



Annual Report 2019



Highlights from 2019

CORE EARNINGS

Up 51 %

This most satisfactory development from the first three quarters of 2019 continued in Q4 2019.

COSTS

Down 3 %

Optimising costs is a key element of Sparekassen's 2021 strategic plan "New Ways". Staff costs and administrative expenses are down 3%.

PROFIT ALLOCATED TO SHAREHOLDERS

Up 37 %

With a profit allocated to shareholders of DKK 202.2m inclusive of dividend this profit has gone up.

PROFIT BEFORE TAX

DKK 251.3 m

This is an increase of 9%. Net profit amounts to DKK 226.7m and provides a 7.4% return on opening equity.

NET INTEREST AND FEE INCOME

Up 11 %

Net interest and fee income is up by a most satisfactory DKK 108.5m and totals DKK 1,113.3m.

TOTAL CREDITS ARRANGED

Up 8 %

Total credits arranged in the form of loans and advances and mortgage loans arranged for private and corporate customers have increased to DKK 52.3bn.

DIVIDEND

DKK 3.00 per share

Distribution of DKK 3.00 in dividend per share recommended to the Annual General Meeting.

CAPITAL RATIO

GONE UP TO 20.1%

Sparekassen's capital structure has improved in 2019.

PRE-TAX EARNINGS EXPECTATIONS FOR 2020 RANGING FROM

DKK 230-270M

Sparekassen's focus will be on earnings and on reducing costs pursuant to the strategic plan "New Ways".

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Cover photo: The Sparekassen Sjælland-Fyn Group’s head office by the Fjord of Holbæk.

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

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Management commentary

With a pre-tax profit of DKK 251.3m, Sparekassen meets the earnings expectations announced for the financial year that have been adjusted upwardly several times during the year.

Net profit is DKK 226.7m, or up 9% on 2018. Because of considerable interest savings on hybrid capital, the profit allocated to shareholders is up by a handsome 37%.

It should also be pointed out that, in addition to ordinary amortisation, profit or loss includes a residual write-off of DKK 21.6m of an intangible asset (refer to the financial review on page 11). Consequently, the Group's amortisation, depreciation and impairment losses will decrease considerably in the years ahead.

The most marked development is with core earnings, which are up 51%. Sparekassen has benefited from many customers having converted their mortgage loans but the increase in core earnings is also very much a result of a long series of income and cost initiatives that are in direct line with the announced "New Ways" strategy. This is why the increased core earnings are expected to be of a permanent nature. In addition, all capital figures have been strengthened, and the capital ratio has gone up to 20.1%

This performance is considered satisfactory and one of the best in the history of the Group. In light of this, it is recommended to the Annual General Meeting to decide to distribute a dividend of DKK 3.00 per share.

Chief Executive Officer Lars Petersson says about this year's performance and events:

"All of our staff have been extremely busy in 2019, and they have deployed exemplary efforts. Thousands of corporate and private customers have had their mortgage loans converted to carry lower interest rates. This has been of huge significance to Sparekassen this year but also in the longer run. In recent years, Sparekassen has won considerable market shares in the field where the mortgage loans have been placed with other lenders. In 2019, Sparekassen has succeeded in expanding its business volume with many customers, particularly within mortgage finance. As a result, total credits arranged have increased by 8% to DKK 52.3bn in all."

Besides succeeding in creating more business with existing customers, the increase in total credits arranged and in deposits is also evidence of Sparekassen yet again in 2019 having gained market shares in the private customer market as well as the corporate customer market.

Staff costs and administrative expenses are quite satisfactorily down 3%, which is a result of targeted efforts in line with the strategy announced.

In 2019, a dedicated effort has been made to enhance the efficiency of all arms of the organisation – an effort that will continue unabated in 2020. The number of staff has been reduced by almost 10% because of natural turnover and retirements, the branch structure has been adjusted, and some other administrative expenses

have been driven down. These are initiatives that will also affect costs in the years ahead.

Due to massive adjustments, external IT costs on the other hand have increased more than expected in 2019. We do not consider this satisfactory.

As is evident from the Annual Report, net losses and impairment losses of DKK 16.9m are at a satisfactory low level. This is because the overall credit quality has improved yet again in 2019. The number of customers with indications of weakness (2c) and OEI customers has gone down and accounts for less than 10% of total loans and advances and guarantees.

The Executive Board would like to say a huge thank you to staff, customers and shareholders for their support in 2019.

Outlook for 2020

Economic trends are expected to remain stable, with high employment rates. The Danish economy is expected to continue to grow although at a little slower pace than in 2019.

Global economic trends remain subject to uncertainty, also as to how this might affect the Danish economy - for example, the implications of Brexit and the trade agreement between the USA and China.

In 2020, Sparekassen is embarking on year three of its four-year strategy, "New Ways".

Focus will remain on optimising income and costs in 2020. For example, the number of employees is again expected to go down next year through natural turnover and retirements.

Mortgage loan conversion activities are expected to decline and find a more normal level.

Overall and based on the initiatives launched in 2019, our strategy is expected to produce core earnings of largely the same amount in 2020.

Impairment losses are expected to remain low, although a little higher than in 2019. With respect to impairment losses in the agricultural sector, the expectations do not take into account that Denmark might be hit by swine fever.

Expectations are that translation and market value adjustments will break even in 2020, assuming that the interest rate level remains unchanged.

Considering the above factors, a pre-tax profit is expected ranging between DKK 230m and DKK 270m.

Lars Petersson
Chief Executive Officer

Bruno Riis-Nielsen
Executive Officer of
the Savings Bank

Lars Bolding
Executive Officer of
the Savings Bank



BRUNO RIIS-NIELSEN
Executive Officer of
the Savings Bank



LARS PETERSSON
Chief Executive
Officer



LARS BOLDING
Executive Officer of
the Savings Bank

Financial highlights

Sparekassen Sjælland-Fyn A/S (Group)

| Amounts in DKK'm | 2019 | 2018 | Index ¹ | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------------|------------|------------|--------------|
| Income statement items | | | | | | |
| Interest income calculated under the effective interest method | 552 | 569 | 97 | 577 | 617 | 714 |
| Other interest income | 64 | 37 | 172 | 29 | 36 | 57 |
| Interest expenses | 51 | 66 | 78 | 64 | 102 | 169 |
| Net interest income | 565 | 541 | 104 | 542 | 551 | 602 |
| Dividends on shares | 25 | 24 | 102 | 27 | 18 | 14 |
| Fees and commission income | 541 | 459 | 118 | 449 | 419 | 420 |
| Fees and commission expenses paid | 18 | 19 | 93 | 20 | 16 | 16 |
| Net interest and fee income | 1,113 | 1,005 | 111 | 999 | 973 | 1,020 |
| Translation and market value adjustments | -44 | 21 | -205 | 43 | 47 | -58 |
| Other operating income | 27 | 16 | 172 | 31 | 24 | 15 |
| Staff costs and administrative expenses | 726 | 746 | 97 | 691 | 644 | 613 |
| Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment | 85 | 49 | 176 | 59 | 52 | 31 |
| Other operating expenses | 19 | 20 | 97 | 19 | 14 | 50 |
| Impairment losses on loans and advances etc | 17 | 4 | 385 | 33 | 107 | 150 |
| Investments in associates and group enterprises | 2 | 8 | 22 | 3 | 2 | 3 |
| Profit for the year before tax | 252 | 230 | 109 | 273 | 228 | 136 |
| Income tax | 25 | 22 | 111 | 16 | 12 | -8 |
| Profit for the year after tax | 227 | 208 | 109 | 257 | 216 | 144 |
| Profit allocated to shareholders | 202 | 148 | 137 | 201 | 159 | 84 |

Sparekassen Sjælland-Fyn A/S (Group)

| Amounts in DKK'm | 31.12 2019 | 31.12 2018 | Index ¹ | 31.12 2017 | 31.12 2016 | 31.12 2015 |
|--|------------|------------|--------------------|------------|------------|------------|
| Balance sheet items | | | | | | |
| Loans and advances etc | 12,217 | 12,174 | 100 | 11,681 | 10,474 | 9,763 |
| Deposits | 18,700 | 18,223 | 103 | 16,589 | 15,647 | 14,633 |
| Deposits in pooled plans | 1,771 | 1,313 | 135 | 905 | 394 | 378 |
| Total deposits | 20,470 | 19,536 | 105 | 17,495 | 16,041 | 15,011 |
| Subordinated loan capital | 673 | 454 | 148 | 403 | 466 | 465 |
| Equity | 3,237 | 3,083 | 105 | 2,812 | 2,588 | 2,469 |
| Balance sheet total | 25,359 | 23,857 | 106 | 21,487 | 19,859 | 18,730 |
| Capital resources | 3,480 | 3,125 | 111 | 2,767 | 2,469 | 2,285 |
| Total business volume (deposits, loans, advances and guarantees) | 39,426 | 37,068 | 106 | 34,388 | 31,250 | 28,583 |
| Custody accounts | 10,555 | 9,558 | 110 | 11,077 | 10,448 | 9,838 |

¹ Index: 31.12.2019 relative to 31.12.2018

Financial ratios

Sparekassen Sjælland-Fyn A/S Group

| | 31.12 2019 | 31.12 2018 | Index ¹ | 31.12 2017 | 31.12 2016 | 31.12 2015 |
|---|---------------|---------------|--------------------|---------------|---------------|---------------|
| Financial ratios | | | | | | |
| Capital ratio | 20.1 | 17.7 | 114 | 16.3 | 15.6 | 15.5 |
| Core capital ratio | 16.2 | 15.1 | 107 | 14.0 | 12.9 | 13.0 |
| Excess capital adequacy in percentage points | 10.6 | 8.2 | 129 | 7.2 | 6.3 | 5.5 |
| Return on equity before tax ² | 8.0 | 8.0 | 100 | 10.1 | 9.0 | 5.8 |
| Return on equity after tax ² | 7.2 | 7.2 | 100 | 9.5 | 8.5 | 6.2 |
| Income/cost ratio DKK | 1.30 | 1.28 | 102 | 1.34 | 1.28 | 1.16 |
| Interest rate risk relative to core capital net of deductions | 0.2 | -1.0 | - | 1.1 | -0.2 | 1.3 |
| Currency position relative to core capital net of deductions | 0.6 | 0.7 | 86 | 0.7 | 0.2 | 0.6 |
| Currency risk relative to core capital net of deductions | 0.0 | 0.0 | 100 | 0.0 | 0.0 | 0.0 |
| Loans and advances relative to equity | 3.8 | 3.9 | 97 | 4.2 | 4.0 | 4.0 |
| Loans and advances plus loan impairment losses relative to deposits | 62.9 | 67.5 | 93 | 72.2 | 71.7 | 75.5 |
| Growth in loans and advances for the year ² | 0.4 | 5.5 | 7 | 11.5 | 7.3 | -2.2 |
| Impairment ratio for the year | 0.1 | 0.0 | - | 0.2 | 0.7 | 1.0 |
| Accumulated impairment ratio ³ | 3.7 | 5.8 | 64 | 5.6 | 6.8 | 9.1 |
| Zero interest loans and advances relative to total loans and advances | 0.6 | 0.9 | 67 | - | - | - |
| Liquidity benchmark (new benchmark) | 383.0 | 318.0 | 120 | - | - | - |
| Liquidity, LCR | 335.0 | 278.0 | 121 | 263 | 200 | 300 |
| Total large exposures (new benchmark) | 76.5 | 96.1 | 80 | - | - | - |
| Return on invested capital ² | 0.9 | 0.9 | 100 | 1.2 | 1.1 | 0.8 |
| Earnings per share (DKK) ⁴ | 11.7 | 9.3 | 126 | 15.3 | 12.1 | 6.4 |
| Dividend per share (DKK) | 3.0 | 2.5 | 120 | 0.0 | 3.1 | 3.0 |
| Book value per share (DKK) | 164.7 | 155.3 | 106 | 170.9 | 159.1 | 149.7 |
| Price/earnings per share ⁴ | 7.7 | 8.7 | 89 | 7.4 | 8.7 | 15.1 |
| Price/equity per share ⁵ | 0.5 | 0.5 | 100 | 0.7 | 0.7 | 0.7 |
| Price at year-end (DKK) | 89.6 | 80.4 | 111 | 114.5 | 107.0 | 98.0 |
| Average headcount (full-time employees on average) ⁶ | 587 | 616 | 95 | 585 | 552 | 533 |
| Average headcount (converted into full-time employees at year-end) ⁶ | 561 | 622 | 90 | 613 | 570 | 535 |

¹ Index – 31 December 2019 relative to 31 December 2018

² In 2018, the ratio was calculated based on the opening balance sheet following the implementation of IFRS 9.

³ The ratio does not include discount. Refer to note 11 for a specification of total impairment losses, provisions and discounts.

⁴ 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 to the end of the year.

⁵ Calculated based on the number of outstanding shares at the end of the year.

⁶ Engaged in financial business



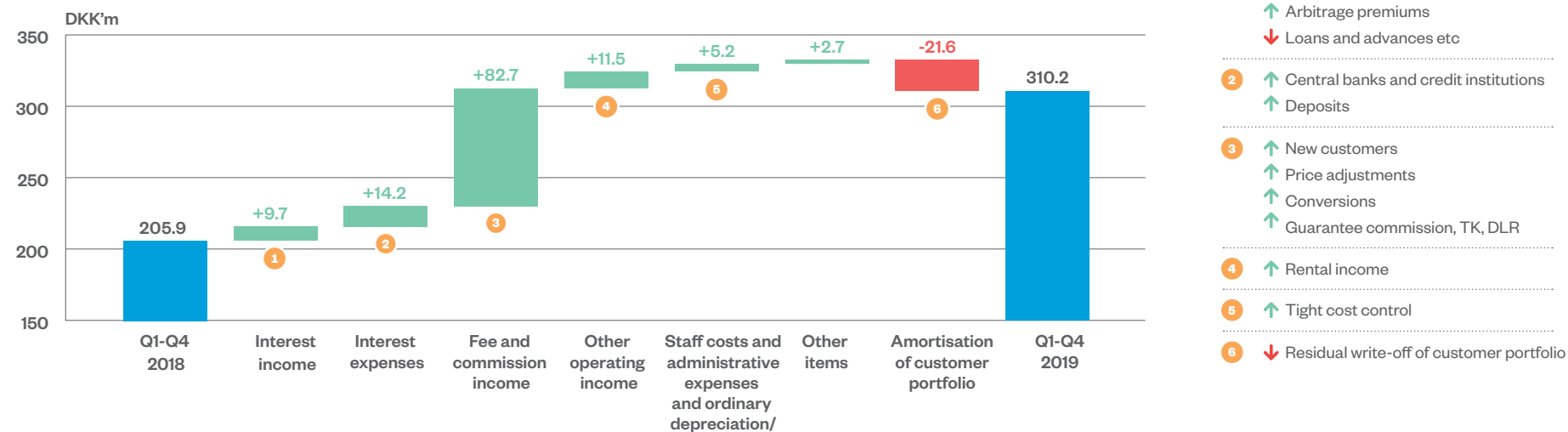
Core earnings

Sparekassen Sjælland-Fyn A/S (Group)

| Amounts in DKK'm | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018* | Q3 2018 | Q2 2018 | Q1 2018 |
|---|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Core earnings | | | | | | | | |
| Net interest income | 140.2 | 146.1 | 141.2 | 137.2 | 142.3 | 133.1 | 136.4 | 129.0 |
| Dividend | - | 1.0 | 20.6 | 3.3 | 0.8 | 2.3 | 16.1 | 5.2 |
| Fees and commission income | 147.4 | 129.8 | 126.5 | 137.6 | 114.7 | 106.9 | 114.0 | 123.1 |
| Fees and commission income paid | 4.8 | 3.8 | 4.2 | 4.9 | 5.2 | 4.5 | 4.2 | 5.1 |
| Other operating income | 4.6 | 5.3 | 8.7 | 8.8 | 3.4 | 4.9 | 3.6 | 3.9 |
| Other operating expenses | 8.7 | 4.0 | 3.1 | 3.4 | 7.2 | 3.8 | 4.1 | 4.8 |
| Core income | 278.7 | 274.4 | 289.7 | 278.6 | 248.8 | 238.9 | 261.8 | 251.3 |
| Staff costs and administrative expenses | 194.2 | 177.3 | 179.6 | 174.5 | 199.7 | 184.3 | 186.5 | 175.6 |
| Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment | 28.2 ¹ | 24.4 | 16.5 | 16.3 | 11.4 | 10.9 | 15.8 | 10.7 |
| Core earnings | 56.3 | 72.7 | 93.6 | 87.8 | 37.7 | 43.7 | 59.5 | 65.0 |

¹ Q4 2019 core earnings are affected by non-recurring expenses in the form of the residual write-off of the customer portfolio acquired in 2011 in connection with the acquisition of the healthy part of Max Bank A/S. In Q4 2019, a residual amount of DKK 21.6m was written off. If adjusted for this amount, core earnings for Q4 2019 stand at DKK 77.9m. Amortisation of the customer portfolio has now been completed, refer also to page 11 of the financial review.

Development in core earnings



The Supervisory Diamond

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

The five benchmarks and the current calculations are:

| Benchmark | Threshold | Group at 31.12.2019 | Group at 31.12.2018 |
|--|-----------|---------------------|---------------------|
| The total of large exposures as a percentage of common equity tier 1 capital | < 175 % | 76.5 % | 96.1 % |
| Loan growth per annum | < 20 % | 0.4 % | 5.5 % |
| Property exposure of loans, advances and guarantees | < 20 % | 11.0 % | 12.8 % |
| Liquidity benchmark | > 100 % | 383 % | 318 % |
| Funding ratio Loans and advances/working capital less bonds with a term to maturity of less than one year | < 1.00 | 0.50 | 0.53 |

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

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

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



Financial review of the Group

Financial year 2019

Pre-tax profit stands at DKK 251.3m. This profit has brought about particularly by increasing fee and commission income although the development in net interest income and lower staff costs and administrative expenses have also made a positive contribution to this performance. So the pre-tax profit level is much higher than expected at the onset of the year, which has resulted in two upward adjustments in 2019, even though Sparekassen has written off a residual amount of DKK 21.6m on the customer portfolio acquired in 2011 in connection with the acquisition of the healthy part of Max Bank A/S. Net profit amounts to DKK 226.7m which is considered very satisfactory.

Income statement

Net interest income

Net interest income for the year comes to DKK 564.7m against DKK 540.8m for 2018, which is an increase of just over 4%. The increase is attributable to both higher interest income and lower interest expenses. In general, interest income is still affected by the historically low interest rate environment and by fierce competition. This along with a roughly unchanged balance of loans and advances has caused the line item "Interest income from loans and advances etc" to decline by 3%. The line item includes DKK 11.9m in interest income arising from deposits by corporate customers. As a consequence of the prolonged, negative interest rate environment, Sparekassen adjusted its deposit rate for businesses and associations effective from mid-December 2019. Also,

negative interest rates are being introduced from mid-January 2020 for pension funds and for deposits by private households that do not have a NEM account with Sparekassen. These initiatives are intended to support the future development in interest income.

On average, Sparekassen has in 2019 had a larger portion of its surplus liquidity placed in bonds than was the case in 2018, which, combined with a marginally higher direct interest on the portfolio, results in a DKK 11.8m increase in interest income from bonds. Also, the massive loan conversation activity in the housing area has had a positive impact since arbitrage premiums from interest rate contracts have gone up by DKK 16.2m.

Interest expenses for deposits are down DKK 8.3m, which is mainly a result of an adjustment of the interest rates. Also, Sparekassen's interest expenses for placing surplus liquidity with Denmark's Nationalbank have been reduced by DKK 4.5m. This is because Sparekassen has decided to place a larger portion of the surplus liquidity in bonds rather than in certificates of deposit issued by Denmark Nationalbank carrying an annual negative interest rate of 0.75%. Interest expenses for subordinated loan capital are down DKK 2.8m, which is primarily a result of recent years' continuous conversion of subordinated loan capital to carry lower interest rates.

Dividend

Dividends on shares primarily arise from the sector companies co-owned by Sparekassen.

This co-ownership of the sector companies ensures that Sparekassen has access to arrangement of financial products from specialists in areas such as mortgage finance and asset management. In 2019, dividends total DKK 24.9m against DKK 24.4m last year. The principal item in 2019 stands at DKK 19.9m and arises from dividend from BI Holding A/S (BankInvest).

Fees and commission income

Fees and commission income have developed most satisfactorily and are up DKK 82.7m to DKK 541.4m, which is an 18% increase. This increase is attributable to generally heavy business activities particularly in the housing area where many mortgage loans have been arranged through the business partners Totalkredit and DLR Kredit in connection with re-mortgaging and house transactions. Fees and commissions directly related to increased re-mortgaging and house transactions are up by around DKK 30-35m. Guarantee commission has gone up by a total of DKK 12.3m, which is primarily attributable to more credit arrangement business having been channelled to Totalkredit and DLR Kredit. The rest of the increase results from more activities because of recent years' inflow of customers as well as the adjustments of the prices payable for the services rendered by Sparekassen.

Translation and market value adjustments

Total translation and market value adjustments are negative by DKK 43.6m as opposed to last year's positive adjustments of DKK 21.2m. In 2018, the line item included an extraordinary

revaluation of sector shares in BI Holding A/S (BankInvest), which, seen in isolation, led to a capital gain of DKK 35.0m.

Price adjustments of bonds are negative by DKK 54.6m in 2019, and in 2018 they were negative by DKK 21.8m. This development is related to a relatively high number of mortgage credit bonds having been drawn that were acquired at a premium and to very short-term floating-rate mortgage credit bonds having matured at par. Foreign currency translation adjustments and market value adjustments of other financial instruments total a negative DKK 22.4m against a negative DKK 5.5m in 2018. This development has primarily been caused by the hedging of some of the bond portfolio placed in European government bonds. As previously mentioned, the bulk of Sparekassen's portfolio of shares is composed of sector shares. Market value adjustments of shares total DKK 39.2m against DKK 46.3m in 2018.

If adjusted for the extraordinary revaluation of BI Holding A/S in 2018, market value adjustments of shares are up DKK 27.9m. Market value adjustments of investment property stands at a negative DKK 15.1m compared to a negative DKK 7.0m in 2018. Market value adjustments of investment property primarily relates to value adjustments of properties held by Sparekassen's subsidiary Ejendomsselskabet Sjælland-Fyn A/S.

Other operating income

Other operating income has gone up from DKK

15.9m in 2018 to DKK 27.4m in 2019. The line item primarily consists of rent from the property portfolio and profits from the sale of depreciated operating equipment etc.

Costs inclusive of amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment

Total staff costs and administrative expenses are down DKK 20.4m, or 3%.

Remuneration for the Board of Directors and the Executive Board has increased by DKK 2.8m to DKK 14.5m, primarily because of the enlargement of the Executive Board and secondarily to minor adjustments of their remuneration. Total staff costs have declined despite pay adjustments arising from collective agreements and a DKK 3.5m increase in payroll tax compared to last year and amount to DKK 447.9m. This decline is attributable to a reduction in the number of staff, which has taken place mainly through natural turnover. The development in both staff costs and headcount is expected to continue in 2020. In 2019, management and staff costs total DKK 462.4m.

Other administrative expenses are down DKK 19.7m, or 7%, and amount to DKK 263.4m. The primary reason for this decline is the implementation of IFRS 16 under which lease costs – and for Sparekassen, primarily rental expenses – are reclassified from other administrative expenses to amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment. But in addition to that, Sparekassen has in 2019 embarked on a phase in its four-year strategic plan “New Ways”, where the largest investments have been completed and where the key focus is on reaping the

benefits of these investments and on reducing costs. This had led to a decline in most types of costs in 2019, the only significant exception being IT costs, which primarily result from costs of DKK 11.5m regarding a new capital market platform (KAMP).

Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment total DKK 85.5m, which is an increase of DKK 36.8m on 2018. The main reason for this increase is the implementation of IFRS 16. In addition, Sparekassen has written off DKK 33.4m of the customer portfolio acquired in 2011 in connection with the acquisition of the healthy part of Max Bank A/S. DKK 21.6m of this write-off of the customer portfolio in 2019 is a residual write-off resulting from a reassessment of the useful life of and a reduction in earnings from the acquired customer portfolio. All things being equal, the line item “Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment” will then – aside from the residual write-off of DKK 21.6m – be reduced by DKK 11.8m in 2020 and DKK 9.8m in 2021.

In aggregate, staff costs and administrative expenses and amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment have gone up by 2% to stand at DKK 811.2m. If adjusted for DKK 21.6m in residual write-off of the customer portfolio, total staff costs and administrative expenses and amortisation, depreciation and impairment losses on property, plant and equipment are down DKK 5.2m.

Impairment losses on loans and advances etc
Impairment losses on loans and advances etc

Total credits arranged

| | 2019 DKK'm | 2018 DKK'm | 2017 DKK'm | 2016 DKK'm |
|--|---------------|---------------|---------------|---------------|
| Loans and advances etc, Sparekassen | 12,217 | 12,174 | 11,681 | 10,474 |
| Totalkredit | 29,811 | 27,229 | 25,336 | 24,293 |
| DLR | 10,250 | 9,001 | 7,857 | 6,927 |
| Total | 52,278 | 48,404 | 44,874 | 41,694 |

come to DKK 16.9m. So the level of impairment losses on loans and advances etc remains low although it has increased by DKK 12.5m on 2018. In net terms, the increase covers new impairment losses, reversal of previous impairment losses, and amounts recovered on claims previously written off. In 2019, DKK 34.4m in claims previously written off has been recognised as income. In recent years, the line item “Impairment losses on loans and advances etc” has benefited from the boom with low unemployment rates, generally reasonable framework conditions for businesses, and a low interest rate level in society. In the years ahead, Sparekassen will probably experience a moderate rise in impairment losses. However, because of many years’ efforts of increasingly diversifying risk on different sectors, refer to the sector breakdown in note 14, and a general improvement of the loan book, Sparekassen is reasonably prepared for a potential development involving a gradually deteriorating economic climate.

Profit for the year

Pre-tax profit for 2019 stands at DKK 251.3m. Income tax amounts to DKK 24.6m. Net profit then stands at DKK 226.7m. The profit for the year is considered satisfactory. DKK 24.5m of

the profit for the year is allocated to interest on hybrid core capital compared to DKK 60.1m in 2018. The effect of capital transactions made in the last couple of years – including the share issue in the spring of 2018 and the repayment of DKK 520m worth of hybrid core capital in October 2018 – is now feeding through. So the shareholders’ share of profit for the year, inclusive of dividend recommended, comes to DKK 202.2m against DKK 148.1m for 2018, which is equivalent to an increase of 37%.

Balance sheet

Below, key balance sheet items are commented on along with line items that developed considerably from financial year-end 2018 to financial year-end 2019.

Assets

Loans and advances etc

The balance of loans and advances has grown by DKK 43m since financial year-end 2018 and amounts to DKK 12.2bn at financial year-end 2019. There has been a slight decline in loans to businesses, which is attributable to some major project fundings having been repaid. Lending to private households on the other hand has seen a marginal increase. This development in loans

Value-at-Risk – measured in DKK'000

| Asset class | Lowest VaR figure* | Highest VaR figure* | Year-end 2019 VaR figure |
|--------------------------------|--------------------|---------------------|--------------------------|
| Shares | 4,601 | 4,983 | 2,427 |
| Bonds | 15,577 | 43,231 | 14,230 |
| Foreign currency | 187 | 95 | 188 |
| Undiversified VaR | 20,365 | 48,309 | 16,845 |
| Effect of risk diversification | 9,915 | 18,872 | 5,810 |
| Total VaR figure | 10,450 | 29,437 | 11,035 |

* Indicted from total Value-at-Risk figures

and advances etc on the balance sheet should be seen in conjunction with the favourable economic climate in the real estate market, entailing that an increasing portion of the customers' debts may be financed by means of mortgage loans. Mortgage loans arranged by Sparekassen have risen by over DKK 3.8bn since 31 December 2018, refer to the table above.

Amounts owed by credit institutions/bonds

Sparekassen still has a large deposit surplus which exclusive of deposits in pooled plans has gone up by DKK 0.4bn since 31 December 2018 and amounts to DKK 6.5bn at 31 December 2019. The deposit surplus is primarily placed in mortgage credit bonds and in certificates of deposit issued by Danmarks Nationalbank. For placements in such certificates, Sparekassen pays an annual interest rate of 0.75% whereas when liquidity is placed in mortgage credit bonds this typically yields a positive albeit small interest. But, conversely, the latter also involves an interest rate or price risk. Sparekassen is daily monitoring the placement of surplus liquidity to ensure the best placement of these funds. In most of 2019, Sparekassen has had a larger portion of its surplus liquidity placed in low interest rate risk bonds rather than in negative interest

rate certificates of deposits with Danmarks Nationalbank. In 2019, the average portfolio of bonds was approximately DKK 1.4bn higher than in 2018. Conversely, the average portfolio of certificates of deposit has in 2019 been DKK 0.8bn below the 2018 level. At 31 December 2019, the portfolio of certificates of deposit stands at DKK 2.4bn against DKK 1.3bn at 31 December 2018, and the bond portfolio amounts to DKK 6.6bn at 31 December 2019, which remains the same as at 31 December 2018.

Shares etc

The portfolio of shares etc has decreased by DKK 108m and totals DKK 693.7m at 31 December 2019. This portfolio is primarily made up of shares in sector companies that help support Sparekassen's business activities and earnings. Moreover, Sparekassen holds shares in investment funds which invest in corporate bonds and also holds a relatively small portfolio of Danish listed shares. In 2019, Sparekassen has reduced its portfolio of holdings in investment funds.

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

By combining historical figures on the correlation between asset classes in the financial markets with Sparekassen's current positions in its securities portfolio, the Value-at-Risk model can – with a 99% probability – estimate the statistical maximum risk of losses over the next 10-day period, assuming that all positions remain unchanged over that period. The above table shows VaR figures for the respective asset classes on the day in 2019 when the total VaR figure was the highest and the lowest, respectively, and the figures on 30 December 2019. In addition, it can be stated that the combined VaR figure averaged around DKK 15.7m in 2019.

Equity and liabilities

Deposits

The deposits balance exclusive of deposits in pooled plans stands at DKK 18.7bn at 31 December 2019 compared to DKK 18.2bn at the same date in 2018, equal to an increase of 3%. This development is attributable to the ongoing general propensity to save witnessed in society combined with the inflow of new customers, and so arises from many different deposit products. Effective from mid-December 2019, Sparekassen has adjusted the deposit rate for businesses and introduced a negative interest rate for associations. Also, negative interest rates are being introduced from mid-January 2020 for pension funds and for deposits by private households that do not have a NEM account with Sparekassen. One of the aims of these measures is to support the parrying of a situation of inexpedient imbalances between deposits and loans and advances etc.

Deposits in pooled plans

Deposits in pooled plans have gone up by DKK 457.3m to DKK 1.8bn; it is customers' pension

funds offered to be managed under pooled plans. Much of this increase is probably a result of the low interest rate level, which is why Sparekassen's customers are turning their eye to alternatives other than cash placements.

Subordinated loan capital

Subordinated loan capital amounts to DKK 673.1m at 31 December 2019 compared to DKK 454.5m at 31 December 2018. Sparekassen has in 2019 carried out some capital transactions as part of the ongoing process of optimising its composition of capital. In June and December, supplementary capital of DKK 150m and DKK 152m, respectively, was issued, and in July a capital instrument for DKK 82m was redeemed. While the instrument redeemed carried interest at the rate of 7.81%, the new instruments carry interest at the rates of DKK 4.50% and 4.45%, respectively. In 2020, Sparekassen has a first call on a capital instrument for DKK 105m at a nominal rate of 7.66%. Provided that the Danish FSA grants permission, Sparekassen may opt to redeem the relevant capital instrument in July 2020.

Equity

Equity stands at DKK 3,237.4m, which is an increase of DKK 154.0m on the balance at 31 December 2018. The increase results from the recognition of profit for the year. The other key equity instruments, including hybrid core capital, remain unchanged.

As part of the determination of the profit for the year, it is recommended to the Annual General Meeting that distribution of dividend of DKK 3.00 per share be approved, equivalent to a total amount of DKK 52.1m. If adopted by the Annual General Meeting to be held on 4 March

2020, dividend will be paid to the shareholders, and the dividend amount will be deducted in retained earnings.

