

A modern, multi-story building with a facade of grey stone tiles and large glass windows. The building is situated on a waterfront, with a marina and several sailboats visible in the background. The sky is clear and blue. The text 'Annual Report 2018' is overlaid in large white font. There are also white circular graphic elements on the right side of the image.

# Annual Report 2018



SPAREKASSEN  
SJÆLLAND-FYN



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

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

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# Sparekassen Sjælland-Fyn A/S - in brief

Pre-tax profit of DKK 230m

 **49 branches and**  
 **4 corporate customer centres**

on Zealand and Funen

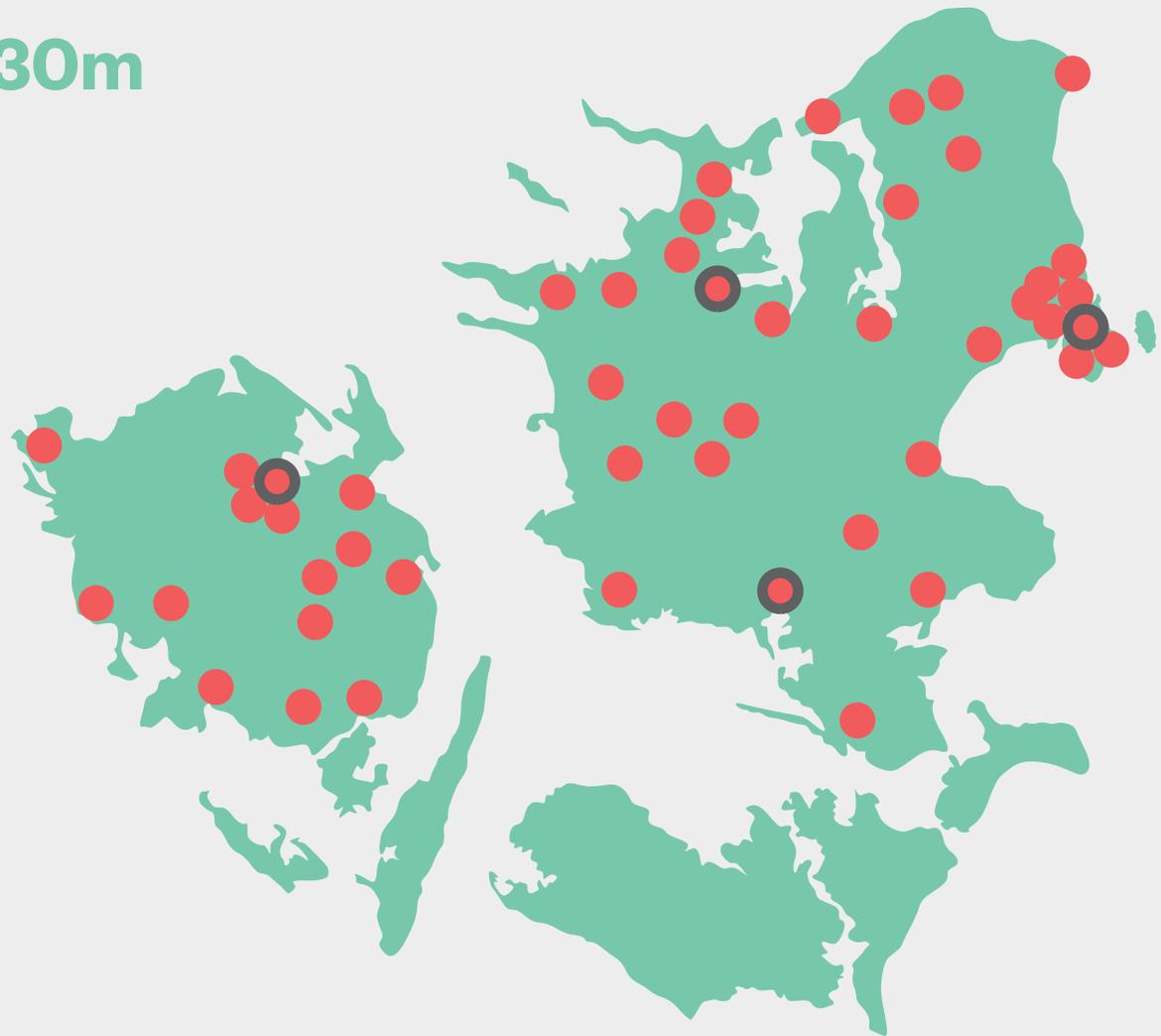
**2 new divisions in 2018**

2 new branches in Helsingør and Greve

**616 staff**

Average number of salaried employees in 2018

**>160.000 customers**



# Highlights from 2018

With a pre-tax profit of DKK 230m, Sparekassen Sjælland-Fyn A/S handsomely meets the earnings expectations ranging between DKK 215m and DKK 245m that were announced after the upward adjustment in March.

Some other factors have strengthened Sparekassen extraordinarily in 2018: The capital structure has improved considerably, the loan book has developed particularly well, and the business volume is growing because of higher market shares and more activity among our customers.

## NET PROFIT

# DKK 208m

Net profit provides a 7.2% return on equity

## IMPAIRMENT LOSSES

# DKK 4.4m

Historically low impairment losses and a very satisfactory development in the loan book

## INTEREST SAVINGS

# DKK 35m

Rescheduling and reduction of subordinated loan capital on favourable terms result in DKK 35m in interest savings, with full effect in 2019. Improves the chances of dividend distribution

## CAPITAL RATIO

# 17.7 %

The Group's capital structure has improved considerably in 2018, brought about by a succesful share issue, refinancing of subordinated loan capital and profit for the year

## BUSINESS VOLUME

# DKK 37bn

Business volume up by 8%. Deposits up by 10% and loans and advances by 5%

## BENCHMARKS

# The Supervisory Diamond

All benchmarks respected with a large margin

## DIVIDEND

# DKK 2.50 per share

Distribution of DKK 2.50 in dividend per share recommended to the Annual General Meeting

## POSITIVE OUTLOOK

# for 2019

Core earnings are expected to increase in 2019 because of the ongoing four-year strategy, which is proceeding according to plan



# Financial highlights

## Sparekassen Sjælland-Fyn A/S Group

Amounts in DKK'm	2018	2017	Index <sup>1</sup>	2016	2015	2014
<b>Income statement items</b>						
Net interest and fee Income	1.005	999	101	973	1.020	1.019
Translation and market value adjustments	21	43	49	47	-58	55
Other operating income	16	31	51	24	15	15
Staff costs and administrative expenses	746	691	108	644	613	577
Impairment losses on loans and advances etc	4	33	13	107	150	257
Investments in associates and group enterprises	8	3	289	2	3	3
Profit for the year before tax	230	273	84	228	136	176
Profit for the year after tax	208	257	81	216	144	180

## Sparekassen Sjælland-Fyn A/S Group

Amounts in DKK'm	31.12 2018	31.12 2017	Index	31.12 2016	31.12 2015	31.12 2014
<b>Balance sheet items</b>						
Loans and advances etc <sup>2</sup>	12.174	11.541	105	10.474	9.763	9.981
Deposits	18.223	16.589	110	15.647	14.633	15.315
Deposits in pooled plans	1.313	905	145	394	378	392
Total deposits	19.536	17.495	112	16.041	15.011	15.707
Subordinated loan capital	454	403	113	466	465	596
Equity	3.083	2.812	110	2.588	2.469	2.200
Balance sheet	23.857	21.487	111	19.859	18.730	19.322
Capital resources	3.125	2.767	113	2.469	2.285	2.118
Total business volume <sup>2</sup> (deposits, loans, advances and guarantees)	37.068	34.248	108	31.250	28.583	29.618
Custody accounts <sup>3</sup>	11.346	11.077	102	10.448	9.838	6.994

<sup>1</sup> Index – 31 December 2018 relative to 31 December 2017

<sup>2</sup> Loans and advances and total business volume at 31 December 2017 have been adjusted by the effect of the IFRS 9 adjustment, refer to Summary of significant accounting policies

<sup>3</sup> Custody accounts 2014 – Sparekassen Sjælland A/S exclusive of Sparekassen Fyn A/S

## Sparekassen Sjælland-Fyn A/S Group

	31.12 2018	31.12 2017	Indeks	31.12 2016	31.12 2015	31.12 2014
<b>Financial ratios</b>						
Capital ratio	17,7	16,3	109	15,6	15,5	14,7
Core capital ratio	15,1	14,0	108	12,9	13,0	11,6
Excess capital adequacy in percentage points	8,2	7,2	114	6,3	5,5	3,9
Return on equity before tax <sup>4</sup>	8,0	10,1	79	9,0	5,8	9,4
Return on equity after tax <sup>4</sup>	7,2	9,5	76	8,5	6,2	9,7
Income/cost ratio DKK	1,28	1,34	96	1,28	1,16	1,19
Interest rate risk relative to core capital net of deductions	-1,0	1,1	-	-0,2	1,3	-1,1
Currency position relative to core capital net of deductions	0,7	0,7	100	0,2	0,6	1,0
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	3,9	4,2	93	4,0	4,0	4,5
Loans and advances plus loan impairment losses relative to deposits	67,5	72,2	93	71,7	75,5	76,6
Growth in loans and advances for the year <sup>4</sup>	5,5	11,5	48	7,3	-2,2	-8,5
Impairment ratio for the year	0,0	0,2	-	0,7	1,0	1,6
Accumulated impairment ratio for the year <sup>5</sup>	5,8	5,6	104	6,8	9,1	11,5
Liquidity benchmark (new benchmark)	318	-	-	-	-	-
Excess cover relative to statutory liquidity requirements <sup>6</sup>	178	183	97	130	240	-
Total large exposures (new benchmark)	96,1	-	-	-	-	-
Total large exposures relative to capital resources	0,0	0,0	100	0,0	0,0	0,0
Return on invested capital <sup>4</sup>	0,9	1,2	75	1,1	0,8	0,9
Earnings per share (DKK) <sup>7</sup>	9,3	15,3	61	12,1	6,4	-
Dividend per share (DKK)	2,5	0,0	-	3,1	3,0	-
Book value per share at year-end (DKK)	155,3	170,9	91	159,1	149,7	-
Price/earnings per share <sup>7</sup>	8,7	7,4	118	8,7	15,1	-
Price/equity per share <sup>8</sup>	0,5	0,7	71	0,7	0,7	-
Price at year-end (DKK)	80,4	114,5	70	107,0	98,0	-
Average headcount (full-time employees on average) <sup>9</sup>	616	585	105	552	533	534

<sup>4</sup> In 2018, the ratio has been calculated based on the opening balance sheet following the implementation of IFRS 9.

<sup>5</sup> The ratio does not include discount. Refer to note 11 for a specification of total impairment losses, provisions and discounts.

<sup>6</sup> The liquidity requirement for credit institutions laid down under Section 152 of the Danish Financial Business Act has been replaced by LCR. The comparative figures have been adjusted. The ratio has not been calculated for 2014.

<sup>7</sup> 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.

<sup>8</sup> Calculated based on the number of shares outstanding at the end of the year.

<sup>9</sup> Engaged in financial business

# Management commentary

With a pre-tax profit of DKK 230m, Sparekassen handsomely meets the earnings expectations for the financial year, which adjusted upwardly in March 2018 to range between DKK 215m and DKK 245m.

Even though this profit is lower than in the record year of 2017, it is one of the best in the Group's 193-year history. Also, the capital structure has improved considerably in 2018 through a fully subscribed share issue, and subordinated loan capital has been refinanced, resulting in interest savings of DKK 35m, a year that will take full effect from 2019. The interest expenses saved on the supplementary capital will reduce the line item interest expenses whereas on the hybrid capital they will be reflected in retained earnings in equity.

In light of this, it is recommended to the Annual General Meeting to decide to distribute a dividend of DKK 2.50 per share.

The performance achieved, together with the developments in business and the successful capital transactions, are the reasons why the financial statements are considered satisfactory.

As is evident from the management commentary, core earnings are also expected to develop positively in 2019, and - all things being equal - the significant interest savings on subordinated loan capital stimulate the chances of distributing higher dividends in future.

Chief Executive Officer Lars Petersson says about this year's performance and events: "2018 was the first year of our targeted four-

year strategy, "New Ways". Besides the financial results, we have succeeded in future-proofing our capital structure, which was a key element of our strategy. This bears witness of massive support of Sparekassen by shareholders, customers and other stakeholders.

These results have also been brought about by our many talented and dedicated employees who are in reality Sparekassen's greatest asset.

The advance of our very detailed strategy is that all employees know what the course is that has been set until 2021".

Executive Officer of the Savings Bank Bruno Riis-Nielsen adds:

"With 49 branches and 4 corporate customer centres on Zealand and Funen, our distribution network is geographically complete and ensures the local presence that is an important part of Sparekassen's business model. It is obvious that this approach to the market and our many local and dedicated employees are the reasons why we increased our market share in 2018 too.

We have reason to expect that this will continue with growing momentum in the years ahead.

As is evident from the financial statements, net losses and impairment loss of DKK 4.4m are at

a very satisfactory low level. This figure includes an addition DKK 17m in management add-ons for potential impairment charges in 2019 regarding the agricultural sector due to the drought last summer.

The total loan book improved once again in 2018. The positive development in weak customers and customers subject to impairment should be pointed out in particular."

The Executive Board would like to say a huge thank you to staff, customers and shareholders for their support in 2018.

## Outlook for 2019

Economic trends are expected to remain stable, with high employment rates. Danish economy is expected to grow consistently with 2018.

Global economic trends are subject to uncertainty, also as to how this might affect Danish economy. For example, the implications of Brexit.

In 2019, Sparekassen is embarking on year two of its four-year strategy, "New Ways". The expansion of the branch network along with other major investments have been completed for now.

Focus is now on optimising income and expenses. For example, the number of employees is

expected to go down next year through natural turnover and retirements.

The strategy is expected to lead to an improved income/cost ratio. Based on this, expectations are that recent years' growth rate in staff costs and administrative expenses will decline in 2019.

Consequently, core earnings (profit/loss before value adjustments and impairment losses) are expected to increase in 2019.

Impairment losses are expected to remain low although they will inherently increase considering the extremely low level in 2018. Also, we still expect impairment losses in the agricultural sector due to the consequential effect of the 2018 drought and declining pork selling prices.

Expectations are that value adjustments will break even in 2019, assuming that the interest rate remains unchanged.

Considering the above factors, a pre-tax profit is expected ranging between DKK 180m and DKK 210m.

**Lars Petersson**  
Chief Executive  
Officer

**Bruno Riis-Nielsen**  
Executive Officer of the  
Savings Bank

# Financial review of the Group

## Financial year 2018

Despite some extraordinary one-off expenses of around DKK 20m, pre-tax profit stands in the middle of the range of earnings expectations. This profit results from increasing net interest and fee income, developments in costs consistently with the strategic plan and a very positive development in impairment losses.

## Income statement

### Income

#### Net interest income

Net interest income amounts to DKK 540.8m for 2018 against DKK 542.5m in 2017. The interest rate environment that has existed for some years now and not least the noticeable competition for customers generally pose challenges to credit institutions in maintaining a reasonable interest margin. The fact that Sparekassen has generally been able to keep net interest income at the same level is a result of a combination of various factors.

