larsen, Dalmore
 Car Dealer Peter Klarskov Larsen, Kalundborg
 Master Builder Palle Larsen, Kalundborg
 Electrical Contractor Erik Vang Larsen, Højby
 Contractor Jan Lorentzen, Sorø

Master Landscape Gardener Per Malmos, Jyderup
 Executive Officer Ole Mosbæk, Holbæk
 Quality Manager Marie Bruun de Neergaard, Skævinge
 Electrical Contractor Leif Nielsen, Ringsted
 Farm Owner Ole Nielsen, Holbæk
 Retail Manager Brian Stanislaw Nielsen, Regstrup
 Executive Officer Torben Arnth Nielsen, Espergærde
 Head Teacher Jørgen Olsen, Store Fuglede
 General Practitioner Jacob Frimodt Olsen, Høng
 Executive Officer Ejvind Egebjerg Pedersen, Holbæk
 Master Carpenter Boye Pedersen, Holbæk
 Registered Accountant Roland Petersen, Vig
 Attorney-at-Law Steen Røgilds, Kalundborg
 Executive Officer Jakob Schiøtt, Tølløse
 Master Carpenter Claus Sørensen, Holbæk
 Undertaker Heidi Ørskov, Holbæk
 Executive Officer Eva Nielsen, Holbæk
 Consultant Susanne Vang Søgard, Holbæk

Board of Directors

Executive Officer Thomas Kullegaard, Architect MAA, Holbæk, Chairman
 Financial Manager Jakob N. Andersson, Holbæk, Vice-Chairman
 Former Chief Executive Officer Bent Andersen, Århus
 Attorney-at-Law Otto Spliid, Odense
 Farm Owner Erik Larsen, Dalmore
 Attorney-at-Law Per Bjørnsholm, Frederiksberg C

Board members elected by the employees:

Customer Advisor Helle Lindhof Bjørnøe, Holbæk
 Development Manager Per Olsen, Copenhagen K
 Branch Manager Mads Wallin, Holmegaard
 Administrative Officer Michael Agergaard, Odense S

The Board of Directors has appointed the following committees:

Audit committee

Financial Manager Jakob N. Andersson, Holbæk, Chairman
 Executive Officer Thomas Kullegaard, Architect MAA, Holbæk, Vice-Chairman
 Former Chief Executive Officer Bent Andersen, Århus
 Farm Owner Erik Larsen, Dalmore
 Attorney-at-Law Per Bjørnsholm, Frederiksberg C
 Attorney-at-Law Otto Spliid, Odense

Risk Committee

Former Chief Executive Officer Bent Andersen, Århus
 Executive Officer Thomas Kullegaard, Architect MAA, Holbæk, Vice-Chairman
 Financial Manager Jakob N. Andersson, Holbæk
 Farm Owner Erik Larsen, Dalmore
 Development Manager Per Olsen, Copenhagen K

Nomination Committee

Executive Officer Thomas Kullegaard, Architect MAA, Holbæk, Chairman
 Financial Manager Jakob N. Andersson, Holbæk, Vice-Chairman
 Former Chief Executive Officer Bent Andersen, Århus
 Customer Advisor Helle Lindhof Bjørnøe, Holbæk
 Branch Manager Mads Wallin, Holmegaard
 Administrative Officer Michael Agergaard, Odense S

Remuneration Committee

Executive Officer Thomas Kullegaard, Architect MAA, Holbæk, Chairman
 Financial Manager Jakob N. Andersson, Holbæk, Vice-Chairman
 Former Chief Executive Officer Bent Andersen, Århus
 Customer Advisor Helle Lindhof Bjørnøe, Holbæk
 Branch Manager Mads Wallin, Holmegaard
 Administrative Officer Michael Agergaard, Odense S

Executive Board, staff functions, branches and corporate customer centres

Executive Board

Chief Executive Officer Lars Petersson
Executive Officer of the Savings Bank Bruno Riis-Nielsen

Staff functions

Management Secretariat

Head of Secretariat Jan Kolbye Jensen, Deputy Chief Executive Development Manager Per Olsen
Investor Relations Manager Jan Justesen
Digital Sparekasse, Branch Manager Lisette Juul Jensen