Financial review for Q4 2019

Pre-tax profit for Q4 2019 has increased by DKK 20.1m and stands at DKK 58.2m against DKK 38.1m for Q4 2018.

Net interest income is down DKK 2.1m to DKK 140.2m. Interest income totals DKK 154.6m for Q4 2019 against DKK 156.5m for the same period last year. Interest income from loans and advances is still affected by generally low interest rate levels and by fierce competition, which are the primary reasons for the development. On the positive side are higher arbitrage premiums from interest rate contracts. Total interest expenses remain more or less unchanged and amount to DKK 14.4m.

Fee and commission income totals DKK 147.4m and has increased by DKK 32.7m. This highly satisfactory development is ascribable to considerable business activity in the housing and investment areas in particular. Also, an effect is seen of the price adjustments made for payment of the services provided by Sparekassen.

Translation and market value adjustments total DKK 1.9m, which is DKK 14.7m up on the same period last year. This development is primarily attributable to the market value adjustments of shares where Sparekassen sustained capital losses on the share portfolio in Q4 2018.

Staff costs and administrative expenses and amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment have gone up by a total of DKK

11.4m to DKK 222.4m. In Q4 2019, Sparekassen has written off DKK 21.6m of the customer portfolio acquired in 2011 in connection with the acquisition of the healthy part of Max Bank A/S. Moreover, IT costs of DKK 11.5m related to a new capital market platform (KAMP) have been charged to profit or loss in Q4 2019.

In Q4 2019, impairment losses on loans and advances etc amount to DKK 0.6m while the same period last year saw a reversal of DKK 6.5m.



“New Ways” – Sparekassen’s 2021 strategic plan

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



1 Increased efficiency

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

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

The calculated ratio at 31 December 2017 is 2.11%.
The calculated ratio at 31 December 2018 is 2.09%.
The calculated ratio at 31 December 2019 is 1.90%.

2 Solid profitability

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

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

The calculated ratio at 31 December 2017 is 9.50%.
The calculated ratio at 31 December 2018 is 7.20%.
The calculated ratio at 31 December 2019 is 7.20%.

3 High income/cost ratio

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

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

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

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

The calculated ratio at 31 December 2017 is DKK 1.34
The calculated ratio at 31 December 2018 is DKK 1.25.
The calculated ratio at 31 December 2019 is DKK 1.37.

4 A strong foundation

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

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

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

The seven paths

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



Path 4 We need to train to create more business

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



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

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



Path 5 We need to optimise our systems and processes

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



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

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



Path 6 Our data must be used to improve business

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



Path 3 We must realise the digital potential

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



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

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

Capital structure and liquidity of the Group

Capital structure

Sparekassen's risk exposures total DKK 17,343m against DKK 17,639m at 31 December 2018, which is a decrease of DKK 296m resulting from a change in the composition of the securities portfolio that overall reduces market risk by DKK 90m. Also, credit risk is down DKK 247m. Credit risk and market risk have been determined using the standard method. Operational risk has been determined based on the basic indicator method.

Capital resources are DKK 355m higher than at 31 December 2018, and at 31 December 2019 they amount to DKK 3,480m. The increase is primarily attributable to retained earnings and to a rise in supplementary capital.

Sparekassen's capital ratio is then 20.1% against 17.7% at 31 December 2018. The core capital ratio can be calculated at 16.2% and the common equity tier 1 capital ratio at 14.0%. The capital requirement has been calculated at 9.4%, leading to an excess capital adequacy ratio of 10.6 percentage points. In Danish kroner, this excess is equivalent to DKK 1,842m.

The combined buffer requirement has been calculated at 3.5 percentage points. This results in Sparekassen's excess capital adequacy ratio net of capital requirement and combined buffer requirement standing at 7.1 percentage points. In Danish kroner, this excess is equivalent to DKK 1,235m.

Eligible liabilities

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

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

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

It is the Danish FSA that lays the requirement for eligible liabilities for each financial institution. The requirement will be recalculated once a

year and be determined relative to the financial institution's risk-weighted exposures.

In December 2019, Sparekassen received the requirement for eligible liabilities based on the 2018 accounting figures, which are therefore currently applicable from 1 January 2023. At group level, the requirement for eligible liabilities has been calculated at 19.1% (equivalent to 14.4% of its total liabilities and capital resources). The requirement for the Parent is largely the same. With the current capital resources, Sparekassen complies with the phased-in element of the calculated requirement for eligible liabilities with a margin of 6.6 percentage points at the end of 2019. With the current capital resources, the fully phased-in requirement for eligible liabilities is met as well. With Sparekassen's current and expected development in its capital resources, the phase-in established and the development in risk-weighted exposures, we do not expect to face any challenges in meeting the requirement for eligible liabilities in future either. Sparekassen intends to regularly evaluate the opportunities for optimising the composition of the capital and liability instruments that meet the requirements for eligible liabilities.

Capital measure

Sparekassen's objective is to have a capital ratio surplus of at least 2 percentage points. This surplus should be viewed in relation to the total amount of (i) Pillar I requirements, (ii) Pillar

II add-on (8+ add-on) and (iii) expected combined buffer requirements for each year (3.5% at 31 December 2019, going up to 4.0% at 30 June 2020 and to 4.5% at 31 December 2020, and with a maximum of 5.0%). Another objective of Sparekassen is to have a common equity tier 1 capital ratio surplus of at least 2 percentage points. This surplus should be viewed in relation to the total amount of common equity tier 1 capital to meet (i) Pillar I requirements (at least 4.5%) and (ii) expected combined buffer requirements for each year (3.5% at 31 December 2019, going up to 4.0% at 30 June 2020 and to 4.5% at 31 December 2020, and with a maximum of 5.0%) and Pillar II requirements that are not covered by supplementary capital or hybrid core capital.

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

Liquidity

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

At the end of 2019, Sparekassen has a deposit surplus of DKK 6.5bn exclusive of deposits in pooled plans. Its deposits are primarily made by private customers and small business operators. There are no large single deposits of major significance or no deposits of significance from other financial services companies.

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

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

Liquidity coverage ratio (LCR)

At 31 December 2019, Sparekassen's LCR is 335% against the applicable statutory requirement of a minimum LCR of 100%. So the excess liquidity coverage ratio relative to the statutory requirement is 235 percentage points. With the current excess liquidity coverage, and even without regularly optimising the composition of liquid assets to improve the LCR, Sparekassen expects to have a solid excess cover for this liquidity requirement in future too.

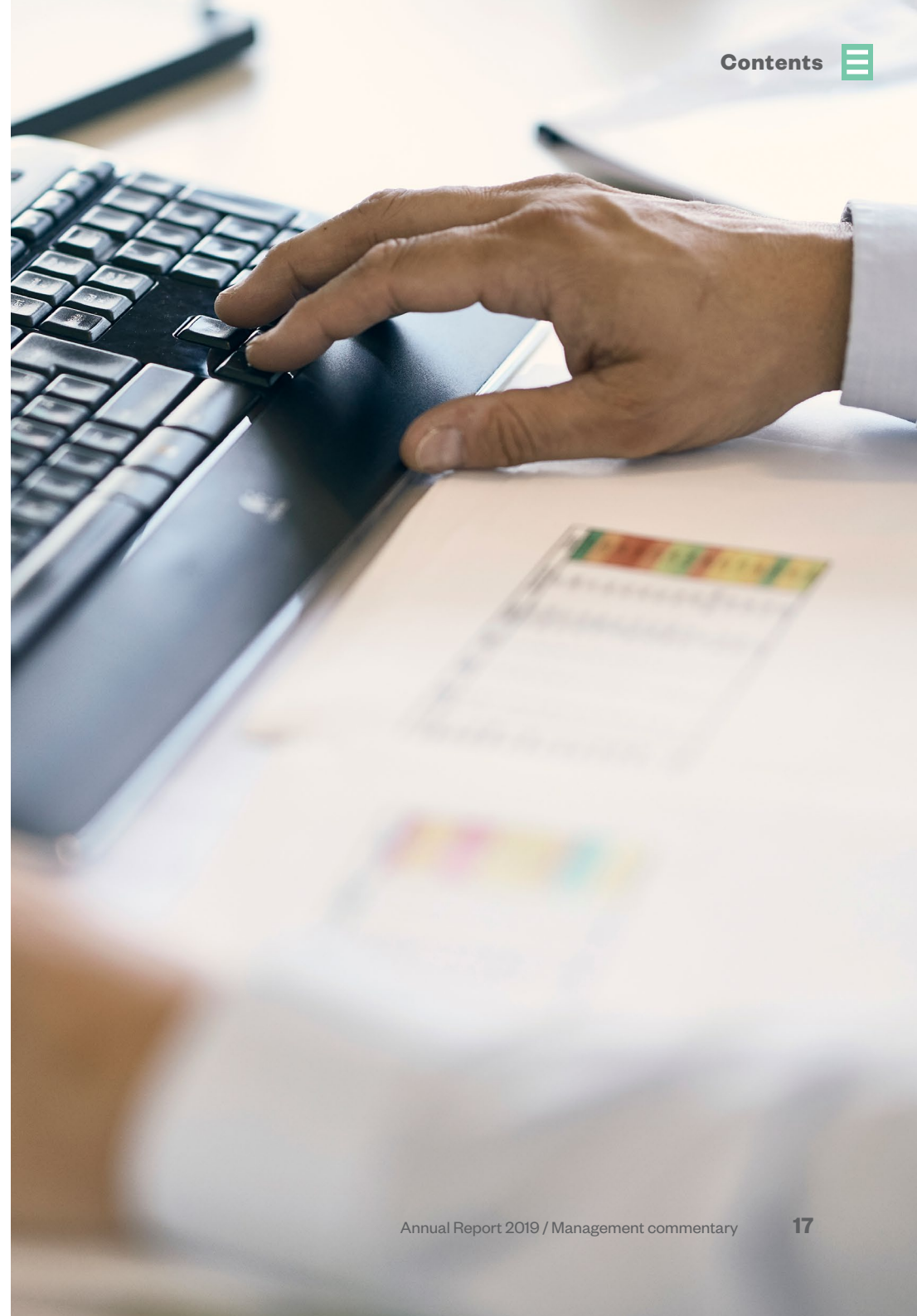
Liquidity surplus according to the Supervisory Diamond benchmark

Sparekassen has a liquidity surplus that has been calculated at 383% under the Supervisory Diamond rules for the benchmark relative to a minimum surplus threshold of 100%. Consequently, Sparekassen continues to have a solid surplus.

Liquidity target

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

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



Credit quality categories

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

| | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | |
|--|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|
| | DKK'm | % | DKK'm | % | DKK'm | % | DKK'm | % | DKK'm | % |
| 3 / 2a – Loans, advances and guarantees with normal credit quality | 10,768 | 56.8 | 10,249 | 58.5 | 9,965 | 59.0 | 9,011 | 59.3 | 5,791 | 42.7 |
| 2b – Loans, advances and guarantees with certain indications of weakness | 6,424 | 33.9 | 4,942 | 28.2 | 4,174 | 24.7 | 2,850 | 18.7 | 3,486 | 25.7 |
| 2c – Loans, advances and guarantees with substantial weaknesses | 1,058 | 5.6 | 1,143 | 6.5 | 1,389 | 8.2 | 1,434 | 9.4 | 1,994 | 14.7 |
| 1 – Loans, advances and guarantees with objective evidence of impairment | 704 | 3.7 | 1,197 | 6.8 | 1,366 | 8.1 | 1,914 | 12.6 | 2,300 | 16.9 |
| Total | 18,954 | 100.0 | 17,531 | 100.0 | 16,894 | 100.0 | 15,209 | 100.0 | 13,571 | 100.0 |

Agricultural exposures

| | 2019 | | 2018 | | 2017 | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| | DKK'm | % | DKK'm | % | DKK'm | % |
| 3 / 2a – Loans, advances and guarantees with normal credit quality | 713 | 46.1 | 572 | 39.4 | 539 | 43.1 |
| 2b – Loans, advances and guarantees with certain indications of weakness | 605 | 39.1 | 579 | 39.9 | 396 | 31.7 |
| 2c – Loans, advances and guarantees with substantial weaknesses | 176 | 11.4 | 163 | 11.2 | 154 | 12.3 |
| 1 – Loans, advances and guarantees with objective evidence of impairment | 52 | 3.4 | 139 | 9.5 | 162 | 12.9 |
| Total | 1,546 | 100.0 | 1,453 | 100.0 | 1,251 | 100.0 |

The Group

The 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 to ensure that it is optimal.

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 part 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 as well as leasing.

Ejendomsselskabet Sjælland-Fyn A/S, subsidiary

Effective from 1 January 2017, Ejendomsselskabet Sjælland-Fyn A/S was established through a merger of the group property companies Ejendomsselskabet af 15. december 2008 A/S, Udviklingsselskabet Blindestræde ApS, Ejendomsselskabet Faaborg A/S and Spar Fyns Ejendomsselskab A/S. In 2018, the subsidiary Investeringsselskabet af 10. marts 2015 was merged into 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.

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 company changed its name to Investeringsselskabet Sjælland-Fyn A/S. The company is engaged in investing activities, including the Group's portfolio of mortgages.

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 the group enterprises and associates.


Sparekassen Sjælland-Fyn A/S - in brief

Pre-tax profit of DKK 251m

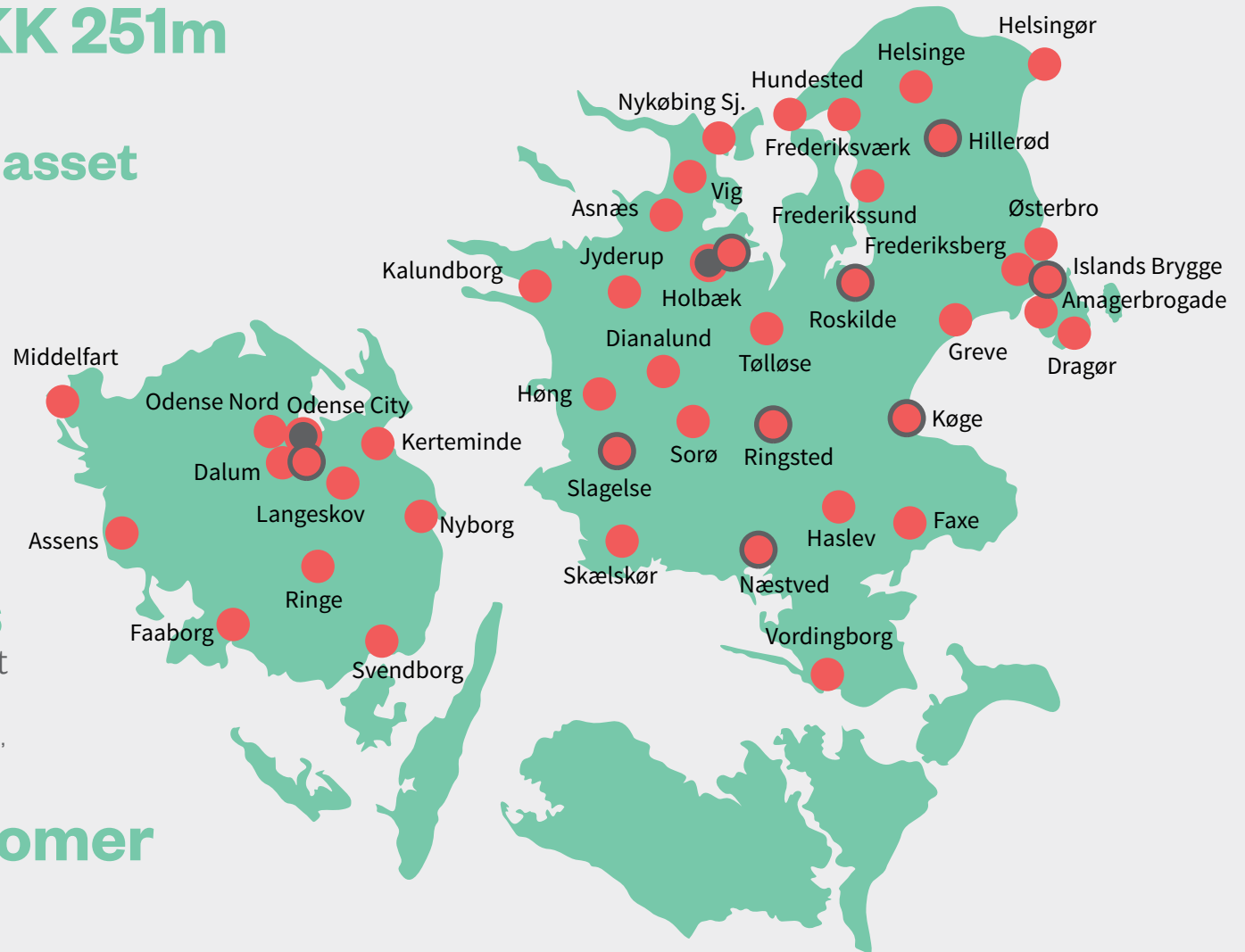
Private, corporate and asset management services

With a broad network of branches on Zealand and Funen, we are near you too

 **42 branches**
on Zealand and Funen

 **9 district centres**
With private, corporate and asset management services
Islands Brygge, Roskilde, Ringsted, Slagelse, Køge, Næstved, Holbæk, Hillerød and Odense City

 **2 corporate customer centres**
Zealand (Holbæk) and Funen (Odense City)



Business foundation

Fundamentally, we want to run a value-based financial institution and to be known and recognised as a purpose-driven business.

For example, Sparekassen must be recognised as an engine in our local communities. This means that we must be known as a financial institution that drives local communities, links businesses with each other, and backs both private customers and corporate customers.

Our value base is formulated by six core values: Community, closeness, competence, inclusiveness, honesty and social responsibility.

Market focus

Sparekassen Sjælland-Fyn A/S is among the 10 largest financial institutions in Denmark measured by working capital. At least 90% of Sparekassen's loans and advances and guarantees must be related to the primary market areas on Zealand and Funen.

As a main rule, Sparekassen wants to offer services to and do business with private and corporate customers residing and/or carrying on business on Zealand and Funen, and to be a digital alternative to the large national financial institutions.

Sparekassen is centring all activities around developing the necessary and right solutions for its customers. Products and services are limited to basic, simple and comprehensible products.

Sparekassen has proactively opted out of certain financial products and services of for instance a speculative or highly complex nature.

Customers and shareholders

Sparekassen has more than 160,000 customers, about 24,000 of whom are also shareholders.

We aim to have long-term full-service customer relationships and preferably ownership as shareholders.

The customers and Sparekassen are working together to find useful and necessary solutions for the customers.

The customers must experience security and proper conduct and being at eye level in understanding their issues. It is Sparekassen's aim to be perceived as a financial institution that is available in both good and bad times. In this context, customer satisfaction surveys are performed, followed by the development of action plans to evaluate whether we are meeting our objective.

Strategy – private customers

All types of customers – regardless of age, ethnicity or assets – are welcome at Sparekassen to have a talk about their finances. We do not want to reject customers who otherwise behave properly and in line with our values. Prices for private customers are set differently depending on their business volume and risk.

Strategy – corporate customers

Businesses are welcome at Sparekassen, taking into consideration, though, their risk profile, business model exceptions and the services and competences needed by each business. Generally, Sparekassen wants to have in-depth knowledge of its customers, including their identity, and sufficient information about what they want with Sparekassen and what their intentions are.

Based on this, corporate customers and associations with obscure ownerships and business models are rejected as are those who were not present in person when opening their accounts.

Distribution network

Sparekassen wants to create the optimum distribution network to be able to offer customers relevant local service and advice. The distribution network consists of 42 private customer branches and two corporate customer centres, which are backed up centrally and locally by a large number of specialists in competence-intensive fields such as housing finance, private banking, investment and pension plans. Considering customer behaviour and earnings, the distribution network is assessed on a regular basis with respect to the strategic objectives.

In order to increase the market share of small and medium-sized enterprises in particular, Sparekassen intensified its corporate customer efforts in some major provincial towns in the

autumn of 2019 so as to now have nine district centres with a private customer as well as a corporate customer division. Moreover, corporate customer centres exist in Odense and Holbæk. We can service our corporate customers from all district centres, allowing for risk and complexity. However, corporate customers with exposures exceeding DKK 10m are managed mainly from our two corporate customer centres in Odense and Holbæk.

But Sparekassen also services its customers through digital platforms (home banking and mobile banking) offering more and more solutions or through outreach meeting activities at customers. Thus, Sparekassen has very large availability for its customers. As part of the availability, Sparekassen has defined digitalisation as a particularly strong strategic focus area to be implemented to the greatest extent possible for customers and in all processes and procedures of the organisation.

A digital savings bank has been set up at the head office in Holbæk. The purpose of Digital Sparekasse (Digital Savings Bank) is to service customers looking for a digital alternative or supplement to our local branches. This is why Digital Sparekasse has extended its opening hours so that our customers will be able to contact us outside ordinary opening hours. Another goal is for the digital savings bank to develop a platform in the long term that can

offer business digitally for customers all over the country who do not need a physical branch.

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 on 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 and advice within areas 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 with focus on housing finance, operations, acquisition and sale of businesses, pension savings, investment and insurance coverage. This is where the primary demand is, and this is where Sparekassen can offer advice and products on competitive terms in close collaboration with selected business partners.

With respect to advice and services, only basic, simple and comprehensible services of a non-speculative nature are offered. This is why any sale of services is aligned to an assessment of the customer's understanding of the cha-

racteristics of the service and the customer's ability and willingness to take a risk.

Infrastructure and organisation

A well-functioning infrastructure is a precondition for Sparekassen's ability to deliver the value promised to the customers. The key elements in this infrastructure are our staff and the use of IT which we constantly try to organise in such a way that we maximise synergies and benefits from our competitive advantages as much as possible. Sparekassen's operation and development of IT systems have to a large extent been outsourced to the data centre, Bankdata.

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. In order to set up and maintain an organisation focusing on our core business, fields that are not directly related to our core business must be outsourced to the extent possible - allowing for the laws that Sparekassen is subject to.

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 relevant, simple and effective solutions that create security and value for our customers. Sparekassen receives

a brokerage and guarantee commission for arranging certain products and investment services. Information about our business partners and any commissions received is available at Sparekassen's website: www.spks.dk/samarbejdspartnere.

We make a point of attracting and retaining qualified staff who can match the aim of being able to provide high-level customer advice and adapt to changes in conditions following 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 2019.

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 for Issuers of shares, recommendations for corporate governance, 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 active, secure and cost-effective governance of Sparekassen.

Recommendation for corporate governance

In November 2017, the Committee on Corporate Governance issued revised recommendations for corporate governance. The recommendations are available at the Committee's website <https://corporategovernance.dk>.

The recommendations include 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 Sjælland-Fyn 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 at the annual general meeting 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 two years with the possibility of re-election. The Board of Directors finds that the electoral system ensures continuity and stability in the board work.

As the Board of Directors is not elected by the General Meeting, Sparekassen cannot follow the recommendation that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications

and other executive functions of the nominated candidates etc.

Sparekassen's form for reporting on the recommendations on corporate governance and elaborating comments have been combined in a report that has been published on Sparekassen's website: www.spks.dk/politikker

Recommendations for active ownership

Management has addressed and assessed whether Sparekassen is also covered by "Recommendations for Active Ownership" and has concluded that these 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 has prepared a code of conduct with recommendations to its members.

The recommendations which go beyond legislation are followed by Sparekassen, and the disclosures and elaborating comments on Sparekassen's observance of the recommendations in Finance Denmark's code of conduct are published in a report on this website: www.spks.dk/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 in Sparekassen's four geographically divided electoral districts. 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.

The members of the Committee of Representatives at 31 December 2019 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/repraesentantskab

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. 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 experi-

ence of board members in a financial institution. The members of the Board of Directors are elected for two years at a time, and they may be re-elected.

The Board of Directors continuously evaluates the work of the Board in accordance with legislation and the Danish FSA's guidelines 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.

In addition to the continuous evaluation of the board work, an annual regular evaluation procedure is performed where both the entire Board of Directors' and each board member's competences are evaluated. The conclusion of the evaluation is that both the individual board members and the entire board have the right competences to handle the board work of Sparekassen in a way that shareholders find satisfactory. No external assistance has been used for the evaluation. In 2019, going forward, external assistance is expected to be involved in the evaluation at least every three years, the first time being 2021.

The Board of Directors' competence profile

Sparekassen's Board of Directors must have a composition ensuring that Sparekassen has a stable and satisfactory development for the

shareholders, customers, employees and other stakeholders. It must also be ensured that some of the board members have competences within the sectors where Sparekassen has significant exposures.

The total competences of the Board of Directors are assessed as the sum of all board members' competences as the Board of Directors functions as a collegial body. Thus, each member is not supposed to meet all criteria. Assessment takes place on an ongoing basis. The composition of the Board of Directors is assessed with special focus on the availability of the following competences:

- Management competence - management experience, strategy, risk management, execution and control.
- Board of Directors competence - experience in board work, understanding and knowledge.
- Business competence - ability to turn ideas into business.
- Finance competence - ability to understand and respect financial circumstances, including accounting insight.
- Professional competence - knowledge of the financial sector and its competitive situation.
- General competence - insight into social conditions, including corporate and private sector conditions.
- Other competences - personality, empathy, analytical, wide contact network, organisational, commitment and time.

- In particular about the competences of the Chairman of the Board of Directors: This person should, in addition to the other competences, have management experience, experience in board work, business competence and financial insight.
- In particular about the Audit Committee: At least one member of the Audit Committee must have qualifications in accounting or auditing. Moreover, the Audit Committee's members, as a whole, are required to have competences that are relevant to the enterprise's sector.

Moreover, the composition of the Board of Directors is determined in accordance with general and specific legal requirements and in consideration of the recommendations for corporate governance. The Board of Directors makes an effort to ensure diversity in the Board's composition, also in relation to experience, gender and age.

The nomination of candidates for election at Sparekassen's meeting of the Committee of Representatives is made on the basis of these principles.

Pages 28-33 show the 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 is in charge of the overall and strategic management of Sparekassen. In

this context, the Board of Directors must decide what primary types of business Sparekassen is to engage in and identify and quantify Sparekassen's key risks and define its risk profile, which includes defining the type and volume of risks Sparekassen is to take on, and lay down policies as to how Sparekassen is to manage each of its primary activities and the related risks. 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 and ongoing reporting, oral as well as written. This reporting includes Sparekassen's development, profitability and financial position.

The Board of Directors makes decisions on for example authorisation of large commitments, business acquisitions, major investments and divestments, the size and composition of capital resources, non-current liabilities, budgets, control and audit matters, and material operational matters.

The Board of Directors' rules of procedure lay down procedures for its tasks and responsibilities, procedures for holding board meetings etc. These rules of procedure are reviewed and evaluated at least once a year by the Board of Directors and are currently adjusted to the situation of Sparekassen.

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

In 2019, the Board of Directors held 26 meetings, one of them in the nature of a strategy seminar. Moreover, the Board of Directors every year attends a seminar along with other financial institutions.

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 of Sparekassen. The Committee is also to undertake the preparatory work in the process of nominating members for Sparekassen's Board of Directors and Executive Board and to prepare nominations for the Board of Directors in this respect. The written terms of reference of the Nomination Committee are available on Sparekassen's website: www.spks.dk/nomineringsudvalg

The Nomination Committee held five meetings in 2019.

Remuneration Committee

The Board of Directors has appointed a remuneration committee. The Committee is to 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 written terms of reference of the Remuneration Committee are available on Sparekassen's website: www.spks.dk/afloeningsudvalg

The Remuneration Committee held two meetings in 2019.

Remuneration policy

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

The remuneration policy is approved annually at the Annual General Meeting of Sparekassen and was last approved on 7 March 2019.

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/politikker

Audit Committee

Sparekassen has appointed a separate audit committee. The tasks of the Audit Committee include:

- 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 written terms of reference of the Audit Committee are available on Sparekassen's website: www.spks.dk/revisionsudvalg

The Committee meets according to a fixed schedule at least four times a year, to a great extent based on the monitoring of the financial reporting processes. The Audit Committee held six meetings in 2019.

Risk Committee

Moreover, in accordance with the financial legislation, Sparekassen's 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 that are available on Sparekassen's website: www.spks.dk/risikoudvalg

The Risk Committee held five meetings in 2019.

Managerial posts

Please refer to pages 28-33 of this Annual Report.

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.

Shareholders

Sparekassen continuously seeks to inform shareholders about relevant matters and to enable a dialogue with the shareholders. This is done for example 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 Sparekassen's total share capital.

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

Sparekassen's largest shareholders are Sydbank A/S, AP Pension Livsforsikringsaktieselskab and Købstædernes Forsikring, Gensidig, which all hold an ownership interest between 5 and 9.99% 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 for example amendments to the Articles of Association and distribution of dividend on recommendation by the Board of Directors.

According to the Articles of Association, the Annual General Meeting of Sparekassen is held every year before the end of April.

General meetings – both ordinary and extraordinary – are convened by the Board of Directors not earlier than five weeks and not later than three weeks before the 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 requested so.

Extraordinary general meetings are 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 submitted to the general meeting, or (d) Sparekassen's auditor appointed by the Annual General Meeting. Extraordinary general meetings are convened in accordance with the above rules not later than two weeks after receiving the request.

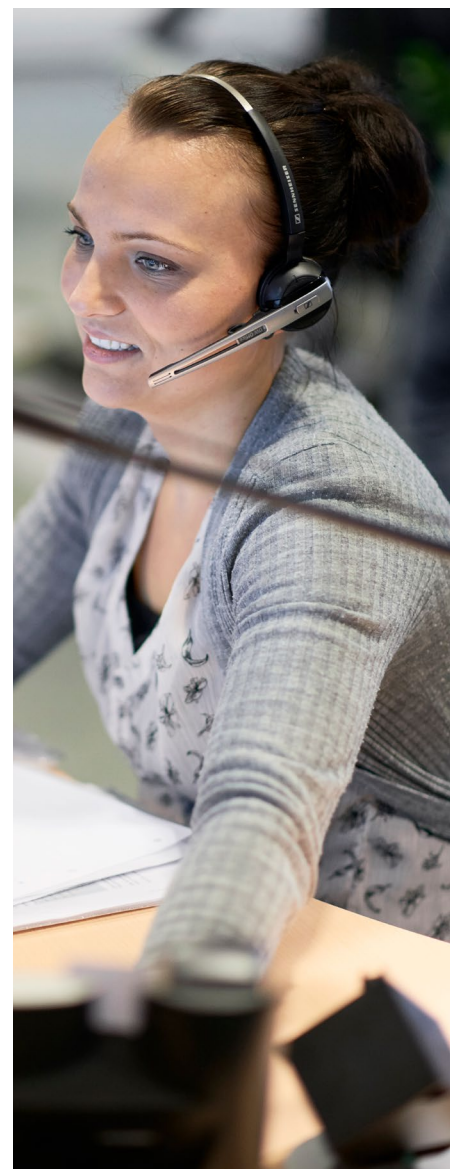
The general meeting forms a quorum regardless of the size of the share capital represented at such meeting. Decisions are made by a simple majority of votes among the votes cast when nothing else is explicitly prescribed.

Proposals for amendments 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.

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 to. 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 risk management goals are that Sparekassen, with early and precise identification of risks, learning of events and focused management of assumed risks, achieves satisfactory earnings on a known risk basis. For further specifications of Sparekassen's risk management and current risks, see note 41.

Compliance

Sparekassen's Compliance function assesses and checks the observance of the legislation, industrial standards and internal rules applicable to Sparekassen. 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.

An independent head of the Anti-Money Laundering function has been appointed, who is responsible for Sparekassen's anti-money laundering setup, which is to implement measures to prevent Sparekassen from being used for money laundering or financing of terrorism.

The Head of the Anti-Money Laundering function reports 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 its capital management, in-

cluding 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 and 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 resources.

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 charge on capital on non-core activities as much as possible.

A further description of Sparekassen's risks, the efforts to reduce and optimise on the risks and a calculation of the capital requirement is available in the notes to this Annual Report and in the related reports on risk information and capital requirement.

The Annual Report and the reports on risk information and capital requirement are available on Sparekassen's website: www.spks.dk/om/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 detailed in a number of business procedure descriptions 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 to the Audit Committee and the Board of Directors 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 auditor and the independent auditors appointed by the Annual General Meeting will issue a report on their audit 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 procedures and relating controls in all significant risk areas, including for the financial reporting process. Compliance with policies and business procedures is strongly emphasised on a regular basis, and monitoring and control of compliance are made on a sample basis.