Firstly, an increased inflow of customers has helped grow both deposits and loans. In addition, we have been able to make small price adjustments without losing our competitive edge, and finally the portfolio of bonds has yielded higher interest. Conversely, higher interest expenses for investing liquidity with Nationalbanken work in the opposite direction with increasing interest expenses of slightly over DKK 5m whereas interest paid on subordinated loan capital has gone up by just under DKK 2m. The

latter development is primarily due to extraordinary excess covers regarding this year's capital transactions, although in the long term these will reduce the same expenses as we have been able to refinance loans on much better interest terms. In total, interest saved on subordinated and additional tier 1 capital instruments is expected to be around DKK 35m a year.

#### Fees and commission income

Fees and commission income stand at DKK 458.7m against DKK 449.1m in 2017. The rise has been caused by business activities from the increased inflow of customers but also a sustainedly handsome activity level in the customer base in general. We are also working continuously on adjusting prices of the advisory services and other services offered. One of the reasons why this area too is seeing price adjustments is that the production costs of Sparekassen or some of our suppliers are increasing. With the noticeable competition in the sector as referred to above, the price level is kept market consistent, however, so as to maintain the competitive edge.

Most income arises from the guarantee commissions received from the arrangement of mortgage loans to private and corporate customers. Earnings here amount to DKK 170.7m but they should be compared to the guarantees provided by Sparekassen towards Totalkredit and DLR. In 2018, the provision of loans to these business partners has increased from DKK

25.3bn and DKK 7.9bn, respectively, to stand at DKK 27.2bn and DKK 9.0bn, respectively, at year-end 2018.

This positive development is expected to continue in the years ahead concurrently with the expected continued increase in customers.

Expectations are that the development in business activities, including a new range of products and services, and market-consistent pricing will generally improve earnings going forward. However, there are also fees that will be reduced or lapse, for example, in the investment area where Sparekassen has seen income from the arrangement of investment fund certificates to proxy products decrease heavily by just under DKK 20m as a direct effect of the implementation of the MiFID II Directive.

#### Dividend

The dividends received, amounting to DKK 24.4m in 2018 against DKK 27.4m in 2017, primarily arise from Sparekassen's investments in shares in sector companies. The investments in and co-ownership of the sector companies ensure that Sparekassen has access to arranging financial products from specialists in areas such as mortgage credit and asset management.

The year's largest dividend of DKK 15.9m arises from BI Holding A/S (BankInvest).

## Subsequent events

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

The coming into force of IFRS 16 Leases from 1 January 2019 and the effect thereof are described in more detail in section "Summary of significant accounting policies" whereas the effect of the phase-in of the MREL is discussed in the section "Capital structure and liquidity of the Group".

After the balance sheet date and as part of the long-term capital plans, Sparekassen has decided to look into the possibility of issuing subordinated loan capital in the order of DKK 150-170m and of issuing senior non-preferred liabilities in the order of DKK 75-100m in the first half of 2019.

**Translation and market value adjustments**

At group level, this item includes Sparekassen's portfolio of bonds, shares, foreign currencies, derivative financial instruments and investment property. In total, translation and market value adjustments are positive by DKK 21.2m for 2018, and this is satisfactory.

Sparekassen's large liquidity surplus is invested primarily with Nationalbanken and in Danish mortgage credit bonds. The allocation of liquidity is made to obtain a satisfactory return compared to risk.

The average interest rates on mortgage credit bonds opened and closed the year at almost the same levels, and there was only a small correction in Q1 when the short-term interest rate reached a negative 0.67% and the long-term interest rate peaked at 3.08%. The developments and levels reflect the fact that interest rates did not start going up as many still expect is bound to appear in the horizon.

Under this scenario, Sparekassen decided in 2018 to optimise interest yields on its portfolio of bonds, which has generated DKK 29.0m in interest income and DKK 21.8m in negative market value adjustments. The higher weighting of the portfolio of bonds relative to investments in certificates of deposit also helps reduce the negative interest to Nationalbanken.

The share portfolios are predominantly composed of non-listed sector shares. These are much less price sensitive than listed shares which generally had a very difficult 2018 with global declines in virtually all share markets. At Sparekassen, we are therefore quite pleased that the year's market value adjustments of

shares reached a positive DKK 46.3m. Market value adjustments include approximately DKK 35m from an extraordinary revaluation of Sparekassen's portfolio of sector shares in BI Holding A/S (the BankInvest Group) in connection with changes in the sector company's own valuation policies. Another contributor to the overall positive market value adjustment is primarily the sector shares in DLR.

Translation adjustments of the year's foreign exchange reserves too are positive by DKK 9.3m in 2018. The foreign exchange reserves support ongoing customer transactions and cash currency transactions.

Sparekassen makes little use of derivative financial instruments. Interest rate and share futures are used for hedging. These activities generated a total loss of DKK 5.5m for the year.

**Other operating income**

Other operating income went down from DKK 31.1m to DKK 15.9m. The primary reason is that, in 2017, DKK 7.3m could be recognised as a profit from the sale of a property and DKK 7.6m from different types of other non-recurring income.

**Costs inclusive of depreciation and impairment losses**

2018 has involved a number of non-recurring expenses, extraordinarily affecting the total level of costs. Non-recurring expenses total DKK 20.1m and are composed of DKK 9.5m for IT development, DKK 5.8m for payroll relating to resignations, and DKK 4.8m for advertisements and TV commercials.

**Staff and administration**

Sparekassen's costs are primarily composed of staff costs, rental costs of the branches as well as operating and IT development costs. Staff costs and administrative expenses total DKK 746.2m in 2018 against DKK 691.4m in 2017. The rise is in part a result of our strategic plan under which Sparekassen's presence in all of Zealand has been increased by opening new branches in the Greater Copenhagen area and in North Zealand. Also, advisory services to corporate customers have been strengthened with now four locally based corporate customer centres on Zealand and Funen at which corporate customer specialists service the local areas and ensure full service in dealing with these customers.

The staff functions have been strengthened by adding specialists who can provide support in handling the control and reporting requirements for financial services companies that have increased in recent years. Financial sector legislation is expected to lead to more tasks also in the years ahead. Attempts will be made to handle these tasks primarily through IT solutions, however, this will also lead to further pressure on the costs in this area.

The opening of new branches under the strategic plan was completed in 2018. With respect to the development of branches, a very exciting relocation of the branch in Holbæk to the newly developed area at Holbæk Havneby remains outstanding. This relocation will take place in 2019. In addition, our network of branches will be upgraded regularly so that our customers may receive personal advisory services in inviting surroundings.

2018 was yet another year of increasing IT costs. For many years now, developing systems and retaining data have been a major part of operating a financial services company. Sparekassen and a number of other Danish financial institutions are behind the data centre Bankdata. Bankdata attends to all key IT tasks and core services with respect to developing new systems, adjusting existing ones and operating them.

Besides the increasing legal requirements for registration, monitoring and reporting, we want to use IT to offer digital solutions to our customers and to streamline processes even further. All of this calls for investments in the IT area. So in 2018, data centre costs were up by about DKK 18.0m on 2017. This increase is not satisfactory.

Increased costs for the IT area are lying ahead as well. Developing a platform to handle capital market financial instruments will impact our future IT costs. However, these costs are not expected to be taken to profit or loss until the system is implemented and earnings are generated from using it.

As part of the strategic plan in 2018, a massive campaign was launched to raise awareness of Sparekassen in the Greater Copenhagen area and Zealand. With our first TV commercial, we invited our current customers and not least potential customers into the world of Sparekassen. The point of departure for the campaign was our local presence and offer for local advisory services. The campaign was directed at both private customers and corporate customers. The TV commercials were followed by wide advertising campaigns in local and national newspapers, and they have already led to new customers and many inquiries by customers.

Based on this, total other administrative expenses could be calculated at DKK 283.1m in 2018 compared to DKK 261.4m in 2017. Developments in 2018 are consistent with the budget laid down, except for the unsatisfactory rise in IT costs.

Payroll costs stand at DKK 451.4m. This includes an amount of just under DKK 6m for employees that have resigned due to adjustments of the organisational structure and efficiency improvements resulting from the use of new IT solutions. Sparekassen has focus on continuing the development of IT support for the business activities, which means that the number of staff in Sparekassen will presumably have peaked. Organisationally, 2019 will involve another member on the Executive Board when Lars Bolding will take up his new position with Sparekassen (refer to company announcement no 24/2018 of 30 November). The strengthening of Management is viewed as a general investment for Sparekassen with an expected specific return on asset management as private investors along with businesses can expect new advisory competencies and initiatives in this area.

In 2019, Sparekassen's cost budget will focus on producing long-term efficiency improvements that will also be reflected financially in the bottom line.

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

Amortisation, depreciation and impairment losses stand at DKK 48.6m against DKK 58.7m in 2017. These costs include non-recurring costs for the development of systems both through the data centre and our business partners.

Amortisation, depreciation and write-down for impairment are made on machinery and equipment, technological hardware, leasehold improvements, owner-occupied properties and intangible assets such as software. In recent years, virtually all items have been affected by increased activities and the rise in headcount.

Among the software subject to amortisation are the system used for joint appraisal of housing through Totalkredit, Kronos2 (a clearing system through Nationalbanken), development of an application for NemID, etc.

#### **Impairment losses on loans and advances etc**

With DKK 4.4m, net losses and impairment losses for the year closed at a historical low. This is most gratifying and a result of the positive market trends in Sparekassen's market area with nearly full employment and a positive private housing market for private customers on Zealand and Funen as well as a determined long-term risk-reducing strategy.

The favourable economic climate is also reflected in the financial performance of the many SMEs, not least the skilled workers where Sparekassen has a high market share.

Previously, Sparekassen has had to write down considerable amounts on exposures in the property sector, but as is evident from both the Supervisory Diamond benchmark and the breakdown of exposures by sector, this exposure has been reduced significantly over the past few years. Very satisfactorily, this sector is no longer exposed to increased risk.

The share of large exposures under the Supervisory Diamond benchmark has been deliberately reduced as well.

As will be known, this summer's drought caused challenges for certain production branches of the agricultural sector. This required additional write-downs in 2018, however, Sparekassen's agricultural portfolio is very strong. For reasons of prudence, an extraordinary management add-on of DKK 17m has been provided in advance to cover any impairment losses on this sector in 2019. The mink farming business has also experienced considerable challenges, although Sparekassen's total exposures on this business are quite insignificant.

Furthermore, Sparekassen is recovering considerable income on claims previously written off. Very satisfactorily, this income amounted to over DKK 26m.

In addition to the favourable economic climate, Sparekassen has deliberately pursued a risk-reducing credit strategy for several years. The goal has been to diversify risk geographically from Western Zealand to all of Zealand (including Copenhagen) and Funen. With success!

Another goal was to strike a better balance between loans to private customers and loans to corporate customers.

And finally to reduce the increased risk on the property sector. We have managed to do that with great success.

Please refer to the comments on Sparekassen's total loan book on page 16 of the management commentary.

## **Balance sheet**

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

### **Assets**

#### **Loans and advances etc**

The deposits balance has grown to DKK 12.2bn from the corrected deposits balance of DKK 11.5bn, see the opening balance correction of the 31 December 2017 deposits balance resulting from IFRS 9. This is an increase of 5.5%. Even though Sparekassen is so able to demonstrate a handsome growth rate that generally supports business developments, we are experiencing some reluctance as well in the general demand for loans.

Growth is therefore seen in the funding of private housing and in businesses' investments in equipment and operations. At Sparekassen, we every day take on new credit business with creditworthy customers with sound projects but also turn down such business if a customer's self-financing or credit standing is not acceptable. This is required by law, but it is also good business. In this context, please also refer to the comments on impairment losses for the years given above in the financial review.

We expect to see controlled development in our deposits balance in 2019 as new customers opt for Sparekassen.

#### **Bonds**

Sparekassen still has a large deposit surplus of DKK 7.4bn inclusive of pooled deposits at year-end 2018. This is good for liquidity, which is high, but it also poses a few challenges in the current low interest rate environment.

With a negative interest rate of 0.65% for the risk-free placement of excess liquidity in certificates of deposit issued by Danmarks Nationalbank, it is natural to have some of such liquidity placed through other means, yet still at a low risk.

For a long time, we have worked with a very low interest rate risk on our bond portfolio, and this continued in 2018. During the year, we have upped investments in mortgage credit bonds yielding a little higher coupon rate, which has increased interest income but resulted in some negative market value adjustments.

#### Shares etc

The total portfolio of shares etc of around DKK 800m is composed of shares in sector companies etc. These shares of just under DKK 380m were acquired to support and carry through the business activities. DKK 350m is placed in investment funds that are exposed to credit risk. Also, Sparekassen holds a small portfolio of Danish and foreign shares of just over DKK 70m for the purpose of generating a positive return.

This portfolio also holds Sparekassen's new investment in Den Sociale Kapitalfond Invest, which invests in businesses that are for instance good at hiring socially marginalised people. Sparekassen intends to invest DKK 10m in the foundation.

This investment is in perfect keeping with the social aspects of our business model and so a key element of the mission for operating Sparekassen.

### Equity and liabilities

#### Deposits

The deposits balance too continues to increase. At 31 December 2018, total deposits on traditional accounts and pooled plan accounts amount to DKK 19.5bn, which is DKK 2.0bn up on the same date last year, equalling a growth rate of 11.7%.

As forecasted at the beginning of the year, a fair portion of this total increase arises from the increase in pooled deposits by DKK 400m. The rest arises from placements of liquidity on basic bank accounts of private customer and corporate customers.

#### Subordinated loan capital

In 2018, Sparekassen carried through a number of capital transactions that have strengthened the common equity tier 1 capital (the share issue in the spring) and will in the long term reduce interest expenses related to external funding. From the beginning to the end of the year, the supplementary capital has increased from DKK 402.8m to DKK 454.5m after a capital instrument for DKK 118m was redeemed and two new instruments for DKK 130m and DKK 42m, respectively, were obtained. While the instrument redeemed carried interest at the rate of 8.38%, the new instruments have been obtained carrying interest at the rates of DKK 4.50% and 4.75%, respectively.

Tier 1 capital has decreased from DKK 575m to DKK 376m. This capital is uncallable by the lender and has an indefinite term to maturity, for which reason the costs are a little higher than for the Tier 2 capital instruments. This year's new hybrid instruments of DKK 280m and DKK

41m carry nominal interest rates of 6.5% and 6.25%, respectively. Please refer to note 30 for further specification of the subordinated capital instruments.

#### Equity

Equity stands at DKK 3,083m at the balance sheet date and has so been strengthened by just under DKK 270m during the year. This increase is a result of the share issue in the spring, recognition of profit for the year and reduction in Tier 1 capital.

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 2.50 per share be approved, equivalent to a total amount of DKK 43.4m. If adopted by the Annual General Meeting to be held on 7 March 2019, dividend will be paid to the shareholders, and the dividend amount will be deducted in retained earnings.

### Q4 2018

Pre-tax profit for Q4 2018 stands at DKK 38.1m against DKK 48.7m for Q4 2017. Q4 is extraordinarily affected by non-recurring expenses in the order of DKK 16.9m and negative market value adjustments of DKK 12.8m.