Compliance

Compliance and Complainants Officer Pia Møller Blæsbjerg

Risk Management

Risk Manager Kenneth Bering

Finance

Group Chief Financial Officer Jens Trane
Financial Manager Kenneth Bering

Internal Audit

Head of Internal Audit Thomas Sandal

Human Resources

Human Resources Manager Bettina Theilgaard Krohn

Credit

Credit Manager Lars Mikkelsen

Assets and Investment

Securities Manager Kenn Andersen

Branch Service

Branch Service Manager Lisbeth Gottlieb

IT

IT Manager Mette Rosenkilde Mathiasen

Communications

Communications and Marketing Manager Anne Grandt

Sales Support and Administrative Support

Sales Support Manager Marianne Salling

Branches and corporate customer centres

Funen Region

Private Customer Manager Jan Klink Andersen
Corporate Customer Manager Niels Kidde Andersen

Assens, Branch Manager Betina Skjold
Dalum, Branch Manager Lars Michael Jensen
Faaborg, Branch Manager Lene Kragh
Hjallese, Branch Manager Gitte Leerberg
Haarby, Branch Manager Karsten Dahl Dittmann
Kerteminde, Branch Manager Jørgen Overgaard Schou
Langeskov, Branch Manager Jørgen Overgaard Schou
Midelfart, Branch Manager Vibeke Vinge Marxen
Nyborg, Branch Manager Poul Aaby
Odense City, Branch Manager Poul Henning Fløjborg
Odense Nord, Branch Manager Jan Svenssen
Ringe, Branch Manager Jonas Dahl Kristensen
Svendborg, Branch Manager Brian Berggren Sørensen
V. Skerninge, Branch Manager Brian Berggren Sørensen
Årslev, Branch Manager Lene Størup

North/West Region

Private Customer Manager Henrik Møllegaard
Corporate Customer Manager Michael Nielsen

Asnæs, Branch Manager Lars Peter Larsen
Dianalund, Branch Manager Helle M. Nielsen
Holbæk, Private Customer Manager Henrik Møllegaard
Jyderup, Branch Manager Jens Varling

Kalundborg, Branch Manager Klaus Koksby Hansen
Nykøbing Sj., Branch Manager Lars Peter Larsen
Sorø, Branch Manager Kristian Have Olejaz Tellerup
Tølløse, Branch Manager John Jensen
Vig, Branch Manager Lars Peter Larsen

Southern Region

Private Customer Manager Claus Andersen
Corporate Customer Manager Peter Andreasen

Faxe, Branch Manager Julia Heinecke
Haslev, Branch Manager Thomas Søbygaard
Høng, Branch Manager Flemming Andersen
Næstved, Private Customer Manager Claus Andersen
Ringsted, Branch Manager Mads Wallin
Skælskør, Branch Manager Pia Kimer Jacobsen
Slagelse, Branch Manager Niels Wittendorff Ibsen
Vordingborg, Branch Manager Erik Arnberg Maigaard Filtenborg

Eastern Region

Private Customer Manager Jannik Hindsbo
Corporate Customer Manager Henrik Juhl Jessen

Amagerbrogade (Copenhagen S), Branch Manager Carsten Ardiisø
Dragør, Branch Manager Tina Bering Hansen
Frederiksberg, Private Customer Manager Jannik Hindsbo
Frederikssund, Branch Manager Steffen Møller
Frederiksværk, Branch Manager Lars Blickfeldt
Greve, Branch Manager Nicholaj Dyrholm Frimann
Helsingør, Branch Manager Thomas Guldbæk
Hillerød, Branch Manager Sten Weibel
Hundested, Branch Manager Lars Blickfeldt
Islands Brygge (Copenhagen S), Branch Manager Line Simoni
Kongelundsvej (Vestamager), Branch Manager Janice Tagorio
Køge, Branch Manager Nicholaj Dyrholm Frimann
Roskilde, Branch Manager Allan Markussen
Valby, Branch Manager Elisabeth Grandt
Vanløse, Branch Manager Andreas Toft
Østerbro (Kbh. Ø), Branch Manager Kenneth Neergaard

**For more information, please go to
spks.dk or contact:**

Lars Petersson
Chief Executive Officer
+45 59 48 11 11
lap@spks.dk

Bruno Riis-Nielsen
Executive Officer
of the Savings Bank
+45 59 48 11 11
bri@spks.dk

Jan Justesen
Investor Relations Manager
+45 59 48 10 47
ir@spks.dk