Sparekassen wants a strong control environment which can help reducing its risks. Therefore, the Executive Board monitors the compliance with relevant laws and other regulations 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 process. As part of the risk assessment, 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 day-to-day management's ability to override controls and exercise inappropriate impact on the financial reporting process.

Auditors

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

In addition to the independent auditor appointed by the Annual General Meeting, Sparekassen has set up an internal audit function. The internal audit function 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 identification of any matters which the Board of Directors should address. 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 necessary.

Chairman of the Board of Directors

Thomas Kullegaard

Board of Directors



2012 - Chairman of the Board of Directors of Sparekassen Sjælland-Fyn A/S

2011 - Member of the Board of Directors of Sparekassen Sjælland-Fyn A/S

1953 - Year of birth

Residing in Holbæk

Member of the Remuneration Committee, the Nomination Committee, the Risk Committee and the Audit Committee

Executive Officer

Tokasi Holding ApS

Education

Architect M.A.A.

Board member

Ejendomsselskabet Sjælland-Fyn A/S
 Investeringselskabet Sjælland-Fyn A/S
 Fonden for Sparekassen Sjælland
 Holbæk Erhvervsforum
 Kullegaard A/S • Tokasi Holding ApS

Special competences

- Experience in board work
- Management experience, strategy and execution
- Broad business insight and financial literacy

Shareholding

16,667 shares

Independent

Term of office expires in 2020

Vice-Chairman of the Board of Directors

Jakob Nørrekjær Andersson



2013 - Vice-Chairman of the Board of Directors of Sparekassen Sjælland-Fyn A/S

2011 - Member of the Board of Directors of Sparekassen Sjælland-Fyn A/S

1967 - Year of birth

Residing in Holbæk

Chairman of the Remuneration Committee, the Nomination Committee and the Audit Committee

Member of the Risk Committee

Executive Officer

HM Gruppen A/S • HM Gruppen Holding ApS • Mana Invest af 2004 ApS
 Sofievej 4 ApS • Safire Holding ApS

Education

Banking school

Diploma in financing and credit (HD), specialised in credit scoring models

Chairman of the Board of Directors

Holbæk Maskinsnedkeri A/S

Board member

Ejendomsselskabet Sjælland-Fyn A/S
 Investeringselskabet Sjælland-Fyn A/S
 HM Gruppen A/S

Special competences

- Broad business insight in particular within finance, accounting, control and the credit area
- Broad knowledge of the corporate area in general and the building industry in particular

Shareholding

14,189 shares

Independent

Term of office expires in 2021

Board member
Bent Andersen



2015 - Member of the Board of Directors of Sparekassen Sjælland-Fyn A/S

1948 - Year of birth

Residing in Aarhus

Chairman of the Risk Committee

Member of the Remuneration Committee, the Nomination Committee and the Audit Committee

Education

Banking school
Bachelor of Commerce

Chairman of the Board of Directors
Ejendomsselskabet Sjælland-Fyn A/S
Investeringselskabet Sjælland-Fyn A/S

Board member

Vinhandler N.O. Andersens Legat

Special competences

- Experience in board work
- Management of financial services enterprise at executive board level

- Industry insight within financing, properties and agriculture
- Financial insight, particularly within credit rating and risk management
- Insight in social conditions and the corporate and private sectors
- Meets the requirement of qualifications as a member of the audit committee in financial services enterprises

Shareholding

2,341 shares

Independent

Term of office expires in 2020

Board member
Kirsten Hede Nielsen



2019 - Member of the Board of Directors of Sparekassen Sjælland-Fyn A/S

1961 - Year of birth

Residing in Copenhagen

Member of the Audit Committee

Executive Officer

Chief of Programme at CBS Executive/Board Governance Educational Programmes

Project Director of the Board Leadership Society in Denmark's Cyber Competence Centre

Education

CBS Executive Board Governance Educational Programmes MMV

CBS Executive Board Governance Educational Programmes

Management Programme INSEAD (Banking and Finance)

Chairman of the Board of Directors
Københavns Badmintonklub

Board member

Port of Hanstholm

Investeringsforeningen Falcon Invest

Special competences

- Board work
- Banking and finance
- Business management
- Risk management
- Organisational development
- Capital markets

Shareholding

2,134 shares

Independent

Term of office expires in 2021

Board member
Erik Larsen



2013 - Member of the Board of Directors of Sparekassen Sjælland-Fyn A/S

1958 - Year of birth

Residing in Dalmore

Member of the Audit Committee

Farmer owning five properties, engaging in pig production and agricultural contractor work

Education

Green certificate, Høng Landbrugsskole, Danish Agriculture & Food Council, Board education

Board member

Landbrug & Fødevarer • OK a.m.b.a., næstformand • Danoil Exploration A/S Energidata A/S • Kamstrup A/S LYGAS Energiteknik A/S • OK Plus A/S OK Plus Butiksdrift A/S • Samfinans A/S

Special competences

- Board work, especially within the agricultural industry
- Broad insight into agriculture and agricultural policy
- Competences within finance and business development
- Insight in social conditions and the corporate and private sectors

Shareholding

4,612 shares

Independent

Term of office expires in 2021

Board member
Otto Spliid



2013 - Member of the Board of Directors of Sparekassen Sjælland-Fyn A/S

1961 - Year of birth

Residing in Odense

Executive Officer

Focus-Advokater P/S • From Holding ApS • SLK Advokatanpartsselskab

Education

Cand. Jur.

Chairman of the Board of Directors

Chr. P. Holding ApS • El-team kbh. ApS Gardin Montøren Botex Home ApS Henning Ibsen A/S • Natex of Scandinavia A/S

Board member

Ejendomsselskabet Sjælland-Fyn A/S Investeringselskabet Sjælland-Fyn A/S Am Værktøj Odense A/S • Autohuset Vestergaard A/S Personvogne Autohuset Vestergaard Personvogne Holding A/S • AV Biludlejning A/S Egateg A/S • El-Team Fyn A/S Eurostar Danmark A/S • Gartneriet

Thoruplund A/S, Fraugde • Maskinfabrikken H.M.A. Odense A/S Rehabiliter & Busser A/S • Saferoad Daluiso A/S • Schiang Living A/S Siolit A/S

Special competences

- Experience in board work
- Legal competences within company law, acquisitions and reconstructions
- Broad insight in the Funen business sector and general market conditions

Shareholding

1,549 shares

Independent

Term of office expires in 2020

Board member

Helle Lindhof Bjørnøe



2015 - Member of the Board of Directors of Sparekassen Sjælland-Fyn A/S, employee representative

1963 - Year of birth

Residing in Holbæk

Member of the Remuneration Committee and the Nomination Committee

Wealth Adviser, Sparekassen Sjælland-Fyn A/S

Education

Banking school

Certified wealth adviser

Shareholding

3,188 shares

Term of office expires in 2020

Board member

Per Olsen



1994 - Member of the Board of Directors of Sparekassen Sjælland-Fyn A/S, employee representative

1963 - Year of birth

Residing in Copenhagen

Member of the Risk Committee

Development Manager, Sparekassen Sjælland-Fyn A/S

Education

Banking school

Diploma in organisation (HD), specialised in information management and strategy

Shareholding

5,348 shares

Term of office expires in 2020

Board member
Mads Wallin



2016 - Member of the Board of Directors of Sparekassen Sjælland-Fyn A/S, employee representative
 1980 - Year of birth
 Residing in Holmegaard
 Member of the Remuneration Committee and the Nomination Committee

Area Manager, Sparekassen Sjælland-Fyn A/S

Education

Savings bank school
 Diploma in business administration (financial planning) (HD), specialised in management and project management
 Master's degree in management

Shareholding

768 shares

Term of office expires in 2020

Chief Executive Officer
Lars Petersson

Executive Board



2015 - Chief Executive Officer
 2010 - Managing Director
 2009 - Joined the Executive Board
 1986 - Year of employment
 1967 - Year of birth
 Residing in Arnakke

Education

Banking school
 Master's degree in management

Chairman of the Board of Directors

Holbæk Kommunes Talentråd
 Museum Vestsjælland

Board member

Ejendomsselskabet Sjælland-Fyn A/S
 Investeringsselskabet Sjælland-Fyn A/S
 BI Holding A/S
 DLR Kredit A/S
 Nærpension
 Regional Invest Fyn A/S
 Opendo A/S (est. 2020)

Shareholding

14,865 shares

Executive Officer of the Savings Bank

Bruno Riis-Nielsen



2016 - Executive Officer of the Savings Bank

2014 - Year of employment

1953 - Year of birth

Residing in Holbæk

Education

Banking school

Chairman of the Board of Directors

Leasing Fyn Faaborg A/S

Board member

Finance Zealand

Leasing Fyn Bank A/S

Regional Invest Fyn A/S

Shareholding

8,024 shares

Executive Officer of the Savings Bank

Lars Bolding



2019 - Executive Officer of the Savings Bank

2019 - Year of employment

1964 - Year of birth

Residing in Holbæk

Education

Banking school

SMB INSEAD

Shareholding

8,000 shares

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

In pursuance of Section 79a of the Danish Financial Business Act and Section 139a of the Danish Companies 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 at the Group's other management levels.

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

In 2019, the gender composition of Sparekassen's elected board members is 78% men and 22% women. It is Board of Directors' 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 20% in 2019.

It is the Board of Directors' aim to have an equal distribution of men and women at board level within the next four to eight years. An equal distribution is defined as a balance between men and women of 40% to 60%.

Policy to increase the representation of the underrepresented gender at 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 goals and target figures as efficient tools to ensure progress and achieve results.

Sparekassen has set the following concrete goals:

- The employees must experience that they have the same opportunities for career and management positions regardless of gender.
- The share of female managers must be increased from the current level.

Implementation of the policy and goals achieved in 2019

Sparekassen's objectives and policy for increasing the share of the underrepresented gender have been followed and observed throughout 2019. 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 2019, the election period of three incumbent male members of the Board of Directors expired. Two of the members were re-nominated and elected. The third member stepped down after his term of office, and a new, female board member has been elected.

So the Board of Directors is now composed of seven male members and two female members.

Other management levels

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

Shareholder information

Sparekassen's shares became listed at Nasdaq Copenhagen on 3 December 2015.

At the end of 2018, Sparekassen's share was quoted at DKK 80.4. The price of Sparekassen's shares has generally been on the rise in 2019, and at financial year-end 2019 the quoted share price was DKK 89.6. Moreover, DKK 2.5 in dividend was paid in March 2019. The total

per share yield for 2019, inclusive of dividend, is then DKK 11.7, or 14.6%.

A comparison of developments in Sparekassen's share price with developments in the OMX Copenhagen Bank Index and MSCI Europe Banks shows that Sparekassen has done better than the indexes for financial institutions in both Denmark and Europe, refer to be graph below.

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. The dialogue comprises a wide range

Share information

| | |
|-------------------------------|-----------------------|
| Stock exchange | Nasdaq Copenhagen A/S |
| Share capital | 1 73, 749, 730 DKK |
| Nominal denomination | 10 DKK |
| Number of shares | 17,374,973 |
| Share classes | One |
| Number of votes per share | One |
| Bearer security | No |
| Voting right restrictions | Yes |
| Restrictions on negotiability | No |
| ISIN code | DK0060670776 |

Share price development 2019 index

28.12.2018 = Index 100



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 for example 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.

Specifically, two large shareholder events have been held in the autumn of 2019 which consisted of dialogue meetings, one in Holbæk and one in Odense, and which attracted around 2,400 shareholders.

Shareholder structure at 31 December 2019

At 31 December 2019, Sparekassen had approx 27,000 shareholders.

About 92% of the share capital is held by investors residing in Denmark whereas 8% are foreign investors.

Three shareholders have an ownership interest between 5 and 9.99%:

- Sydbank A/S
- AP Pension Livforsikringsaktieselskab
- Købstædernes Forsikring, Gensidig

Treasury shares

At 31 December 2019, Sparekassen's portfolio of treasury shares amounted to 58,989 shares of a nominal value of DKK 10 each, equal to 0.34% of the share capital.

In 2019, Sparekassen was permitted by the Danish FSA to acquire treasury shares for up to DKK 6m 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 Sparekassen's 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.

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

Financial calendar 2020

| Time | Event |
|---------------------|---------------------------------------|
| Monday, 10 February | Publication of Annual Report 2019 |
| Wednesday, 4 March | Annual General Meeting |
| Monday, 11 May | Interim Announcement for Q1 2020 |
| Tuesday, 11 August | Publication of H1 2020 Interim Report |
| Friday, 6 November | Interim Announcement for Q3 2020 |

Accounting estimates

In connection with the preparation of the financial statements, Management makes judgements and estimates about future conditions as basis for the accounting valuation of assets and liabilities. These estimates and judgements are based on assumptions that Management finds appropriate, and there has not been any unusual circumstances affecting the judgements. However, the assumptions are inherently uncertain and subject to unpredictability. For further details, please refer to note 3 "Significant accounting judgements and estimates, assumptions and uncertainties".

Disclosure requirements

According to schedule 20 of the Executive Order on Capital Adequacy, Sparekassen is required to publish a number of disclosures on capital resources, solvency needs, credit risks, etc. Sparekassen has chosen to publish the disclosures in the "Risk information report".

The report is available at Sparekassen's website: www.spks.dk/om/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 for the following areas:

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

The policies must define how Sparekassen integrates consideration for corporate social responsibility within the stated areas. Sparekassen may choose not to prepare policies in the stated areas but must in such cases give reasons for not doing so.

Sparekassen has specifically chosen not to develop a policy for the area “Environmental

and climatic impacts” 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, its operations are not considered to have any significant negative impact on the environment or to result in any 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 the environment and reduce undesired climatic impacts. Sparekassen has already implemented many 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/regnskab



Financial review of the Parent

Annual Report 2019

The financial results of the Parent, Sparekassen Sjælland-Fyn A/S, are primarily reflected in the consolidated financial statements as only a small portion of the Group's business activities are carried out by the subsidiaries.

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

Pre-tax profit of the Parent stands at DKK 244.8m compared to DKK 225.9m in 2018. This performance is considered satisfactory.

Income statement

Net interest income

The Parent's net interest income for 2019 stands at DKK 540.2m, which is DKK 23.0m up on 2018. The increase is attributable to both higher interest income and lower interest expenses.

Interest income has increased by DKK 10.3m, caused by a combination of lower interest income from loans and advances and higher interest income on bonds and interest rate contracts.

Interest expenses are down DKK 12.7m primarily because of an adjustment of interest rates on deposits, reduced interest expenses from placing liquidity in certificates of deposit, and conversion of subordinated loan capital to lower interest rates.

Fee and commission income

Fee and commission income has increased by DKK 83.0m and totals DKK 541.7m. Most income arises from the guarantee commissions received from the arrangement and conversion of mortgage loans to private and corporate customers.

This increase is attributable to generally heavy business activities and particularly in arranging and converting mortgage loans through the business partners Totalcredit and DLR Kredit.

Fees and commissions directly related to increased re-mortgaging and house transactions are up by around DKK 30-35m, and total guarantee commissions have increased by DKK 12.3m. The rest of the increase results from more activities because of recent years' inflow of customers as well as the adjustments of the prices payable for the services rendered by Sparekassen.

Costs

Total staff costs and administrative expenses are down DKK 37.4m, or 5%.

Staff costs and administrative expenses of the Parent total DKK 708.0m in 2019 against DKK 745.4m in 2018.

Remuneration for the Board of Directors and the Executive Board has increased by DKK 2.8m to DKK 14.5m, primarily because of the en-

largement of the Executive Board and secondarily to minor adjustments of this remuneration.

Total staff costs have declined despite pay adjustments arising from collective agreements and an increase in payroll tax compared to last year and amount to DKK 447.9m. This decline is attributable to a reduction in the number of staff, which has taken place mainly through natural turnover.

The development in both staff costs and headcount is expected to continue in 2020. In 2019, management and staff costs total DKK 462.4m.

Other administrative expenses are down DKK 36.7m, or 13%, and amount to DKK 245.6m. The primary reason for this decline is the implementation of IFRS 16 under which lease costs – and for Sparekassen, primarily rental expenses – are reclassified from other administrative expenses to amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment.

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

This line item is up DKK 54.6m because of the above implementation of IFRS 16 and the residual write-off of DKK 21.6m on a customer portfolio (refer to page 11 of the financial review).

Impairment losses on loans and advances etc

Impairment losses on loans and advances etc come to DKK 27.8m. So the level of impairment losses on loans and advances etc remains low although it is higher than in 2018. In net terms, the increase covers new impairment losses, reversal of previous impairment losses, and amounts recovered on claims previously written off. In 2019, DKK 31.4m in claims previously written off has been recognised as income. In recent years, the line item "Impairment losses on loans and advances etc" has benefited from the boom with low unemployment rates, generally reasonable framework conditions for businesses, and a low interest rate level in society. In the years ahead, Sparekassen will probably experience a moderate rise in impairment losses. However, because of many years' efforts of increasingly diversifying risk on different sectors, refer to the sector breakdown in note 14, and a general improvement of the loan book, Sparekassen is reasonably prepared for a potential development involving a gradually deteriorating economic climate.

Balance sheet

Like the income statement, the Parent's balance sheet is very much similar to the consolidated balance sheet, for which reference is made to the comments for the Group.

Income statement items, balance sheet items and notes to the parent financial statements are evident at the end of this Annual Report together with the corresponding financial disclosures for the Group.

Annual Report

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 2019.

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 Da-

nish 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 Spare-

kassen's financial position at 31 December 2019 as well as of their financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2019.

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, 10 February 2020

Executive Board

Lars Petersson
Chief Executive Officer

Bruno Riis-Nielsen
Executive Officer of the Savings Bank

Lars Bolding
Executive Officer of the Savings Bank

Board of Directors

Thomas Kullegaard
Chairman

Jakob Nørreklær Andersson
Vice-Chairman

Bent Andersen

Erik Larsen

Otto Frederik Spliid

Kirsten Hede Nielsen

Per Olsen

Helle Lindhof Bjørnøe

Mads Wallin

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 2019 and of their financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2019 in accordance with the 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 2019. 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, 10 February 2020

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 2019, 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 2019 and of their financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2019 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 the 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 the 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 6 years up to and including the financial year 2019.

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 2019. 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.

Impairment losses on loans and advances

Loans and advances of the Group and Sparekassen amount to DKK 12,217m and DKK 12,305m, respectively, and impairment losses on loans and advances amount to DKK 657m for the Group and DKK 631m for Sparekassen at 31 December 2019.

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.

The principles for determining the impairment losses are described in the section "Summary of significant accounting policies", and Management has further described the management of credit risks and the review for impairment in note 41 to the financial statements.

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

- Assessing whether loans and advances are credit-impaired
- Parameter estimates in the model-based calculation, including adjustment for future economic conditions.
- Determining the most probable development of future payments on loans and advances, including valuation of collateral
- Management judgement of losses on customers.

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 and test of controls over matters requiring significant management judgement, thus requiring greater audit attention, and an analysis of the amount of impairment losses.

Our audit procedures also comprised:

- Performing a risk-based test of loans and advances to ensure timely identification of credit-impaired loans and advances, including correct write-down for impairment thereof.
- Assessing the parameter estimates applied in the model-based calculation, including adjustment for future economic conditions.
- Assessing the most probable development of future payments on loans and advances, including valuation of collateral.
- Assessing management judgements of losses on customers.

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 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 using the going concern basis of accounting unless Ma-

agement either intends to liquidate the Group and 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 the 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 the 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.

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.

Holbæk, 10 February 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 96 35 56

Jens Ringbæk
State-Authorised Public Accountant
MNE-nr. 27735

Christian Dalmoose Pedersen
State-Authorised Public Accountant
MNE-nr. 24730

Income statement

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|---|------------------|------------------|----------------------|----------------|
| | | 2019 | 2018 | 2019 | 2018 |
| 4 | Interest income calculated using the effective interest method | 551,784 | 569,135 | 528,489 | 545,247 |
| 4 | Other interest income | 64,411 | 37,355 | 64,411 | 37,355 |
| 5 | Interest expenses | 51,468 | 65,659 | 52,713 | 65,459 |
| | Net interest income | 564,727 | 540,831 | 540,187 | 517,143 |
| | Dividends on shares etc | 24,935 | 24,363 | 24,935 | 24,363 |
| 6 | Fees and commission income | 541,357 | 458,704 | 541,694 | 458,629 |
| | Fees and commission expenses | 17,745 | 19,129 | 17,511 | 18,827 |
| | Net interest and fee income | 1,113,274 | 1,004,769 | 1,089,305 | 981,308 |
| 7 | Market value adjustments | -43,573 | 21,228 | -27,920 | 27,009 |
| | Other operating income | 27,380 | 15,908 | 8,981 | 5,525 |
| 8 | Staff costs and administrative expenses | 725,744 | 746,156 | 707,964 | 745,394 |
| | Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment | 85,467 | 48,645 | 97,604 | 43,001 |
| 10 | Other operating expenses | 19,277 | 19,930 | 11,962 | 12,257 |
| 11 | Impairment losses on loans and advances etc | 16,930 | 4,394 | 27,819 | 5,030 |
| 17 | "Profit/loss on investments in associates and group enterprises" | 1,679 | 7,561 | 19,800 | 17,749 |
| | Profit before tax | 251,342 | 230,342 | 244,817 | 225,909 |
| 12 | Income tax | 24,618 | 22,105 | 18,093 | 17,672 |
| | Profit for the year | 226,724 | 208,237 | 226,724 | 208,237 |
| | Proposal for distribution of profit | | | | |
| | Interest on hybrid core capital | | | 24,475 | 60,110 |
| | Dividend for the financial year | | | 52,125 | 43,437 |
| | Retained earnings | | | 150,124 | 104,690 |
| | Total amount distributed | | | 226,724 | 208,237 |
| | Earnings per share | | | | |
| 31 | Earnings per share (DKK) | 11.7 | 9.3 | 11.7 | 9.3 |
| 31 | Diluted earnings per share (DKK) | 11.7 | 9.3 | 11.7 | 9.3 |

Statement of comprehensive income

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|---|----------------|----------------|----------------------|----------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | Profit for the year | 226,724 | 208,237 | 226,724 | 208,237 |
| | Other comprehensive income that may not be reclassified to profit or loss | | | | |
| | Fair value adjustment of properties | 0 | -250 | 0 | -250 |
| | Tax related to fair value adjustment of properties | 4 | 4 | 4 | 4 |
| | 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 | -81 | -74 | -81 | -74 |
| | - Tax on other comprehensive income | 18 | 16 | 18 | 16 |
| | Total other comprehensive income | -59 | -304 | -59 | -304 |
| | Total comprehensive income | 226,665 | 207,933 | 226,665 | 207,933 |

¹ The fair value adjustment concerns a jointly controlled enterprise.

Balance sheet at 31 December

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|----------------|---|-------------------|-------------------|----------------------|-------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| Aktiver | | | | | |
| | Cash and balances on demand at central banks | 441,069 | 412,575 | 441,069 | 412,575 |
| 13 | Amounts owed by credit institutions and central banks | 2,540,933 | 1,408,153 | 2,529,609 | 1,402,499 |
| 14 | Loans and other amounts owed at amortised cost | 12,217,237 | 12,173,964 | 12,305,355 | 12,239,986 |
| 15 | Bonds at fair value | 6,591,480 | 6,620,883 | 6,591,480 | 6,620,883 |
| 16 | Shares etc | 693,719 | 801,307 | 693,719 | 801,307 |
| 17 | Investments in associates | 46,709 | 75,340 | 10,194 | 38,315 |
| 17 | Investments in group enterprises | 0 | 0 | 367,937 | 352,514 |
| 18 | Assets in pooled plans | 1,770,777 | 1,313,431 | 1,770,777 | 1,313,431 |
| 19 | Intangible assets | 91,323 | 125,090 | 91,323 | 125,090 |
| 20 | Total land and buildings | 473,832 | 427,460 | 188,899 | 58,082 |
| | Investment property | 157,465 | 158,728 | 6,258 | 7,289 |
| | Owner-occupied property | 316,367 | 268,732 | 182,641 | 50,793 |
| 21 | Other property, plant and equipment | 34,151 | 48,861 | 34,151 | 48,861 |
| | Current tax assets | 0 | 0 | 1,705 | 2,700 |
| 23 | Deferred tax assets | 163,753 | 175,689 | 155,070 | 165,626 |
| 25 | Other assets | 226,864 | 210,334 | 186,892 | 172,106 |
| | Prepayments | 66,722 | 64,277 | 66,654 | 64,209 |
| | Total assets | 25,358,569 | 23,857,364 | 25,434,834 | 23,818,184 |

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|--|---|-------------------|-------------------|----------------------|-------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| Equity and liabilities | | | | | |
| Liabilities other than provisions | | | | | |
| 26 | Amounts owed to credit institutions and central banks | 525,436 | 425,191 | 524,210 | 423,810 |
| 27 | Deposits and other debt | 18,699,583 | 18,222,949 | 18,762,345 | 18,236,324 |
| 19 | Deposits in pooled plans | 1,770,777 | 1,313,431 | 1,770,777 | 1,313,431 |
| | Current tax liabilities | 3,601 | 960 | 0 | 0 |
| 28 | Other liabilities | 339,667 | 261,486 | 379,406 | 228,568 |
| | Deferred income | 32,800 | 23,928 | 11,391 | 6,632 |
| | Total liabilities other than provisions | 21,371,864 | 20,247,945 | 21,448,129 | 20,208,765 |
| Provisions | | | | | |
| | Provisions for losses on guarantees etc | 64,795 | 61,096 | 64,795 | 61,096 |
| | Other provisions | 11,416 | 10,512 | 11,416 | 10,512 |
| 29 | Total provisions | 76,211 | 71,608 | 76,211 | 71,608 |
| 30 | Subordinated loan capital | 673,141 | 454,499 | 673,141 | 454,499 |
| Equity | | | | | |
| 31 | Share capital | 173,750 | 173,750 | 173,750 | 173,750 |
| | Revaluation reserves | 2,886 | 2,882 | 2,886 | 2,882 |
| | Undistributable savings bank reserve, other reserves | 561,378 | 561,378 | 561,378 | 561,378 |
| | Retained earnings | 2,113,447 | 1,959,410 | 2,113,447 | 1,959,410 |
| | Total equity exclusive of hybrid core capital | 2,851,461 | 2,697,420 | 2,851,461 | 2,697,420 |
| | Hybrid core capital | 385,892 | 385,892 | 385,892 | 385,892 |
| | Total equity | 3,237,353 | 3,083,312 | 3,237,353 | 3,083,312 |
| | Total equity and liabilities | 25,358,569 | 23,857,364 | 25,434,834 | 23,818,184 |

33 Contingent liabilities

Statement of changes in equity

| Note | Amounts in DKK'000 | Group | | | | | | | Total equity exclusive of hybrid core capital | Hybrid core capital | Total equity |
|------|---|---------------|----------------------|--------------------------------------|---|-------------------|-------------------|-----------|---|---------------------|--------------|
| | | Share capital | Revaluation reserves | Undistributable savings bank reserve | Reserve for value adjustment of hedging instrument ¹ | Proposed dividend | Retained earnings | | | | |
| | Equity at 1.1.2019 | 173,750 | 2,882 | 561,378 | -177 | 43,437 | 1,916,152 | 2,697,420 | 385,892 | 3,083,312 | |
| | Profit for the year | 0 | 0 | 0 | 0 | 52,125 | 150,124 | 202,249 | 24,475 | 226,724 | |
| | 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 | -81 | 0 | 0 | -81 | 0 | -81 | |
| | Tax on other comprehensive income | 0 | 4 | 0 | 18 | 0 | 0 | 22 | 0 | 22 | |
| | Total other comprehensive income | 0 | 4 | 0 | -63 | 52,125 | 150,124 | -59 | 0 | -59 | |
| | Comprehensive income for the financial year | 0 | 4 | 0 | -63 | | | 202,190 | 24,475 | 226,665 | |
| | Purchase of treasury shares | 0 | 0 | 0 | 0 | 0 | -11,325 | -11,325 | 0 | -11,325 | |
| | Sale of treasury shares | 0 | 0 | 0 | 0 | 0 | 6,590 | 6,590 | 0 | 6,590 | |
| | Dividens paid | 0 | 0 | 0 | 0 | -43,437 | 23 | -43,414 | 0 | -43,414 | |
| | Interest paid on hybrid core capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -24,475 | -24,475 | |
| | Equity at 31.12.2019 | 173,750 | 2,886 | 561,378 | -240 | 52,125 | 2,061,564 | 2,851,461 | 385,892 | 3,237,353 | |

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

Statement of changes in equity

| Note | Amounts in DKK'000 | Group | | | | | | | Total equity | |
|------|---|----------------|----------------------|--------------------------------------|---|-------------------|-------------------|---|----------------|---------------------|
| | | Share capital | Revaluation reserves | Undistributable savings bank reserve | Reserve for value adjustment of hedging instrument ¹ | Proposed dividend | Retained earnings | Total equity exclusive of hybrid core capital | | Hybrid core capital |
| | Equity at 1.1.2018 | 130,312 | 3,128 | 561,378 | -119 | 0 | 1,532,878 | 2,227,576 | 584,837 | 2,812,413 |
| | Change in accounting policies | 0 | 0 | 0 | 0 | 0 | -109,167 | -109,167 | 0 | -109,167 |
| | Resulting equity at 1.1.2018 | 130,312 | 3,128 | 561,378 | -119 | 0 | 1,423,711 | 2,118,409 | 584,837 | 2,703,246 |
| | Profit for the year | 0 | 0 | 0 | 0 | 43,437 | 104,691 | 148,128 | 60,110 | 208,237 |
| | Other comprehensive income | | | | | | | | | |
| | Fair value adjustment of properties | 0 | -250 | 0 | 0 | 0 | 0 | -250 | 0 | -250 |
| | Fair value adjustment of financial instruments entered into to hedge future cash flows: | | | | | | | | | |
| | Value adjustment for the year | 0 | 0 | 0 | -74 | 0 | 0 | -74 | 0 | -74 |
| | Tax on other comprehensive income | 0 | 4 | 0 | 16 | 0 | 0 | 20 | 0 | 20 |
| | Total other comprehensive income | 0 | -246 | 0 | -58 | 0 | 0 | -304 | 0 | -304 |
| | Comprehensive income for the financial year | 0 | -246 | 0 | -58 | 43,437 | 104,691 | 147,824 | 60,110 | 207,933 |
| | Additions from share issue | 43,437 | 0 | 0 | 0 | 0 | 393,243 | 436,680 | 0 | 436,680 |
| | Purchase of treasury shares | 0 | 0 | 0 | 0 | 0 | -1,154 | -1,154 | 0 | -1,154 |
| | Sale of treasury shares | 0 | 0 | 0 | 0 | 0 | 170 | 170 | 0 | 170 |
| | Additions, hybrid core capital | 0 | 0 | 0 | 0 | 0 | -4,509 | -4,509 | 321,000 | 316,492 |
| | Disposals, hybrid core capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -520,000 | -520,000 |
| | Interest paid on hybrid core capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -60,054 | -60,054 |
| | Equity at 31.12.2018 | 173,750 | 2,882 | 561,378 | -177 | 43,437 | 1,916,152 | 2,697,420 | 385,892 | 3,083,312 |

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) | | | | | | | Hybrid core capital | Total equity |
|------|---|----------------------|----------------------|--------------------------------------|---|-------------------|-------------------|---|---------------------|--------------|
| | | Share capital | Revaluation reserves | Undistributable savings bank reserve | Reserve for value adjustment of hedging instrument ¹ | Proposed dividend | Retained earnings | Total equity exclusive of hybrid core capital | | |
| | Equity at 1.1.2019 | 173,750 | 2,882 | 561,378 | -177 | 43,437 | 1,916,152 | 2,697,420 | 385,892 | 3,083,312 |
| | Profit for the year | 0 | 0 | 0 | 0 | 52,125 | 150,124 | 202,249 | 24,475 | 226,724 |
| | 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 | -81 | 0 | 0 | -81 | 0 | -81 |
| | Tax on other comprehensive income | 0 | 4 | 0 | 18 | 0 | 0 | 22 | 0 | 22 |
| | Total other comprehensive income | 0 | 4 | 0 | -63 | 52,125 | 150,124 | -59 | 0 | -59 |
| | Comprehensive income for the financial year | 0 | 4 | 0 | -63 | | | 202,190 | 24,475 | 226,665 |
| | Purchase of treasury shares | 0 | 0 | 0 | 0 | 0 | -11,325 | -11,325 | 0 | -11,325 |
| | Sale of treasury shares | 0 | 0 | 0 | 0 | 0 | 6,590 | 6,590 | 0 | 6,590 |
| | Dividens paid | 0 | 0 | 0 | 0 | -43,437 | 23 | -43,414 | 0 | -43,414 |
| | Interest paid on hybrid core capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -24,475 | -24,475 |
| | Equity at 31.12.2019 | 173,750 | 2,886 | 561,378 | -240 | 52,125 | 2,061,564 | 2,851,461 | 385,892 | 3,237,353 |