The pre-tax profit is based on a surge in net interest and fee income by DKK 10.0m, a decrease in translation and market value adjustments by DKK 18.5m, a decrease in other operating income by DKK 12.4m, an increase in staff costs and administrative expenses by DKK 13.1m, a decrease in amortisation, depreciation and impairment losses by DKK 5.5m, a total

reduction of DKK 17.4m in impairment losses on loans, advances and guarantees, and an increase in profit from investments in associates by DKK 3.5m.

The fact that total income is up by DKK 10.0m on the same period last year is most positive.

One of the reasons for this increase is the rise in interest income from Sparekassen's considerable bond portfolio that has been achieved following a strategic decision to place a larger portion of the liquidity surplus in mortgage credit bonds instead of in certificates of deposits issued by Danmarks Nationalbank, the latter carrying a negative interest rate of 0.65%. This has resulted in a higher bond yield of DKK 4.6m and a decline in interest expenses for credit institutions and central banks by DKK 0.2m.

### Income statement

#### Income

##### Net interest income

Interest income from loans, advances and other receivables is down by DKK 2.2m whereas interest expenses for deposits and other debt are down by DKK 1.5m. In net terms, this contributes DKK 0.7m less to profit, which, seen in isolation, is quite satisfactory given the low interest rate environment that continues to put pressure on the general interest-rate differential.

##### Fees and commission income

It is also positive to witness the development in total fee and commission income which has gone up by DKK 6.4m.

Recent years' very positive development in the arrangement of mortgage loans to private and corporate customers is seen in that guarantee

commissions earned have gone up by DKK 3.3m to DKK 45.1m. Fees from securities trading and custody accounts can be calculated at DKK 23.4m against DKK 26.4m in Q4 2017.

#### **Translation and market value adjustments**

Total translation and market value adjustments stand at a negative DKK 12.8m, primarily affected the calculated negative market value adjustments of the bond portfolio of DKK 10.5m. Finally, the value adjustment of derivative financial instruments is positive by a total of DKK 3.7m.

#### **Costs inclusive of depreciation and impairment losses**

##### **Staff and administration**

Staff costs and administrative expenses are consistent with and developing according to the strategic plan and the related budget assumptions.

Fees and remuneration for the Board of Directors and Executive Board, payroll, pensions and social security expenses related to staff and other administrative expenses total DKK 199.7m in Q4 2018 compared with DKK 186.6m in the same period last year.

This increase is a result of investments in the communication and strengthening of the branch strategy, staffing to deal with the increasing legal requirements, the effect of pay increases through collective agreements and the rise in payroll tax. Furthermore, IT expenses have gone up primarily because of requirements in financial regulations and price adjustments but also because of the development of new digital solutions for customers.

The extraordinary Q4 non-recurring expenses are composed of DKK 5.8m for resignations, DKK 8.9m for IT development and DKK 2.2m for advertisements and TV commercials.

#### **Balance sheet**

Below, key balance sheet items are commented on.

##### **Assets**

##### **Loans and advances etc**

In Q4 2018, the balance of loans and advances has grown from DKK 12,014m to DKK 12,174m. This is a net increase of DKK 160m, or 1.3%.

##### **Deposits**

At the end of Q4 2018, the deposits balance, including pooled deposits, stands at DKK 19,536m compared to DKK 18,561m at the end of Q3 2017, which is up DKK 976m, or 5.3%.

##### **Obligationer**

As the deposits balance increases, a large portion of the liquidity surplus is placed in bonds. During the period, the bond portfolio has increased by DKK 788m to DKK 6,621m. The investments continue to be made primarily in Danish mortgage bonds.

##### **Equity**

In Q4 2018, equity is affected by the capital transaction related to the additional tier 1 capital and recognition of profit for the year.

# Financial review of the Parent

## Financial year 2018

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.

## Profit

Pre-tax profit of the Parent stands at DKK 225.9m compared to DKK 270.9m in the record year of 2017. This performance is considered satisfactory.

## Net interest income

The Parent's net interest income for 2018 stands at DKK 517.1m, which is a marginal increase. It is the combination of the negative effect from the current low interest rate environment and the positive effect of the increased balance of loans and advances that affect this development in both directions. The price adjustments made contribute positively in this context.

## Fee and commission income

Net fee and commission income have increased by DKK 10.2m and total DKK 439.8m. Most income arises from the guarantee commissions received from the arrangement of mortgage loans to private and corporate customers. Earnings here amount to DKK 170.7m but they should be compared to the guarantees provided by Sparekassen towards Totalkredit and DLR.

In 2018, the provision of loans to these business partners has increased from DKK 25.3bn and DKK 7.9bn, respectively, to stand at DKK 27.2bn and DKK 9.0bn, respectively, at year-end 2018.

## Costs

Costs of the Parent are in reality the picture of the entire Group.

2018 has involved a number of non-recurring expenses, extraordinarily affecting the total level of costs. Non-recurring expenses total DKK 20.1m and are composed of DKK 9.5m for IT development, DKK 5.8m for payroll relating to resignations, and DKK 4.8m for advertisements and TV commercials.

## Staff and administration

Sparekassen's costs are primarily composed of staff costs, rental costs of the branches as well as operating and IT development costs. Staff costs and administrative expenses of the Parent total DKK 745.4m in 2018 against DKK 693.5m in 2017. The rise is in part a result of our strategic plan under which Sparekassen's presence in all of Zealand has been increased by opening new branches in the Greater Copenhagen area and in North Zealand. Also, advisory services to corporate customers have been strengthened with now four locally based corporate customer centres on Zealand and Funen at which corporate customer specialists service the local areas and ensure full service in dealing with these customers.

## Impairment losses

With DKK 5.0m, the Parent's impairment losses on loans and advances etc closed at a historical low. This is most gratifying and a result of the positive market trends in Sparekassen's market area with nearly full employment and a positive private housing market for private customers on Zealand and Funen as well as a determined long-term risk-reducing strategy.

The favourable economic climate is also reflected in the financial performance of the many SMEs, not least the skilled workers where Sparekassen has a high market share.

As will be known, this summer's drought caused challenges for certain production branches of the agricultural sector. This required additional write-downs in 2018, however, Sparekassen's agricultural portfolio is very strong. For reasons of prudence, an extraordinary management addition of DKK 17m has been provided in advance to cover any impairment losses on this sector in 2019. The mink farming business has also experienced considerable challenges, although Sparekassen's total exposures on this business are quite insignificant.

Furthermore, Sparekassen is recovering considerable income on claims previously written off. Very satisfactorily, this income amounted to over DKK 22.9m.

In addition to the favourable economic climate, Sparekassen has deliberately pursued a risk-reducing credit strategy for several years.

The goal has been to diversify risk geographically from Western Zealand to all of Zealand (including Copenhagen) and Funen. With success!

Another goal was to strike a better balance between loans to private customers and loans to corporate customers. We have managed to do that with great success.

And finally to reduce the increased risk on the property sector. We have managed to do that with great success too.

Please refer to the comments on Sparekassen's total loan book on page 16 of the management commentary.

## 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.

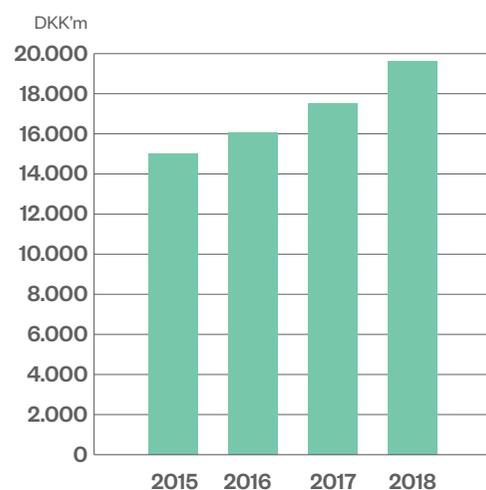
# Core earnings, deposits, loan and advances and business volume

## Sparekassen Sjælland-Fyn A/S Group

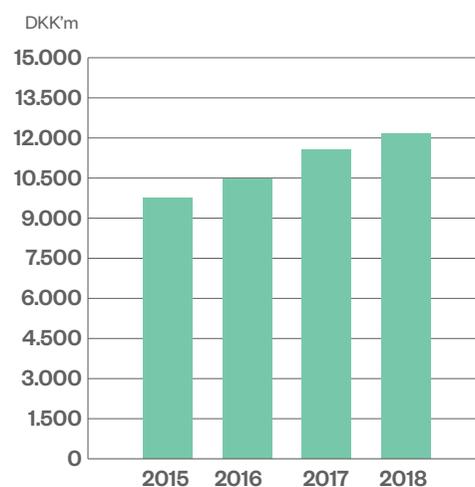
Amounts in DKK'm	Q4 2018*	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
<b>Core earnings</b>						
Net interest income	142.3	133,1	136,4	129,0	138,7	137,2
Dividend	0.8	2,3	16,1	5,2	1,3	15,0
Net fees and commission income	109.5	102,4	109,8	117,9	102,7	102,9
Other operating income, ordinary	3.4	4.9	3,6	3,9	3,6	3,5
Other operating expenses, ordinary	7.2	3.8	2,1	2,7	1,8	4,6
<b>Core income</b>	<b>248.8</b>	<b>238.9</b>	<b>263,8</b>	<b>253,3</b>	<b>244,5</b>	<b>254,0</b>
Staff costs and administrative expenses	199.7	184.3	186,5	175,6	181,5	170,5
<b>Core earnings</b>	<b>49.1</b>	<b>54.6</b>	<b>77,3</b>	<b>77,7</b>	<b>63,0</b>	<b>83,5</b>

\*Q4 2018 is affected by extraordinary non-recurring expenses of DKK 16.9m (please refer to page 13 of the financial review).

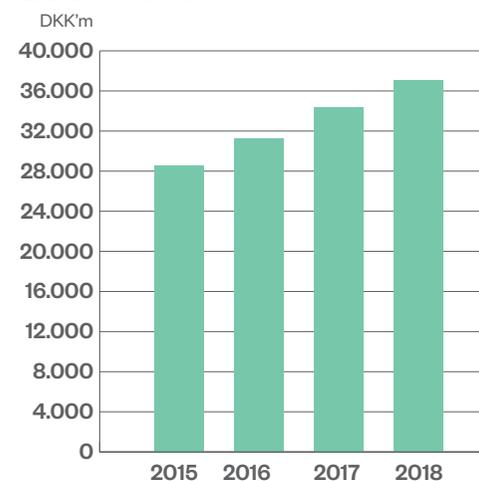
### Deposits



### Loans and advances



### Business volume



# Credit quality categories

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

	2018		2017		2016		2015	
	DKK'm	%	DKK'm	%	DKK'm	%	DKK'm	%
3 / 2a – Loans, advances and guarantees with normal credit quality	10,249	58.5	9,965	59.0	9,011	59.2	5,791	42.7
2b – Loans, advances and guarantees with certain indications of weakness	4,942	28.2	4,174	24.7	2,850	18.7	3,486	25.7
2c – Loans, advances and guarantees with substantial weaknesses	1,143	6.5	1,389	8.2	1,434	9.4	1,994	14.7
1 – Loans, advances and guarantees with objective evidence of impairment	1,197	6.8	1,366	8.1	1,914	12.6	2,300	16.9
<b>Total</b>	<b>17,531</b>	<b>100.0</b>	<b>16,894</b>	<b>100.0</b>	<b>15,209</b>	<b>100.0</b>	<b>13,571</b>	<b>100.0</b>

## Agricultural exposures

	2018		2017	
	DKK'm	%	DKK'm	%
3 / 2a – Loans, advances and guarantees with normal credit quality	572	39.4%	539	43.1
2b – Loans, advances and guarantees with certain indications of weakness	579	39.9%	396	31.7
2c – Loans, advances and guarantees with substantial weaknesses	163	11.2%	154	12.3
1 – Loans, advances and guarantees with objective evidence of impairment	139	9.5%	162	12.9
<b>Total</b>	<b>1,453</b>	<b>100.0%</b>	<b>1,251</b>	<b>100.0</b>

# 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 31.12.2018
<b>The total of large exposures</b> (new benchmark)	<b>&lt; 175 %</b> of common equity tier 1 capital	<b>96.1 %</b>
<b>The total of large commitments</b> (former benchmark)	<b>&lt; 125 %</b>	<b>0.0 %</b>
<b>Loan growth per annum</b>	<b>&lt; 20 %</b>	<b>5.5 %</b>
<b>Property exposure</b>	<b>&lt; 25 %</b> Of loans, advances and guarantees	<b>12.8 %</b>
<b>Liquidity surplus</b>	<b>&gt; 100 %</b>	<b>318 %</b>
<b>Stable funding</b>	<b>&lt; 1.00</b> Loans and advances/working capital less bonds with a term to maturity of less than one year	<b>0.53</b>

Due to the controlled management of developments, nor in future does Sparekassen expect to have any difficulties in respecting the thresholds of the Supervisory Diamond.

# "New Ways" – Sparekassen's 2021 strategy project

In company announcement no 18 of 6 November 2017, Sparekassen introduced its strategy 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 30 June 2018 is 2.07%.  
The calculated ratio at 30 December 2018 is 2.09%.

## 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 30 June 2018 is 7.4%.  
The calculated ratio at 30 December 2018 is 7.2%.

## 3 High income/cost ratio

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

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

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

- 1) Strong focus on efficiency measures so as to be able to handle more business with the same amount or a reduced amount of resources..
- 2) Tight cost control to utilise savings potential, including savings through procurement optimisations and administrative efficiency improvements.
- 3) Optimisation of the earnings potential of business activities. Some initiatives have already been identified. They are being implemented and will have full earnings effect from 2019.
- 4) Increase in income because of an expected rise in the total business volume resulting from the much stronger distribution power now in place through the establishment of a number of new private customer branches, the addition of staff to the asset management area as well as the opening of four corporate customer centres. These quite considerable investments have been completed and have had a relatively higher effect on costs than on income in the preceding periods. In the years ahead, the aim is that these investments will produce a satisfactory additional return.

The calculated ratio at 30 June 2018 is DKK 1.31.  
The calculated ratio at 31 December 2018 is DKK 1.25.

## 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 %

# 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 and the four 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

The legislation governing solvency and capital requirements is to ensure that Sparekassen will regularly have adequate capital to absorb potential losses arising from business operations.

In this context, credit risk and market risk are determined using the standard method of Danish law whereas operational risk is determined based on the basic indicator model.

Sparekassen calculates its individual solvency needs and capital adequacy according to relevant financial regulations, based on the developments inferable from current and expected business activities.

As a supplement to the Annual Report's comments on and disclosure of Sparekassen's solvency and capital structure, a specific report is prepared that is published on Sparekassen's website:

[www.spks.dk/om\\_sparekassen/regnskab](http://www.spks.dk/om_sparekassen/regnskab)

## Risk exposures and capital resources

Sparekassen's risk exposures total DKK 17,639m at the balance sheet date and, as a result of developments in business activities and the composition of the balance sheet, they have gone up by DKK 665m during the year.

The rise in risk exposures has occurred in credit exposures to businesses and real property etc. This is a natural development related to Sparekassen's growth. Risk exposures to debt instruments have increased as well. A decline in accounts overdrawn and in arrears contributes in the opposite direction. With respect to the capital requirement, additional provisions have been made for credit spread risk, agricultural sector exposures and model risks.

Sparekassen's capital ratio is 17.7%. The capital requirement has been calculated at 9.5%, leading to an excess capital adequacy ratio of 8.2 percentage points. In Danish kroner, this excess is equivalent to DKK 1,450m.

The combined buffer requirement has been calculated at 1.9 percentage points. This results in Sparekassen's excess capital adequacy ratio net of capital requirement and combined buffer requirements standing at 6.3 percentage points. In Danish kroner, this excess is equivalent to DKK 1,120m.

The above calculations are based on dividend of DKK 2.50 per share being distributed for 2018 as recommended to the Annual General Meeting in the Annual Report.

## Eligible liabilities

Financial sector regulation has implemented a requirement for financial institutions regard-

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

In 2018, Sparekassen received a first preliminary requirement for eligible liabilities based on the 2016 accounting figures and in December 2018 received the final requirement based on the 2017 accounting figures, which are therefore currently applicable from 1 January 2023. At group level, the requirement for eligible liabilities has been calculated at 17.6% (equivalent to 14.2% of 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 good margin at the onset of 2019.

With Sparekassen's current and expected development in its capital resources and the phase-in established as well as the development in risk-weighted exposures, we do not expect to face any challenges in meeting the requirement for eligible liabilities in future either. We intend to regularly evaluate the opportunities for optimising the composition of the capital and liability instruments that meet the requirement 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 (1.9% in 2018, going up to 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 (iii) expected combined buffer requirements for each year (1.9% in 2018, going up to a maximum of 5.0%) as well as Pillar II requirements that are not covered by supplementary capital or hybrid core capital.

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 must be at least 13.0% and 17.0%, respectively, by the end of 2021.

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 at least once a year when preparing the ICAAP report that is submitted to the Danish Financial Supervisory Authority. Considering its business plans as well as individual and social matters, Sparekassen's capital plan must ensure adequate capital to meet the capital measures and excess covers as regulatory capital requirements come into force.

Please also refer to the company announcements issued by Sparekassen on capital transactions carried out in 2018.

The company announcements are evident from Sparekassen's website:

[www.spks.dk/ir/selskabsmeddelelser](http://www.spks.dk/ir/selskabsmeddelelser)

**Liquidity**

Sparekassen wants to always hold liquidity that in amount and composition ensures adequate compliance with applicable legal requirements for liquidity with a handsome margin and ensures that it will always be able to make payments consistently with the contracts signed. Also, liquidity must be adequate so as to enable the realisation of Sparekassen's strategic goals.

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

At the beginning of 2018, Sparekassen has a large deposit surplus of over DKK 7.4bn. Its deposits are primarily made by private customers and small business operators. There are no large single deposits of significance. There are no deposits of significance from other financial services companies.

Deposits are also characterised by a very 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)**

The legal LCR requirement is to ensure that credit institutions have sufficient liquid funds to honour expected cash outflows over a 30-day horizon, calculated using an applicable stress model. In addition to the amount of the required liquidity buffer, the requirements define the required quality of the liquid assets that may be used in the buffer.

At 31 December 2018, Sparekassen's LCR is 278% against the applicable statutory requirement of a minimum LCR ratio of 100%.

So the liquidity surplus relative to the statutory requirement is 178 percentage points, equivalent to DKK 3.6bn. Furthermore, Sparekassen has DKK 1.3bn worth of assets that may, if needed, be included in the LCR calculation if such assets are optimised under the rules governing inclusion.

With the comfortable liquidity surplus, 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 calculated under the rules of the Supervisory Diamond benchmark of 318% against a minimum surplus threshold of 100%. Consequently, Sparekassen continues to have a solid surplus, also for this calculation of liquidity. The aim is always to have

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

For Sparekassen's values of the Supervisory Diamond benchmarks, see page 17.

**Liquidity target**

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

The size of the liquidity surplus, the ratio of deposits to loans and advances (liquidity funding) as well as the composition and quality of placements of liquidity are monitored on an ongoing basis.

Sparekassen's liquidity plans are updated at least once a year and are included in Sparekassen's ICAAP reporting submitted to the Financial Supervisory Authority.

# The Group

## **Sparekassen Sjælland-Fyn A/S, Group**

The Sparekassen Sjælland-Fyn A/S Group is composed of the Parent, Sparekassen Sjælland-Fyn A/S and related subsidiaries.

The group structure is evaluated on a regular basis by Management 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.

The Parent also holds equity interests in a number of associates.

## **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 Investeringselskabet 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.

## **Investeringselskabet 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 Investerings

selskabet 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 18 for a specification of the group enterprises and associates.

# Business foundation

Sparekassen Sjælland-Fyn A/S is among the 10 largest financial institutions in Denmark measured by working capital. Sparekassen Sjælland-Fyn A/S is represented by 53 physical branches composed of 16 on Funen and 37 on Zealand, and so Sparekassen is strongly represented and available in the entire market area.

## Market focus

As a main rule, Sparekassen wants to offer and do business with private and corporate customers residing or running their business on Zealand and Funen and also to be a digital alternative to the large financial institutions nationwide. At least 90% of Sparekassen's loans and advances and guarantees must be related to the primary market areas. Considering earnings and capital structure, branch reach is assessed regularly based on the strategic objectives. Sparekassen's digital focus sees to it that customers can currently use the most innovative tools to carry out the most significant bank business and get an overview of their own finances.

## Customers and shareholders

Sparekassen has more than 160,000 customers, about 27,000 of whom are also shareholders. Recent years' increase in customer portfolio is seen both in the private and in the corporate areas. It is primarily the opening of the new branches that contributes significantly to this increase.

The number of shareholders is steadily growing and comprises both customers who want a clo-

se relation to their local financial institution and investors who can see a long-term investment potential in the shares.

## Distribution network

Sparekassen wants to create the optimum distribution network to be able to offer customers close local service and advice. At stated, the distribution network consists of 49 private customer branches and four corporate customer centres, which are backed up centrally by a large number of specialists in competence-intensive fields such as housing finance, advice and services to businesses, Private Banking, investment and pension plans. But Sparekassen also serves its customers through digital platforms (home banking and mobile banking) through 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 focus area to be implemented to the greatest extent possible in relation to customers and in all processes and procedures of the organisation. The Digital Savings Bank ("Den Digitale Sparekasse") has its own customer service centre with extended opening hours and personal advisory services, which supports those of our customers who use self-service.

## 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 hedging. This is where the primary demand is, and this is where we can offer advice and products on competitive terms.

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

## Infrastructure and organisation

A well-functioning infrastructure is a precondition for our ability to deliver the value promised to the 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. The Group'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. As far as possible, fields that are not directly related to our core business must be outsourced, with due regard to the laws that Sparekassen is subject to in order to create and maintain an organisation focusing on our core business.

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. The Group 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](http://www.spks.dk).

We make a point of attracting and retaining qualified staff who can match the wish for being able to provide high-level customer advice and the challenges that follow from ever-changing economic trends and from growth.

# Corporate governance and statutory report on corporate governance

This statutory report on corporate governance covers the financial period 1 January to 31 December 2018.

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 an active and cost effective management of Sparekassen.

## Recommendation for corporate governance

November 2017, the Committee on Corporate Governance issued revised recommendations for corporate governance, which became effective for the financial year beginning on 1 January 2018. The recommendations are available at the Committee's website [www.corporategovernance.dk](http://www.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 one exception, Sparekassen complies with the principles of "Recommendations for Corporate Governance".

Sparekassen does not follow the recommendation that board members elected by the annual general meeting are up for election 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 2 years with the possibility of reelection. The Board of Directors finds that the electoral system ensures continuity and stability in the board work.

The disclosures as well as additional information are available in a report published on Sparekassen's website: [www.spks.dk/om\\_sparekassen/organisation#politikker](http://www.spks.dk/om_sparekassen/organisation#politikker).

## Recommendations for active ownership

When, in connection with the preparation of the 2018 annual report, management considered the "Recommendations for Corporate Governance", they also assessed whether Sparekassen is also covered by "Recommendations for Active Ownership". It is the assessment that the "Recommendations for Active Ownership" are not relevant to Sparekassen, as Sparekassen only has a small stock of listed shares, and as Sparekassen, in its role as asset manager, has not entered into an explicit agreement with customers that Sparekassen should exercise active ownership, for example by exercising the right to vote in relation to investments in listed shares.

## Finance Denmark's code of conduct

Finance Denmark has prepared a code of conduct with recommendations to its members. The recommendations, which go beyond legislation and the recommendations of the Committee on Corporate Governance, are followed by Sparekassen. The disclosures as well as additional information on Sparekassen's observance of the recommendations in Finance Denmark's code of conduct are published in a report on the following website [www.spks.dk/om\\_sparekassen/organisation#politikker](http://www.spks.dk/om_sparekassen/organisation#politikker), to which we refer.

## 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 2018 are listed in the annual report under "Committee of Representatives, Board of Directors and Board of Directors Committees" and on Sparekassen's website: [www.spks.dk/om\\_sparekassen/organisation](http://www.spks.dk/om_sparekassen/organisation).

## Composition of the Board of Directors

Sparekassen's Board of Directors consists of 4-9 members who are elected by and among the members of the Committee of Representatives. In addition, the Board of Directors consists of a number of members elected by the employees under existing laws. According to the Articles of Association, the Committee of Representatives may also elect board members that are not members of the Committee of Representatives to ensure that Sparekassen always meets the current requirements for

knowledge and experience of board members in a financial institution.

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

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 objective of at least one woman elected by the Committee of Representatives on the Board by the end of 2020 has not yet been met. Moreover, 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 2018. Going forward, external assistance is expected to be included in the evaluation at least every three years.

The members of the Board of Directors are listed in the Annual Report under 'Committee of Representatives, Board of Directors and Board

of Directors Committee' and on Sparekassen's website:

[www.spks.dk/om\\_sparekassen/organisation](http://www.spks.dk/om_sparekassen/organisation).

### 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 should also be ensured that some of the board members have competences within the sectors where Sparekassen operates.

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, both 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.

Page 29 shows 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 ensures that the Executive Board observes the objectives and strategies laid down by the Board of Directors. Communication from the Executive Board takes place systematically by means of meetings as well as current reporting, oral as well as written. This reporting includes Sparekassen's development, profitability and financial position.

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 determined.

In 2018, the Board of Directors held 24 meetings, one of them in the nature of a strategy seminar.

The Board of Directors makes decisions on, i.a., appropriation of large engagements, acquisitions, major investments and divestments, the size and composition of capital resources, non-current liabilities, budgets, control and audit matters as well as operational matters.

The Board of Directors' rules of procedure lay down procedures for the Executive Board's reporting to the Board of Directors and for these parties' communication. The rules of procedure

re are reviewed and evaluated annually by the Board of Directors and are currently adjusted to the situation of Sparekassen.

### Nomination Committee

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

The Nomination Committee held three meetings in 2018.

### Remuneration Committee

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

The Remuneration Committee held two meetings in 2018.

### Remuneration policy

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

The remuneration policy is approved annually at the Annual General Meeting of Sparekassen and was most recently approved on 8 March 2018.

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/om\\_sparekassen/organisation#politikker](http://www.spks.dk/om_sparekassen/organisation#politikker).

### Audit Committee

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

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

- To monitor and control the external auditor's independence and approve the auditor's non-audit services.

- To be responsible for the procedure for the selection and recommendation of the auditor for appointment.

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

Sparekassen has as the qualified member appointed former CEO Bent Andersen. Bent Andersen has acquired extensive knowledge and experience in accounting and auditing of financial enterprises through his previous work, especially as Executive Director of Sydbank and CEO of DLR Kredit A/S.

The Audit Committee held 6 meetings in 2018.

### Risk Committee

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

The Risk Committee held 6 meetings in 2018.

### Executive Board

The Board of Directors appoints the Executive Board, which is responsible for the planning and

implementation of day-to-day operations and strategic plans. The Executive Board is not a member of the Board of Directors but participates in the Board of Directors meetings.

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

### Managerial posts

Please refer to page 29 of this annual report.

As stated in company announcement no 24/2018 of 30 November 2018, the Executive Board will be expanded not later than 1 June 2019 by Executive Officer of the Savings Bank Lars Bolding.

### Shareholders

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

The Board of Directors regularly assesses whether the capital structure is consistent with the interests of Sparekassen and its shareholders. The general objective is to ensure a

capital structure that supports long-term and profitable growth.

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

If an offer is submitted for acquisition of the shares in Sparekassen, the Board of Directors will consider the offer pursuant to regulations. 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 alterations to the Articles of Association and distribution of dividends on recommendation by the Board of Directors.

According to the Articles of Association, the Annual General Meeting of Sparekassen is held every year by the end of April in Region Sjælland.

Annual General Meetings, ordinary and well as extraordinary, are convened by the Board of Directors not earlier than five weeks and not later than three weeks before the Annual Gene-

ral Meeting through announcement at Nasdaq Copenhagen and through announcement at Sparekassen's website as well as in writing to all the shareholders listed in the register of shareholders who have made a request in this respect.

Extraordinary general meetings are held in Region Sjælland or in Region Hovedstaden according to further decision made by the Board of Directors or convened at the request of a) the Board of Directors, b) the Committee of Representatives, c) Shareholders in Sparekassen Sjælland-Fyn A/S who hold at least 1/20 of the share capital and who state in writing to the Board of Directors what they want to be presented at the Annual General Meeting or d) Sparekassen's auditor appointed by the general meeting.

Extraordinary general meetings are convened in accordance with the above rules not later than two weeks after receiving the request.

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

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

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

### Risk management

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

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

The overall goals of the risk management is that Sparekassen, with early and precise identification of risks, learning of incidents and focused management of assumed risks achieves satisfactory earnings on a known risk basis. For further specifications on Sparekassen's risk management and current risks, see note 41 to the financial statements.

### Compliance

Sparekassen's Compliance function assesses and checks the observance of the legislation, industrial standards and internal rules applicable to Sparekassen. Moreover, the Compliance function assesses whether the business processes and controls that are implemented as part of Sparekassen's control environment are

designed so they can detect whether the sets of rules are complied with.

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

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

### Capital management

Sparekassen's capital management is based on the Capital Requirements Regulation and relating executive orders.

Sparekassen actively seeks to optimise capital management, including the capital structure, so it is continuously able to cover the existing and planned risk exposures and also ensures that it is as cheap and stable as possible.

The Board of Directors discusses continuously and at least once every quarter the overall composition and development of the risk on the balance sheet, assesses existing and expected future risk effects and uncertainties and assesses on this background the capital requirement and target excess cover. This monitoring enables Sparekassen to plan its activities, which can thus be optimised in relation to the capital 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 as well as a calculation of the capital requirement is available in the notes to this annual report and in the related reports on risk data and capital requirement.

The annual report and the reports on risk data and capital requirement are available on Sparekassen's website:

[www.spks.dk/om\\_sparekassen/regnskab](http://www.spks.dk/om_sparekassen/regnskab)

### Financial reporting process

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

It is the finance department that books, reconciles, analyses and handles general quality assurance in Sparekassen's financial reporting processes. The financial reporting processes are described in detail in a number of business processes to ensure that items are handled in compliance with current legislation and internal instructions. As part of the process, time schedules are prepared defining the delivery time and the person responsible, which ensures that financial statements are prepared and submitted for 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 audit and the independent auditors appointed by the General Meeting will issue a report on their audit review of the financial statements etc.