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) | | | | | | | Total equity | |
|------|---|----------------------|----------------------|--------------------------------------|---|-------------------|-------------------|---|----------------|---------------------|
| | | Share capital | Revaluation reserves | Undistributable savings bank reserve | Reserve for value adjustment of hedging instrument ¹ | Proposed dividend | Retained earnings | Total equity exclusive of hybrid core capital | | Hybrid core capital |
| | Equity at 1.1.2018 | 130,312 | 3,128 | 561,378 | -119 | 0 | 1,532,878 | 2,227,576 | 584,837 | 2,812,413 |
| | Change in accounting policies | 0 | 0 | 0 | 0 | 0 | -109,167 | -109,167 | 0 | -109,167 |
| | Resulting equity at 1.1.2018 | 130,312 | 3,128 | 561,378 | -119 | 0 | 1,423,711 | 2,118,409 | 584,837 | 2,703,246 |
| | Profit for the year | 0 | 0 | 0 | 0 | 43,437 | 104,691 | 148,128 | 60,110 | 208,237 |
| | Other comprehensive income | | | | | | | | | |
| | Fair value adjustment of properties | 0 | -250 | 0 | 0 | 0 | 0 | -250 | 0 | -250 |
| | Fair value adjustment of financial instruments entered into to hedge future cash flows: | | | | | | | | | |
| | Value adjustment for the year | 0 | 0 | 0 | -74 | 0 | 0 | -74 | 0 | -74 |
| | Tax on other comprehensive income | 0 | 4 | 0 | 16 | 0 | 0 | 20 | 0 | 20 |
| | Total other comprehensive income | 0 | -246 | 0 | -58 | 0 | 0 | -304 | 0 | -304 |
| | Comprehensive income for the financial year | 0 | -246 | 0 | -58 | 43,437 | 104,691 | 147,824 | 60,110 | 207,933 |
| | Additions from share issue | 43,437 | 0 | 0 | 0 | 0 | 393,243 | 436,680 | 0 | 436,680 |
| | Purchase of treasury shares | 0 | 0 | 0 | 0 | 0 | -1,154 | -1,154 | 0 | -1,154 |
| | Sale of treasury shares | 0 | 0 | 0 | 0 | 0 | 170 | 170 | 0 | 170 |
| | Additions, hybrid core capital | 0 | 0 | 0 | 0 | 0 | -4,509 | -4,509 | 321,000 | 316,492 |
| | Disposals, hybrid core capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -520,000 | -520,000 |
| | Interest paid on hybrid core capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -60,054 | -60,054 |
| | Equity at 31.12.2018 | 173,750 | 2,882 | 561,378 | -177 | 43,437 | 1,916,152 | 2,697,420 | 385,892 | 3,083,312 |

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

Cash flow statement

| Note | Group | |
|---|--------------------|-----------------|
| | Amounts in DKK'000 | |
| | 2019 | 2018 |
| Comprehensive income for the year | 226,665 | 207,933 |
| Adjustment for amounts without cash flow effect | | |
| Market value adjustment, shares | -39,201 | -46,264 |
| Market value adjustment, bonds | 54,630 | 21,752 |
| Impairment losses on loans and advances etc | 16,930 | 4,394 |
| Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment | 61,214 | 48,645 |
| Prepayments (net) | -797 | 490 |
| Provisions | 4,603 | 909 |
| Value adjustment of investment property | 10,335 | 7,026 |
| Deferred income tax | 24,618 | 22,105 |
| Adjustment for amounts with cash flow effect | | |
| Income tax paid | 6,572 | 374 |
| Cash flows from ordinary operating activities | 365,569 | 267,364 |
| Working capital changes | | |
| Credit institutions | 100,245 | -14,038 |
| Loans and advances adjusted for impairment losses etc for the year | -60,764 | -638,794 |
| Other assets and liabilities (net) | -10,527 | 36,717 |
| Shares etc | 146,789 | -101,460 |
| Bonds at fair value | -25,227 | -1,802,893 |
| Bonds at amortised cost - held to maturity | 0 | 99,999 |
| Deposits and other debt | 476,634 | 1,633,617 |
| Total working capital changes | 627,150 | -786,852 |
| Cash flows from operating activities | 992,719 | -519,488 |

| Note | Group | |
|---|--------------------|------------------|
| | Amounts in DKK'000 | |
| | 2019 | 2018 |
| Investing activities | | |
| Additions, investments in associate | 25,000 | 0 |
| Purchase of intangible assets | -7,538 | -8,270 |
| Sale of intangible assets | 249 | 0 |
| Purchase of property, plant and equipment | -102,311 | -114,985 |
| Sale of property, plant and equipment | 105,779 | 51,161 |
| Cash flows from investing activities | 21,179 | -72,094 |
| Financing activities | | |
| Bonds issued | 220,000 | 52,480 |
| Subordinated loan capital | 0 | -203,508 |
| Hybrid core capital | 0 | 436,680 |
| Additions from share issue | -4,735 | -984 |
| Treasury shares etc | -24,475 | -60,054 |
| Interest paid on hybrid core capital | -43,414 | 0 |
| Cash flows from financing activities | 147,376 | 224,614 |
| Increase/decrease in cash | 1,161,274 | -366,968 |
| Cash and cash equivalents at beginning of year | 1,820,728 | 2,187,696 |
| Cash and cash equivalents at end of year | 2,982,002 | 1,820,728 |
| Cash and cash equivalents | | |
| Cash and balances on demand at central banks | 441,069 | 412,575 |
| Amounts owed by credit institutions and central banks | 2,540,933 | 1,408,153 |
| Cash and cash equivalents at end of year | 2,982,002 | 1,820,728 |

Notes

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Notes

| Note | Amounts in DKK'm | Group | | | | |
|----------|--|--------|--------|--------|--------|--------|
| | | 2019 | 2018 | 2017 | 2016 | 2015 |
| 1 | Five-year financial highlights | | | | | |
| | Principal items of income statement | | | | | |
| | Net interest income | 565 | 541 | 542 | 551 | 602 |
| | Net interest and fee income | 1,113 | 1,005 | 999 | 973 | 1,020 |
| | Market value adjustments | -44 | 21 | 43 | 47 | -58 |
| | Staff costs and administrative expenses | 726 | 746 | 691 | 644 | 613 |
| | Amortisation, depreciation and impairment losses on assets | 85 | 49 | 59 | 52 | 31 |
| | Impairment losses on loans and advances etc | 17 | 4 | 33 | 107 | 150 |
| | Profit/loss on investments in associates and group enterprises | 2 | 8 | 3 | 2 | 3 |
| | Income tax | 25 | 22 | 16 | 12 | -8 |
| | Profit for the year | 227 | 208 | 257 | 216 | 144 |
| | Principal items of balance sheet | | | | | |
| | Loans and advances | 12,217 | 12,174 | 11,681 | 10,474 | 9,763 |
| | Securities portfolio | 7,285 | 7,422 | 5,593 | 6,124 | 6,445 |
| | Deposits including pooled deposits | 20,470 | 19,536 | 17,495 | 16,041 | 15,011 |
| | Equity | 3,237 | 3,083 | 2,812 | 2,588 | 2,469 |
| | Total assets | 25,359 | 23,857 | 21,487 | 19,859 | 18,730 |
| | Subordinated loan capital | 673 | 454 | 403 | 466 | 465 |

| Note | Amounts in DKK'm | Group | | | | |
|------|--|-------|-------|-------|-------|-------|
| | | 2019 | 2018 | 2017 | 2016 | 2015 |
| | Financial ratios | | | | | |
| | Capital ratio | 20.1 | 17.7 | 16.3 | 15.6 | 15.5 |
| | Core capital ratio | 16.2 | 15.1 | 14.0 | 12.9 | 13.0 |
| | Return on equity before tax ⁵ | 8.0 | 8.0 | 10.1 | 9.0 | 5.8 |
| | Return on equity after tax ⁵ | 7.2 | 7.2 | 9.5 | 8.5 | 6.2 |
| | Income/cost ratio DKK | 1.30 | 1.28 | 1.34 | 1.28 | 1.16 |
| | Interest rate risk relative to core capital net of deductions | 0.2 | -1.0 | 1.1 | -0.2 | 1.3 |
| | Currency position relative to core capital net of deductions | 0.6 | 0.7 | 0.7 | 0.2 | 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 | 62.9 | 67.5 | 72.2 | 71.7 | 75.5 |
| | Loans and advances relative to equity | 3.8 | 3.9 | 4.2 | 4.0 | 4.0 |
| | Growth in loans and advances for the year ⁵ | 0.4 | 5.5 | 11.5 | 7.3 | -2.2 |
| | Excess cover relative to statutory liquidity requirements ⁴ | 335 | 278 | 263 | 200 | 300 |
| | Total large exposures relative to capital resources | 76.5 | 96.1 | 125.4 | | |
| | Impairment ratio for the year | 0.1 | 0.0 | 0.2 | 0.7 | 1.0 |
| | Accumulated impairment ratio ¹ | 3.7 | 5.8 | 5.6 | 6.8 | 9.1 |
| | Return on invested capital ⁵ | 0.9 | 0.9 | 1.2 | 1.1 | 0.8 |
| | Earnings per share (DKK) ³ | 11.7 | 9.3 | 15.3 | 12.1 | 6.4 |
| | Book value per share (DKK) ² | 164.7 | 155.3 | 170.9 | 159.1 | 149.7 |
| | Dividend per share (DKK) | 3.0 | 2.5 | 0.0 | 3.1 | 3.0 |
| | Price/earnings per share ³ | 7.7 | 8.7 | 7.4 | 8.7 | 15.1 |
| | Price/equity per share ² | 0.5 | 0.5 | 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 2019 and comparative figures for 2018-2015 are presented in accordance with international Financial Reporting Standards (IFRS).

1. The ratio does not include discount. Refer to note 11 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 to the end of the year.
4. In 2018, the ratio has been calculated based on the opening balance sheet following the implementation of IFRS 9.
5. New benchmark in affect from 2018. The benchmark has not been calculated for 2015-2016

Notes

Sparekassen (Parent)

| Note | Amounts in DKK'm | 2019 | 2018 | 2017 | 2016 | 2015 |
|----------|--|--------|--------|--------|--------|--------|
| 1 | Five-year financial highlights (continued) | | | | | |
| | Principal items of income statement | | | | | |
| | Net interest income | 517 | 517 | 516 | 521 | 566 |
| | Net interest and fee income | 981 | 981 | 973 | 943 | 987 |
| | Market value adjustments | 27 | 27 | 57 | 69 | -47 |
| | Staff costs and administrative expenses | 745 | 745 | 693 | 641 | 608 |
| | Amortisation, depreciation and impairment losses on assets | 43 | 43 | 40 | 45 | 30 |
| | Impairment losses on loans and advances etc | 5 | 5 | 32 | 112 | 146 |
| | Profit/loss on investments in associates and group enterprises | 18 | 18 | -2 | -20 | 16 |
| | Income tax | 18 | 18 | 14 | -17 | -12 |
| | Profit for the year | 208 | 208 | 257 | 216 | 144 |
| | Principal items of balance sheet | | | | | |
| | Loans and advances | 12,240 | 12,240 | 11,671 | 10,429 | 9,668 |
| | Securities portfolio | 7,422 | 7,422 | 5,594 | 6,124 | 6,445 |
| | Deposits including pooled deposits | 19,549 | 19,549 | 17,497 | 16,053 | 15,005 |
| | Equity | 3,083 | 3,083 | 2,812 | 2,588 | 2,469 |
| | Total assets | 23,818 | 23,818 | 21,443 | 19,845 | 19,254 |
| | Subordinated loan capital | 454 | 454 | 403 | 466 | 465 |

Sparekassen (Parent)

| Note | Amounts in DKK'm | 2019 | 2018 | 2017 | 2016 | 2015 |
|------|--|-------|-------|-------|-------|-------|
| | Financial ratios | | | | | |
| | Capital ratio | 19.9 | 17.7 | 16.4 | 15.6 | 15.6 |
| | Core capital ratio | 16.1 | 15.2 | 14.1 | 13.0 | 13.1 |
| | Return on equity before tax ⁵ | 7.7 | 7.8 | 10.0 | 7.9 | 5.7 |
| | Return on equity after tax ⁵ | 7.2 | 7.2 | 9.5 | 8.5 | 6.2 |
| | Operating income over operating expenses | 1.29 | 1.28 | 1.35 | 1.25 | 1.16 |
| | Interest rate risk relative to core capital net of deductions | 0.0 | -1.2 | 0.8 | -0.6 | 1.1 |
| | Currency position relative to core capital net of deductions | 0.6 | 0.7 | 0.7 | 0.2 | 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 | 63.0 | 67.6 | 71.9 | 71.1 | 72.9 |
| | Loans and advances relative to equity | 3.8 | 4.0 | 4.2 | 4.1 | 3.9 |
| | Growth in loans and advances for the year ⁵ | 0.5 | 6.1 | 11.9 | 7.9 | -2.9 |
| | Excess cover relative to statutory liquidity requirements ⁴ | 335 | 278 | 263 | 200 | 300 |
| | Total large exposures relative to capital resources | 76.2 | 95.5 | 124.3 | | |
| | Impairment ratio for the year | 0.1 | 0.0 | 0.2 | 0.7 | 1.0 |
| | Accumulated impairment ratio ¹ | 3.5 | 5.6 | 5.4 | 6.5 | 8.9 |
| | Return on invested capital ⁵ | 0.9 | 0.9 | 1.2 | 1.1 | 0.9 |
| | Earnings per share (DKK) ³ | 11.7 | 9.3 | 15.3 | 12.1 | 6.4 |
| | Book value per share (DKK) ² | 164.7 | 155.3 | 170.9 | 159.1 | 149.7 |
| | Dividend per share (DKK) | 3.0 | 2.5 | 0.0 | 3.1 | 3.0 |
| | Price/earnings per share ³ | 7.7 | 8.7 | 7.4 | 8.7 | 15.1 |
| | Price/equity per share ² | 0.5 | 0.5 | 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 2019 and comparative figures for 2018-2015 are presented in accordance with 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 to the end of the year.
4. In 2018, the ratio has been calculated based on the opening balance sheet following the implementation of IFRS 9.
5. New benchmark in affect from 2018. The benchmark has not been calculated for 2015-2016

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 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 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 have been changed compared to previous years as described below.

The implementation of new or revised IFRSs and Interpretations effective from 1 January 2019 has resulted in changes in accounting policies.

The changes have been prompted by the implementation of IFRS 16, and it is of substantial significance to the accounting treatment of the leases incepted by Sparekassen 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 liability that is measured at present value of the 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 liability consistent with the treatment of finance leases under IAS 17.

Sparekassen has opted for early adoption of the Danish FSA's amending executive order no 1441 of 3 December 2018 so that leases will be recognised and measured in the same manner at parent level and at group level.

Sparekassen applies a simplified model so that the Standard will be implemented effective from the date of coming into force. Comparative figures will not be restated.

The effect of the implementation of IFRS 16 on Sparekassen's opening balance sheet is disclosed in the table.

Otherwise, the accounting policies have not been changed.

Other models adopted regarding the implementation of IFRS 16:

- The asset is calculated at the same amount as the lease liability.
- Minor assets are recognised.
- Short-term leases (maximum term of 12 months) are not recognised.
- The borrowing rate used for discounting is used at portfolio level.
- Start-up costs are not recognised.

Leases on low-value assets are recognised in other property, plant and equipment and amounted to DKK 3,072k at 1 January 2019.

Leased assets are depreciated over their expected useful lives in accordance with IFRS 16. Since Sparekassen has previously calculated contingent liabilities based on the period of notice under the leases, the liability increases when implementing IFRS 16, which is also evident from the table above.

Sparekassen has no short-term leases. Borrowing rates used for discounting are 1.95% for owner-occupied property, 1.75% for other non-current assets and 0% for low-value assets.

| Amounts in DKK'000 | Contingent liabilities | Owner-occupied property | Other non-current assets | Lease commitments |
|---|------------------------|-------------------------|--------------------------|-------------------|
| Corrections to the opening balance sheet (Group) | | | | |
| Operating lease commitments at 31 December 2018 | 78,071 | - | - | - |
| Corrections to the opening balance sheet, implementation of IFRS 16 | -78,071 | 81,848 | 4,420 | 84,529 |
| <hr/> | | | | |
| Amounts in DKK'000 | Contingent liabilities | Owner-occupied property | Other non-current assets | Lease commitments |
| Corrections to the opening balance sheet (Parent) | | | | |
| Operating lease commitments at 31 December 2018 | 158,751 | - | - | - |
| Corrections to the opening balance sheet, implementation of IFRS 16 | -158,751 | 180,461 | 4,420 | 181,653 |

Notes

2 Summary of significant accounting policies (continued)

Lease liabilities increase by DKK 6,458k (Parent: DKK 22,902k) compared to the previously recognised contingent liability related to the implementation of IFRS 16.

Under IFRS 16, lease commitments are determined based on expected useful lives whereas previously they were determined based on the period of notice under the rental or lease agreements. The effect thereof is an increase in liabilities by DKK 10,453k for the Group (Parent: DKK 33,989k). Working in the opposite direction is the discounting of lease payments by DKK 3,995k for the Group (Parent: DKK 11,087k).

Changes in accounting estimates

In re-estimating the useful lives of customer relationships, Sparekassen has opted to write off the rest of the asset in the financial year under review. This results in an additional write-off of DKK 21.6m in 2019.

The asset was originally recognised in connection with the acquisition of the healthy part of Max Bank A/S in 2011.

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. None of the new Standards or Interpretations are expected to have a major effect on the Group's financial reporting.

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 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 measured 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 in 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 the financial year. 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 pay-

Notes

2 Summary of significant accounting policies (continued)

ment 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.

Consideration for provision of mortgage loans for Totalkredit is recognised based on the set-off model. Under the set-off model, the consideration is recognised at the time of establishing the loan, and the consideration for current servicing of the borrower is recognised when the institution performs the servicing, and accordingly obtains the right to the consideration.

Totalkredit may set off recorded losses against the future current commission income in the first eight years of the mortgage loan only. Set-off is recognised at the time of the loss event.

Staff costs and administrative expenses

Staff costs comprise salaries and wages, social security costs, pension contributions, etc. Costs for payments and benefits for employees, including anniversary bonuses and severance payments, are recognised concurrently with the employees' performance of

such work entitling them to receive the payments and benefits concerned.

Other operating income

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

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 recognised 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.

On initial recognition, such amounts are measured at fair value net of front-end fees etc. Subsequently, amounts owed are measured at amortised cost less any write-down for incurred, but not yet realised losses.

Loans and other amounts owed at amortised cost

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

Classification and measurement

Financial assets are classified and measured using the business model for the financial assets and the contractual cash flows related to such financial assets. Consequently, financial assets must be divided into one of the following three categories:

- 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 measured at fair value through other comprehensive income after the time of initial recognition.
- 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 subsequent to initial recognition.

Sparekassen does not have financial assets subject to the measurement category involving recognition of financial assets at fair value through other comprehensive income. Instead, Sparekassen's portfolio of bonds is measured at fair value through profit or loss, either because such bonds are held for trading or because they are subject to a risk management system or an investment strategy that is based on fair values and are hence included in its management reporting.

Impairment model for expected credit losses

All financial assets recognised at amortised cost are written down for expected credit losses, and provisions are made using the same rules for expected credit losses on undrawn credit lines, committed facilities and guarantees.

For financial assets recognised at amortised cost, write-downs for expected credit losses are recognised

Notes

2 Summary of significant accounting policies (continued)

in profit or loss and reduces the value of the asset in the balance sheet. Provisions for losses on undrawn credit lines, committed facilities and guarantees are recognised as a liability.

The expected loss impairment rules entail 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 financial 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 instrument is impaired (Stage 3), the asset will be written down by an amount equivalent to the expected credit loss over the remaining maturity period of the asset, however, interest income is recognised in profit or loss applying the effective interest method to the amount written down.

The expected loss is calculated as a function of the probability of objective evidence of impairment (OEI), exposure at default (EAD) and loss given default (LGD) which incorporates forward-looking information representing Management's expectations for future developments.

Staging and calculation of expected losses are based on Sparekassen's rating models that have been developed by the data centre Bankdata, and on Sparekassen's internal credit management. In the assessment of credit risk developments, a significant increase in credit risk will be assumed to have occurred 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 significant 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.

An exposure is defined as being credit-impaired (Stage 3) and in default if it meets at least one of the following criteria:

- Sparekassen estimates that the borrower will not be able to honour their obligations as agreed.
- The borrower is in serious financial difficulties; the borrower is in breach of contract; Sparekassen has eased the borrower's terms and conditions because of the borrower's financial difficulties; or it is probable that the borrower will go bankrupt or become subject to other financial reconstruction.
- The exposure has been in arrears/overdraft for more than 90 days by an amount considered significant.

Sparekassen has opted for this definition since this is consistent with the definition used for internal risk management purposes, and the definition has been adapted to the definition of default in the Capital Requirements Regulation (CRR). This entails that an exposure considered in default for regulatory purposes will always be placed in Stage 3.

Impairment losses on Stage 1 and Stage 2 exposures, except for the largest exposures along with the weakest exposures in Stage 2, are calculated using a portfolio model calculation whereas the write-down

of the rest of the exposures is made from a manual, individual assessment that is based on three scenarios (basic scenario, a more positive scenario and a more negative scenario) with the underlying probability of the scenarios occurring.

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), and which serves as a basis for incorporating Management's expectations for the future.

The 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 the regression models are enriched with estimates of the macroeconomic variables based on prognoses from consistent sources such as the Danish Economic Councils, Danmarks Nationalbank etc, where such prognoses generally span two years ahead 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 ten, the impairment ratio is projected so as to converge towards a normal level in year ten. Maturity periods of more than 10 years are given the same impairment ratio as in year ten. The forward-looking macroeconomic module generates

a number of adjustment factors that are multiplied on the data centre's "rough" estimates which are thereby adjusted compared to the baseline.

Sparekassen has decided to use the transitional scheme under the Capital Requirements Directive (CRD) to the effect that any negative impact of the IFRS 9 impairment provisions will not feed through in full on capital resources until after five years (after 2022).

Practice for derecognising financial assets from the balance sheet

Financial assets measured at amortised cost will be derecognised in whole or in part from the balance sheet if Sparekassen no longer has any reasonable expectation of having the amount outstanding covered in whole or in part. At the same time, impairment losses are excluded from the calculation of accumulated impairment losses. Refer to note 11 for a more detailed description.

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.

All leases (except for leases of short duration), under which the Group is a lessee, are recognised in the balance sheet as a right of use and a lease liability that

Notes

2 Summary of significant accounting policies (continued)

is measured at present value of the minimum lease payments over the lease term. Subsequently, the right of use is amortised consistently with other non-current assets, typically on a straight-line basis over the lease term, and interest is charged on the lease liability.

Moreover, Sparekassen has set up the following assumptions:

- Minor assets are recognised.
- The borrowing rate used for discounting is used at portfolio level.

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 using 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 at fair value

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.

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.

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/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 value 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.

Assets in pooled plans

Assets earmarked for customer savings in pooled plans are measured at fair value and recognised in pooled plans. Customers' contributions to pooled plans are recognised in deposits in pooled plans. These deposits are measured at the value of the contributions, equivalent to fair value of the assets.

Returns (interest income and fair value adjustments) on assets in pooled plans and the crediting thereof to

customer accounts are recognised in separate items in market value adjustments. Consequently, the Group's and Sparekassen's results are not affected by the returns in the pooled plans.

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. The useful 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 "Amortisa-

Notes

2 Summary of significant accounting policies (continued)

tion, depreciation and impairment losses on intangible assets and property, plant and equipment*.

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 in the line item "Translation and market value adjustments".

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 | 3-5 years |
| Tools and equipment | 3-5 years |
| Motor vehicles | 3-5 years |
| Leasehold improvements | 5-10 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 on 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

On 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. On 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 on 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

Notes

2. Summary of significant accounting policies (continued)

treasury shares are recognised directly in retained earnings in equity.

Hybrid core capital

Hybrid core capital with an indefinite term 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 2019, 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 2019 and comparative figures for 2018-2015 are presented in accordance with International Financial Reporting Standards (IFRS).

Comparative figures have not been restated to reflect the change in accounting policies from 1 January 2018

resulting from the implementation of IFRS 9, unless specifically stated.

Comparative figures for share-based ratios have been multiplied by an adjustment factor because of the share issue in 2018.

When implementing IFRS 16 in 2019, the comparative figures are not restated.

Notes

3. Significant judgements and estimates, assumptions and key sources of estimation uncertainty

The financial statements are prepared based on specific assumptions which involve the use of judgements and estimates. These judgements and 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 2019 Annual Report are:

- Impairment losses on financial assets carried at amortised cost
- Investment property and owner-occupied property
- Fair value of financial instruments
- Goodwill
- Deferred tax assets

Impairment losses on financial assets carried at amortised cost

Write-down for impairment of financial assets and provisions for undrawn credit lines, committed facilities and 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 etc. It may therefore be necessary to change previous estimates based on new information, additional experience or subsequent events.

For provisions for losses on guarantees, undrawn credit lines and committed facilities, 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 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.

However, this does not rule out that a need may arise in future for further write-down for impairment, for example, on Sparekassen's property exposures, including mortgages.

The portfolio model calculation is made in a set-up developed and maintained by Sparekassen's data centre. The model is based on Sparekassen's rating of the customers in classes and an assessment of the risk involved in each rating class.

Determining the probability of objective evidence of impairment (OEI) and loss given default (LGD), which are key parameters in the model calculation, is subject to some degree of uncertainty and estimation.

The calculation is supplemented with a forward-looking macroeconomic module that is developed and maintained by the industry association Lokale Pengeinstitutter (LOPI).

This calculation serves as a basis for the incorporation of Management's expectations for the future.

The factors particularly affecting management judgements in 2019 are developments in the agricultural sector, rates of return on properties, technically insolvent customers and the economic situation of the housing market.

Investment property and owner-occupied property

The fair value measurement of investment property is based on significant estimation. The estimation is primarily related to the determination of the required rate of return and future cash flows on the property.

Determining the revalued amount of owner-occupied property is based on significant estimation. The estimation is primarily related to the determination of the required rate of return on the property. Owner-occupied property is premises from which active savings bank activities are carried on as well as related premises in basements and attics for installations etc. In

the valuation, different square metre prices have been used in relation to the alternative applications that the individual premises are considered to have.

Fair value of financial instruments

For financial instruments, the measurement of which is based on available data that are 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 readily 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. Refer to note 20 for more details.

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.

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|---|--------------------|----------------|----------------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |
| 4 Interest income | | | | | |
| Credit institutions and central banks | 746 | 672 | 607 | 495 | |
| Loans and other amounts owed | 538,515 | 567,698 | 515,527 | 544,188 | |
| Negative interest income on credit institutions and central banks | 11,931 | 309 | 11,931 | 309 | |
| Bonds | 40,793 | 28,959 | 40,793 | 28,959 | |
| Total derivatives | 23,618 | 8,396 | 23,618 | 8,396 | |
| Thereof: - Interest rate contracts | 25,533 | 9,296 | 25,533 | 9,296 | |
| - Foreign exchange contracts | -1,915 | -900 | -1,915 | -900 | |
| Other interest income | 592 | 456 | 424 | 255 | |
| Total interest income | 616,195 | 606,490 | 592,900 | 582,602 | |
| 5 Interest expenses | | | | | |
| Credit institutions and central banks | 602 | 789 | 596 | 648 | |
| Negative interest expenses on deposits and other debt | 7,617 | 12,094 | 7,617 | 12,094 | |
| Deposits and other debt | 11,897 | 20,176 | 11,598 | 20,126 | |
| Subordinated loan capital | 29,730 | 32,545 | 29,730 | 32,545 | |
| Other interest expenses | 1,622 | 55 | 3,172 | 46 | |
| Total interest expenses | 51,468 | 65,659 | 52,713 | 65,459 | |

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|---|--------------------|----------------|----------------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |
| 6 Fees and commission income | | | | | |
| Securities trading and custody accounts | 72,851 | 50,330 | 72,851 | 50,330 | |
| Payment services | 63,389 | 56,994 | 63,389 | 56,994 | |
| Loan fees | 57,101 | 37,887 | 57,101 | 37,887 | |
| Guarantee commission | 182,937 | 170,663 | 182,937 | 170,663 | |
| Custody services | 58,779 | 58,186 | 58,779 | 58,186 | |
| Other fees and commissions | 106,300 | 84,644 | 106,637 | 84,569 | |
| Total fees and commission income | 541,357 | 458,704 | 541,694 | 458,629 | |
| 7 Market value adjustments | | | | | |
| Bonds | -54,630 | -21,752 | -54,077 | -22,362 | |
| Shares | 39,201 | 46,264 | 39,190 | 46,264 | |
| Investment property | -15,104 | -7,042 | 7 | -651 | |
| Foreign exchange | 9,334 | 9,270 | 9,334 | 9,270 | |
| Currency, interest rate, share, commodity and other contracts and derivatives | -22,374 | -5,512 | -22,374 | -5,512 | |
| Assets in pooled plans | 181,485 | -47,078 | 181,485 | -47,078 | |
| Deposits in pooled plans | -181,485 | 47,078 | -181,485 | 47,078 | |
| Total market value adjustments | -43,573 | 21,228 | -27,920 | 27,009 | |

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|---|--------------------|----------------|----------------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |
| 8 Staff costs and administrative expenses | | | | | |
| Remuneration of the Board of Directors and Executive Board | | | | | |
| Board of Directors and Executive Board | 14,501 | 11,738 | 14,501 | 11,738 | |
| Total | 14,501 | 11,738 | 14,501 | 11,738 | |
| Staff costs | | | | | |
| Wages and salaries | 350,523 | 355,999 | 350,523 | 355,999 | |
| Pension contributions | 39,956 | 39,935 | 39,956 | 39,935 | |
| Social security costs | 57,413 | 55,431 | 57,413 | 55,431 | |
| Total staff costs | 447,892 | 451,365 | 447,892 | 451,365 | |
| Other administrative expenses | 263,351 | 283,053 | 245,571 | 282,291 | |
| Total staff costs and administrative expenses | 725,744 | 746,156 | 707,964 | 745,394 | |

¹ Board of Directors has been expanded from 2 to 3 persons april 1 st. 2019

Specification of wages, salaries and remuneration for the Board of Directors, Executive Board and key risk takers

| Board of Directors | | | | | |
|--|--------------|--------------|--------------|--------------|--|
| Thomas Kullegaard, Chairman | 585 | 495 | 585 | 495 | |
| Jakob N. Andersson, Vice-chairman | 470 | 420 | 470 | 420 | |
| Bent Andersen | 420 | 370 | 420 | 370 | |
| Erik Larsen | 235 | 275 | 235 | 275 | |
| Per Olsen | 235 | 225 | 235 | 225 | |
| Otto Spliid | 220 | 225 | 220 | 225 | |
| Helle L. Bjørnøe | 205 | 195 | 205 | 195 | |
| Mads Wallin | 205 | 195 | 205 | 195 | |
| Kirsten Hede Nielsen | 176 | - | 176 | - | |
| Resigned members | 148 | 340 | 148 | 340 | |
| Total set remuneration for the Board of Directors | 2,899 | 2,740 | 2,899 | 2,740 | |

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|--|--------------------|--------------|--------------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |
| 8 Staff costs and administrative expenses (continued) | | | | | |
| Executive Board | | | | | |
| Lars Petersson | | | | | |
| Set salary | 5,117 | 4,299 | 5,117 | 4,299 | |
| Variable one-off remuneration | 0 | 80 | 0 | 80 | |
| Pension contribution | 0 | 745 | 0 | 745 | |
| Total | 5,117 | 5,124 | 5,117 | 5,124 | |

In 2019, Lars Petersson has also received a director's fee of DKK 25k from Regional Invest Fyn A/S (2018: DKK 20k).