### Control environment

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

The Board of Directors establishes and approves overall policies and risk frameworks, whereas the Executive Board is responsible for these being observed when business activities are implemented.

The Executive Board is also responsible for the preparation of business processes and relating controls in all significant risk areas, including for the financial reporting process. Compliance of policies and business processes is currently strongly emphasised, and monitoring and control of compliance are made on a random sample basis.

Sparekassen wants a strong control environment which can help reducing its risks. Therefore, the Executive Board monitors the compliance of relevant laws and other regulations and

provisions and reports to the Board of Directors on an ongoing basis.

### Risk assessment

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

### Auditors

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

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

The auditors report to the entire Board of Directors at least twice a year and also immediately after observance of any matters which the Board of Directors should approach.

The auditors participate in Board of Directors meetings and Audit Committee meetings in connection with the presentation of reports to the Board of Directors and as required.

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

Resident in Holbæk

Member of the Remuneration Committee, the Nomination Committee and the Risk Committee and 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 • Holbæk  
Fonden • Kullegaard A/S • Tokasi  
Holding ApS

**Special competences**

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

**Shareholding**  
14.321 shares

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Independent

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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

Resident 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 • Safire Holding ApS

**Special competences**

- Broad business insight in particular within finance, accounting, control and the credit area
- Broad knowledge of the business area in general and in particular the building industry
- Meets the requirement of qualification as a member of the Audit Committee in financial services enterprises

**Shareholding**  
10.959 shares

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Independent

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Term of office expires in 2019

Board member  
**Bent Andersen**



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

1948 - Year of birth

Resident 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**  
Danske Andelskassers Bank A/S • DAB Invest A/S • DAB Invest 2 A/S  
Vinhandler N.O. Andersens Legat

**Special competences**

- Experience in board work
- Management of financial enterprise at Executive Board level
- Industry insight within financing, properties and agriculture
- Financial insight, especially within credit rating and risk management
- Insight in social conditions and the corporate and private sectors

**Shareholding**  
626 shares

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Independent

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Term of office expires in 2020

Board member  
**Otto Spliid**



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

1961 - Year of birth

Resident in Odense

**Executive Officer**  
Focus-Advokater P/S • From Holding ApS • SLK Advokatpartnerselskab

**Education**  
Master of Law

**Chairman of the Board of Directors**  
Chr. P. Holding ApS • Drivhus Holding A/S • EI-team kbh. ApS  
Gardin Montøren Botex Home ApS, Henning Ibsen A/S • Tool Danmark A/S  
Viemose-Driboga A/S • Øko-Oil A/S

**Board member**  
Am Værktøj Odense A/S • Autohuset Vestergaard Personvogne • Autohuset Vestergaard Personvogne Holding A/S  
AV Biludlejning A/S • Egatec A/S • EI-Team Fyn A/S • Eurostar Danmark A/S • Gartneriet Thoruplund A/S, Fraugde • Maskinfabrikken H.M.A.

Odense A/S • Natex of Scandinavia A/S • Saferoad Daluiso A/S • Schiang Living A/S • Siolit A/S • Titech Electric A/S, • Titech Holding ApS

**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**  
400 shares

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Independent

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Term of office expires in 2020

Board member  
**Erik Larsen**



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

1958 - Year of birth

Resident in Dalmore

Member of the Audit Committee

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Farmer with five properties, pig production and agricultural contractor work

**Education**

Green certificate, Høng Landbrugs skole,

Landbrug & Fødevarer, Board

Education

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**Board member**

Landbrug & Fødevarer • OK a.m.b.a., næstformand • Danoil Exploration A/S Energidata A/S • Kamstrup A/S • LY-GAS 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 in agriculture and agricultural policy
- Competences within finance and business development
- Insight in social conditions and the corporate and private sectors

**Shareholding**

4.108 shares

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Independent

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Term of office expires in 2019

Board member  
**Per Bjørnsholm**



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

1969 - Year of birth

Resident in Frederiksberg

Member of the Risk Committee

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**Executive Officer**

ApS af 15. juni 1986 • Bjørnsholm A/S Bjørnsholm ApS • Eivind Eckbo's Dansk Norske Legat • Ejendomsaktieselskabet "HERMES" • Fælledvej 16, København ApS • P Bjørnsholm, Advokatpartsselskab • P Bjørnsholm ApS Selskabet D.N. af 17. maj 2007 A/S

**Education**

Master of Law

MBA from HULT Business School, Boston, USA

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**Chairman of the Board of Directors**

Eidom A/S • Net-Nurse A/S

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**Board member**

Ejendomsselskabet Sjælland-Fyn A/S Investeringselskabet Sjælland-Fyn A/S Bjørnsholm A/S • Ejendomsaktieselskabet Helleholm • Selskabet af 26. oktober 1966 ApS • S.K.A. Holding A/S Storkøbenhavns Køretekniske Anlæg A/S

**Special competences**

- Board work
- Legal competences within property administration, acquisition and sale of properties, construction law commercial law and company law as well as foundation law
- Broad knowledge of the property industry in general, in particular in Copenhagen
- Insight in social conditions and the corporate and private sectors

**Shareholding**

1.333 shares

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Independent

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Term of office expires in 2019

Board member

**Helle Lindhof Bjørnøe**



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

1963 - Year of birth

Resident in Holbæk

Member of the Remuneration Committee and the Nomination Committee

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Customer Advisor, Sparekassen Sjælland-Fyn A/S

**Education**

Banking school

**Shareholding**

2.672 shares

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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

Member of the Risk Committee

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Development Manager, Sparekassen Sjælland-Fyn A/S

**Education**

Banking school

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

**Shareholding**

5.348 shares

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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

Resident in Holmegaard

Member of the Remuneration Committee and the Nomination Committee

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Branch Manager, Sparekassen Sjælland-Fyn A/S

**Education**

Savings bank school

Diploma in financial advising (HD), specialised in management and project management

Master's degree in management

**Shareholding**

768 shares

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Term of office expires in 2020

Chief Executive Officer  
**Lars Petersson**

**Executive Board**



2015 - CEO  
 2010 - Managing Director  
 2009 - Joined the Executive Board  
 1986 - Year of employment  
 1967 - Year of birth  
 Resident 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  
 Investeringselskabet Sjælland-Fyn A/S  
 BI Holding A/S  
 Copenhagen FinTech  
 DLR Kredit A/S  
 Nærpension, næstformand

Regional Invest Fyn A/S

Tilskuds-fonden for pensionister i DLR

**Shareholding**

11.590 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  
 Resident 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  
 Lokal Puljepension  
 Regional Invest Fyn A/S

**Shareholding**

8.024 shares

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

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

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

The gender composition of board members elected by the Committee of Representatives of Sparekassen was 100% male and 0% female in 2018. It is Board of Director's objective to increase the share of women in the Committee of Representatives so that there will be a recruitment basis of both genders for directorships. Since 2012, the share of women in the Committee of Representatives has increased from just under 5% to almost 20% in 2018.

There have not been any women elected by the Committee of Representatives on the Board of Directors in 2018.

It is the Board of Directors' objective that women elected by the Committee of Representatives (at least one) are represented on the Board of Directors by the end of 2020.

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

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

### Sparekassen has set the following concrete goals:

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

## Implementation of the policy and targets achieved in 2018

Sparekassen's objectives and policy for increasing the share of the underrepresented gender have been followed and observed throughout 2018. 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 2018, the election period of four incumbent male members of the Board of Directors expired. Three of the members, who were elected by the Committee of Representatives, were renominated and elected. The fourth member, who was elected by the employees, stepped down after his term of office.

The Board members are composed of six members of the Committee of Representatives, all men, and three members elected by the employees, one woman and two men.

On this background, no significant changes have been observed in the gender distribution on the Board of Directors in 2018.

### Other management levels

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

# Shareholder information

Sparekassen's shares were listed at Nasdaq Copenhagen on 3 December 2015. Sparekassen's quoted share price was DKK 114.5 end of 2017. In April 2018, Sparekassen made a share issue in the form of a pre-emption rights issue with pre-emption rights for the existing shareholders. A total of 4,343,743 new shares were offered in the nominal amount of DKK 10 each at a price of DKK 105 per new share. The share issue was fully subscribed, and thus there was no need to exercise the guarantee provided as part of the share issue. Sparekassen's total gross proceeds from the issue thus amounted to DKK 456m, and net proceeds was calculated at approx. DKK 437m.

## Share information

Stock exchange	Nasdaq Copenhagen A/S
Share capital	173.749.730 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

During 2018, Sparekassen's share price was hit by the general unrest and downswing on the share markets, which particularly had a severe impact on the financial sector. At the end of 2018, Sparekassen's quoted share price was DKK 80.4 per share. The decrease in Sparekassen's share price in 2018 of just under 30% can be compared to a decrease in OMX Copenhagen Bank Index GI and Copenhagen Bank Index PI of almost 40%. The development of Sparekassen's share price is not satisfactory, but it should also be noted that the price of Sparekassen's shares has done better throughout 2018 than Danish financial institutions in general.

## Investor Relations

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

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

Communication with investors and share analysts is handled by Sparekassen's Executive Board, which is supported by the Investor Relations department. The dialogue comprises a wide range of activities and takes place in accordance with Nasdaq Copenhagen A/S's rules and the Market Manipulation Directive. Immediately after its publication, all investor information is distributed to shareholders who have requested such information. The investor information is also available at [www.spks.dk/ir](http://www.spks.dk/ir).

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

In the autumn of 2018, Sparekassen held a number of shareholder events consisting of dialogue meetings.

## Development in share price in 2018



### Shareholder structure at 31 December 2018

At 31 December 2018, Sparekassen had approx. 27,000 shareholders.

#### 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 2018, Sparekassen's portfolio of treasury shares amounted to 9,265 shares of a nominal value of DKK 10 each, equal to 0.05% of the share capital.

In 2018, Sparekassen was permitted by the Danish Financial Supervisory Authority to acquire treasury shares for up to DKK 1m 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 2019

Time	Event
Thursday, 7 February	Publication of annual report 2018
Thursday, 7 March	Annual General Meeting
Thursday, 9 May	Interim Announcement for Q1 2019
Friday, 9 August	Publication of financial statements for H1 2019
Wednesday, 6 November	Interim Announcement for Q3 2019

### Accounting estimates

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

The report is available at Sparekassen's website: [www.spks.dk/om\\_sparekassen/regnskab](http://www.spks.dk/om_sparekassen/regnskab).

### Supervisory activities

In 2018, Sparekassen was paid an ordinary visit by the Danish Financial Supervisory Authority, which is typically paid every four years. All key areas are reviewed during the inspection. Moreover, Sparekassen participated in thematic reviews across the financial sector. The reports from the Danish FSA are published according to law and generally receive very high attention from the financial press.

The published reports are often brief, comprise many technical concepts and focus primarily on criticism. Sometimes this creates communicative challenges to Sparekassen in relation to understanding our customers, shareholders and employees.

The reports and Sparekassen's comments can be read on [www.spks.dk](http://www.spks.dk) under Reports from the Danish Financial Supervisory Authority.

# Statutory report on corporate social responsibility - CSR

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

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

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

The policies must define how Sparekassen integrate consideration for corporate social responsibility within the stated areas. Sparekassen may choose not to prepare policies in the stated areas but must in certain cases give reasons for the opt-out.

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, as a result of the operation of the enterprise, it is not regarded as having any significant negative impact on environment or resulting in undesirable climatic impact. The decision not to have a specific policy in the area does not mean, however, that Sparekassen is not making any effort to protect environment and reduce unwanted climatic impacts. Sparekassen has already implemented a large number of initiatives relating to environmental and climatic impacts, which are described in the CSR report.

Statutory report on corporate social responsibility – CSR for the Sparekassen Sjælland-Fyn Group is published at the website:  
[www.spks.dk/om\\_sparekassen/regnskab](http://www.spks.dk/om_sparekassen/regnskab)



# 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 2018.

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

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

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

a true and fair view of the Group's and Sparekassen's financial position at 31 December 2018 as well as of their financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2018.

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, 7 February 2019

## Executive Board

Lars Petersson  
Chief Executive Officer

Bruno Riis-Nielsen  
Executive Officer of the Savings Bank

## Board of Directors

Thomas Kullegaard  
Chairman

Jakob Nørrekjær Andersson  
Vice-Chairman

Otto Frederik Spliid

Per Bjørnsholm

Bent Andersen

Erik Larsen

Per Olsen

Mads Wallin

Helle Lindhof Bjørnøe

# Internal auditor's report

## To the shareholders of Sparekassen Sjælland-Fyn A/S

### Opinion

In our opinion, the consolidated financial statements and the parent financial statements of Sparekassen Sjælland-Fyn A/S give a true and fair view of the Group's and Sparekassen's financial position at 31 December 2018 and of their financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2018 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 2018. 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, 7 February 2019

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 2018, 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 2018 and of their financial performance and the consolidated cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies with respect to the consolidated financial statements and in accordance with the

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

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

### Basis for opinion

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

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

We were appointed auditors of Sparekassen Sjælland-Fyn A/S for the first time on 13 March

2014 for the financial year 2014. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 5 years up to and including the financial year 2018.

### 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 2018. 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

ULoans and advances of the Group and Sparekassen amount to DKK 12,174m and DKK 12,240m, respectively, and impairment losses on loans and advances amount to DKK 1,014m for the Group and DKK 977m for Sparekassen at 31 December 2018.

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 consolidated 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 agricultural 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 agricultural 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 Management 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 additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design

and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s and Sparekassen’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management’s use of the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the Group’s and Sparekassen’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions

are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Sparekassen to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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 au-

ditor'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.

Copenhagen, 7 February 2019

**Deloitte**

Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56

Anders Oldau Gjelstrup  
State-Authorised Public Accountant  
MNE-nr. 10777

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

## Income statement

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
4	Interest income calculated using the effective interest method	569,135	577,015	545,247	550,848
4	Other interest income	37,355	29,115	37,355	29,115
5	Interest expenses	65,659	63,635	65,459	63,626
	<b>Net interest income</b>	<b>540,831</b>	<b>542,495</b>	<b>517,143</b>	<b>516,337</b>
	Dividends on shares etc	24,363	27,353	24,363	27,353
6	Fees and commission income	458,704	449,144	458,629	448,861
	Fees and commission expenses	19,129	19,817	18,827	19,290
	<b>Net interest and fee income</b>	<b>1,004,769</b>	<b>999,175</b>	<b>981,308</b>	<b>973,261</b>
7	Market value adjustments	21,228	42,994	27,009	57,165
	Other operating income	15,908	31,051	5,525	21,022
8	Staff costs and administrative expenses	746,156	691,393	745,394	693,456
	Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment	48,645	58,667	43,001	39,886
10	Other operating expenses	19,930	19,190	12,257	12,670
11	Impairment losses on loans and advances etc	4,394	33,440	5,030	32,185
18	"Profit/loss on investments in associates and group enterprises"	7,561	2,618	17,749	-2,395
	<b>Profit before tax</b>	<b>230,342</b>	<b>273,148</b>	<b>225,909</b>	<b>270,856</b>
12	Income tax	22,105	15,875	17,672	13,583
	<b>Profit for the year</b>	<b>208,237</b>	<b>257,273</b>	<b>208,237</b>	<b>257,273</b>
	<b>Proposal for distribution of profit</b>				
	Interest on hybrid core capital			60,110	56,480
	Dividend for the financial year			43,437	0
	Retained earnings			104,690	200,793
	<b>Total amount distributed</b>			<b>208,237</b>	<b>257,273</b>
	<b>Earnings per share</b>				
31	Earnings per share (DKK)	9.3	15.3	9.3	15.3
31	Diluted earnings per share (DKK)	9.3	15.3	9.3	15.3

## Statement of comprehensive income

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
	<b>Profit for the year</b>	<b>208,237</b>	<b>257,273</b>	<b>208,237</b>	<b>257,273</b>
	<b>Other comprehensive income that may not be reclassified to profit or loss</b>				
	Fair value adjustment of properties	-250	-500	-250	-500
	Tax related to fair value adjustment of properties	4	4	4	4
	<b>Other comprehensive income that may be reclassified to profit or loss</b>				
	Fair value adjustment of financial instruments entered into to hedge future cash flows <sup>1</sup>				
	- Value adjustment for the year	-74	65	-74	65
	- Tax on other comprehensive income	16	-14	16	-14
	<b>Total other comprehensive income</b>	<b>-304</b>	<b>-445</b>	<b>-304</b>	<b>-445</b>
	<b>Total comprehensive income</b>	<b>207,933</b>	<b>256,828</b>	<b>207,933</b>	<b>256,828</b>

<sup>1</sup> Fair value adjustment concerns a jointly controlled enterprise.

# Balance sheet at 31 December

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>Assets</b>					
	Cash and balances on demand at central banks	412,575	356,906	412,575	356,906
13	Amounts owed by credit institutions and central banks	1,408,153	1,830,790	1,402,499	1,822,445
14	Loans and other amounts owed at amortised cost	12,173,964	11,680,562	12,239,986	11,671,702
15	Bonds at fair value	6,620,883	4,839,742	6,620,883	4,839,742
16	Bonds at amortised cost	0	99,999	0	99,999
17	Shares etc	801,307	653,583	801,307	653,583
18	Investments in associates	75,340	70,584	38,315	33,801
18	Investments in group enterprises	0	0	352,514	381,559
19	Assets in pooled plans	1,313,431	905,222	1,313,431	905,222
20	Intangible assets	125,090	137,658	125,090	137,658
21	Total land and buildings	427,460	399,499	58,082	59,807
	Investment property	158,728	124,446	7,289	8,337
	Owner-occupied property	268,732	275,053	50,793	51,470
22	Other property, plant and equipment	48,861	47,830	48,861	47,830
	Current tax assets	0	11,310	2,700	15,647
23	Deferred tax assets	175,689	162,718	165,626	152,160
24	Temporarily held assets	0	0	0	0
25	Other assets	210,334	272,044	172,106	246,370
	Prepayments	64,277	18,716	64,209	18,675
	<b>Total assets</b>	<b>23,857,364</b>	<b>21,487,163</b>	<b>23,818,184</b>	<b>21,443,106</b>

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>Equity and liabilities</b>					
<b>Liabilities other than provisions</b>					
26	Amounts owed to credit institutions and central banks	425,191	439,229	423,810	437,892
27	Deposits and other debt	18,222,949	16,589,332	18,236,324	16,591,918
19	Deposits in pooled plans	1,313,431	905,222	1,313,431	905,222
	Current tax liabilities	960	0	0	0
28	Other liabilities	261,486	246,572	228,568	216,286
	Deferred income	23,928	20,848	6,632	5,828
	<b>Total liabilities other than provisions</b>	<b>20,247,945</b>	<b>18,201,203</b>	<b>20,208,765</b>	<b>18,157,146</b>
<b>Provisions</b>					
	Provisions for losses on guarantees etc	61,096	55,905	61,096	55,905
	Other provisions	10,512	14,794	10,512	14,794
29	<b>Total provisions</b>	<b>71,608</b>	<b>70,699</b>	<b>71,608</b>	<b>70,699</b>
30	<b>Subordinated loan capital</b>	<b>454,499</b>	<b>402,848</b>	<b>454,499</b>	<b>402,848</b>
<b>Equity</b>					
31	Share capital	173,750	130,312	173,750	130,312
	Revaluation reserves	2,882	3,128	2,882	3,128
	Undistributable savings bank reserve, other reserves	561,378	561,378	561,378	561,378
	Retained earnings	1,959,410	1,532,758	1,959,410	1,532,758
	<b>Total equity exclusive of hybrid core capital</b>	<b>2,697,420</b>	<b>2,227,576</b>	<b>2,697,420</b>	<b>2,227,576</b>
	Hybrid core capital	385,892	584,837	385,892	584,837
	<b>Total equity</b>	<b>3,083,312</b>	<b>2,812,413</b>	<b>3,083,312</b>	<b>2,812,413</b>
	<b>Total equity and liabilities</b>	<b>23,857,364</b>	<b>21,487,163</b>	<b>23,818,184</b>	<b>21,443,106</b>

33 Contingent liabilities

# 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 <sup>1</sup>	Dividend	Retained earnings	Total equity exclusive of hybrid core capital		Hybrid core capital
	<b>Equity at 1.1.2018</b>	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
	<b>Resulting equity at 1.1.2018</b>	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
	<b>Other comprehensive income</b>									
	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
	<b>Total other comprehensive income</b>	0	-246	0	-58	0	0	-304	0	-304
	<b>Comprehensive income for the financial year</b>	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
	<b>Equity at 31.12.2018</b>	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	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 <sup>1</sup>	Dividend	Retained earnings				
	<b>Equity at 1.1.2017</b>	<b>130,312</b>	<b>3,642</b>	<b>561,378</b>	<b>-170</b>	<b>39,745</b>	<b>1,323,167</b>	<b>2,058,073</b>	<b>529,698</b>	<b>2,587,771</b>	
	Profit for the year	0	0	0	0	0	200,793	200,793	56,480	257,273	
	<b>Other comprehensive income</b>										
	Fair value adjustment of properties	0	-500	0	0	0	0	-500	0	-500	
	Fair value adjustment of financial instruments entered into to hedge future cash flows:										
	Value adjustment for the year	0	0	0	65	0	0	65	0	65	
	Tax on other comprehensive income	0	4	0	-14	0	0	-10	0	-10	
	<b>Total other comprehensive income</b>	<b>0</b>	<b>-496</b>	<b>0</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>-445</b>	<b>0</b>	<b>-445</b>	
	<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>-496</b>	<b>0</b>	<b>51</b>	<b>0</b>	<b>200,793</b>	<b>200,348</b>	<b>56,480</b>	<b>256,828</b>	
	Purchase of treasury shares	0	0	0	0	0	-15,766	-15,766	0	-15,766	
	Sale of treasury shares	0	0	0	0	0	24,720	24,720	0	24,720	
	Realised from the sale of properties	0	-18	0	0	0	18	0	0	0	
	New hybrid core capital	0	0	0	0	0	-661	-661	55,000	54,339	
	Dividend paid	0	0	0	0	-39,745	607	-39,138	0	-39,138	
	Interest paid on hybrid core capital	0	0	0	0	0	0	0	-56,341	-56,341	
	<b>Equity at 31.12.2017</b>	<b>130,312</b>	<b>3,128</b>	<b>561,378</b>	<b>-119</b>	<b>0</b>	<b>1,532,878</b>	<b>2,227,576</b>	<b>584,837</b>	<b>2,812,413</b>	

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)					Dividend	Retained earnings	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 <sup>1</sup>						
	<b>Equity at 1.1.2018</b>	<b>130,312</b>	<b>3,128</b>	<b>561,378</b>	<b>-119</b>	<b>0</b>	<b>1,532,878</b>	<b>2,227,576</b>	<b>584,837</b>	<b>2,812,413</b>	
	Change in accounting policies	0	0	0	0	0	-109,167	-109,167	0	-109,167	
	<b>Resulting equity at 1.1.2018</b>	<b>130,312</b>	<b>3,128</b>	<b>561,378</b>	<b>-119</b>	<b>0</b>	<b>1,423,711</b>	<b>2,118,409</b>	<b>584,837</b>	<b>2,703,246</b>	
	Profit for the year	0	0	0	0	43,437	104,691	148,128	60,110	208,237	
	<b>Other comprehensive income</b>										
	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	
	<b>Total other comprehensive income</b>	<b>0</b>	<b>-246</b>	<b>0</b>	<b>-58</b>	<b>0</b>	<b>0</b>	<b>-304</b>	<b>0</b>	<b>-304</b>	
	<b>Comprehensive income for the financial year</b>	<b>0</b>	<b>-246</b>	<b>0</b>	<b>-58</b>	<b>43,437</b>	<b>104,691</b>	<b>147,824</b>	<b>60,110</b>	<b>207,933</b>	
	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	
	<b>Equity at 31.12.2018</b>	<b>173,750</b>	<b>2,882</b>	<b>561,378</b>	<b>-177</b>	<b>43,437</b>	<b>1,916,152</b>	<b>2,697,420</b>	<b>385,892</b>	<b>3,083,312</b>	

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

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

# Cash flow statement

Note	Group	
	Amounts in DKK'000	
	2018	2017
<b>Comprehensive income for the year</b>	<b>207,933</b>	<b>256,828</b>
<b>Adjustment for amounts without cash flow effect</b>		
Market value adjustment, shares	-46,264	-23,565
Market value adjustment, bonds	21,752	-29,133
Impairment losses on loans and advances etc	4,394	33,440
Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment	48,645	57,097
Prepayments (net)	490	6,410
Provisions	909	-18,055
Value adjustment of investment property	7,026	18,614
Deferred income tax	22,105	15,875
<b>Adjustment for amounts with cash flow effect</b>		
Income tax paid	374	25,000
<b>Cash flows from ordinary operating activities</b>	<b>267,364</b>	<b>342,511</b>
<b>Working capital changes</b>		
Credit institutions	-14,038	10,383
Loans and advances adjusted for impairment losses etc for the year	-638,794	-1,246,461
Other assets and liabilities (net)	36,717	-66,917
Shares etc	-101,460	33,269
Bonds at fair value	-1,802,893	550,671
Bonds at amortised cost - held to maturity	99,999	-365
Deposits and other debt	1,633,617	942,288
<b>Total working capital changes</b>	<b>-786,852</b>	<b>222,868</b>
<b>Cash flows from operating activities</b>	<b>-519,488</b>	<b>565,379</b>

Note	Group	
	Amounts in DKK'000	
	2018	2017
<b>Investing activities</b>		
Additions, investments in associate	0	-6,522
Purchase of intangible assets	-8,270	-5,188
Sale of intangible assets	0	0
Purchase of property, plant and equipment	-114,985	-81,555
Sale of property, plant and equipment	51,161	62,254
<b>Cash flows from investing activities</b>	<b>-72,094</b>	<b>-31,011</b>
<b>Financing activities</b>		
Bonds issued	52,480	-63,000
Subordinated loan capital	-203,508	54,339
Hybrid core capital	436,680	0
Additions from share issue	-984	8,954
Treasury shares etc	-60,054	-56,341
Interest paid on hybrid core capital	0	-39,138
<b>Cash flows from financing activities</b>	<b>224,614</b>	<b>-95,186</b>
<b>Increase/decrease in cash</b>	<b>-366,968</b>	<b>439,182</b>
Cash and cash equivalents at beginning of year	2,187,696	1,748,514
<b>Cash and cash equivalents at end of year</b>	<b>1,820,728</b>	<b>2,187,696</b>
<b>Cash and cash equivalents</b>		
Cash and balances on demand at central banks	412,575	356,906
Amounts owed by credit institutions and central banks	1,408,153	1,830,790
<b>Cash and cash equivalents at end of year</b>	<b>1,820,728</b>	<b>2,187,696</b>

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# Notes

Note	Amounts in DKK'm	Group				
		2018	2017	2016	2015	2014
<b>1</b>	<b>Five-year financial highlights</b>					
	<b>Principal items of income statement</b>					
	Net interest income	541	542	551	602	654
	Net interest and fee income	1,005	999	973	1,020	1,019
	Market value adjustments	21	43	47	-58	55
	Staff costs and administrative expenses	746	691	644	613	577
	Amortisation, depreciation and impairment losses on assets	49	59	52	31	36
	Impairment losses on loans and advances etc	4	33	107	150	257
	Profit/loss on investments in associates and group enterprises	8	3	2	3	3
	Income tax	22	16	12	-8	-4
	Profit for the year	208	257	216	144	180
	<b>Principal items of balance sheet</b>					
	Loans and advances	12,174	11,681	10,474	9,763	9,981
	Securities portfolio	7,422	5,593	6,124	6,445	6,425
	Deposits including pooled deposits	19,536	17,495	16,041	15,011	15,707
	Equity	3,083	2,812	2,588	2,469	2,200
	Total assets	23,857	21,487	19,859	18,730	19,322
	Subordinated loan capital	454	403	466	465	596

Note	Amounts in DKK'm	Group				
		2018	2017	2016	2015	2014
	<b>Financial ratios</b>					
	Capital ratio	17.7	16.3	15.6	15.5	14.7
	Core capital ratio	15.1	14.0	12.9	13.0	11.6
	Return on equity before tax <sup>5</sup>	8.0	10.1	9.0	5.8	9.4
	Return on equity after tax <sup>5</sup>	7.2	9.5	8.5	6.2	9.7
	Income/cost ratio DKK	1.28	1.34	1.28	1.16	1.19
	Interest rate risk relative to core capital net of deductions	-1.0	1.1	-0.2	1.3	-1.1
	Currency position relative to core capital net of deductions	0.7	0.7	0.2	0.6	1.0
	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	67.5	72.2	71.7	75.5	76.6
	Loans and advances relative to equity	3.9	4.2	4.0	4.0	4.5
	Growth in loans and advances for the year <sup>5</sup>	5.5	11.5	7.3	-2.2	-8.5
	Excess cover relative to statutory liquidity requirements <sup>4</sup>	178	183	130	240	-
	Total large exposures relative to capital resources	0.0	0.0	0.0	0.0	0.0
	Impairment ratio for the year	0.0	0.2	0.7	1.0	1.6
	Accumulated impairment ratio <sup>1</sup>	5.8	5.6	6.8	9.1	11.5
	Return on invested capital <sup>5</sup>	0.9	1.2	1.1	0.8	0.9
	Earnings per share (DKK) <sup>3</sup>	9.3	15.3	12.1	6.4	-
	Book value per share (DKK) <sup>2</sup>	155.3	170.9	159.1	149.7	-
	Dividend per share (DKK)	2.5	0.0	3.1	3.0	-
	Price/earnings per share <sup>3</sup>	8.7	7.4	8.7	15.1	-
	Price/equity per share <sup>2</sup>	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 2018 and comparative figures for 2017-2014 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. The liquidity requirement for credit institutions laid down under Section 152 of the Danish Financial Business Act has been replaced by LOR. The comparative figures have been adjusted. The ratio has not been calculated for 2014.
5. In 2018, the ratio has been calculated based on the opening balance sheet following the implementation of IFRS 9.