Bruno Riis-Nielsen

| | | | | |
|--------------|--------------|--------------|--------------|--------------|
| Set salary | 3,977 | 3,874 | 3,977 | 3,874 |
| Total | 3,977 | 3,874 | 3,977 | 3,874 |

In 2019, Bruno Riis-Nielsen has also received a director's fee of DKK 25k (2018: DKK 20k) from Regional Invest Fyn A/S and DKK 50k (2018: DKK 50k) from Leasing Fyn Bank.

Lars Bolding (took up office in april 2019)

| | | | | |
|--------------|--------------|----------|--------------|----------|
| Set salary | 2,508 | 0 | 2,508 | 0 |
| Total | 2,508 | 0 | 2,508 | 0 |

In addition, company cars were made available to the Executive Board. The tax base thereof is: Lars Petersson DKK 169k (2018: DKK 159k), Bruno Riis-Nielsen DKK 109k (2018: DKK 138k) and Lars Bolding DKK 88k.

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|----------|---|---------------|---------------|----------------------|---------------|
| | | 2019 | 2018 | 2019 | 2018 |
| 8 | Staff costs and administrative expenses (continued) | | | | |
| | Other staff impacting on the risk profile | | | | |
| | Set salary | 25,901 | 22,439 | 25,901 | 22,439 |
| | Variable salary | 0 | 0 | 0 | 0 |
| | Variable one-off remuneration | 95 | 746 | 95 | 746 |
| | Pension contribution | 2,960 | 2,623 | 2,960 | 2,623 |
| | Total | 28,956 | 25,808 | 28,956 | 25,808 |
| | Staff materially impacting on the risk profile | 28 | 25 | 28 | 25 |
| | Other staff impacting on the risk profile by business area | | | | |
| | Business/credit | | | | |
| | Set salary | 11,967 | 4,787 | 11,967 | 4,787 |
| | Variable salary | 0 | 0 | 0 | 0 |
| | Variable one-off remuneration | 0 | 130 | 0 | 130 |
| | Pension contribution | 1,334 | 553 | 1,334 | 553 |
| | Total | 13,301 | 5,470 | 13,301 | 5,470 |
| | Staff materially impacting on the risk profile | 12 | 5 | 12 | 5 |
| | Investment/asset management | | | | |
| | Set salary | 3,997 | 3,832 | 3,997 | 3,832 |
| | Variable salary | 0 | 0 | 0 | 0 |
| | Variable one-off remuneration | 0 | 100 | 0 | 100 |
| | Pension contribution | 461 | 444 | 461 | 444 |
| | Total | 4,458 | 4,376 | 4,458 | 4,376 |
| | Staff materially impacting on the risk profile | 6 | 6 | 6 | 6 |

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|----------|--|---------------|---------------|----------------------|---------------|
| | | 2019 | 2018 | 2019 | 2018 |
| 8 | Staff costs and administrative expenses (continued) | | | | |
| | Other business areas | | | | |
| | Set salary | 9,937 | 13,820 | 9,937 | 13,820 |
| | Variable salary | 0 | 0 | 0 | 0 |
| | Variable one-off remuneration | 95 | 516 | 95 | 516 |
| | Pension contribution | 1,165 | 1,626 | 1,165 | 1,626 |
| | Total | 11,197 | 15,962 | 11,197 | 15,962 |
| | Staff materially impacting on the risk profile | 10 | 14 | 10 | 14 |

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 is composed of Chief Financial Officer Jakob N. Andersson (Chairman), Executive Officer Thomas Kullegaard, Architect MMA, former Chief Executive Officer Bent Andersen, Customer Advisor Helle Lindhof Bjørnøe and Branch Manager Mads Wallin.

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 Director 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 2019. 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.

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.

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

8 Staff costs and administrative expenses (continued)

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 is available on www.spks.dk/om/regnskab

Appointed auditors' fees

| | | | | |
|--------------------------|--------------|--------------|--------------|--------------|
| Statutory audit services | 947 | 930 | 841 | 816 |
| Assurance engagements | 90 | 90 | 90 | 90 |
| Other services | 349 | 1,623 | 349 | 1,613 |
| Total | 1,386 | 2,643 | 1,280 | 2,519 |

Fees for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab to the Group amount to DKK 349 k (2018: DKK 1,623k) and cover advice on the merger of subsidiaries, International Financial Reporting Standards, risk management and increase of capital.

9 Staff headcount

| | | | | |
|---|-----|-----|-----|-----|
| Average headcount for the financial year converted into full-time employees | 587 | 616 | 587 | 616 |
|---|-----|-----|-----|-----|

10 Other operating expenses

| | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Expenses for the resolution plan | 1,105 | 862 | 1,105 | 862 |
| Other operating expenses | 18,172 | 19,068 | 10,857 | 11,395 |
| Total other operating expenses | 19,277 | 19,930 | 11,962 | 12,257 |

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

11 Impairment losses and provisions for losses (impairment account)

Net effect recognised in profit or loss

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Amounts owed by credit institutions and central banks | 48 | 204 | 48 | 204 |
| Loans and other amounts owed at amortised cost | 54,907 | 79,001 | 63,958 | 76,778 |
| Guarantees | 4,418 | -16,213 | 4,418 | -16,213 |
| Committed facilities and undrawn credit lines | 2,371 | -1,044 | 2,371 | -1,044 |
| Total net changes in impairment/provisions accounts | 61,743 | 61,949 | 70,794 | 59,726 |
| Interest rate adjustment | -27,868 | -35,931 | -27,868 | -35,931 |
| Recorded as loss, not previously written down/provided for | 17,443 | 4,825 | 16,303 | 4,103 |
| Value adjustment of assets acquired | 0 | -4 | 0 | -4 |
| Recovery of claims previously written off | -34,388 | -26,445 | -31,410 | -22,864 |
| Taken to profit or loss | 16,930 | 4,394 | 27,819 | 5,030 |

Notes

| Note | Amounts in DKK'000 | Group | | | | Sparekassen (Parent) | | | |
|-----------|---|---------------|----------------|----------------|------------------|----------------------|----------------|----------------|------------------|
| | | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| 11 | Impairment losses and provisions for losses (impairment account) (continued) | | | | | | | | |
| | 2019 | | | | | | | | |
| | Accumulated impairment losses and provisions by stage | | | | | | | | |
| | Amounts owed by credit institutions and central banks | 1 | 290 | 0 | 291 | 1 | 290 | 0 | 291 |
| | Loans and other amounts owed at amortised cost | 56,034 | 109,283 | 491,878 | 657,195 | 53,874 | 98,028 | 479,443 | 631,345 |
| | Guarantees | 11,562 | 10,017 | 43,217 | 64,795 | 11,562 | 10,017 | 43,217 | 64,795 |
| | Committed facilities and undrawn credit lines | 3,435 | 5,022 | 0 | 8,457 | 3,435 | 5,022 | 0 | 8,457 |
| | Total impairment losses and provisions | 71,032 | 124,612 | 535,094 | 730,738 | 68,872 | 113,357 | 522,660 | 704,889 |
| | 2018 | | | | | | | | |
| | Accumulated impairment losses and provisions by stage | | | | | | | | |
| | Amounts owed by credit institutions and central banks | 1 | 242 | 0 | 243 | 1 | 242 | 0 | 243 |
| | Loans and other amounts owed at amortised cost | 59,012 | 105,911 | 848,954 | 1,013,877 | 57,589 | 104,457 | 814,534 | 976,580 |
| | Guarantees | 7,372 | 10,444 | 43,280 | 61,096 | 7,372 | 10,444 | 43,280 | 61,096 |
| | Committed facilities and undrawn credit lines | 2,942 | 3,145 | 0 | 6,087 | 2,942 | 3,145 | 0 | 6,087 |
| | Total impairment losses and provisions | 69,327 | 119,742 | 892,234 | 1,081,302 | 67,904 | 118,288 | 857,814 | 1,044,005 |

Notes

| Note | Amounts in DKK'000 | Group | | | | Sparekassen (Parent) | | | |
|------------|---|----------|------------|----------|------------|----------------------|------------|----------|------------|
| | | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| 1.1 | Impairment losses and provisions for losses (impairment account) (continued) | | | | | | | | |
| | 2019 | | | | | | | | |
| | Impairment account for amounts owed by credit institutions and central banks | | | | | | | | |
| | Total impairment losses at beginning of year | 1 | 242 | 0 | 243 | 1 | 242 | 0 | 243 |
| | New impairment losses (net) | 0 | 48 | 0 | 48 | 0 | 48 | 0 | 48 |
| | Recorded as loss, covered by previous write-downs for impairment | | | 0 | 0 | | | 0 | 0 |
| | Total impairment losses at end of year | 1 | 290 | 0 | 291 | 1 | 290 | 0 | 291 |
| | 2018 | | | | | | | | |
| | Impairment account for amounts owed by credit institutions and central banks | | | | | | | | |
| | Total impairment losses at beginning of year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Adjustment resulting from change in accounting policies effective from 1 January 2018 | 1 | 37 | 0 | 38 | 1 | 37 | 0 | 38 |
| | Impairment losses at 1 January 2018 | 1 | 37 | 0 | 38 | 1 | 37 | 0 | 38 |
| | New impairment losses (net) | 0 | 205 | 0 | 205 | 0 | 205 | 0 | 205 |
| | Interest rate adjustment | | | 0 | 0 | | | 0 | 0 |
| | Recorded as loss, covered by previous write-downs for impairment | | | 0 | 0 | | | 0 | 0 |
| | Other changes | | | 0 | 0 | | | 0 | 0 |
| | Total impairment losses at end of year | 1 | 242 | 0 | 243 | 1 | 242 | 0 | 243 |

Notes

| Note | Amounts in DKK'000 | Group | | | | | Sparekassen (Parent) | | | | | | |
|-----------|---|------------------------------|------------------------------|---------------|----------------|----------------|----------------------|------------------------------|------------------------------|---------------|----------------|----------------|----------------|
| | | Collective impairment losses | Individual impairment losses | Stage 1 | Stage 2 | Stage 3 | Total | Collective impairment losses | Individual impairment losses | Stage 1 | Stage 2 | Stage 3 | Total |
| 11 | Impairment losses and provisions for losses (impairment account) (continued) | | | | | | | | | | | | |
| | 2019 | | | | | | | | | | | | |
| | Impairment account for loans and other amounts owed at amortised cost | | | | | | | | | | | | |
| | Total impairment losses at beginning of year | | | 59,012 | 105,911 | 848,954 | 1,013,877 | | | 57,589 | 104,457 | 814,534 | 976,580 |
| | New impairment losses (net) | | | -2,977 | 3,372 | -1,223 | -829 | | | -3,715 | -6,430 | 18,365 | 8,221 |
| | Interest rate adjustment | | | | | 27,868 | 27,868 | | | | | 27,868 | 27,868 |
| | Value adjustment of assets acquired | | | | | 0 | 0 | | | | | 0 | 0 |
| | Recorded as loss, covered by previous write-downs for impairment | | | | | -411,589 | -411,589 | | | | | -409,192 | -409,192 |
| | Other changes | | | | | 27,868 | 27,868 | | | | | 27,868 | 27,868 |
| | Total impairment losses at end of year | | | 56,034 | 109,283 | 491,878 | 657,195 | | | 53,874 | 98,028 | 479,443 | 631,345 |
| | 2018 | | | | | | | | | | | | |
| | Impairment account for loans and other amounts owed at amortised cost | | | | | | | | | | | | |
| | Total impairment losses at beginning of year | 75,374 | 879,516 | | | | 954,890 | 74,514 | 837,195 | | | | 911,709 |
| | Transferred to management overlays | -19,677 | 0 | 0 | 19,677 | 0 | 0 | -19,125 | | 0 | 19,125 | 0 | 0 |
| | Adjustment resulting from change in accounting policies effective from 1 January 2018 | -55,697 | -879,516 | 45,269 | 118,464 | 882,587 | 111,107 | -55,389 | -837,195 | 44,087 | 116,572 | 840,266 | 108,341 |
| | Impairment losses at 1 January 2018 | 0 | 0 | 45,269 | 138,141 | 882,587 | 1,065,997 | 0 | 0 | 44,087 | 135,697 | 840,266 | 1,020,050 |
| | New impairment losses (net) | | | 13,743 | -32,230 | 25,623 | 7,136 | | | 13,502 | -31,240 | 22,652 | 4,914 |
| | Interest rate adjustment | | | | | 35,931 | 35,931 | | | | | 35,931 | 35,931 |
| | Value adjustment of assets acquired | | | | | -4 | -4 | | | | | -4 | -4 |
| | Recorded as loss, covered by previous write-downs for impairment | | | | | -237,765 | -237,765 | | | | | -226,893 | -226,893 |
| | Other changes | | | | | 142,582 | 142,582 | | | | | 142,582 | 142,582 |
| | Total impairment losses at end of year | 0 | 0 | 59,012 | 105,911 | 848,954 | 1,013,877 | 0 | 0 | 57,589 | 104,457 | 814,534 | 976,580 |

Notes

| Note | Amounts in DKK'000 | Group | | | | Sparekassen (Parent) | | | | | | | |
|--|---|------------------------------|------------------------------|---------------|---------------|----------------------|---------------|------------------------------|------------------------------|---------------|---------------|---------------|---------------|
| | | Collective impairment losses | Individual impairment losses | Stage 1 | Stage 2 | Stage 3 | Total | Collective impairment losses | Individual impairment losses | Stage 1 | Stage 2 | Stage 3 | Total |
| 11 Impairment losses and provisions for losses (impairment account) (continued) | | | | | | | | | | | | | |
| 2019 | | | | | | | | | | | | | |
| Provisions account for guarantees | | | | | | | | | | | | | |
| | Total provisions at beginning of year | | | 7,372 | 10,444 | 43,280 | 61,096 | | | 7,372 | 10,444 | 43,280 | 61,096 |
| | New provisions (net) | | | 4,190 | -427 | 656 | 4,418 | | | 4,190 | -427 | 656 | 4,418 |
| | Finally written off, previously provided for | | | | | -719 | -719 | | | | | -719 | -719 |
| | Total provisions at end of year | | | 11,562 | 10,017 | 43,217 | 64,795 | | | 11,562 | 10,017 | 43,217 | 64,795 |
| 2018 | | | | | | | | | | | | | |
| Provisions account for guarantees | | | | | | | | | | | | | |
| | Total provisions at beginning of year | 0 | 55,905 | | | | 55,905 | 0 | 55,905 | | | | 55,905 |
| | Adjustment resulting from change in accounting policies effective from 1 January 2018 | 0 | -55,905 | 5,471 | 13,028 | 58,810 | 21,404 | 0 | -55,905 | 5,471 | 13,028 | 58,810 | 21,404 |
| | Provisions at 1 January 2018 | 0 | 0 | 5,471 | 13,028 | 58,810 | 77,309 | 0 | 0 | 5,471 | 13,028 | 58,810 | 77,309 |
| | New provisions (net) | | | 1,901 | -2,584 | -15,530 | -16,213 | | | 1,901 | -2,584 | -15,530 | -16,213 |
| | Total provisions at end of year | 0 | 0 | 7,372 | 10,444 | 43,280 | 61,096 | 0 | 0 | 7,372 | 10,444 | 43,280 | 61,096 |

Notes

| Note | Amounts in DKK'000 | Group | | | | Sparekassen (Parent) | | | |
|-----------|---|--------------|--------------|----------|--------------|----------------------|--------------|----------|--------------|
| | | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| 11 | Impairment losses and provisions for losses (impairment account) (continued) | | | | | | | | |
| | 2019 | | | | | | | | |
| | Provisions account for committed facilities and undrawn credit lines | | | | | | | | |
| | Total provisions at beginning of year | 2,942 | 3,145 | 0 | 6,087 | 2,942 | 3,145 | 0 | 6,087 |
| | New provisions (net) | 493 | 1,878 | 0 | 2,371 | 493 | 1,878 | 0 | 2,371 |
| | Total provisions at end of year | 3,435 | 5,022 | 0 | 8,457 | 3,435 | 5,022 | 0 | 8,457 |
| | 2018 | | | | | | | | |
| | Provisions account for committed facilities and undrawn credit lines | | | | | | | | |
| | Total provisions at beginning of year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Adjustment resulting from change in accounting policies effective from 1 January 2018 | 2,556 | 4,574 | 0 | 7,130 | 2,556 | 4,574 | 0 | 7,130 |
| | Provisions at 1 January 2018 | 2,556 | 4,574 | 0 | 7,130 | 2,556 | 4,574 | 0 | 7,130 |
| | New provisions (net) | 386 | -1,429 | 0 | -1,044 | 386 | -1,429 | 0 | -1,044 |
| | Total provisions at end of year | 2,942 | 3,145 | 0 | 6,087 | 2,942 | 3,145 | 0 | 6,087 |

Notes

1.1 Impairment losses and provisions for losses (impairment account) (continued)

Key factors in the development of the impairment account

The migration between stages is a significant reason for the level of the impairment account. At the time of recognition, the 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).

Loans, advances and guarantees as well as committed facilities and undrawn credit lines by exposure category/stage are evident from note 4.1.

As a rule, new facilities are placed in Stage 1 unless the customer is in credit quality class 1 (credit-impaired exposures), for which reason the facility is placed in Stage 3. In 2019, Sparekassen had DKK 11,037.9m (gross) (2018: DKK 7,604.4m) worth of new facilities, which affected the impairment account by a total of DKK 42.6m (2018: DKK 46.7m).

Stage 2 facilities in overdraft by more than 30 days amounted to DKK 1.6m at 31 December 2019 (2018: 12.8m), which has affected the impairment account by DKK 0.1m (2018: DKK 0.3m).

Development in calculation factors

Loss Given Default (LGD) and Probability of Default (PD) are based on Sparekassen's own financial ratios.

LGD reflects the percentage loss of the customer's exposures if such customer is in default. The PD value

reflects Sparekassen's percentage expectation of the probability of a customer defaulting.

Sparekassen regularly recalculates the PD values included in the calculation of the impairment account. The calculation is based on the track record of Sparekassen's customer portfolio over a five-year time frame. The calculated PD values have generally decreased during the year, which is estimated to have affected the impairment account downwards by approximately DKK -14m.

Macroeconomic variables

The industry association Lokale Pengeinstitutter (LOPI) has developed a tool that Sparekassen uses to estimate expectations for the future. 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.

Changes in the macroeconomic variables have not had any significant effect on developments in the impairment account.

Stage 1 and Stage 2 exposures

Sparekassen believes that the model used to calculate Stage 1 and Stage 2 impairment losses/provisions may be used to calculate the expected credit losses on its financial assets recognised at amortised cost.

Stage 3 exposures

Stage 3 exposures are dealt with individually. 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, and interest income is recognised in profit or loss applying the effective interest method to the amount written down.

In 2019, Sparekassen has experienced an addition of new impairment losses/provisions of DKK 220.1m (2018: DKK 215.2m) in Stage 3. In the same period, DKK 192.8m (2018: DKK 172.1m) in impairment losses/provisions was reversed.

Finally written off, previously written down/provided for stands at DKK 412.31m (2018: DKK 226.9m) in amount.

Refer also to Sparekassen's summary of significant accounting policies.

Practice for derecognising financial assets from the balance sheet

Financial assets measured at amortised cost will be derecognised in whole or in part from the balance sheet if Sparekassen no longer has any reasonable expectation of having the amount outstanding covered in whole or in part. Recognition will cease based on a specific, individual assessment of each exposure. For corporate customers, Sparekassen will typically base the assessment of indicators such as the customer's liquidity, earnings and equity and the collateral provided as security for the exposure. For private customers, Sparekassen will typically base the assessment on the customer's liquidity, income and assets as well as the customer's collateral provided for the exposure. When a financial asset is derecognised in whole or in part from the balance sheet, the impairment loss on the financial asset will be excluded from the calculation of accumulated impairment losses as well, see the above line item "Finally written off, previously written down/provided for".

Sparekassen continues its collection efforts after derecognition of the assets from the balance sheet, with initiatives depending on the situation at hand. As a rule, Sparekassen will attempt to make voluntary arrangements with the customer, including renegotiation of terms or reconstruction of an enterprise so that debt collection or petition for bankruptcy will not be applied until other steps have been explored. Sparekassen has regularly derecognised DKK 2,401.4m worth of financial assets for which attempts are still made to have them collected.

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|--|--------------------|---------------|---------------|----------------------|---------------|
| | | 2019 | 2018 | 2019 | 2018 |
| 12 Income tax | | | | | |
| Computed tax on income for the year | | 13,790 | 4,334 | 8,484 | 674 |
| Deferred tax | | 11,940 | 17,766 | 10,560 | 16,659 |
| Readjustment of tax computed for previous years | | -1,112 | 5 | -951 | 339 |
| Total income tax | | 24,618 | 22,105 | 18,093 | 17,672 |
| Effective tax rate | | | | | |
| Income tax rate in Denmark | | 22.00 | 22.00 | 22.00 | 22.00 |
| Adjustments: | | | | | |
| Pure hybrid capital | | -2.15 | -5.74 | -2.20 | -5.85 |
| IFRS 9 impairment losses at beginning of year | | 0.00 | -7.64 | 0.00 | -7.79 |
| Readjustment of tax computed for previous years | | -0.44 | 0.00 | -0.39 | 0.15 |
| Non-taxable income and non-deductible expenses etc | | -0.67 | 5.35 | -2.15 | 3.99 |
| Profit/loss on investments in associates and group enterprises | | 0.01 | -0.77 | -1.78 | -1.73 |
| Use of group loss etc | | -8.96 | -3.61 | -8.09 | -2.95 |
| Total | | 9.79 | 9.60 | 7.39 | 7.82 |

Interest on hybrid core capital carried directly on equity has been deducted calculating taxable income.

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|---|--------------------|------------------|------------------|----------------------|------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| 13 Amounts owed by credit institutions and central banks | | | | | |
| By time to maturity | | | | | |
| Demand deposits | | 154,089 | 129,092 | 142,765 | 123,438 |
| Up to 3 months | | 2,364,197 | 1,256,159 | 2,364,197 | 1,256,159 |
| From 3 months to 1 year | | 22,647 | 22,902 | 22,647 | 22,902 |
| From 1 year to 5 years | | 0 | 0 | 0 | 0 |
| More than 5 years | | 0 | 0 | 0 | 0 |
| Total | | 2,540,933 | 1,408,153 | 2,529,609 | 1,402,499 |
| Claims at notice on central banks | | 2,364,197 | 1,256,159 | 2,364,197 | 1,256,159 |
| Claims on credit institutions | | 176,736 | 151,994 | 165,412 | 146,340 |
| Total | | 2,540,933 | 1,408,153 | 2,529,609 | 1,402,499 |

14 Loans and other amounts owed at amortised cost

| | | | | | |
|----------------------------|--|-------------------|-------------------|-------------------|-------------------|
| By time to maturity | | | | | |
| At call | | 383,200 | 406,412 | 381,230 | 403,870 |
| Up to 3 months | | 1,084,322 | 1,037,154 | 1,052,578 | 1,035,904 |
| From 3 months to 1 year | | 4,048,336 | 3,910,629 | 4,116,541 | 3,972,113 |
| From 1 year to 5 years | | 2,410,135 | 2,493,598 | 2,651,258 | 2,683,124 |
| More than 5 years | | 4,291,244 | 4,326,171 | 4,103,748 | 4,144,975 |
| Total | | 12,217,237 | 12,173,964 | 12,305,355 | 12,239,986 |

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|-----------|--|--------------|--------------|----------------------|--------------|
| | | 2019 | 2018 | 2019 | 2018 |
| 14 | Loans, advances and guarantee debtors by sector | | | | |
| | Loans, advances and guarantee debtors by sector | | | | |
| | Public authorities | 0.4 | 0.8 | 0.3 | 0.8 |
| | Business | | | | |
| | Agriculture, hunting, forestry and fisheries | 8.2 | 8.3 | 7.2 | 7.5 |
| | Industry and extraction of raw materials | 2.1 | 2.0 | 1.7 | 1.6 |
| | Energy supply | 0.1 | 0.0 | 0.0 | 0.1 |
| | Building and construction | 5.3 | 5.0 | 4.8 | 4.6 |
| | Trade | 5.8 | 5.8 | 5.3 | 5.3 |
| | Transport, hotels and restaurants | 1.9 | 2.0 | 1.4 | 1.5 |
| | Information and communication | 0.8 | 0.7 | 0.8 | 0.7 |
| | Financing and insurance | 5.3 | 4.1 | 9.2 | 7.9 |
| | Real property | 9.9 | 11.0 | 10.7 | 11.9 |
| | Other business | 7.0 | 7.3 | 6.1 | 6.5 |
| | Total business | 46.3 | 46.3 | 47.2 | 47.5 |
| | Private | 53.3 | 52.9 | 52.4 | 51.7 |
| | 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.

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|-----------|----------------------------|------------------|------------------|----------------------|------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| 15 | Bonds at fair value | | | | |
| | Listed | 6,591,480 | 6,620,883 | 6,591,480 | 6,620,883 |
| | Unlisted | 0 | 0 | 0 | 0 |
| | Total | 6,591,480 | 6,620,883 | 6,591,480 | 6,620,883 |

The Group has provided bonds at a total bond price of DKK 1,139m (2018: DKK 936m) as security for the day-to-day performance of clearing operations and securities trading. Refer to note 34 - Assets provided as collateral.

| Note | Shares etc | Group | | Sparekassen (Parent) | |
|-----------|--|----------------|----------------|----------------------|----------------|
| | | 2019 | 2018 | 2019 | 2018 |
| 16 | Shares etc | | | | |
| | Shares/unit trust certificates listed on Nasdaq Copenhagen A/S | 58,792 | 48,188 | 58,792 | 48,188 |
| | Shares/unit trust certificates listed on other stock exchanges | 0 | 269,970 | 0 | 269,970 |
| | Other shares | 634,927 | 483,149 | 634,927 | 483,149 |
| | Total | 693,719 | 801,307 | 693,719 | 801,307 |

Notes

| Note | Amounts in DKK'000 | Sparekassen (Parent) | |
|-----------|--|-------------------------|-----------------|
| | | 2019 | 2018 |
| 17 | Investments in associates and group enterprises | | |
| | Investments in group enterprises | | |
| | Total cost at beginning of year | 765,976 | 765,976 |
| | Additions for the year | 0 | 0 |
| | Disposals for the year | 0 | 0 |
| | Total cost at end of year | 765,976 | 765,976 |
| | Revaluations and impairment losses at beginning of year | -413,462 | -384,417 |
| | Profit/loss for the year | 19,910 | 13,235 |
| | Other changes | -62 | -58 |
| | Change in accounting policies applied | 811 | -2,375 |
| | Disposals for the year | 0 | -0 |
| | Dividend | -5,236 | -39,847 |
| | Revaluations and impairment losses at end of year | -398,039 | -413,462 |
| | Holding recognised at end of year | 367,937 | 352,514 |
| | Thereof, credit institutions | 0 | 0 |

| Note | Amounts in DKK'000 | Capital | Ownership interest in % | Equity at end of year | Profit/loss |
|------|--|---------|----------------------------|--------------------------|-------------|
| | | | | | |
| | Group enterprises, 2019 | | | | |
| | Investeringsselskabet Sjælland-Fyn A/S | 162,000 | 100 | 219,557 | 19,065 |
| | Leasing Fyn Faaborg A/S | 5,000 | 100 | 13,428 | 6,571 |
| | Ejendomsselskabet Sjælland-Fyn A/S | 20,000 | 100 | 134,952 | -4,914 |
| | Investeringsselskabet Sjælland-Fyn A/S and Ejendomsselskabet Sjælland-Fyn A/S are registered in the Municipality of Faaborg-Midtfyn. | | | | |
| | Leasing Fyn Faaborg A/S is registered in the Municipality of Odense. | | | | |
| | Group enterprises, 2018 | | | | |
| | Investeringsselskabet Sjælland-Fyn A/S | 162,000 | 100 | 200,492 | 10,437 |
| | Leasing Fyn Faaborg A/S | 5,000 | 100 | 12,155 | 5,236 |
| | Ejendomsselskabet Sjælland-Fyn A/S | 20,000 | 100 | 139,867 | -2,438 |

Investeringsselskabet Sjælland-Fyn A/S and Ejendomsselskabet Sjælland-Fyn A/S are registered in the Municipality of Faaborg-Midtfyn.

Leasing Fyn Faaborg A/S is registered in the Municipality of Odense.

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|-----------|--|---------------|---------------|----------------------|---------------|
| | | 2019 | 2018 | 2019 | 2018 |
| 17 | Investments in associates and group enterprises (continued) | | | | |
| | Investments in associates and jointly controlled enterprises | | | | |
| | Total cost at beginning of year | 72,292 | 72,292 | 36,719 | 36,719 |
| | Additions for the year | -28,315 | 0 | -28,315 | 0 |
| | Total cost at end of year | 43,977 | 72,292 | 8,404 | 36,719 |
| | Revaluations and impairment losses at beginning of year | 3,048 | -1,708 | 1,596 | -2,918 |
| | Profit/loss for the year/share of profit/loss for the year | 1,678 | 8,061 | -922 | 5,014 |
| | Change in accounting policies applied | 0 | -221 | 0 | 0 |
| | Other changes | 1,053 | -41 | 1,116 | 0 |
| | Dividend | 3,047 | 2,543 | 0 | 0 |
| | Revaluations and impairment losses for the year | 0 | -500 | 0 | -500 |
| | Revaluations and impairment losses at end of year | 2,732 | 3,048 | 1,790 | 1,596 |
| | Holding recognised at end of year | 46,709 | 75,340 | 10,194 | 38,315 |
| | Thereof, credit institutions | 36,515 | 37,025 | 0 | 0 |

| 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, 2019 | | | | |
| | Regional Invest Fyn A/S Sparekassen Sjælland-Fyn, group share | 5,000 | 50.0 | 58,118 | 8,483 |
| | Disbursed on reduction of capital | | | 29,059 | 4,242 |
| | | | | 25,000 | |
| | The above enterprise is registered in the Municipality of Faaborg-Midtfyn. | | | | |
| | FinanceZealand A/S Sparekassen Sjælland-Fyn, group share | 2,760 | 49.0 | 12,717 | -72 |
| | | | | 6,231 | -35 |
| | The above enterprise is registered in the Municipality of Vordingborg. | | | | |
| | Associates, 2018 | | | | |
| | Alutec Holding ApS, in solvent liquidation | 200 | 49.5 | 4,434 | -1,917 |
| | Sparekassen Sjælland-Fyn, group share | | | 2,195 | -949 |
| | The above enterprise is registered in the Municipality of Middelfart. | | | | |
| | Regional Invest Fyn A/S Sparekassen Sjælland-Fyn, group share | 45,000 | 50.0 | 49,635 | 77 |
| | | | | 24,817 | 39 |
| | The above enterprise is registered in the Municipality of Faaborg-Midtfyn. | | | | |
| | FinanceZealand A/S Sparekassen Sjælland-Fyn, group share | 2,760 | 49.0 | 12,789 | -511 |
| | | | | 6,267 | -250 |
| | The above enterprise is registered in the Municipality of Vordingborg. | | | | |

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)

Jointly controlled enterprises, 2019

| | | | | |
|--|--------|------|---------|-------|
| Leasing Fyn Bank A/S Sparekassen Sjælland-Fyn, group share | 58,500 | 33,3 | 109,545 | 7,800 |
| | | | 36,515 | 2,600 |

The above enterprise is registered in the Municipality of Odense.

Jointly controlled enterprises, 2018

| | | | | |
|--|--------|------|---------|-------|
| Leasing Fyn Bank A/S Sparekassen Sjælland-Fyn, group share | 58,500 | 33,3 | 111,074 | 9,141 |
| | | | 37,025 | 3,047 |

The above enterprise is registered in the Municipality of Odense.

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

18 Pooled plans

Assets in pooled plans

| | | | | |
|--------------------------------|------------------|------------------|------------------|------------------|
| Cash balance | 14,514 | 26,304 | 14,514 | 26,304 |
| Bonds | 0 | 486,882 | 0 | 486,882 |
| Shares/unit trust certificates | 1,756,263 | 748,202 | 1,756,263 | 748,202 |
| Other assets | 0 | 52,043 | 0 | 52,043 |
| Total pooled assets | 1,770,777 | 1,313,431 | 1,770,777 | 1,313,431 |

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

19 Intangible assets

Goodwill

| | | | | |
|----------------------------|---------------|---------------|---------------|---------------|
| Cost at beginning of year | 91,154 | 91,154 | 91,154 | 91,154 |
| Cost at end of year | 91,154 | 91,154 | 91,154 | 91,154 |
| Total | 91,154 | 91,154 | 91,154 | 91,154 |

Other intangible assets

| | | | | |
|----------------------------|----------------|----------------|----------------|----------------|
| Cost at beginning of year | 148,984 | 141,009 | 148,984 | 141,009 |
| Additions for the year | 7,538 | 8,270 | 7,538 | 8,270 |
| Disposals for the year | 19,209 | 295 | 19,209 | 295 |
| Cost at end of year | 137,313 | 148,984 | 137,313 | 148,984 |

| | | | | |
|---|---------|--------|---------|--------|
| Amortisation and impairment losses at beginning of year | 115,048 | 94,505 | 115,048 | 94,505 |
| Disposals for the year | 18,960 | 295 | 18,960 | 295 |
| Amortisation for the year | 28,982 | 20,838 | 28,982 | 20,838 |
| Depreciation for the year | 12,074 | 0 | 12,074 | 0 |

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Amortisation and impairment losses at end of year | 137,144 | 115,048 | 137,144 | 115,048 |
|--|----------------|----------------|----------------|----------------|

| | | | | |
|--------------|------------|---------------|------------|---------------|
| Total | 169 | 33,936 | 169 | 33,936 |
|--------------|------------|---------------|------------|---------------|

| | | | | |
|--------------------------------|---------------|----------------|---------------|----------------|
| Total intangible assets | 91,323 | 125,090 | 91,323 | 125,090 |
|--------------------------------|---------------|----------------|---------------|----------------|

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

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 12.8% before tax (2018: 10.0%) and 10.0% after tax (2018: 7.8%). The annual terminal value growth rate is assumed to be 1.5% (2018: 1.5%). Sparekassen's budget serves as a basis for the calculation.

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 continuous fulfilment of Sparekassen's earnings expectations that were announced in 2017 in connection with the publication of Sparekassen's new four-year strategy "New Ways".

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|---|--------------------|----------------------|-------------------------|-----------------------------|--------------|
| | | 2019 | 2018 | 2019 | 2018 |
| 20 Land and buildings | | | | | |
| Investment property | | | | | |
| Fair value at beginning of year | 158,728 | 124,446 | 7,289 | 8,337 | |
| Additions | 93,652 | 91,819 | 2,052 | 20 | |
| Disposals | 85,380 | 50,512 | 3,033 | 417 | |
| Fair value adjustments for the year | -9,535 | -7,026 | -50 | -651 | |
| Fair value at end of year | 157,465 | 158,728 | 6,258 | 7,289 | |
| Rental income | 16,202 | 9,621 | 12 | 110 | |
| Operating expenses | 4,314 | 4,565 | 478 | 566 | |
| Thereof, operating expenses for investment property not having generated rental income for the year | 1,047 | 820 | 376 | 476 | |
| | | Quoted prices | Observable input | Non-observable input | Total |
| Fair value hierarchy for investment property | | | | | |
| Group 2019 | 0 | 0 | 157,465 | 157,465 | |
| Group 2018 | 0 | 0 | 158,727 | 158,727 | |

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|---|--------------------|----------------|---------------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |
| 20 Land and buildings (continued) | | | | | |
| Owner-occupied property | | | | | |
| Cost at beginning of year | 337,803 | 337,803 | 62,149 | 62,149 | |
| Additions | 6,326 | 0 | 0 | 0 | |
| Disposals | 50,394 | 0 | 0 | 0 | |
| Cost at end of year | 293,735 | 337,803 | 62,149 | 62,149 | |
| Accumulated depreciation and impairment losses at beginning of year | 71,997 | 65,926 | 14,282 | 13,855 | |
| Depreciation for the year | 411 | 1,864 | 411 | 427 | |
| Impairment losses for the year | 800 | 4,207 | 800 | 0 | |
| Disposals for the year | 30,094 | 0 | 0 | 0 | |
| Accumulated depreciation and impairment losses at end of year | 43,114 | 71,997 | 15,493 | 14,282 | |
| Accumulated revaluation at beginning of year | 2,926 | 3,176 | 2,926 | 3,176 | |
| Revaluation for the year | 0 | -250 | 0 | -250 | |
| Accumulated revaluation at end of year | 2,926 | 2,926 | 2,926 | 2,926 | |
| Revalued amount at end of year | 253,547 | 268,732 | 49,582 | 50,793 | |
| If no revaluation had been made, the carrying amount of owner-occupied property would be: | 250,621 | 265,806 | 46,656 | 47,867 | |

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.

Notes

| Note | Amounts in DKK'000 | Quoted prices | Observable input | Non-observable input | Total |
|------|--------------------|---------------|------------------|----------------------|-------|
|------|--------------------|---------------|------------------|----------------------|-------|

20 Land and buildings (continued)

Fair value hierarchy of owner-occupied property

| | | | | |
|------------|---|---|---------|---------|
| Group 2019 | 0 | 0 | 253,547 | 253,547 |
| Group 2018 | 0 | 0 | 268,732 | 268,732 |

Investment properties and owner-occupied properties are measured at fair value/revalued amount calculated using a return-based model which is based on an estimate of prices per square metre and a required rate of return. A required rate of return ranging between 5.9% and 18.2% has been used in measuring properties located on Zealand and Funen and in Jutland (2018: 4.3% and 11.4%). 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 fair value of the property.

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

20 Land and buildings (continued)

| | | | | |
|---|----------------|----------------|----------------|---------------|
| Owner-occupied property, revalued amount at end of year | 253,547 | 268,732 | 49,582 | 50,793 |
| Owner-occupied property, leased assets | 62,820 | 0 | 133,059 | 0 |
| Owner-occupied property, according to balance sheet | 316,367 | 268,732 | 182,641 | 50,793 |

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

21 Other property, plant and equipment

| | | | | |
|----------------------------------|----------------|----------------|----------------|----------------|
| Total cost at beginning of year | 203,470 | 201,477 | 193,645 | 191,652 |
| Additions | 2,333 | 23,166 | 2,333 | 23,166 |
| Disposals | 62,058 | 21,173 | 62,058 | 21,173 |
| Total cost at end of year | 143,745 | 203,470 | 133,920 | 193,645 |

| | | | | |
|---|---------|---------|---------|---------|
| Depreciation and impairment loss at beginning of year | 154,609 | 153,647 | 144,784 | 143,822 |
|---|---------|---------|---------|---------|

| | | | | |
|---|--------|--------|--------|--------|
| Depreciation and impairment losses for the year | 19,747 | 21,736 | 19,747 | 21,736 |
|---|--------|--------|--------|--------|

| | | | | |
|--|--------|--------|--------|--------|
| Reversal of depreciation and impairment losses | 61,959 | 20,774 | 61,959 | 20,774 |
|--|--------|--------|--------|--------|

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Depreciation and impairment losses at end of year | 112,397 | 154,609 | 102,572 | 144,784 |
|--|----------------|----------------|----------------|----------------|

| | | | | |
|------------------------|---------------|---------------|---------------|---------------|
| Carrying amount | 31,348 | 48,861 | 31,348 | 48,861 |
|------------------------|---------------|---------------|---------------|---------------|

| | | | | |
|---|-------|---|-------|---|
| Other property, plant and equipment, according to balance sheet | 2,803 | 0 | 2,803 | 0 |
|---|-------|---|-------|---|

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Other property, plant and equipment, leased assets | 34,151 | 48,861 | 34,151 | 48,861 |
|---|---------------|---------------|---------------|---------------|

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|---|--------------------|----------|----------------|----------------------|----------|
| | | 2019 | 2018 | 2019 | 2018 |
| 22 Lease assets and liabilities | | | | | |
| Group as lessee | | | | | |
| Lease assets | | | | | |
| Owner-occupied property | 62,820 | - | 133,059 | - | - |
| Cars | 1,324 | - | 1,324 | - | - |
| Other property, plant and equipment | 1,479 | - | 1,479 | - | - |
| Total, at period-end | 65,623 | - | 135,862 | - | - |
| Depreciation of lease assets | | | | | |
| Owner-occupied property | 19,941 | - | 33,585 | - | - |
| Cars | 903 | - | 903 | - | - |
| Other property, plant and equipment | 1,102 | - | 1,102 | - | - |
| Total depreciation | 21,946 | - | 35,590 | - | - |
| Additions for the period, lease assets | | | | | |
| Owner-occupied property | 1,077 | - | 1,142 | - | - |
| Cars | 1,167 | - | 1,167 | - | - |
| Other property, plant and equipment | 123 | - | 123 | - | - |
| Total additions for the period | 2,367 | - | 2,433 | - | - |
| Cash outflow on leases | | | | | |
| Less than 1 year | 21,952 | - | 33,790 | - | - |
| From 1 and 2 years | 20,559 | - | 32,063 | - | - |
| From 2 to 3 years | 10,120 | - | 18,378 | - | - |
| From 3 to 4 years | 6,879 | - | 15,122 | - | - |
| From 4 to 5 years | 4,077 | - | 12,320 | - | - |
| More than 5 years | 5,480 | - | 33,983 | - | - |
| Total cash outflow | 69,067 | - | 145,657 | - | - |

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|--|--------------------|----------|----------------|----------------------|----------|
| | | 2019 | 2018 | 2019 | 2018 |
| 22 Lease assets and liabilities (continued) | | | | | |
| Short-term lease liabilities | | | | | |
| Owner-occupied property | 20,088 | - | 31,825 | - | - |
| Cars | 691 | - | 691 | - | - |
| Other property, plant and equipment | 993 | - | 993 | - | - |
| Total | 21,772 | - | 33,509 | - | - |
| Long-term lease liabilities | | | | | |
| Owner-occupied property | 43,601 | - | 102,915 | - | - |
| Cars | 630 | - | 630 | - | - |
| Other property, plant and equipment | 486 | - | 486 | - | - |
| Total | 44,717 | - | 104,031 | - | - |
| Total lease liabilities, at period-end | 66,489 | - | 137,540 | - | - |
| Total interest expenses regarding lease liabilities | 1,417 | - | 2,970 | - | - |
| Total cash flow from leases | 22,494 | - | 36,879 | - | - |

Sparekassen has implemented IFRS 16 effective from 1 January 2019 and has opted for early adoption of the Danish FSA's amending executive order no 1441 of 3 December 2018 so that leases will be recognised and measured in the same manner at parent level as well as at group level.

The effect of the implementation of IFRS 16 on Sparekassen's opening balance sheet is disclosed in "Summary of significant accounting policies". Comparative figures will not be restated.

Leases on low-value assets are included in other property, plant and equipment. Sparekassen has no short-term leases.

Intra-group leases

As the recognised value of the lease asset and the lease liability is not reduced at the same pace in straight-line depreciation of the asset and non-straight-line reduction of the liability because of the amortisation, the profit or loss and equity of the Parent and the Group will differ. Over the lease term, the difference will be nil. Sparekassen will make eliminations for purposes of mitigating this difference. As these leases are eliminated in the consolidated financial statements, only the Parent will be affected.

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|--|---|----------------|----------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |
| 22 Lease assets and liabilities (continued) | | | | | |
| | 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 | | | | | |
| Opening balance | 567,141 | 519,485 | 0 | 0 | |
| Additions | 402,522 | 268,625 | 0 | 0 | |
| Disposals | 252,614 | 220,969 | 0 | 0 | |
| Total | 717,049 | 567,141 | 0 | 0 | |
| By term to maturity | | | | | |
| Up to 1 year | 175,273 | 149,713 | 0 | 0 | |
| More than 1 year and up to 5 years | 495,748 | 387,284 | 0 | 0 | |
| More than 5 years | 46,028 | 30,144 | 0 | 0 | |
| Total | 717,049 | 567,141 | 0 | 0 | |
| Gross investments | | | | | |
| Up to 1 year | 195,393 | 166,461 | 0 | 0 | |
| From 1 to 2 years | 191,333 | 157,254 | 0 | 0 | |
| From 2 to 3 years | 152,827 | 124,023 | 0 | 0 | |
| From 3 to 4 years | 111,193 | 79,217 | 0 | 0 | |
| From 4 to 5 years | 72,874 | 51,704 | 0 | 0 | |
| More than 5 years | 47,751 | 31,118 | 0 | 0 | |
| Total | 771,371 | 609,777 | 0 | 0 | |
| Unearned finance income | 54,322 | 42,636 | 0 | 0 | |
| Interest on finance leases | 25,720 | 22,284 | 0 | 0 | |
| Profit from sale of lease assets | 2,119 | 1,777 | 0 | 0 | |

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|---|--------------------|----------------|----------------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |
| 23 Deferred tax assets/liabilities | | | | | |
| Deferred tax at beginning of year | 175,689 | 162,718 | 165,626 | 152,160 | |
| Change in opening balance of deferred tax, IFRS 9 | 0 | 30,733 | 0 | 30,121 | |
| Change in deferred tax for the year | -33,651 | -26,362 | -29,438 | -23,494 | |
| Adjustment of deferred tax asset, written down | 21,715 | 8,600 | 18,882 | 6,839 | |
| Net deferred tax assets at end of year | 163,753 | 175,689 | 155,070 | 165,626 | |
| Deferred tax assets | 163,753 | 175,689 | 155,070 | 165,626 | |
| Deferred tax liabilities | 0 | 0 | 0 | 0 | |
| Net deferred tax at end of year | 163,753 | 175,689 | 155,070 | 165,626 | |

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

Notes

| Note | Amounts in DKK'000 | Deferred tax at beginning of year | Recognised in profit/loss for the year | Recognised in other comprehensive income | Deferred tax at end of year |
|-----------|--|-----------------------------------|--|--|-----------------------------|
| 23 | Deferred tax assets/liabilities (continued) | | | | |
| | Change in deferred tax Group 2019 | | | | |
| | Opening balance of deferred tax, IFRS 9 | 12,521 | -12,521 | 0 | 0 |
| | Intangible assets | -13,381 | -9 | 0 | -13,390 |
| | Other intangible assets, customer lists | -3,635 | 3,635 | 0 | 0 |
| | Machinery and equipment | 2,151 | 803 | 0 | 2,954 |
| | Properties | -2,565 | -194 | 4 | -2,755 |
| | Loans, leases | -1,710 | -375 | 0 | -2,085 |
| | Other | 12,511 | -3,279 | 0 | 9,232 |
| | Tax loss | 276,776 | -21,715 | 0 | 255,061 |
| | Deferred tax asset, written down | -106,979 | 21,715 | 0 | -85,264 |
| | Total | 175,689 | -11,940 | 4 | 163,753 |
| | Group 2018 | | | | |
| | Opening balance of deferred tax, IFRS 9 | 30,733 | -18,212 | 0 | 12,521 |
| | Intangible assets | -13,381 | 0 | 0 | -13,381 |
| | Other intangible assets, customer lists | -6,222 | 2,587 | 0 | -3,635 |
| | Machinery and equipment | 1,677 | 474 | 0 | 2,151 |
| | Properties | -465 | -2,104 | 4 | -2,565 |
| | Loans, leases | -650 | -1,060 | 0 | -1,710 |
| | Other | 11,962 | 549 | 0 | 12,511 |
| | Tax loss | 285,375 | -8,599 | 0 | 276,776 |
| | Deferred tax asset, written down | -115,579 | 8,600 | 0 | -106,979 |
| | Total | 193,451 | -17,766 | 4 | 175,689 |

| Note | Amounts in DKK'000 | Deferred tax at beginning of year | Recognised in profit/loss for the year | Recognised in other comprehensive income | Deferred tax at end of year |
|-----------|---|-----------------------------------|--|--|-----------------------------|
| 23 | Deferred tax assets/liabilities (continued) | | | | |
| | Change in deferred tax Sparekassen (Parent) 2019 | | | | |
| | Opening balance of deferred tax, IFRS 9 | 12,521 | -12,521 | 0 | 0 |
| | Intangible assets | -13,381 | -9 | 0 | -13,390 |
| | Other intangible assets, customer lists | -3,635 | 3,635 | 0 | 0 |
| | Machinery and equipment | 1,898 | 866 | 0 | 2,764 |
| | Properties | -290 | 0 | 4 | -286 |
| | Other | 13,618 | -2,531 | 0 | 11,087 |
| | Tax loss | 211,389 | -18,882 | 0 | 192,507 |
| | Deferred tax asset, written down | -56,494 | 18,882 | 0 | -37,612 |
| | Total | 165,626 | -10,560 | 4 | 155,070 |
| | Sparekassen (Parent) 2018 | | | | |
| | Opening balance of deferred tax, IFRS 9 | 30,121 | -17,600 | 0 | 12,521 |
| | Intangible assets | -13,381 | 0 | 0 | -13,381 |
| | Other intangible assets, customer lists | -6,222 | 2,587 | 0 | -3,635 |
| | Machinery and equipment | 1,677 | 221 | 0 | 1,898 |
| | Properties | -288 | -6 | 4 | -290 |
| | Other | 15,480 | -1,862 | 0 | 13,618 |
| | Tax loss | 218,227 | -6,838 | 0 | 211,389 |
| | Deferred tax asset, written down | -63,333 | 6,839 | 0 | -56,494 |
| | Total | 182,281 | -16,659 | 4 | 165,626 |

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

24 Temporarily held assets

| | | | | |
|-------------------------|----|---|---|---|
| Temporarily held assets | 0 | 0 | 0 | 0 |
| Loss/profit from sale | 88 | 0 | 0 | 0 |

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.

25 Other assets

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Positive market value of derivatives | 25,318 | 19,826 | 25,318 | 19,826 |
| Various receivables | 39,722 | 37,375 | 7,954 | 343 |
| Interest and commission receivable | 14,317 | 24,479 | 14,085 | 24,190 |
| Other assets | 147,507 | 128,654 | 139,535 | 127,747 |
| Total | 226,864 | 210,334 | 186,892 | 172,106 |
| Amounts expected to be recovered/ settled after 12 months | 118,743 | 141,757 | 118,743 | 141,757 |
| Amounts expected to be recovered/ settled within 12 months | 108,121 | 68,577 | 68,149 | 30,349 |

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

26 Amounts owed to credit institutions and central banks

| | | | | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| Amounts owed to central banks | 0 | 0 | 0 | 0 |
| Amounts owed to credit institutions | 525,436 | 425,191 | 524,210 | 423,810 |
| Total | 525,436 | 425,191 | 524,210 | 423,810 |

By time to maturity:

| | | | | |
|-------------------------|----------------|----------------|----------------|----------------|
| Debt payable on demand | 524,210 | 423,810 | 524,210 | 423,810 |
| Up to 3 months | 31 | 0 | 0 | 0 |
| From 3 months to 1 year | 129 | 150 | 0 | 0 |
| From 1 year to 5 years | 640 | 600 | 0 | 0 |
| More than 5 years | 426 | 631 | 0 | 0 |
| Total | 525,436 | 425,191 | 524,210 | 423,810 |

27 Deposits and other debt

| | | | | |
|-------------------------|-------------------|-------------------|-------------------|-------------------|
| On demand | 17,195,008 | 16,798,455 | 17,257,770 | 16,811,830 |
| At notice | 14,762 | 18,169 | 14,762 | 18,169 |
| Time deposits | 4,489 | 4,565 | 4,489 | 4,565 |
| Special deposits | 1,485,324 | 1,401,760 | 1,485,324 | 1,401,760 |
| Total | 18,699,583 | 18,222,949 | 18,762,345 | 18,236,324 |
| Debt payable on demand | 17,232,139 | 16,839,277 | 17,294,901 | 16,852,652 |
| Deposits at notice: | | | | |
| Up to 3 months | 155,801 | 144,299 | 155,801 | 144,299 |
| From 3 months to 1 year | 26,887 | 25,679 | 26,887 | 25,679 |
| From 1 year to 5 years | 150,451 | 132,528 | 150,451 | 132,528 |
| More than 5 years | 1,134,305 | 1,081,166 | 1,134,305 | 1,081,166 |
| Total | 18,699,583 | 18,222,949 | 18,762,345 | 18,236,324 |

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|---|--------------------|----------------|----------------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |
| 28 Other liabilities | | | | | |
| Various payables | 115,416 | 97,690 | 84,105 | 87,233 | |
| Negative market value of derivatives | 26,082 | 22,486 | 26,082 | 22,486 | |
| Lease commitments | 66,489 | - | 137,540 | - | |
| Interest and commission payable | 15,297 | 14,125 | 15,297 | 14,125 | |
| Other liabilities | 116,383 | 127,185 | 116,382 | 104,724 | |
| Total | 339,667 | 261,486 | 379,406 | 228,568 | |
| Amounts expected to be settled within 12 months | 251,607 | 201,012 | 232,867 | 192,184 | |
| Amounts expected to be settled after 12 months | 88,060 | 60,474 | 146,539 | 36,384 | |
| 29 Provisions | | | | | |
| Provisions for losses on guarantees etc | 64,795 | 61,096 | 64,795 | 61,096 | |
| Other provisions | 11,416 | 10,512 | 11,416 | 10,512 | |
| Total | 76,211 | 71,608 | 76,211 | 71,608 | |
| Provisions for losses on guarantees | | | | | |
| Balance at beginning of year | | 55,905 | | 55,905 | |
| Adjustment resulting from change in accounting policies effective from 1 January 2018 | | 21,404 | | 21,404 | |
| Provisions at 1 January 2018 | | 77,309 | | 77,309 | |
| Balance at beginning of year | 61,096 | | 61,096 | | |
| New provisions (net) | 4,418 | -16,213 | 4,418 | -16,213 | |
| Other changes | 0 | 0 | 0 | 0 | |
| Finally written off | 719 | 0 | 719 | 0 | |
| Provisions for losses on guarantees at end of year | 64,795 | 61,096 | 64,795 | 61,096 | |
| By time to maturity. | | | | | |
| Up to 1 year | 12,414 | 10,219 | 12,414 | 10,219 | |
| From 1 year to 5 years | 5,543 | 3,099 | 5,543 | 3,099 | |
| More than 5 years | 46,838 | 47,778 | 46,838 | 47,778 | |
| Total | 64,795 | 61,096 | 64,795 | 61,096 | |

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|--|--------------------|--------------|--------------|----------------------|-------|
| | | 2019 | 2018 | 2019 | 2018 |
| 29 Provisions (continued) | | | | | |
| Provisions for losses on committed facilities and undrawn credit lines | | | | | |
| Balance at beginning of year | | | 0 | | 0 |
| Adjustment resulting from change in accounting policies effective from 1 January 2018 | | | 7,130 | | 7,130 |
| Provisions at 1 January 2018 | | | 7,130 | | 7,130 |
| Balance at beginning of year | 6,087 | | 6,087 | | |
| New provisions (net) | 2,369 | -1,043 | 2,369 | -1,043 | |
| Other changes | 0 | 0 | 0 | 0 | |
| Finally written off | 0 | 0 | 0 | 0 | |
| Provisions for losses on committed facilities and undrawn credit lines at end of year | 8,457 | 6,087 | 8,457 | 6,087 | |
| By time to maturity: | | | | | |
| Up to 1 year | 8,457 | 6,087 | 8,457 | 6,087 | |
| From 1 year to 5 years | 0 | 0 | 0 | 0 | |
| More than 5 years | 0 | 0 | 0 | 0 | |
| Total | 8,457 | 6,087 | 8,457 | 6,087 | |
| Other provisions | | | | | |
| Balance at beginning of year | 4,425 | 14,794 | 4,425 | 14,794 | |
| New provisions (net) | -1,466 | -10,369 | -1,466 | -10,369 | |
| Other changes | 0 | 0 | 0 | 0 | |
| Finally written off | 0 | 0 | 0 | 0 | |
| Other provisions at end of year | 2,959 | 4,425 | 2,959 | 4,425 | |
| By time to maturity: | | | | | |
| Up to 1 year | 0 | 0 | 0 | 0 | |
| From 1 year to 5 years | 2,959 | 4,425 | 2,959 | 4,425 | |
| More than 5 years | 0 | 0 | 0 | 0 | |
| Total | 2,959 | 4,425 | 2,959 | 4,425 | |

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

Notes

| Note | Amounts in DKK'000 | Current rate of interest | Sparekassen (Group/Parent) | |
|---|----------------------|--------------------------|-------------------------------|---------|
| | | | 2019 | 2018 |
| 30 Subordinated loan capital | | | | |
| Supplementary capital | | | | |
| Floating interest rate, maturing in July 2024, may be repaid early in 2019. ²⁾ | 7.81 % ¹⁾ | - | - | 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 | 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 | 50,000 | 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 | 50,000 | 50,000 |
| From 2022 to 2027, the interest rate will be six months' CIBOR + 4.39% with half-yearly adjustment. | | | | |
| Floating interest rate, maturing in June 2028, may be repaid early in 2023. | 4.50 % ¹⁾ | 130,000 | 130,000 | 130,000 |
| From 2023 to 2028, the interest rate will be six months' CIBOR + 4.11% with half-yearly adjustment. | | | | |
| Floating interest rate, maturing in November 2028, may be repaid early in 2023. | 4.75 % ¹⁾ | 41,000 | 41,000 | 41,000 |
| From 2023 to 2028, the interest rate will be six months' CIBOR + 4.24% with half-yearly adjustment. | | | | |
| Floating interest rate, maturing in June 2029, may be repaid early in 2024. | 4.50 % ¹⁾ | 150,000 | - | - |
| From 2024 to 2029, the interest rate will be six months' CIBOR + 4.64% with half-yearly adjustment. | | | | |
| Floating interest rate, maturing in December 2029, may be repaid early in 2024. | 4.45 % ¹⁾ | 152,000 | - | - |
| From 2024 to 2029, the interest rate will be six months' CIBOR + 4.51% with half-yearly adjustment. | | | | |
| Other ³⁾ | | | | |

| Note | Amounts in DKK'000 | Current rate of interest | Sparekassen (Group/Parent) | |
|---|--------------------|--------------------------|-------------------------------|----------------|
| | | | 2019 | 2018 |
| 30 Subordinated loan capital | | | | |
| Supplementary capital | | | | |
| Total supplementary capital | | | 678,000 | 458,000 |
| Total hybrid capital | | | 0 | 0 |
| Total subordinated loan capital | | | 678,000 | 458,000 |
| Costs of establishment are charged to profit or loss over the expected term to maturity | | | 4,859 | 3,501 |
| Total subordinated loan capital according to the balance sheet | | | 673,141 | 454,499 |

30 Subordinated loan capital (continued)

Hybrid capital reclassified to equity

| | | | |
|---|----------------------|----------------|----------------|
| Floating interest rate, indefinite term to maturity, may be repaid early in 2022. ²⁾ | 6.75 % ¹⁾ | 55,000 | 55,000 |
| From 2022, the interest rate will be six months' CIBOR + 6.39% with half-yearly adjustment. | | | |
| Floating interest rate, indefinite term to maturity, may be repaid early in 2023. ²⁾ | 6.50 % ¹⁾ | 280,000 | 280,000 |
| From 2023, the interest rate will be six months' CIBOR + 6.11% with half-yearly adjustment. | | | |
| Floating interest rate, indefinite term to maturity, may be repaid early in 2023 ²⁾ | 6.25 % ¹⁾ | 41,000 | 41,000 |
| From 2023, the interest rate will be six months' CIBOR + 5.74% with half-yearly adjustment. | | | |
| Total hybrid capital, reclassified to equity | | 376,000 | 376,000 |

| | | | |
|--|--|-----------|---------|
| Subordinated loan capital included in the calculation of capital resources | | 1,049,141 | 830,499 |
|--|--|-----------|---------|

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.

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|--|--------------------|--------|---------|----------------------|---------|
| | | 2019 | 2018 | 2019 | 2018 |
| 30 Subordinated loan capital (continued) | | | | | |
| Interest etc on subordinated loan capital | | | | | |
| Interest (excluding interest on reclassified hybrid core capital recognised in equity) | | 29,730 | 32,545 | 29,730 | 32,545 |
| Extraordinary instalments/repayments/conversions | | 82,000 | 118,520 | 82,000 | 118,520 |
| Expenses for raising subordinated loan capital | | 2,671 | 2,086 | 2,671 | 2,086 |
| 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 1,049,141k compared to DKK 830,499k in 2018.

In 2019, Sparekassen repaid DKK 82,000k in supplementary capital compared to DKK 118,520 in 2018.

| Note | Amounts in DKK'000 | Number of shares | | Nominal value (DKK'000) | |
|---|--------------------|-------------------|----------------|-------------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |
| 31 Share capital | | | | | |
| Share capital, Sparekassen Sjælland-Fyn A/S | 17,374,973 | 13,031,230 | 173,750 | 130,312 | |
| Increase of share capital | 0 | 4,343,743 | 0 | 43,437 | |
| Total | 17,374,973 | 17,374,973 | 173,750 | 173,750 | |

| | Number of shares | Nominal value (DKK'000) | Participation % |
|--------------------------------------|------------------|-------------------------|-----------------|
| Treasury shares | | | |
| Treasury shares at 1.1.2018 | 0 | 0 | 0,0 |
| Purchased | 11,000 | 110 | 0,1 |
| Sold | 1,735 | 17 | 0,0 |
| Treasury shares at 31.12.2018 | 9,265 | 93 | 0,1 |
| Purchased | 121,724 | 1,217 | 0,7 |
| Sold | 72,000 | 720 | 0,4 |
| Treasury shares at 31.12.2019 | 58,989 | 590 | 0,3 |

Total purchase price DKK 11,325k (2018: DKK 1,154k)
Total selling price DKK 6,590k (2018: DKK 170k)

The share capital consists of 17,374,973 shares of a nominal value of DKK 10. The shares have been fully paid up. The shares have not been divided into classes and carry no special rights. Sparekassen holds 58,989 treasury shares (2018: 9,265), corresponding to 0.34% of the share capital (2018: 0.1%). 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 2019 for DKK 6m in market value.

Notes

| Note | Amounts in DKK'000 | 2019 | 2018 |
|--|--------------------|-------------------|-------------------|
| 31 Share capital (continued) | | | |
| Earnings per share | | | |
| The Parent Sparekassen Sjælland-Fyn A/S, shareholders' share | | 202,249 | 148,127 |
| Average number of shares (units) | | 17,374,973 | 15,987,871 |
| Average number of treasury shares | | 34,127 | 4,633 |
| Average number of shares outstanding | | 17,340,846 | 15,983,239 |
| Share options outstanding, average dilution effect | | 0 | 0 |
| Average number of shares outstanding (diluted) | | 17,340,846 | 15,983,239 |
| Earnings per share (DKK) | | 11.7 | 9.3 |
| Diluted earnings per share (DKK) | | 11.7 | 9.3 |

32 Shareholder information

At 31 December 2019, Sparekassen Sjælland-Fyn has registered the following shareholders to hold between 5% and 9.99% of the voting rights or nominal value of the share capital:

2019

Sydbank A/S Aabenraa
 AP Pension Livsforsikringsaktieselskab, Copenhagen
 Købstædernes Forsikring, Gensidig

2018

Fonden for Sparekassen Sjælland, Holbæk
 AP Pension Livsforsikringsaktieselskab, Copenhagen
 Sydbank A/S, Aabenraa

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|---|--------------------|------------------|------------------|----------------------|------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| 33 Contingent liabilities and assets | | | | | |
| Contingent liabilities | | | | | |
| Finance guarantees | | 233,270 | 1,237,861 | 255,870 | 1,268,461 |
| Loss guarantees for mortgage loans | | 2,564,684 | 2,402,119 | 2,564,684 | 2,402,118 |
| Property registration and conversion guarantees | | 72,014 | 87,343 | 72,014 | 87,343 |
| Other contingent liabilities | | 3,867,787 | 1,630,001 | 3,867,787 | 1,710,681 |
| Total | | 6,737,755 | 5,357,324 | 6,760,355 | 5,468,603 |

Totalkredit guarantees has been moved from finance guarantees to other contingent liabilities in 2019. Other contingent liabilities hereafter include Totalkredit guarantees, performance guarantees and other contingent liabilities, including commitments towards the Danish Deposit Guarantee Fund (guarantee fund).

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 Investeringsselskabet Sjælland-Fyn A/S and Leasing Fyn Faaborg A/S, Sparekassen Sjælland-Fyn A/S is jointly registered for VAT and payroll tax.