# Notes

Sparekassen (Parent)						
Note	Amounts in DKK'm	2018	2017	2016	2015	2014
<b>1</b>	<b>Five-year financial highlights (continued)</b>					
	<b>Principal items of income statement</b>					
	Net interest income	517	516	521	566	421
	Net interest and fee income	981	973	943	987	697
	Market value adjustments	27	57	69	-47	47
	Staff costs and administrative expenses	745	693	641	608	400
	Amortisation, depreciation and impairment losses on assets	43	40	45	30	28
	Impairment losses on loans and advances etc	5	32	112	146	179
	Profit/loss on investments in associates and group enterprises	18	-2	-20	16	77
	Income tax	18	14	-17	-12	6
	Profit for the year	208	257	216	144	180
	<b>Principal items of balance sheet</b>					
	Loans and advances	12,240	11,671	10,429	9,668	6,664
	Securities portfolio	7,422	5,594	6,124	6,445	5,161
	Deposits including pooled deposits	19,549	17,497	16,053	15,005	11,220
	Equity	3,083	2,812	2,588	2,469	2,200
	Total assets	23,818	21,443	19,845	19,254	14,502
	Subordinated loan capital	454	403	466	465	595

Sparekassen (Parent)						
Note	Amounts in DKK'm	2018	2017	2016	2015	2014
	<b>Financial ratios</b>					
	Capital ratio	17.7	16.4	15.6	15.6	20.4
	Core capital ratio	15.2	14.1	13.0	13.1	16.1
	Return on equity before tax <sup>5</sup>	7.8	10.0	7.9	5.7	10.0
	Return on equity after tax <sup>5</sup>	7.2	9.5	8.5	6.2	9.7
	Operating income over operating expenses	1.28	1.35	1.25	1.16	1.29
	Interest rate risk relative to core capital net of deductions	-1.2	0.8	-0.6	1.1	-1.2
	Currency position relative to core capital net of deductions	0.7	0.7	0.2	0.6	0.2
	Currency risk relative to core capital net of deductions	0.0	0.0	0.0	0.0	0.0
	Loans and advances plus loan impairment losses relative to deposits	67.6	71.9	71.1	72.9	73.5
	Loans and advances relative to equity	4.0	4.2	4.1	3.9	3.0
	Growth in loans and advances for the year <sup>5</sup>	6.1	11.9	7.9	-2.9	-10.6
	Excess cover relative to statutory liquidity requirements <sup>4</sup>	178	183	130	240	-
	Total large exposures relative to capital resources	0.0	0.0	0.0	0.0	0.0
	Impairment ratio for the year	0.0	0.2	0.7	1.0	1.7
	Accumulated impairment ratio <sup>1</sup>	5.6	5.4	6.5	8.9	15.7
	Return on invested capital <sup>5</sup>	0.9	1.2	1.1	0.9	1.2
	Earnings per share (DKK) <sup>3</sup>	9.3	15.3	12.1	6.4	-
	Book value per share (DKK) <sup>2</sup>	155.3	170.9	159.1	149.7	-
	Dividend per share (DKK)	2.5	0.0	3.1	3.0	-
	Price/earnings per share <sup>3</sup>	8.7	7.4	8.7	15.1	-
	Price/equity per share <sup>2</sup>	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.

Comparative figures for 2014 were not restated as part of the combination with Sparekassen Fyn in 2016. Calculating comparative figures would be extensive and resource-demanding and not contribute details that are not already inferable from the financial highlights at group level as post-combination developments in the Parent are very similar to those in the Group.

1. The ratio does not include discount. Refer to note 10 for a specification of total impairment losses, provisions and discounts.
2. Calculated based on the number of shares outstanding at the end of the year.
3. Calculated based on the average number of shares during the year. The calculation for 2015 only includes profit for the period from the initial public offering on 3 December 2015 to the end of the year.
4. The liquidity requirement for credit institutions laid down under Section 152 of the Danish Financial Business Act has been replaced by LCR. The comparative figures have been adjusted. The ratio has not been calculated for 2014.
5. In 2018, the ratio has been calculated based on the opening balance sheet following the implementation of IFRS 9.

# 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 the consolidated financial statements. To enhance transparency and reduce the number of note disclosures where both amounts and qualitative information are considered insignificant to users, some information has been left out.

### Accounting policy changes

Accounting policies applied to the consolidated financial statements and the parent financial statements have been changed compared to previous years as described below.

The implementation of new or revised IFRSs and Interpretations effective from 1 January 2018 has resulted in changes in accounting policies.

Following the implementation of IFRS 9, Sparekassen's impairment model for loans, advances and guarantees has been changed from an incurred loss model to an expected loss model. The objective of IFRS 9 is to ensure a more conservative approach in accounting for the loss risk related to credit exposures and involves that impairment losses are recorded earlier than under the previous model. Refer to the section "Loans and other amounts owed at amortised cost" in this note.

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

When the provisions were implemented on 1 January 2018, the negative effect on capital resources was equivalent to DKK 120m, whereas the future effect will be adversely dampened as the transitional scheme is phased out.

Consistently with the transitional provisions of IFRS 9, the comparative figures for impairment losses by stage etc have not been restated as it is not possible to apply the new impairment provisions to historical data without subjecting such data to post-rationalisation.

The accumulated effect of the change has therefore been recognised in equity at 1 January 2018, and the comparative figures for 2017 have not been restated. The accounting effect is evident from the table to the right.

Otherwise, the accounting policies have not been changed.

Note	Amounts in DKK'000	Allowance account	Deferred tax	Investments in associates	Equity
<b>2</b>	<b>Corrections to opening balance sheet (Group)</b>				
	<b>Balance sheet at 31.12.2017</b>	<b>1,010,795</b>	<b>162,718</b>	<b>70,584</b>	<b>2,812,413</b>
	Stage 1 and Stage 2 impairment losses	189,400			-189,400
	Adjustment of Stage 3 impairment losses	5,976			-5,976
	Reversal of collective impairment losses	-55,697			55,697
	Deferred tax		30,733		30,733
	Adjustment of investments in associates			-221	-221
	<b>Opening balance sheet at 01.01.2018</b>	<b>1,150,474</b>	<b>193,451</b>	<b>70,363</b>	<b>2,703,246</b>

	Allowance account	Deferred tax	Investments in associates	Equity	
<b>Corrections to opening balance sheet (Sparekassen, Parent)</b>					
	<b>Balance sheet at 31.12.2017</b>	<b>967,614</b>	<b>152,160</b>	<b>381,559</b>	<b>2,812,413</b>
	Stage 1 and Stage 2 impairment losses	186,326			-186,326
	Adjustment of Stage 3 impairment losses	5,976			-5,976
	Reversal of collective impairment losses	-55,389			55,389
	Deferred tax		30,121		30,121
	Adjustment of investments in associates			-2,375	-2,375
	<b>Opening balance sheet at 01.01.2018</b>	<b>1,104,527</b>	<b>182,281</b>	<b>379,184</b>	<b>2,703,246</b>

# Notes

## 2 Summary of significant accounting policies (continued)

Note 41 has been adjusted so as to include committed facilities in the comparative figures. This change has no bearing on recognition and measurement or other disclosures in the financial statements.

### Standards and Interpretations not yet in force

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

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

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

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

Consequently, the change will also be of relevance to the recognition of lease costs in the income statement/statement of comprehensive income as well as the presentation in the income statement/statement of comprehensive income and the cash flow statement.

Moreover, the impact will change over time as the interest rate element of the leases is high in the beginning.

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 as well as at group level.

Sparekassen expects the implementation of IFRS 16 to increase its property, plant and equipment by around DKK 190-192m, lease commitments by around DKK 184-186m and provisions by around DKK 6m.

At group level, the effect is expected to be an increase in property, plant and equipment by around DKK 90-92m, lease commitments by around DKK 86-88m and provisions by around DKK 4m.

For 2019, the estimated profit or loss effect of the implementation of the Standard will be a decline in administrative expenses by around DKK 39-41m (Group: DKK 22-23m), an increase in amortisation/depreciation by around DKK 39-41m (Group: DKK 22-23m) and an increase in interest expenses by around DKK 3.5m (Group: around DKK 1.6m).

The above estimate is based on our current leases and does therefore not allow for any changes in activities or agreements in 2019.

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.

Other models adopted regarding the implementation of IFRS 16:

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

### 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 18 to the consolidated financial statements for investments in group enterprises

The consolidated financial statements combine the financial statements of the Parent and the individual subsidiaries, which have all been prepared applying group accounting policies, and intra-group income and expenses, shareholdings, intra-group accounts and

dividends as well as realised and unrealised profits on transactions between the consolidated enterprises have been eliminated.

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

### Business combinations

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

The purchase method is applied in the acquisition of new enterprises, under which identifiable assets and liabilities of these newly acquired enterprises are 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 under intangible assets and written down in case of impairment. Negative differences (negative goodwill) are recognised as income in the income statement.

Profits or losses from divestment or winding-up of subsidiaries and associates are calculated as the difference between, on the 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

# Notes

## 2 Summary of significant accounting policies (continued)

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 as 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 payment date, or the balance sheet date, are recognised in the income statement as translation adjustments.

### Interest, fees and commission

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

Commissions and fees which are part of a current payment are accrued over the term of the loan or advance. Other fees 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 realised 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.

# Notes

## 2 Summary of significant accounting policies (continued)

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 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 after the time of 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.

The impairment provisions are based on an expected loss model which involves earlier recognition of impairment losses compared to the previous impairment model, according to which objective evidence of impairment should exist before an impairment loss could or should be recognised.

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

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

# Notes

## 2 Summary of significant accounting policies (continued)

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 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.

### Derivatives and unsettled spot transactions

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

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

### Hedge accounting

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

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

### Bonds

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

### 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 or loss of group enterprises are recognised in profit or loss in "Profit/loss on investments in group enterprises".

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

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

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

The proportionate share of the enterprise's profit or loss after tax and elimination of a proportionate share of unrealised intra-group profits or losses and less any

impairment losses on goodwill is recognised in profit or loss. The proportionate share of all transactions and events recognised in other comprehensive income in the associate is recognised in the Group's other comprehensive income.

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

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

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

### 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) of 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.

# Notes

## 2 Summary of significant accounting policies (continued)

### Intangible assets

#### Goodwill

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

#### Customer relationships

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

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

#### Other intangible assets

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

#### Impairment test

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

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

### Investment property

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

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

### Owner-occupied property

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

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

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

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

### Other property, plant and equipment

On initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Straight-line depreciation is made on the basis of the following estimated useful lives of the other assets:

IT equipment and machinery	3 - 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.

# Notes

## 2 Summary of significant accounting policies (continued)

### Provisions

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

### Equity

#### *Dividend proposed*

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

#### *Treasury shares*

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

#### *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 2018, 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, amounts owed by 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 2018 and comparative figures for 2017-2014 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.

# 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 2018 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 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 Pengeinstitut (LOPI).

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

The factors particularly affecting management judgements in 2018 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 a significant estimate. The estimate 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 a significant estimate. The estimate 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 is only to a limited extent observable market data, such measurement is subject to estimation. This is the case with unlisted shares.

For shares in sector-owned companies where such shares are reallocated, such reallocation is considered to be the primary market of the shares. For other unlisted shares in sector-owned companies for which observable input is not 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)	
		2018	2017	2018	2017
<b>4 Interest income</b>					
Credit institutions and central banks	672	1,487	495	1,345	
Loans and other amounts owed	568,007	575,223	544,497	549,409	
Bonds	28,959	23,687	28,959	23,687	
Total derivatives	8,396	5,428	8,396	5,428	
Thereof: - Interest rate contracts	9,296	7,332	9,296	7,332	
- Foreign exchange contracts	-900	-1,904	-900	-1,904	
Other interest income	456	305	255	94	
<b>Total interest income</b>	<b>606,490</b>	<b>606,130</b>	<b>582,602</b>	<b>579,963</b>	
<b>5 Interest expenses</b>					
Credit institutions and central banks	12,883	7,600	12,742	7,593	
Deposits and other debt	20,176	25,096	20,126	25,096	
Subordinated loan capital	32,545	30,821	32,545	30,821	
Other interest expenses	55	118	46	116	
<b>Total interest expenses</b>	<b>65,659</b>	<b>63,635</b>	<b>65,459</b>	<b>63,626</b>	

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>6 Fees and commission income</b>					
Securities trading and custody accounts	94,561	109,308	94,561	109,308	
Payment services	56,994	50,818	56,994	50,818	
Loan fees	37,887	42,115	37,887	42,115	
Guarantee commission	170,663	159,252	170,663	159,252	
Other fees and commissions	98,599	87,651	98,524	87,368	
<b>Total fees and commission income</b>	<b>458,704</b>	<b>449,144</b>	<b>458,629</b>	<b>448,861</b>	
<b>7 Market value adjustments</b>					
Bonds	-21,752	29,133	-22,362	28,946	
Shares	46,264	23,565	46,264	23,565	
Investment property	-7,042	-15,141	-651	-783	
Foreign exchange	9,270	8,829	9,270	8,829	
Currency, interest rate, share, commodity and other contracts and derivatives	-5,512	-3,392	-5,512	-3,392	
Assets in pooled plans	-47,078	45,950	-47,078	45,950	
Deposits in pooled plans	47,078	-45,950	47,078	-45,950	
<b>Total market value adjustments</b>	<b>21,228</b>	<b>42,994</b>	<b>27,009</b>	<b>57,165</b>	

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>8 Staff costs and administrative expenses</b>					
<b>Remuneration of the Board of Directors and Executive Board</b>					
Board of Directors and Executive Board	11,738	15,407	11,738	15,407	
<b>Total</b>	<b>11,738</b>	<b>15,407</b>	<b>11,738</b>	<b>15,407</b>	
<b>Staff costs</b>					
Wages and salaries	355,999	326,833	355,999	326,833	
Pension contributions	39,935	36,489	39,935	36,489	
Social security costs	55,431	51,249	55,431	51,249	
<b>Total staff costs</b>	<b>451,365</b>	<b>414,571</b>	<b>451,365</b>	<b>414,571</b>	
<b>Other administrative expenses</b>	<b>283,053</b>	<b>261,415</b>	<b>282,291</b>	<b>263,478</b>	
<b>Total staff costs and administrative expenses</b>	<b>746,156</b>	<b>691,393</b>	<b>745,394</b>	<b>693,456</b>	

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

<b>Board of Directors</b>					
Thomas Kullegaard, Chairman	495	455	495	455	
Jakob N. Andersson, Vice-Chairman	420	380	420	380	
Bent Andersen	370	322	370	322	
Erik Larsen	275	242	275	242	
Per Bjørnsholm	275	242	275	242	
Otto Spliid	225	208	225	208	
Per Olsen	225	208	225	208	
Helle L. Bjørnøe	195	188	195	188	
Mads Wallin	195	188	195	188	
Resigned members	65	301	65	301	
<b>Total set remuneration for the Board of Directors</b>	<b>2,740</b>	<b>2,734</b>	<b>2,740</b>	<b>2,734</b>	

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>8 Staff costs and administrative expenses (continued)</b>					
<b>Executive Board</b>					
<b>Lars Petersson</b>					
Set salary	4,299	4,897	4,299	4,897	
Variable one-off remuneration	80	100	80	100	
Pension contribution	745	0	745	0	
<b>Total</b>	<b>5,124</b>	<b>4,997</b>	<b>5,124</b>	<b>4,997</b>	

In 2018, Lars Petersson has also received a director's fee of DKK 20k from Regional Invest Fyn A/S (2017: DKK 20k).