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

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

33 Contingent liabilities and assets (continued)

Contingent assets

| | | | | |
|----------------------------------|--------|---------|--------|--------|
| Deferred tax asset, written down | 85,264 | 106,978 | 37,612 | 56,494 |
|----------------------------------|--------|---------|--------|--------|

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 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

34 Assets provided as collateral

| | | | | |
|--|------------------|----------------|------------------|----------------|
| Bonds deposited with Danmarks Nationalbank, clearing centres etc | 1,138,504 | 935,928 | 1,138,504 | 935,928 |
| Cash deposited with credit institutions, CSA agreements | 22,696 | 22,902 | 22,696 | 22,902 |
| Loss limit towards the Danish Growth Fund | 262 | 291 | 262 | 291 |
| Total assets provided as collateral | 1,161,462 | 959,121 | 1,161,462 | 959,121 |

Unencumbered deposited securities may be discharged on demand.

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

35 Capital resources

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Equity excluding hybrid core capital | 2,851,461 | 2,697,420 | 2,851,461 | 2,697,420 |
| Intangible assets | -91,323 | -125,090 | -91,323 | -125,090 |
| Deferred tax assets | -163,753 | -175,689 | -155,070 | -165,626 |
| Proposed dividend | -52,125 | -43,437 | -52,125 | -43,437 |
| Deduction, capital instruments exceeding 10% | -209,744 | -174,878 | -208,672 | -173,404 |
| Other additions/deductions | 96,634 | 116,644 | 98,678 | 121,319 |
| Common Equity Tier 1 capital | 2,431,150 | 2,294,970 | 2,442,949 | 2,311,182 |

| | | | | |
|---------------------|---------|---------|---------|---------|
| Hybrid core capital | 376,000 | 376,000 | 376,000 | 376,000 |
|---------------------|---------|---------|---------|---------|

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Core capital (including hybrid core capital) net of primary deductions | 2,807,150 | 2,670,970 | 2,818,949 | 2,687,182 |
|---|------------------|------------------|------------------|------------------|

| | | | | |
|-----------------------|---------|---------|---------|---------|
| Supplementary capital | 673,141 | 454,499 | 673,141 | 454,499 |
|-----------------------|---------|---------|---------|---------|

| | | | | |
|--------------------------|------------------|------------------|------------------|------------------|
| Capital resources | 3,480,291 | 3,125,469 | 3,492,090 | 3,141,681 |
|--------------------------|------------------|------------------|------------------|------------------|

Risk exposures

| | | | | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| Credit risk | 14,374,537 | 14,621,223 | 14,610,040 | 14,765,100 |
| Market risk | 1,112,212 | 1,202,515 | 1,112,309 | 1,203,013 |
| Operational risk | 1,856,049 | 1,814,764 | 1,805,486 | 1,764,583 |
| Total risk exposures | 17,342,798 | 17,638,502 | 17,527,835 | 17,732,696 |

| | | | | |
|------------------------------------|------|------|------|------|
| Capital ratio | 20.1 | 17.7 | 19.9 | 17.7 |
| Core capital ratio | 16.2 | 15.1 | 16.1 | 15.2 |
| Common Equity Tier 1 capital ratio | 14.0 | 13.0 | 13.9 | 13.0 |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Capital resources, requirement under Section 124(2) of the Danish Financial Business Act | 1,387,424 | 1,411,080 | 1,402,227 | 1,418,616 |
|--|-----------|-----------|-----------|-----------|

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

35 Capital resources (continued)

Sparekassen applies the transitional scheme in the implementation of IFRS 9.

Under the transitional scheme, Sparekassen may phase in the negative consequences of IFRS 9 into the capital resources over a five-year period.

Common Equity Tier 1 capital

| | | | | |
|--|------------|------------|------------|------------|
| Core capital (including hybrid core capital) net of primary deductions | 2,331,300 | 2,183,373 | 2,343,099 | 2,199,585 |
| Capital resources | 2,707,300 | 2,559,373 | 2,719,099 | 2,575,585 |
| Capital resources | 3,380,441 | 3,013,872 | 3,392,240 | 3,030,084 |
| Total risk exposures | 17,305,825 | 17,636,361 | 17,494,197 | 17,737,813 |
| Capital ratio | 19.5 | 17.1 | 19.4 | 17.1 |
| Core capital ratio | 15.6 | 14.5 | 15.5 | 14.5 |
| Common Equity Tier 1 capital ratio | 13.5 | 12.4 | 13.4 | 12.4 |

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 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 30.

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.

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

36 Related parties

The amount of loans, mortgages, recourse and non-recourse guarantees as well as related collateral security established for the members of Management listed below:

Executive Board

| | | | | |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| Loans and non-recourse guarantees | 678 | 628 | 678 | 628 |
| Interest rate for loans | 5.00 % - 7.00 % | 5.00 % - 7.00 % | 5.00 % - 7.00 % | 5.00 % - 7.00 % |

Board of Directors

| | | | | |
|-----------------------------------|-----------------|------------------|-----------------|------------------|
| Loans and non-recourse guarantees | 45,838 | 40,822 | 45,838 | 40,822 |
| Interest rate for loans | 1.05 % - 14.5 % | 1.05 % - 13.50 % | 1.05 % - 14.5 % | 1.05 % - 13.50 % |

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 | 500 | 2,255 |

The transactions cover consultancy services from Kullegaard Arkitekter A/S, in which Chairman Thomas Kullegaard is Partner and Board Member, management services from Hvidt & Partnere, in which Board Member Per Bjørnsholm (resigned from the board in 2019) is Partner, and trade assistance from HM Gruppen A/S, in which Vice-Chairman Jakob N. Andersson serves as Board Member and Financial Manager. All related party transactions have been conducted on an arm's length basis.

Members of the Board of Directors and the Executive Board have been granted pre-emption rights in connection with Sparekassen's share issue on equal terms with other shareholders.

Notes

| Note | Amounts in DKK'000 | Associates and jointly controlled enterprises | | Group enterprises | |
|--|--------------------|---|---------|-------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |
| 36 Related parties (continued) | | | | | |
| Balances and transactions with: | | | | | |
| Loans and other amounts owed | 30,677 | 28,072 | 951,458 | 792,109 | |
| Deposits and other debt | 19,839 | 49,479 | 98,564 | 49,822 | |
| Interest, loans and advances | 507 | 463 | 15,793 | 12,888 | |
| Interest, deposits and other debt | 48 | 0 | 0 | 0 | |
| Rent | 0 | 0 | 14,904 | 17,942 | |
| Commission and fee income | 0 | 0 | 1,252 | 731 | |
| Management fee, income | 60 | 33 | 1,739 | 2,966 | |
| Guarantees | 8,960 | 7,308 | 22,600 | 30,600 | |
| Investments/dividend | | | 4,425 | 42,222 | |

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.

There are not credit-impaired related parties (Stage 3).

| Note | 2019 | 2018 | Change in number |
|--|--------|--------|------------------|
| 37 Shares held by the Board of Directors and the Executive Board at end of year | | | |
| Board of Directors | | | |
| Thomas Kullegaard | 16,667 | 14,321 | 2,346 |
| Jakob Nørrekjær Andersson | 14,189 | 10,959 | 3,230 |
| Per Olsen | 5,348 | 5,348 | 0 |
| Erik Larsen | 4,612 | 4,108 | 504 |
| Helle Lindhof Bjørnøe | 3,188 | 2,672 | 516 |
| Bent Andersen | 2,341 | 626 | 1,715 |
| Kirsten Hede Nielsen | 2,134 | - | 2,134 |
| Otto Spliid | 1,549 | 400 | 1,149 |
| Mads Wallin | 768 | 768 | 0 |
| Executive Board | | | |
| Lars Petersson | 14,865 | 11,590 | 3,275 |
| Bruno Riis-Nielsen | 8,024 | 8,024 | 0 |
| Lars Bolding | 8,000 | | 8,000 |

Calculated inclusive of related parties. Sparekassen has not issued share options, warrants or convertible bonds to either the Board of Directors or the Executive Board.

Notes

Group 2019

| Note | Amounts in DKK'000 | Nominal value | Net market value | Positive market value | Negative market value |
|--|--------------------|---------------|------------------|-----------------------|-----------------------|
| 38 Derivatives | | | | | |
| Currency contracts | | | | | |
| Forward contracts, purchases | 18,121 | -274 | 58 | 332 | |
| Forward contracts, sales | 175,951 | 620 | 672 | 52 | |
| 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 | 358 | 1,688 | 1,857 | 169 | |
| Forward contracts, sales | 358 | -293 | 320 | 613 | |
| Interest rate swaps | 478,147 | -2,749 | 21,804 | 24,553 | |
| Unsettled spot transactions, certificates, purchases | 47,140 | -45 | 85 | 130 | |
| Unsettled spot transactions, certificates, sales | 91,046 | 272 | 290 | 18 | |
| Share contracts | | | | | |
| Forward contracts, purchases | 0 | 0 | 0 | 0 | |
| Forward contracts, sales | 0 | 0 | 0 | 0 | |
| Unsettled spot transactions, purchases | 10,814 | -93 | 63 | 156 | |
| Unsettled spot transactions, sales | 11,159 | 110 | 169 | 59 | |
| Other derivative contracts | | | | | |
| Options, acquired | 0 | 0 | 0 | 0 | |
| Options, issued | 0 | 0 | 0 | 0 | |
| Total derivatives | 833,094 | -764 | 25,318 | 26,082 | |

Group 2018

| Note | Amounts in DKK'000 | Nominal value | Net market value | Positive market value | Negative market value |
|--|--------------------|---------------|------------------|-----------------------|-----------------------|
| 38 Derivatives (continued) | | | | | |
| Currency contracts | | | | | |
| Forward contracts, purchases | 41,189 | -1,532 | 195 | 1,727 | |
| Forward contracts, sales | 339,056 | 757 | 1,420 | 663 | |
| Currency swaps | 0 | 0 | 0 | 0 | |
| Unsettled spot transactions, purchases | 827 | 0 | 0 | 0 | |
| Unsettled spot transactions, sales | 0 | 0 | 0 | 0 | |
| Interest rate contracts | | | | | |
| Forward contracts, purchases | 188 | 2,149 | 2,161 | 12 | |
| Forward contracts, sales | 375 | -1,078 | 387 | 1,465 | |
| Interest rate swaps | 446,089 | -3,011 | 15,418 | 18,429 | |
| Unsettled spot transactions, certificates, purchases | 13,047 | 15 | 15 | 0 | |
| Unsettled spot transactions, certificates, sales | 30,553 | -16 | 21 | 37 | |
| Share contracts | | | | | |
| Forward contracts, purchases | 0 | 0 | 0 | 0 | |
| Forward contracts, sales | 0 | 0 | 0 | 0 | |
| Unsettled spot transactions, purchases | 7,161 | 119 | 162 | 43 | |
| Unsettled spot transactions, sales | 7,349 | -63 | 47 | 110 | |
| Other derivative contracts | | | | | |
| Options, acquired | 0 | 0 | 0 | 0 | |
| Options, issued | 0 | 0 | 0 | 0 | |
| Total derivatives | 885,834 | -2,660 | 19,826 | 22,486 | |

2019 **2018**

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

| | | |
|-------------------|--------|--------|
| Other assets | 25,318 | 19,826 |
| Other liabilities | 26,082 | 22,486 |

Notes

Sparekassen (Parent) 2019

| Note | Amounts in DKK'000 | Nominal value | Net market value | Positive market value | Negative market value |
|-----------------------------------|--|----------------|------------------|-----------------------|-----------------------|
| 38 Derivatives (continued) | | | | | |
| Currency contracts | | | | | |
| | Forward contracts, purchases | 18,121 | -274 | 58 | 332 |
| | Forward contracts, sales | 175,951 | 620 | 672 | 52 |
| | 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 | 358 | 1,688 | 1,857 | 169 |
| | Forward contracts, sales | 358 | -293 | 320 | 613 |
| | Interest rate swaps | 478,147 | -2,749 | 21,804 | 24,553 |
| | Unsettled spot transactions, certificates, purchases | 47,140 | -45 | 85 | 130 |
| | Unsettled spot transactions, certificates, sales | 91,046 | 272 | 290 | 18 |
| Share contracts | | | | | |
| | Forward contracts, purchases | 0 | 0 | 0 | 0 |
| | Forward contracts, sales | 0 | 0 | 0 | 0 |
| | Unsettled spot transactions, purchases | 10,814 | -93 | 63 | 156 |
| | Unsettled spot transactions, sales | 11,159 | 110 | 169 | 59 |
| Other derivative contracts | | | | | |
| | Options, acquired | 0 | 0 | 0 | 0 |
| | Options, issued | 0 | 0 | 0 | 0 |
| | Total derivatives | 833,094 | -764 | 25,318 | 26,082 |

Sparekassen (Parent) 2018

| Note | Amounts in DKK'000 | Nominal value | Net market value | Positive market value | Negative market value |
|-----------------------------------|--|----------------|------------------|-----------------------|-----------------------|
| 38 Derivatives (continued) | | | | | |
| Currency contracts | | | | | |
| | Forward contracts, purchases | 41,189 | -1,532 | 195 | 1,727 |
| | Forward contracts, sales | 339,056 | 757 | 1,420 | 663 |
| | Currency swaps | 0 | 0 | 0 | 0 |
| | Unsettled spot transactions, purchases | 827 | 0 | 0 | 0 |
| | Unsettled spot transactions, sales | 0 | 0 | 0 | 0 |
| Interest rate contracts | | | | | |
| | Forward contracts, purchases | 188 | 2,149 | 2,161 | 12 |
| | Forward contracts, sales | 375 | -1,078 | 387 | 1,465 |
| | Interest rate swaps | 446,089 | -3,011 | 15,418 | 18,429 |
| | Unsettled spot transactions, certificates, purchases | 13,047 | 15 | 15 | 0 |
| | Unsettled spot transactions, certificates, sales | 30,553 | -16 | 21 | 37 |
| Share contracts | | | | | |
| | Forward contracts, purchases | 0 | 0 | 0 | 0 |
| | Forward contracts, sales | 0 | 0 | 0 | 0 |
| | Unsettled spot transactions, purchases | 7,161 | 119 | 162 | 43 |
| | Unsettled spot transactions, sales | 7,349 | -63 | 47 | 110 |
| Other derivative contracts | | | | | |
| | Options, acquired | 0 | 0 | 0 | 0 |
| | Options, issued | 0 | 0 | 0 | 0 |
| | Total derivatives | 885,834 | -2,660 | 19,826 | 22,486 |

2019 **2018**

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

| | | |
|-------------------|--------|--------|
| Other assets | 25,318 | 19,826 |
| Other liabilities | 26,082 | 22,486 |

Notes

Group 2019, 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 |
|--|--------------------|----------------|-------------------------|------------------------|-------------------|-------------|
| 38 Derivatives (continued) | | | | | | |
| Currency contracts | | | | | | |
| Forward contracts, purchases | -274 | 0 | 0 | 0 | 0 | -274 |
| Forward contracts, sales | 620 | 0 | 0 | 0 | 0 | 620 |
| Currency swaps | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsettled spot transactions, purchases | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsettled spot transactions, sales | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest rate contracts | | | | | | |
| Forward contracts, purchases | 1,391 | 297 | 0 | 0 | 0 | 1,688 |
| Forward contracts, sales | -126 | -167 | 0 | 0 | 0 | -293 |
| Interest rate swaps | 0 | 0 | -818 | -1,933 | 0 | -2,751 |
| Unsettled spot transactions, certificates, purchases | -45 | 0 | 0 | 0 | 0 | -45 |
| Unsettled spot transactions, certificates, sales | 274 | 0 | 0 | 0 | 0 | 274 |
| Share contracts | | | | | | |
| Forward contracts, purchases | 0 | 0 | 0 | 0 | 0 | 0 |
| Forward contracts, sales | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsettled spot transactions, purchases | -93 | 0 | 0 | 0 | 0 | -93 |
| Unsettled spot transactions, sales | 110 | 0 | 0 | 0 | 0 | 110 |
| Other derivative contracts | | | | | | |
| Options, acquired | 0 | 0 | 0 | 0 | 0 | 0 |
| Options, issued | 0 | 0 | 0 | 0 | 0 | 0 |
| Total derivatives | 1,857 | 130 | -818 | -1,933 | 0 | -764 |

Group 2018, 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 |
|--|--------------------|----------------|-------------------------|------------------------|-------------------|---------------|
| 38 Derivatives (continued) | | | | | | |
| Forward contracts, purchases | | | | | | |
| Forward contracts, sales | -1,557 | 25 | 0 | 0 | 0 | -1,532 |
| Currency swaps | 775 | -18 | 0 | 0 | 0 | 757 |
| Unsettled spot transactions, purchases | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsettled spot transactions, sales | 0 | 0 | 0 | 0 | 0 | 0 |
| Uafviklede spotforretninger, salg | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest rate contracts | | | | | | |
| Forward contracts, purchases | 1,789 | 360 | 0 | 0 | 0 | 2,149 |
| Forward contracts, sales | -780 | -298 | 0 | 0 | 0 | -1,078 |
| Interest rate swaps | 0 | 0 | -1,099 | -1,912 | 0 | -3,011 |
| Unsettled spot transactions, certificates, purchases | 15 | 0 | 0 | 0 | 0 | 15 |
| Unsettled spot transactions, certificates, sales | -16 | 0 | 0 | 0 | 0 | -16 |
| Share contracts | | | | | | |
| Forward contracts, purchases | 0 | 0 | 0 | 0 | 0 | 0 |
| Forward contracts, sales | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsettled spot transactions, purchases | 119 | 0 | 0 | 0 | 0 | 119 |
| Unsettled spot transactions, sales | -63 | 0 | 0 | 0 | 0 | -63 |
| Other derivative contracts | | | | | | |
| Options, acquired | 0 | 0 | 0 | 0 | 0 | 0 |
| Options, issued | 0 | 0 | 0 | 0 | 0 | 0 |
| Total derivatives | 282 | 69 | -1,099 | -1,912 | 0 | -2,660 |

Notes

Sparekassen (Parent) 2019, 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 |
|--|--------------------|----------------|-------------------------|------------------------|-------------------|-------------|
| 38 Derivatives (continued) | | | | | | |
| Currency contracts | | | | | | |
| Forward contracts, purchases | -274 | 0 | 0 | 0 | 0 | -274 |
| Forward contracts, sales | 620 | 0 | 0 | 0 | 0 | 620 |
| Currency swaps | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsettled spot transactions, purchases | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsettled spot transactions, sales | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest rate contracts | | | | | | |
| Forward contracts, purchases | 1,391 | 297 | 0 | 0 | 0 | 1,688 |
| Forward contracts, sales | -126 | -167 | 0 | 0 | 0 | -293 |
| Interest rate swaps | 0 | 0 | -818 | -1,933 | 0 | -2,751 |
| Unsettled spot transactions, certificates, purchases | -45 | 0 | 0 | 0 | 0 | -45 |
| Unsettled spot transactions, certificates, sales | 274 | 0 | 0 | 0 | 0 | 274 |
| Share contracts | | | | | | |
| Forward contracts, purchases | 0 | 0 | 0 | 0 | 0 | 0 |
| Forward contracts, sales | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsettled spot transactions, purchases | -93 | 0 | 0 | 0 | 0 | -93 |
| Unsettled spot transactions, sales | 110 | 0 | 0 | 0 | 0 | 110 |
| Other derivative contracts | | | | | | |
| Options, acquired | 0 | 0 | 0 | 0 | 0 | 0 |
| Options, issued | 0 | 0 | 0 | 0 | 0 | 0 |
| Total derivatives | 1,857 | 130 | -818 | -1,933 | 0 | -764 |

Sparekassen (Parent) 2018, 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 |
|--|--------------------|----------------|-------------------------|------------------------|-------------------|---------------|
| 38 Derivatives (continued) | | | | | | |
| Currency contracts | | | | | | |
| Forward contracts, purchases | -1,557 | 25 | 0 | 0 | 0 | -1,532 |
| Forward contracts, sales | 775 | -18 | 0 | 0 | 0 | 757 |
| Currency swaps | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsettled spot transactions, purchases | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsettled spot transactions, sales | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest rate contracts | | | | | | |
| Forward contracts, purchases | 1,789 | 360 | 0 | 0 | 0 | 2,149 |
| Forward contracts, sales | -780 | -298 | 0 | 0 | 0 | -1,078 |
| Interest rate swaps | 0 | 0 | -1,099 | -1,912 | 0 | -3,011 |
| Unsettled spot transactions, certificates, purchases | 15 | 0 | 0 | 0 | 0 | 15 |
| Unsettled spot transactions, certificates, sales | -16 | 0 | 0 | 0 | 0 | -16 |
| Share contracts | | | | | | |
| Forward contracts, purchases | 0 | 0 | 0 | 0 | 0 | 0 |
| Forward contracts, sales | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsettled spot transactions, purchases | 119 | 0 | 0 | 0 | 0 | 119 |
| Unsettled spot transactions, sales | -63 | 0 | 0 | 0 | 0 | -63 |
| Other derivative contracts | | | | | | |
| Options, acquired | 0 | 0 | 0 | 0 | 0 | 0 |
| Options, issued | 0 | 0 | 0 | 0 | 0 | 0 |
| Total derivatives | 282 | 69 | -1,099 | -1,912 | 0 | -2,660 |

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|-----------|---|------------------|------------------|----------------------|------------------|
| | | 2019 | 2018 | 2019 | 2018 |
| 39 | Cash and cash equivalents | | | | |
| | Balance at beginning of year | | | | |
| | Cash and balances on demand at central banks | 412,575 | 356,906 | 412,575 | 356,906 |
| | Amounts owed by credit institutions and central banks | 1,385,251 | 1,802,010 | 1,379,597 | 1,793,665 |
| | Total | 1,797,826 | 2,158,916 | 1,792,172 | 2,150,571 |
| | Balance at end of year | | | | |
| | Cash and balances on demand at central banks | 441,069 | 412,575 | 441,069 | 412,575 |
| | Amounts owed by credit institutions and central banks | 2,518,286 | 1,385,251 | 2,506,962 | 1,379,597 |
| | Total | 2,959,355 | 1,797,826 | 2,948,031 | 1,792,172 |

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 | 2019 | | 2018 | |
|-----------|--|------------------|-------------------|------------------|-------------------|
| | | Fair value | Amortised cost | Fair value | Amortised cost |
| 40 | 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 | | 441,069 | | 412,575 |
| | Amounts owed by credit institutions and central banks | | 2,540,933 | | 1,408,153 |
| | Loans and other amounts owed at amortised cost | | 12,217,237 | | 12,173,964 |
| | Bonds at fair value | 6,591,480 | | 6,620,883 | |
| | Shares etc | 693,719 | | 801,307 | |
| | Assets in pooled plans | 1,770,777 | | 1,313,431 | |
| | Positive market value, derivatives | 25,318 | | 19,826 | |
| | Total financial assets | 9,081,294 | 15,199,239 | 8,755,447 | 13,994,692 |
| | Financial liabilities | | | | |
| | Amounts owed to credit institutions and central banks | | 525,436 | | 425,191 |
| | Deposits and other debt | | 18,699,583 | | 18,222,949 |
| | Deposits in pooled plans | 1,770,777 | | 1,313,431 | |
| | Subordinated loan capital | | 673,141 | | 454,499 |
| | Negative market value, derivatives | 26,082 | | 22,486 | |
| | Total financial liabilities | 1,796,859 | 19,898,160 | 1,335,917 | 19,102,639 |

Notes

Note

40 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 |
|------|--------------------|-------------------------|----------------------------|--------------------------------|-------|
|------|--------------------|-------------------------|----------------------------|--------------------------------|-------|

40 Financial assets and liabilities, Group (continued)

Fair value hierarchy for financial instruments measured at fair value in the balance sheet

| | 31. december 2019 | | | |
|------------------------------------|-------------------|------------------|----------------|------------------|
| Financial assets | | | | |
| Bonds at fair value | 6,591,480 | 0 | 0 | 6,591,480 |
| Shares etc | 58,792 | 418,420 | 216,507 | 693,719 |
| Assets in pooled plans | 1,755,407 | 15,370 | 0 | 1,770,777 |
| Derivatives | 0 | 25,318 | 0 | 25,318 |
| Total financial assets | 8,405,679 | 459,108 | 216,507 | 9,081,294 |
| Financial liabilities | | | | |
| Deposits in pooled plans | 0 | 1,770,777 | 0 | 1,770,777 |
| Derivative financial liabilities | 0 | 26,082 | 0 | 26,082 |
| Total financial liabilities | 0 | 1,796,859 | 0 | 1,796,859 |
| | 31. december 2018 | | | |
| Financial assets | | | | |
| Bonds at fair value | 6,620,883 | 0 | 0 | 6,620,883 |
| Shares etc | 64,993 | 353,443 | 382,871 | 801,307 |
| Assets in pooled plans | 1,235,084 | 78,347 | 0 | 1,313,431 |
| Derivatives | 0 | 19,826 | 0 | 19,826 |
| Total financial assets | 7,920,960 | 451,616 | 382,871 | 8,755,447 |
| Financial liabilities | | | | |
| Deposits in pooled plans | 0 | 1,313,389 | 0 | 1,313,389 |
| Derivative financial liabilities | 0 | 22,486 | 0 | 22,486 |
| Total financial liabilities | 0 | 1,335,875 | 0 | 1,335,875 |

Notes

| Note | Amounts in DKK'000 | Group | |
|-----------|---|----------------|----------------|
| | | 2019 | 2018 |
| 40 | 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 | 382,871 | 410,826 |
| | Market value adjustments recognised in profit or loss in market value adjustments | 9,543 | -5,017 |
| | Transferred from Level 1 | 0 | 7,000 |
| | Purchases | 77,845 | 171,618 |
| | Sales | 253,752 | 201,556 |
| | Carrying amount at end of year | 216,507 | 382,871 |
| | Unrealised market value adjustments | 6,951 | -9,652 |
| | Sensitivity information | | |
| | If the actual market value varies by plus/minus 10% compared to fair value, this affects profit or loss by plus/minus | 21,651 | 38,287 |

Sparekassen does not have data to perform a sensitivity analysis of the portfolio of investment unit certificates in Level 3. Investment unit certificates amount to DKK 186.2m (2018: DKK 355.0m) of the financial instruments measured at fair value in the balance sheet based on Level 3.

Sparekassen's portfolio of Kapitalforeningen BI Private Equity instruments of DKK 7m has been transferred from Level 1 to Level 3 as the investment fund was delisted on 14 December 2018. In 2019, no financial instruments were transferred among the different levels. There are no financial instruments for which it has not been possible to measure fair value reliably. If the classification of a financial instrument has changed compared to the beginning of the financial period, such change is deemed to have taken place at the end of the financial period.

| Note | Amounts in DKK'000 | Balance at beginning of year | Cash flows | Accrual of initial expenses | Balance at end of year |
|-----------|--|------------------------------|-----------------|-----------------------------|------------------------|
| 40 | Financial assets and liabilities, Group (continued) | | | | |
| | Funding activity | | | | |
| | 2019 | | | | |
| | Subordinated loan capital | 454,499 | 220,000 | -1,358 | 673,141 |
| | Hybrid core capital | 376,000 | 0 | 0 | 376,000 |
| | Total liabilities related to funding activity | 830,499 | 220,000 | -1,358 | 1,049,141 |
| | 2018 | | | | |
| | Subordinated loan capital | 402,848 | 52,480 | -829 | 454,499 |
| | Hybrid core capital | 575,000 | -199,000 | 0 | 376,000 |
| | Total liabilities related to funding activity | 977,848 | -146,520 | -829 | 830,499 |

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

40 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.
- Fair value of amounts owed by credit institutions and central banks is determined using the same method as for loans and advances.
- The fair value of deposits, bonds issued and subordinated loan capital is deemed to be equivalent, in all material respects, with the carrying amount.

| Note | Amounts in DKK'000 | 2019 | | 2018 | |
|---|---|-------------------|-------------------|-------------------|-------------------|
| | | Carrying amount | Fair value | Carrying amount | Fair value |
| 40 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 | 441,069 | 441,069 | 412,575 | 412,575 |
| | Amounts owed by credit institutions and central banks | 2,540,933 | 2,540,933 | 1,408,153 | 1,408,153 |
| | Loans and other amounts owed at amortised cost | 12,217,237 | 12,273,683 | 12,173,964 | 12,229,849 |
| | Total financial assets | 15,199,239 | 15,255,685 | 13,994,692 | 14,050,577 |
| Financial liabilities | | | | | |
| | Amounts owed to credit institutions and central banks | 525,436 | 525,436 | 425,191 | 425,191 |
| | Deposits and other debt | 18,699,583 | 18,699,583 | 18,222,949 | 18,222,949 |
| | Subordinated loan capital | 673,141 | 673,141 | 454,499 | 454,499 |
| | Total financial liabilities | 19,898,160 | 19,898,160 | 19,102,639 | 19,102,639 |

Notes

| Note | Amounts in DKK'000 | Fair value recognised in profit or loss | | Amortised cost | | Total |
|--|---|---|-------------------|-------------------|-------------------|-------------------|
| | | Trading portfolio | Fair value option | Assets | Liabilities | |
| 40 Financial assets and liabilities, Group (continued) | | | | | | |
| Return on and classification of financial assets and liabilities - Group 2019 | | | | | | |
| Return | | | | | | |
| | Interest income | 64,411 | 0 | 539,853 | 11,931 | 616,195 |
| | Interest expenses | 0 | 0 | 7,617 | 43,851 | 51,468 |
| | Net interest income | 64,411 | 0 | 532,236 | -31,920 | 564,727 |
| | Dividend on shares etc | 24,935 | 0 | 0 | 0 | 24,935 |
| | Market value adjustments | 153,016 | -181,485 | 0 | 0 | -28,469 |
| | Total return | 242,362 | -181,485 | 532,236 | -31,920 | 561,193 |
| Financial assets | | | | | | |
| | Cash and balances on demand at central banks | 0 | 0 | 441,069 | 0 | 441,069 |
| | Amounts owed by credit institutions and central banks | 0 | 0 | 2,540,933 | 0 | 2,540,933 |
| | Loans and advances at amortised cost | 0 | 0 | 12,217,237 | 0 | 12,217,237 |
| | Bonds at fair value | 6,591,480 | 0 | 0 | 0 | 6,591,480 |
| | Shares etc | 693,719 | 0 | 0 | 0 | 693,719 |
| | Derivatives | 25,315 | 0 | 0 | 0 | 25,315 |
| | Assets in pooled plans | 1,770,777 | 0 | 0 | 0 | 1,770,777 |
| | Total financial assets | 9,081,291 | 0 | 15,199,239 | 0 | 24,280,530 |
| Financial liabilities | | | | | | |
| | Amounts owed to credit institutions and central banks | 0 | 0 | 0 | 525,436 | 525,436 |
| | Deposits | 0 | 0 | 0 | 18,699,583 | 18,699,583 |
| | Subordinated loan capital | 0 | 0 | 0 | 673,141 | 673,141 |
| | Derivatives | 26,082 | 0 | 0 | 0 | 26,082 |
| | Deposits in pooled plans | 0 | 1,770,777 | 0 | 0 | 1,770,777 |
| | Total financial liabilities | 26,082 | 1,770,777 | 0 | 19,898,160 | 21,695,019 |

Notes

| Note | Amounts in DKK'000 | Fair value recognised in profit or loss | | Amortised cost | | Total |
|--|---|---|-------------------|-------------------|-------------------|-------------------|
| | | Trading portfolio | Fair value option | Assets | Liabilities | |
| 40 Financial assets and liabilities, Group (continued) | | | | | | |
| Return on and classification of financial assets and liabilities - Group 2018 | | | | | | |
| Return | | | | | | |
| | Interest income | 37,355 | 0 | 568,826 | 309 | 606,490 |
| | Interest expenses | 0 | 0 | 12,094 | 53,565 | 65,659 |
| | Net interest income | 37,355 | 0 | 556,732 | -53,256 | 540,831 |
| | Dividend on shares etc | 24,363 | 0 | 0 | 0 | 24,363 |
| | Market value adjustments | -18,808 | 47,078 | 0 | 0 | 28,270 |
| | Total return | 42,910 | 47,078 | 556,732 | -53,256 | 593,464 |
| Financial assets | | | | | | |
| | Cash and balances on demand at central banks | 0 | 0 | 412,575 | 0 | 412,575 |
| | Amounts owed by credit institutions and central banks | 0 | 0 | 1,408,153 | 0 | 1,408,153 |
| | Loans and advances at amortised cost | 0 | 0 | 12,173,964 | 0 | 12,173,964 |
| | Bonds at fair value | 6,620,883 | 0 | 0 | 0 | 6,620,883 |
| | Shares etc | 801,307 | 0 | 0 | 0 | 801,307 |
| | Derivatives | 19,826 | 0 | 0 | 0 | 19,826 |
| | Assets in pooled plans | 1,313,431 | 0 | 0 | 0 | 1,313,431 |
| | Total financial assets | 8,755,447 | 0 | 13,994,692 | 0 | 22,750,139 |
| Financial liabilities | | | | | | |
| | Amounts owed to credit institutions and central banks | 0 | 0 | 0 | 425,191 | 425,191 |
| | Deposits | 0 | 0 | 0 | 18,222,949 | 18,222,949 |
| | Subordinated loan capital | 0 | 0 | 0 | 454,499 | 454,499 |
| | Derivatives | 22,486 | 0 | 0 | 0 | 22,486 |
| | Deposits in pooled plans | 0 | 1,313,431 | 0 | 0 | 1,313,431 |
| | Total financial liabilities | 22,486 | 1,313,431 | 0 | 19,102,639 | 20,438,556 |

Notes

Note

41 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.

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 14.

Note

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

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.

Sparekassen's primary objective of the 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, letter of subordination and recourse guarantee.

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.

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 requirement per exposure is 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.

Notes

Note

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

Impairment charges

In reviewing for impairment, all exposures exceeding 2% of capital resources and all other exposures with objective evidence of impairment are reviewed.

Stage 1 and Stage 2 customers/facilities are written down for impairment using a portfolio model calculation.

The impairment model is based on the expected loss model and 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.

Loans, advances and guarantees etc by exposure category/stage are evident from a table below in this note.

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) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

4.1 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 | 2,540,933 | 1,408,153 | 2,529,609 | 1,402,499 |
| Loans and other amounts owed at amortised cost | 12,217,237 | 12,173,964 | 12,305,355 | 12,239,986 |
| Off-balance sheet items | | | | |
| Guarantees | 6,737,755 | 5,357,324 | 6,760,355 | 5,468,603 |
| Undrawn credit lines | 4,953,474 | 4,518,006 | 5,042,016 | 4,648,897 |
| Credit exposure on lending activities | 26,449,399 | 23,457,447 | 26,637,335 | 23,759,985 |
| Credit exposure on trading and investment activities | | | | |
| On-balance sheet items | | | | |
| Bonds at fair value | 6,591,480 | 6,620,883 | 6,591,480 | 6,620,883 |
| Shares etc | 693,719 | 801,307 | 693,719 | 801,307 |
| Positive value of derivatives | 25,318 | 19,826 | 25,318 | 19,826 |
| Credit exposure on trading and investment activities | 7,310,517 | 7,442,016 | 7,310,517 | 7,442,016 |
| Total credit exposure | 33,759,916 | 30,899,463 | 33,947,852 | 31,202,001 |

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) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

4.1 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. So the individual exposures may hold unsecured elements. 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. The actual value of the collateral is disclosed below the table.

Collateral received

| Collateral by type: | 2019 | 2018 | 2019 | 2018 |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Charge on real property | 14,370,974 | 14,004,837 | 14,234,594 | 14,053,418 |
| Charge on movables etc | 4,798,245 | 4,509,450 | 4,330,066 | 4,120,505 |
| Securities accounts and bank deposits | 298,399 | 332,500 | 298,399 | 332,500 |
| Other collateral | 23,170 | 62,880 | 23,170 | 62,880 |
| Total collateral | 19,490,788 | 18,909,667 | 18,886,229 | 18,569,303 |
| Value of collateral | 13,551,803 | 12,321,611 | 12,937,246 | 11,900,082 |

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

4.1 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 | 688,212 | 699,555 | 1,512,507 | 1,387,734 |
|-----------------------------------|---------|---------|-----------|-----------|

Other business

| | | | | |
|-----------------------------------|---|---|---|---|
| Credit exposure net of deductions | 0 | 0 | 0 | 0 |
|-----------------------------------|---|---|---|---|

| | | | | |
|------------------------------------|---------|---------|-----------|-----------|
| More than 20% of capital resources | 688,212 | 699,555 | 1,512,507 | 1,387,734 |
|------------------------------------|---------|---------|-----------|-----------|

| | | | | |
|-----------------------------|---|---|---|---|
| 15-20% of capital resources | 0 | 0 | 0 | 0 |
|-----------------------------|---|---|---|---|

| | | | | |
|-----------------------------|---|---|---|---|
| 10-15% of capital resources | 0 | 0 | 0 | 0 |
|-----------------------------|---|---|---|---|

Number of large exposures

| | | | | |
|---------------------------------------|---|---|---|---|
| Credit institutions before deductions | 5 | 5 | 6 | 6 |
|---------------------------------------|---|---|---|---|

| | | | | |
|----------------------------------|---|---|---|---|
| Other business before deductions | 1 | 1 | 2 | 2 |
|----------------------------------|---|---|---|---|

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 | | | Write-down for impairment |
|------|--------------------|--|------------|-----------|---------------------------|
| | | Credit exposure before write-down for impairment | Collateral | Unsecured | |

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

Stage 3 credit exposures written down, by sector

2019

| | | | | |
|-------------------------|------------------|----------------|----------------|----------------|
| Agriculture | 88,875 | 38,061 | 50,814 | 49,631 |
| Financing and insurance | 9,184 | 1,925 | 7,259 | 5,492 |
| Real property | 251,334 | 154,145 | 97,189 | 88,959 |
| Other business | 382,427 | 179,241 | 203,186 | 173,912 |
| Private | 386,780 | 147,148 | 239,631 | 217,101 |
| Total | 1,118,600 | 520,521 | 598,079 | 535,094 |

Credit exposures written down, by sector

2018

| | | | | |
|-------------------------|------------------|----------------|----------------|----------------|
| Agriculture | 250,429 | 119,645 | 130,784 | 131,590 |
| Financing and insurance | 40,743 | 19,516 | 21,227 | 13,683 |
| Real property | 597,330 | 318,143 | 279,187 | 250,548 |
| Other business | 466,361 | 249,020 | 217,341 | 203,679 |
| Private | 474,868 | 154,017 | 320,851 | 292,734 |
| Total | 1,829,732 | 860,342 | 969,390 | 892,234 |

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

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

Stage 3 credit exposures written down, by sector

2019

| | | | | |
|-------------------------|------------------|----------------|----------------|----------------|
| Agriculture | 86,338 | 35,879 | 50,459 | 49,276 |
| Financing and insurance | 9,076 | 1,817 | 7,259 | 5,492 |
| Real property | 241,529 | 148,790 | 92,739 | 84,509 |
| Other business | 370,859 | 171,153 | 199,706 | 170,432 |
| Private | 367,291 | 131,809 | 235,481 | 212,950 |
| Total | 1,075,093 | 489,449 | 585,644 | 522,660 |

Credit exposures written down, by sector

2018

| | | | | |
|-------------------------|------------------|----------------|----------------|----------------|
| Agriculture | 247,529 | 118,176 | 129,353 | 130,159 |
| Financing and insurance | 39,425 | 18,407 | 21,018 | 13,474 |
| Real property | 583,226 | 318,143 | 265,083 | 236,444 |
| Other business | 456,734 | 233,963 | 222,771 | 209,109 |
| Private | 436,288 | 139,543 | 296,745 | 268,628 |
| Total | 1,763,203 | 828,233 | 934,970 | 857,814 |

Notes

| Note | Amounts in DKK'000 | Group | | | |
|------|--------------------|---------|---------|---------|-------|
| | | Stage 1 | Stage 2 | Stage 3 | Total |

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

Loans, advances and guarantees etc by exposure category/stage

2019

| | | | | |
|---|-------------------|------------------|------------------|-------------------|
| Category 1: Exposures with substantial weaknesses | 576,975 | 563,260 | 1,228,417 | 2,368,652 |
| Category 2: Exposures with slightly impaired credit quality and certain signs of weakness | 5,151,679 | 1,269,350 | 63,527 | 6,484,555 |
| Category 3: Exposures with normal credit quality | 10,383,499 | 426,871 | 13,406 | 10,823,776 |
| Total loans, advances and guarantees etc | 16,112,152 | 2,259,481 | 1,305,349 | 19,676,983 |

Committed facilities and undrawn credit lines by exposure category/stage

2019

| | | | | |
|---|------------------|----------------|---------------|------------------|
| Category 1: Exposures with substantial weaknesses | 37,394 | 77,942 | 53,976 | 169,313 |
| Category 2: Exposures with slightly impaired credit quality and certain signs of weakness | 870,813 | 252,097 | 2,322 | 1,125,231 |
| Category 3: Exposures with normal credit quality | 3,589,503 | 67,343 | 2,084 | 3,658,930 |
| Total committed facilities and undrawn credit lines | 4,497,710 | 397,382 | 58,382 | 4,953,474 |

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,

| Note | Amounts in DKK'000 | Sparekassen (Parent) | | | |
|------|--------------------|----------------------|---------|---------|-------|
| | | Stage 1 | Stage 2 | Stage 3 | Total |

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

Loans, advances and guarantees etc by exposure category/stage

2019

| | | | | |
|---|-------------------|------------------|------------------|-------------------|
| Category 1: Exposures with substantial weaknesses | 524,242 | 541,630 | 1,204,587 | 2,270,459 |
| Category 2: Exposures with slightly impaired credit quality and certain signs of weakness | 5,043,037 | 1,236,550 | 59,195 | 6,338,782 |
| Category 3: Exposures with normal credit quality | 10,750,022 | 392,411 | 10,176 | 11,152,609 |
| Total loans, advances and guarantees etc | 16,317,301 | 2,170,591 | 1,273,958 | 19,761,850 |

Committed facilities and undrawn credit lines by exposure category/stage

2019

| | | | | |
|---|------------------|----------------|---------------|------------------|
| Category 1: Exposures with substantial weaknesses | 37,394 | 77,942 | 53,976 | 169,313 |
| Category 2: Exposures with slightly impaired credit quality and certain signs of weakness | 870,813 | 252,097 | 2,322 | 1,125,231 |
| Category 3: Exposures with normal credit quality | 3,678,045 | 67,343 | 2,084 | 3,747,471 |
| Total committed facilities and undrawn credit lines | 4,586,252 | 397,382 | 58,382 | 5,042,015 |

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,

Notes

| Note | Amounts in DKK'000 | Group | | | Total |
|------|--------------------|---------|---------|---------|-------|
| | | Stage 1 | Stage 2 | Stage 3 | |

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

Loans, advances and guarantees etc by exposure category/stage

2018

| | | | | |
|---|-------------------|------------------|------------------|-------------------|
| Category 1: Exposures with substantial weaknesses | 596,824 | 682,875 | 2,033,978 | 3,313,677 |
| Category 2: Exposures with slightly impaired credit quality and certain signs of weakness | 3,573,897 | 1,432,061 | 17,529 | 5,023,487 |
| Category 3: Exposures with normal credit quality | 9,188,055 | 1,081,903 | 5,224 | 10,275,182 |
| Total loans, advances and guarantees etc | 13,358,776 | 3,196,839 | 2,056,731 | 18,612,346 |

Committed facilities and undrawn credit lines by exposure category/stage

2018

| | | | | |
|---|------------------|----------------|---------------|------------------|
| Category 1: Exposures with substantial weaknesses | 65,814 | 85,059 | 66,117 | 216,990 |
| Category 2: Exposures with slightly impaired credit quality and certain signs of weakness | 1,078,569 | 196,922 | 1,883 | 1,277,374 |
| Category 3: Exposures with normal credit quality | 3,014,401 | 8,923 | 317 | 3,023,641 |
| Total committed facilities and undrawn credit lines | 4,158,784 | 290,904 | 68,317 | 4,518,006 |

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,

| Note | Amounts in DKK'000 | Sparekassen (Parent) | | | Total |
|------|--------------------|----------------------|---------|---------|-------|
| | | Stage 1 | Stage 2 | Stage 3 | |

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

Loans, advances and guarantees etc by exposure category/stage

2018

| | | | | |
|---|-------------------|------------------|------------------|-------------------|
| Category 1: Exposures with substantial weaknesses | 565,307 | 648,876 | 1,971,757 | 3,185,940 |
| Category 2: Exposures with slightly impaired credit quality and certain signs of weakness | 3,508,944 | 1,368,926 | 17,394 | 4,895,264 |
| Category 3: Exposures with normal credit quality | 9,630,721 | 1,038,961 | 1,466 | 10,671,148 |
| Total loans, advances and guarantees etc | 13,704,972 | 3,056,763 | 1,990,617 | 18,752,352 |

Committed facilities and undrawn credit lines by exposure category/stage

2018

| | | | | |
|---|------------------|----------------|---------------|------------------|
| Category 1: Exposures with substantial weaknesses | 65,814 | 85,059 | 66,117 | 216,990 |
| Category 2: Exposures with slightly impaired credit quality and certain signs of weakness | 1,078,569 | 196,922 | 1,883 | 1,277,374 |
| Category 3: Exposures with normal credit quality | 3,145,292 | 8,923 | 317 | 3,154,532 |
| Total committed facilities and undrawn credit lines | 4,289,675 | 290,904 | 68,317 | 4,648,897 |

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,

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|--|--------------------|---------------|----------------|----------------------|----------------|
| | | 2019 | 2018 | 2019 | 2018 |
| 4.1 Financial risks and financial risk management policies and objectives (continued) | | | | | |
| Loans with zero interest rates | | | | | |
| Loans with zero interest rates ¹⁾ | | 157,555 | 288,148 | 148,779 | 282,641 |
| Thereof, written down for impairment | | 80,426 | 154,158 | 77,879 | 151,505 |
| On-balance sheet loans with zero interest rates | | 77,129 | 133,990 | 70,900 | 131,136 |

1) Loans with zero interest rates before write-downs

| Note | Amounts in DKK'000 | 2019 | | 2018 | |
|------|--------------------|--|---------------------------|--|---------------------------|
| | | Credit exposure before write-down for impairment | Write-down for impairment | Credit exposure before write-down for impairment | Write-down for impairment |

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

Credit exposures written down for impairment

The allocation of write-downs for impairment by stage is evident from note 1.1. For the Group, interest on financial assets written down for impairment amounted to DKK 27,868k in 2019 (2018: 35,931k) and is included in the line item "Impairment losses on loans and advances etc".

Stage 3 loans and advances, receivables and guarantees were subjected to individual write-down for impairment for the reasons stated below.

| | 2019 | | 2018 | |
|--|------------------|----------------|------------------|----------------|
| Group | | | | |
| Bankruptcy | 70,260 | 43,054 | 56,637 | 36,347 |
| Debt collection and suspension of payments | 51,895 | 35,669 | 84,184 | 59,037 |
| Other financial difficulties | 983,348 | 456,372 | 1,685,981 | 796,850 |
| Total | 1,105,503 | 535,096 | 1,826,802 | 892,234 |
| Value of collateral | 507,423 | | 857,412 | |
| Sparekassen (Parent) | | | | |
| Bankruptcy | 68,711 | 41,631 | 54,036 | 34,067 |
| Debt collection and suspension of payments | 49,419 | 34,769 | 70,511 | 52,643 |
| Other financial difficulties | 956,963 | 446,260 | 1,638,656 | 771,104 |
| Total | 1,075,093 | 522,661 | 1,763,203 | 857,814 |
| Value of collateral | 489,448 | | 828,233 | |

Notes

Note

41 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 exposure 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 upward or downward 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.

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

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

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

| | 2019 | 2018 | 2019 | 2018 |
|--|--------------|----------------|-----------|----------------|
| Total interest rate risk | 6,283 | -25,600 | 99 | -32,587 |
| Interest rate risk as a percentage of core capital net of deductions | 0.2 | -1.0 | 0.0 | -1.2 |
| Interest rate risk by high-risk currency | | | | |
| DKK | 5,331 | 714 | -853 | -6,273 |
| EUR | 1,082 | -26,214 | 1,082 | -26,214 |
| USD | -130 | -113 | -130 | -113 |
| CHF | 0 | 0 | 0 | 0 |
| SEK | 0 | 13 | 0 | 13 |
| Other currencies | 0 | 0 | 0 | 0 |
| Interest rate risk by product | | | | |
| Assets | | | | |
| Amounts owed by credit institutions and central banks | 0 | 0 | 0 | 0 |
| Loans and advances etc | 7,401 | 9,585 | 1,217 | 2,598 |
| Shares | 0 | 0 | 0 | 0 |
| Bonds | 40,859 | 209 | 40,859 | 209 |
| Equity and liabilities | | | | |
| Deposits | -11 | -58 | -11 | -58 |
| Bonds issued | 0 | 0 | 0 | 0 |
| Subordinated loan capital | -26,361 | -12,798 | -26,361 | -12,798 |
| Hybrid core capital | -14,971 | -21,762 | -14,971 | -21,762 |
| Derivatives | | | 0 | 0 |
| Interest rate and currency swaps | -634 | -775 | -634 | -775 |
| Other derivatives | 0 | 0 | 0 | 0 |
| Total | 6,283 | -25,600 | 99 | -32,587 |

Notes

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

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

Interest rate risk by modified duration range

| | | | | |
|---------------------|--------------|----------------|-----------|----------------|
| 0-3 months | 1,706 | 1,207 | 1,739 | 1,236 |
| 3-6 months | 161 | 1,154 | 143 | 1,149 |
| 6-12 months | 1,508 | 161 | 1,426 | 81 |
| 1-2 years | 7,262 | 2,310 | 6,711 | 1,789 |
| 2-3.6 years | -669 | -331 | -1,647 | -1,147 |
| More than 3.6 years | -3,685 | -30,101 | -8,246 | -35,695 |
| Total | 6,283 | -25,600 | 99 | -32,587 |

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

| | | | | |
|------------------------------------|----------------|----------------|----------------|----------------|
| Listed shares etc | 58,792 | 63,873 | 58,792 | 63,873 |
| Other equity investments etc | 217,202 | 357,793 | 217,202 | 357,793 |
| Shares in sector-owned enterprises | 417,725 | 379,641 | 417,725 | 379,641 |
| Total shareholding | 693,719 | 801,307 | 693,719 | 801,307 |

| | | | | |
|--|-----|-----|-----|-----|
| Shares exclusive of equity investments and sector shares as a percentage of core capital net of deductions | 2.1 | 2.4 | 2.1 | 2.4 |
|--|-----|-----|-----|-----|

Sensitivity to share price exposure

| | | | | |
|--|--------|--------|--------|--------|
| If the actual market value varies by plus/minus 1.0% compared to fair value, this affects profit or loss (after tax) by plus/minus | 54,110 | 62,502 | 54,110 | 62,502 |
|--|--------|--------|--------|--------|

| Note | Amounts in DKK'000 | Group | | Sparekassen (Parent) | |
|------|--------------------|-------|------|----------------------|------|
| | | 2019 | 2018 | 2019 | 2018 |

41 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) | 5,589 | 1,857 | 5,589 | 1,857 |
| Equity and liabilities denominated in foreign currencies (short net positions) | 17,819 | 18,567 | 17,819 | 18,567 |
| Currency indicator 1 | 17,819 | 18,567 | 17,819 | 18,567 |
| Currency indicator 1 as a percentage of core capital net of deductions | 0.6 | 0.7 | 0.6 | 0.7 |
| Currency indicator 2 | 439 | 244 | 439 | 244 |
| 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 | 0.6 | 0.7 | 0.6 | 0.7 |

Notes

Note

41 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.

In 2018, adjustments have been made to Sparekassen's objectives, policies etc as the Danish FSA has replaced the existing liquidity benchmark of the Supervisory Diamond.

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.

Effective from 30 June 2018, the Danish FSA has replaced the existing liquidity benchmark of the Supervisory Diamond with a new one. Sparekassen has always observed the former benchmark with a healthy margin. This is and is also expected to be the case with the new benchmark. The benchmark has a threshold of 100% and has been calculated at 318% for the Group at 31 December 2018.

The benchmark is an extension of the LCR requirement. Where the LCR requirement covers a 30-day period, the benchmark covers a three-month period where it must be possible to cover the largest expected cash outflow calculated for each of the three months. With respect to the calculation of LCR, it is, for example, possible to include multiple types of liquid assets in the calculation of the liquidity buffer.

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

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

Contractual maturities of financial liabilities

2019

Non-derivative financial liabilities

| | | | | | |
|---|------------|------------|------------|---------|-----------|
| Amounts owed to credit institutions and central banks | 525,436 | 525,436 | 524,370 | 640 | 426 |
| Deposits and other debt | 18,699,583 | 18,699,583 | 17,414,827 | 150,451 | 1,134,305 |
| Deposits in pooled plans | 1,770,777 | 1,770,777 | 101,636 | 43,883 | 1,625,259 |
| Subordinated loan capital | 673,141 | 678,000 | 0 | 0 | 678,000 |
| Guarantees | 6,737,755 | 6,737,755 | 3,301,178 | 510,939 | 2,925,638 |
| Undrawn credit lines | 0 | 4,953,474 | 4,953,474 | 0 | 0 |

2018

Non-derivative financial liabilities

| | | | | | |
|---|------------|------------|------------|---------|-----------|
| Amounts owed to credit institutions and central banks | 425,191 | 425,191 | 423,960 | 600 | 631 |
| Deposits and other debt | 18,222,949 | 18,222,949 | 17,009,255 | 132,528 | 1,081,166 |
| Deposits in pooled plans | 1,313,431 | 1,313,431 | 93,453 | 30,808 | 1,189,170 |
| Subordinated loan capital | 454,499 | 458,000 | 0 | 0 | 458,000 |
| Guarantees | 5,357,324 | 5,357,324 | 2,059,515 | 422,090 | 2,875,719 |
| Undrawn credit lines | 0 | 4,518,006 | 4,518,006 | 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.

Notes

Note

4.1 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 Sparekassen 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

42 Company announcements

List of company announcements sent by Sparekassen Sjælland-Fyn to Nasdaq Copenhagen A/S

| | |
|------------|---|
| 14.01.2020 | - Upward adjustment of expectations for 2019 |
| 19.12.2019 | - Financial calendar 2020 for Sparekassen Sjælland-Fyn A/S |
| 17.12.2019 | - Sparekassen Sjælland-Fyn A/S issues supplementary capital (Tier2) |
| 06.12.2019 | - Sparekassen Sjælland-Fyn A/S explores the possibilities of issuing Tier 2 capital |
| 06.11.2019 | - Reportable transactions in Sparekassen Sjælland-Fyn shares |
| 06.11.2019 | - Net profit of DKK 170.1m for Q1-Q3 2019 – core earnings up 51% Y/Y |
| 09.08.2019 | - Reportable transactions |
| 09.08.2019 | - Net profit of DKK 126m for H1 2019 – core earnings up 41% Y/Y |
| 22.07.2019 | - Upward adjustment of expectations for 2019 |
| 13.06.2019 | - Sparekassen Sjælland-Fyn A/S issues supplementary capital (Tier2) |
| 11.06.2019 | - Sparekassen Sjælland-Fyn A/S explores the possibilities of issuing supplementary capital (Tier 2) |
| 24.05.2019 | - Repayment of capital instruments |
| 13.05.2019 | - Reportable transactions |
| 09.05.2019 | - Correction of company announcement no 7/2019 |
| 09.05.2019 | - Net profit of DKK 71.3 for Q1 2019 – core earnings up 34% Y/Y |
| 24.04.2019 | - Upward adjustment of expectations for 2019 |
| 01.04.2019 | - The Board of Directors of Sparekassen Sjælland-Fyn A/S |

Note

42 Company announcements (continued)

List of company announcements sent by Sparekassen Sjælland-Fyn to Nasdaq Copenhagen A/S

| | |
|------------|--|
| 07.03.2019 | - Result of the Annual General Meeting of Sparekassen Sjælland-Fyn A/S |
| 08.02.2019 | - Notice convening the Annual General Meeting |
| 07.02.2019 | - Reportable transactions |
| 07.02.2019 | - Satisfactory financial performance – pre-tax profit of DKK 230.3m |

Committee of shareholders, Board of Directors and board of directors committees

Committee of shareholders at 31 December 2018

Attorney-at-Law Palle Andersen, Vipperød
 Executive Officer Jakob Andersson, Holbæk
 Executive Officer Lene Bakgaard, Holbæk
 Shop Owner Jeanette Benard, Frederiksberg C
 Attorney-at-Law Per Bjørnsholm, Frederiksberg C
 Executive Officer Annette Christensen, Holbæk
 Executive Officer Connie Christensen, Slagelse
 Hard Candy Maker Michael B. Christensen, Næstved
 MSc (Econ.) Jørgen Dyhrfeld, 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
 Insurance Agent Lars Horneman, Odense
 Chief Executive Officer Michael Huus, Holbæk
 Machinery Dealer Gert Jensen, Hørve
 Executive Officer Jesper I. Justesen, Holbæk
 Executive Officer Birgitte Kastrup, Sorø
 Farm Owner Egon Lund Keinicke, Gørlev
 Executive Officer Allan Kienast, Holbæk
 Financial Consultant Hans Jørgen B. Kolding, Slagelse
 State-Authorised Public Accountant Claus Kolin, Odense
 Executive Officer, Architect MAA Thomas Kullegaard, Holbæk
 Farm Owner Erik Larsen, Dalmore
 Car Dealer Peter Klarskov Larsen, Kalundborg
 Master Builder Palle Larsen, Kalundborg
 Chief Executive Officer and Chief Editor Torben Dalby Larsen, Ringsted
 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
 Chief of Programme Kirsten Hede Nielsen, København
 Electrical Contractor Leif Nielsen, Ringsted
 Farm Owner Ole Nielsen, Holbæk
 Retail Manager Brian Stanislaw Nielsen, Regstrup
 State Authorised Public Accountant Kim Thomas Nielsen, Skælskør
 Executive Officer Torben Arnth Nielsen, Espergærde
 Head Teacher Jørgen Olsen, Store Fuglede
 General Practitioner Jacob Frimodt Olsen, Høng
 Master Carpenter Boye Pedersen, Holbæk
 Registered Accountant Roland Petersen, Vig
 Attorney-at-Law Steen Røgilds, Kalundborg
 Executive Officer Jakob Schjøtt, Tølløse
 Master Carpenter Claus Sørensen, Holbæk
 HR Manager John Ziegler, Frederikssund
 Undertaker Heidi Ørskov, Holbæk
 Executive Officer Eva Nielsen, Holbæk

Board of Directors

Executive Officer Thomas Kullegaard, Architect MAA, Holbæk, Chairman
 Executive Officer Jakob N. Andersson, Holbæk, Vice-Chairman
 Former Chief Executive Officer Bent Andersen, Århus
 Attorney-at-Law Otto Spliid, Odense
 Farm Owner Erik Larsen, Dalmore
 Chief of Programme Kirsten Hede Nielsen, København

Board members selected by the employees:

Asset Management Advisor Helle Lindhof Bjørnøe, Holbæk
 Development Manager Per Olsen, Copenhagen K
 Manager Mads Wallin, Holmegaard

The Board of Directors has appointed the following committees:

Audit committee

Executive Officer Jakob N. Andersson, Holbæk, Chairman
 Executive Officer Thomas Kullegaard, Architect MAA, Holbæk
 Former Chief Executive Officer Bent Andersen, Århus
 Farm Owner Erik Larsen, Dalmore
 Chief of Programme Kirsten Hede Nielsen, København

Risk Committee

Former Chief Executive Officer Bent Andersen, Århus, Chairman
 Executive Officer Thomas Kullegaard, Architect MAA, Holbæk
 Executive Officer Jakob N. Andersson, Holbæk
 Development Manager Per Olsen, Copenhagen

Nomination Committee

Executive Officer Jakob N. Andersson, Holbæk, Chairman
 Executive Officer Thomas Kullegaard, Architect MAA, Holbæk
 Former Chief Executive Officer Bent Andersen, Århus
 Asset Management Advisor Helle Lindhof Bjørnøe, Holbæk
 Manager Mads Wallin, Holmegaard

Remuneration Committee

Executive Officer Jakob N. Andersson, Holbæk, Chairman
 Executive Officer Thomas Kullegaard, Architect MAA, Holbæk
 Former Chief Executive Officer Bent Andersen, Århus
 Asset Management Advisor Helle Lindhof Bjørnøe, Holbæk
 Manager Mads Wallin, Holmegaard

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

Executive Officer of the Savings Bank
Lars Bolding

Staff functions

Management Secretariat

Deputy Chief Executive Jan Kolbye Jensen
Development Manager Per Olsen
Executive secretary Annette Hallund

Compliance

Compliance Officer Pia Møller Blæsbjerg

Anti-Money Laundering

AML Officer Susanne Bouman

Risk Management

Risk Manager Anette Hjort Hansen

Finance

Group Chief Financial Officer Jens Trane
Financial Manager Jan Justesen

Internal Audit

Chief Internal Auditor Thomas Sandal

Human Resources

Human Resources Manager Bettina Theilgaard Krohn

Credit

Credit Manager Lars Mikkelsen

Investments

Securities Manager Kenn Andersen

Sparekassen Sjælland-Fyn

Branch Service

Branch Service Manager Lisbeth Gottlieb

IT

IT Manager Mette Rosenkilde Mathiasen

Sales and Marketing

Sales and Marketing
Manager Marianne Salling
Development Manager Søren Kjærsgaard

Products and Terms

Product Manager Søren Fossing

Properties and Service

Head of Properties and Service Kim Olsen

Digital Savings Bank

Department Manager Lisette Juul Jensen

Corporate customer centers

Corporate customer center Zealand

Corporate Manager Michael Nielsen

Corporate customer center Funen

Corporate Manager Kim Thykjær

Area Centers (AC) and branches

Funen Region

Manager Jan Klink Andersen

Assens, Branch Manager Martin Petersen

Dalum, Branch Manager Lars Michael Jensen

Faaborg, Branch Manager Lene Kragh

Kerteminde, Branch Manager Jørgen Overgaard Schou

Langeskov, Branch Manager Jørgen Overgaard Schou

Middelfart, Branch Manager Vibeke Vinge Marxen

Nyborg, Branch Manager Poul Aaby

Odense City (AC), Branch Manager Poul Henning Fløjborg

Odense Nord, Branch Manager Rasmus Grundsøe Petersen

Ringe, Branch Manager Jan Svendsen

Svendborg, Branch Manager Brian Berggren Sørensen

North/West Region

Manager Henrik Møllegaard

Asnæs, Branch Manager Flemming Andersen

Holbæk (AC), Manager Henrik Møllegaard

Jyderup, Branch Manager Jens Varling

Kalundborg, Branch Manager Klaus Koksby Hansen

Nykøbing Sj., Branch Manager Flemming Andersen

Tølløse, Manager Henrik Møllegaard

Vig, Branch Manager Flemming Andersen

Southern Region

Manager Claus Andersen

Faxe, Branch Manager Julia Heinecke

Haslev, Branch Manager Thomas Søbygaard

Næstved (AC), Manager Claus Andersen

Skælskør, Branch Manager Pia Kimer Jacobsen

Vordingborg, Branch Manager Erik Arnberg Maigaard

Filtensborg

Copenhagen Region

Manager Jannik Hindsbo

Amagerbrogade, Branch Manager Elisabeth Grandt

Dragør, Branch Manager Lennarth Fynboe

Frederiksberg, Branch Manager Hanne Poulsen

Islands Brygge (AC), Branch Manager Line Simoni

Østerbro, Branch Manager Morten Rosengaard

North Zealand Region

Manager Henning Juhl Jessen

Frederiksværk, Branch Manager Irene Nielsen

Helsingør, Branch Manager Maria Lehmkuhl

Helsingør, Branch Manager Thomas Guldbæk

Hillerød (AC), Manager Henning Juhl Jessen

Hundested, Branch Manager Irene Nielsen

North/East Region

Manager Allan Markussen

Frederikssund, Branch Manager Kenneth Neergaard

Roskilde (AC), Manager Allan Markussen

Område Vest

Manager Niels Wittendorff Ibsen

Høng, Branch Manager Rikke Almgaard

Slagelse (AC), Manager Niels Wittendorff Ibsen

Eastern Region

Manager Nicholaj Dyrholm Frimann

Greve, Manager Nicholaj Dyrholm Frimann

Køge (AC), Manager Nicholaj Dyrholm Frimann

Middle Region

Manager Mads Wallin

Dianalund, Branch Manager Helle M. Nielsen

Ringsted (AC), Manager Mads Wallin

Sorø, Branch Manager Helle M. Nielsen