### Bruno Riis-Nielsen

Set salary	3,874	2,951	3,874	2,951
<b>Total</b>	<b>3,874</b>	<b>2,951</b>	<b>3,874</b>	<b>2,951</b>

In 2018, Bruno Riis-Nielsen has also received a director's fee of DKK 20k (2017: DKK 20k) from Regional Invest Fyn A/S and DKK 50k (2017: DKK 35k) from Leasing Fyn Bank.

### Flemming Bisgaard Nielsen (resigned in May 2017)

Set salary	0	4,299	0	4,299
Pension contribution	0	426	0	426
<b>Total</b>	<b>0</b>	<b>4,725</b>	<b>0</b>	<b>4,725</b>

In addition, company cars were made available to the Executive Board. The tax base thereof is: Lars Petersson DKK 159k (2017: DKK 148k), Bruno Riis-Nielsen DKK 138k (2017: DKK 139k) and Flemming Bisgaard Nielsen (2017: DKK 97k).

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>8 Staff costs and administrative expenses (continued)</b>					
<b>Other staff impacting on the risk profile</b>					
Set salary	22,439	21,532	22,439	21,532	
Variable salary	0	0	0	0	
Variable one-off remuneration	746	165	746	165	
Pension contribution	2,623	2,479	2,623	2,479	
<b>Total</b>	<b>25,808</b>	<b>24,176</b>	<b>25,808</b>	<b>24,176</b>	
Staff materially impacting on the risk profile	25	25	25	25	
<b>Other staff impacting on the risk profile by business area</b>					
<b>Business/credit</b>					
Set salary	4,787	4,582	4,787	4,582	
Variable salary	0	0	0	0	
Variable one-off remuneration	130	0	130	0	
Pension contribution	553	531	553	531	
<b>Total</b>	<b>5,470</b>	<b>5,113</b>	<b>5,470</b>	<b>5,113</b>	
Staff materially impacting on the risk profile	5	6	5	6	
<b>Investment/asset management</b>					
Set salary	3,832	3,847	3,832	3,847	
Variable salary	0	0	0	0	
Variable one-off remuneration	100	75	100	75	
Pension contribution	444	432	444	432	
<b>Total</b>	<b>4,376</b>	<b>4,354</b>	<b>4,376</b>	<b>4,354</b>	
Staff materially impacting on the risk profile	6	6	6	6	

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>8 Staff costs and administrative expenses (continued)</b>					
<b>Other business areas</b>					
Set salary	13,820	13,104	13,820	13,104	
Variable salary	0	0	0	0	
Variable one-off remuneration	516	90	516	90	
Pension contribution	1,626	1,515	1,626	1,515	
<b>Total</b>	<b>15,962</b>	<b>14,709</b>	<b>15,962</b>	<b>14,709</b>	
Staff materially impacting on the risk profile	14	13	14	13	

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

The Remuneration Committee 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 2018. 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)	
		2018	2017	2018	2017

## 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 [https://www.spks.dk/om\\_sparekassen/regnskab](https://www.spks.dk/om_sparekassen/regnskab)

### Appointed auditors' fees

Statutory audit services	930	1,091	816	969
Assurance engagements	90	88	90	88
Other services	1,623	682	1,613	682
<b>Total</b>	<b>2,643</b>	<b>1,861</b>	<b>2,519</b>	<b>1,739</b>

Fees for non-audit services provided by Deloitte Statsautoriseret Revisionspartnerselskab to the Group amount to 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	616	585	616	585
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## 10 Other operating expenses

Expenses for the resolution plan	862	1,014	862	1,014
Other operating expenses	19,068	18,176	11,395	11,656
<b>Total other operating expenses</b>	<b>19,930</b>	<b>19,190</b>	<b>12,257</b>	<b>12,670</b>

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017

## 11 Impairment losses and provisions for losses (impairment account)

### Net effect recognised in profit or loss

Amounts owed by credit institutions and central banks	204	0	204	0
Loans and other amounts owed at amortised cost	79,001	92,892	76,778	86,541
Guarantees	-16,213	-3,444	-16,213	-3,444
Committed facilities and undrawn credit lines	-1,044	0	-1,044	0
<b>Total net changes in impairment/provisions accounts</b>	<b>61,949</b>	<b>89,448</b>	<b>59,726</b>	<b>83,097</b>
Interest rate adjustment	-35,931	-39,213	-35,931	-39,213
Recorded as loss, not previously written down/provided for	4,825	12,734	4,103	11,723
Value adjustment of assets acquired	-4	-186	-4	-186
Recovery of claims previously written off	-26,445	-29,343	-22,864	-23,236
<b>Taken to profit or loss</b>	<b>4,394</b>	<b>33,440</b>	<b>5,030</b>	<b>32,185</b>

# Notes

Note	Amounts in DKK'000	Group				Sparekassen (Parent)					
		Stage 1	Stage 2	Stage 3	Total	Stadie 1	Stadie 2	Stadie 3	Total		
<b>11</b>	<b>Impairment losses and provisions for losses (impairment account) (continued)</b>										
	<b>2018</b>										
	<b>Accumulated impairment losses and provisions by stage</b>										
	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		
	<b>Total impairment losses and provisions</b>	<b>69,327</b>	<b>119,742</b>	<b>892,234</b>	<b>1,081,302</b>	<b>67,904</b>	<b>118,288</b>	<b>857,814</b>	<b>1,044,005</b>		
	<b>2017 (at 1 January 2018)</b>										
	<b>Accumulated impairment losses and provisions by stage</b>										
	Amounts owed by credit institutions and central banks	1	37	0	38	1	37	0	38		
	Loans and other amounts owed at amortised cost	44,087	139,323	882,587	1,065,997	44,087	135,697	840,266	1,020,050		
	Guarantees	5,471	13,028	58,810	77,309	5,471	13,028	58,810	77,309		
	Committed facilities and undrawn credit lines	2,556	4,574	0	7,130	2,556	4,574	0	7,130		
	<b>Total impairment losses and provisions</b>	<b>52,115</b>	<b>156,962</b>	<b>941,397</b>	<b>1,150,474</b>	<b>52,115</b>	<b>153,336</b>	<b>899,076</b>	<b>1,104,527</b>		
		<b>Collective impairment losses</b>	<b>Individual impairment losses</b>	<b>Total</b>	<b>IFRS 9 adjustment</b>	<b>Total</b>	<b>Collective impairment losses</b>	<b>Individual impairment losses</b>	<b>Total</b>	<b>IFRS 9 adjustment</b>	<b>Total</b>
				<b>31.12.2017</b>		<b>01.01.2018</b>			<b>31.12.2017</b>		<b>01.01.2018</b>
	<b>Accumulated impairment losses and provisions, IFRS 9 adjustments</b>										
	Amounts owed by credit institutions and central banks	0	0	0	38	38	0	0	0	38	38
	Loans and other amounts owed at amortised cost	75,374	879,516	954,890	111,107	1,065,997	74,514	837,195	911,709	108,341	1,020,050
	Guarantees	0	55,905	55,905	21,404	77,309	0	55,905	55,905	21,404	77,309
	Committed facilities and undrawn credit lines	0	0	0	7,130	7,130	0	0	0	7,130	7,130
	<b>Total impairment losses and provisions</b>	<b>75,374</b>	<b>935,421</b>	<b>1,010,795</b>	<b>139,679</b>	<b>1,150,474</b>	<b>74,514</b>	<b>893,100</b>	<b>967,614</b>	<b>136,913</b>	<b>1,104,527</b>

# 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
<b>11</b>	<b>Impairment losses and provisions for losses (impairment account) (continued)</b>												
	<b>2018</b>												
	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	0	0	0	0
	Adjustment resulting from change in accounting policies effective from 1 January 2018	0	0	1	37	0	38	0	0	1	37	0	38
	Impairment losses at 1 January 2018	0	0	1	37	0	38	0	0	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
	<b>Total impairment losses at end of year</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>242</b>	<b>0</b>	<b>243</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>242</b>	<b>0</b>	<b>243</b>

# 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
<b>11 Impairment losses and provisions for losses (impairment account) (continued)</b>												
<b>2018</b>												
<b>Impairment account for loans and other amounts owed at amortised cost</b>												
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
<b>Total impairment losses at end of year</b>	<b>0</b>	<b>0</b>	<b>59,012</b>	<b>105,911</b>	<b>848,954</b>	<b>1,013,877</b>	<b>0</b>	<b>0</b>	<b>57,589</b>	<b>104,457</b>	<b>814,534</b>	<b>976,580</b>
<b>2017</b>												
<b>Impairment account for loans and other amounts owed at amortised cost</b>												
Total impairment losses at beginning of year	81,771	952,977				1,034,748	80,442	908,281				988,723
New impairment losses (net)	-6,397	99,290				92,893	-5,928	92,469				86,541
Interest rate adjustment	0	-39,213				-39,213	0	-39,213				-39,213
Recorded as loss, covered by previous write-downs for impairment	0	-257,247				-257,247	0	-248,141				-248,141
Value adjustment of assets acquired	0	-186				-186	0	-186				-186
Other changes	0	123,895				123,895	0	123,985				123,985
<b>Total impairment losses at end of year</b>	<b>75,374</b>	<b>879,516</b>				<b>954,890</b>	<b>74,514</b>	<b>837,195</b>				<b>911,709</b>
Discount regarding business acquisitions	0	131,891				131,891	0	131,891				131,891
<b>Total impairment losses and discount at end of year</b>	<b>75,374</b>	<b>1,011,407</b>				<b>1,086,781</b>	<b>74,514</b>	<b>969,086</b>				<b>1,043,600</b>

# 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
<b>11 Impairment losses and provisions for losses (impairment account) (continued)</b>													
<b>2018</b>													
<b>Provisions account for guarantees</b>													
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	
Finally written off, previously provided for					0	0					0	0	
<b>Total provisions at end of year</b>	<b>0</b>	<b>0</b>	<b>7,372</b>	<b>10,444</b>	<b>43,280</b>	<b>61,096</b>	<b>0</b>	<b>0</b>	<b>7,372</b>	<b>10,444</b>	<b>43,280</b>	<b>61,096</b>	
<b>2017</b>													
<b>Provisions account for guarantees</b>													
Total individual provisions at beginning of year		67,061				67,061		67,061					67,061
New provisions (net)		-3,444				-3,444		-3,444					-3,444
Finally written off, previously provided for		-7,712				-7,712		-7,712					-7,712
<b>Total individual provisions at end of year</b>		<b>55,905</b>				<b>55,905</b>		<b>55,905</b>					<b>55,905</b>
<b>2018</b>													
<b>Provisions account for committed facilities and undrawn credit lines</b>													
Total provisions at beginning of year	0	0	0	0	0	0	0	0	0	0	0	0	0
Adjustment resulting from change in accounting policies effective from 1 January 2018	0	0	2,556	4,574	0	7,130	0	0	2,556	4,574	0	7,130	
Provisions at 1 January 2018	0	0	2,556	4,574	0	7,130	0	0	2,556	4,574	0	7,130	
New provisions (net)			386	-1,429	0	-1,044			386	-1,429	0	-1,044	
Other changes						0						0	
<b>Total provisions at end of year</b>	<b>0</b>	<b>0</b>	<b>2,942</b>	<b>3,145</b>	<b>0</b>	<b>6,087</b>	<b>0</b>	<b>0</b>	<b>2,942</b>	<b>3,145</b>	<b>0</b>	<b>6,087</b>	

# 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 2018, Sparekassen had DKK 7,606.9m (gross) worth of new facilities, which affected the impairment account by a total of DKK 46.7m.

Stage 2 facilities in overdraft by more than 30 days amounted to DKK 12.8m at 31 December 2018, which has affected the impairment account by 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 four-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 20m.

### 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 2018, Sparekassen has experienced an addition of new impairment losses/provisions of DKK 215.2m in Stage 3. In the same period, DKK 172.1m in impairment losses/provisions was reversed.

Finally written off, previously written down/provided for stands at 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 2,506.6m worth of financial assets for which attempts are still made to have them collected.

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>12 Income tax</b>					
Computed tax on income for the year	4,334	19,159	674	14,822	
Deferred tax	17,766	-945	16,659	-763	
Readjustment of tax computed for previous years	5	-2,339	339	-476	
<b>Total income tax</b>	<b>22,105</b>	<b>15,875</b>	<b>17,672</b>	<b>13,583</b>	
<b>Effective tax rate</b>					
Income tax rate in Denmark	22.00	22.00	22.00	22.00	
<b>Adjustments:</b>					
Pure hybrid capital	-5.74	-4.55	-5.85	-4.59	
IFRS 9 impairment losses at beginning of year	-7.64	0.00	-7.79	0.00	
Readjustment of tax computed for previous years	0.00	-0.86	0.15	-0.18	
Non-taxable income and non-deductible expenses etc	5.35	0.42	3.99	-2.67	
Profit/loss on investments in associates and group enterprises	-0.77	-0.21	-1.73	0.19	
Use of group loss etc	-3.61	-10.99	-2.95	-9.74	
<b>Total</b>	<b>9.60</b>	<b>5.81</b>	<b>7.82</b>	<b>5.01</b>	

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>13 Amounts owed by credit institutions and central banks</b>					
<b>By time to maturity</b>					
Demand deposits	129,092	129,799	123,438	121,454	
Up to 3 months	1,256,159	1,672,211	1,256,159	1,672,211	
From 3 months to 1 year	22,902	28,780	22,902	28,780	
From 1 year to 5 years	0	0	0	0	
More than 5 years	0	0	0	0	
<b>Total</b>	<b>1,408,153</b>	<b>1,830,790</b>	<b>1,402,499</b>	<b>1,822,445</b>	
Claims at notice on central banks	1,256,159	1,672,211	1,256,159	1,672,211	
Claims on credit institutions	151,994	158,579	146,340	150,234	
<b>Total</b>	<b>1,408,153</b>	<b>1,830,790</b>	<b>1,402,499</b>	<b>1,822,445</b>	

## 14 Loans and other amounts owed at amortised cost

<b>By time to maturity</b>				
At call	406,412	285,272	403,870	281,481
Up to 3 months	1,037,154	631,366	1,035,904	631,366
From 3 months to 1 year	3,910,629	2,971,427	3,972,113	2,999,118
From 1 year to 5 years	2,493,598	3,413,527	2,683,124	3,560,302
More than 5 years	4,326,171	4,378,970	4,144,975	4,199,435
<b>Total</b>	<b>12,173,964</b>	<b>11,680,562</b>	<b>12,239,986</b>	<b>11,671,702</b>

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>14 Loans, advances and guarantee debtors by sector</b>					
Loans, advances and guarantee debtors by sector					
Public authorities		0.8	1.0	0.8	1.0
<b>Business</b>					
Agriculture, hunting, forestry and fisheries		8.3	7.4	7.5	6.8
Industry and extraction of raw materials		2.0	1.9	1.6	1.6
Energy supply		0.0	0.0	0.1	0.1
Building and construction		5.0	4.7	4.6	4.3
Trade		5.8	5.4	5.3	5.0
Transport, hotels and restaurants		2.0	2.2	1.5	1.5
Information and communication		0.7	0.8	0.7	0.7
Financing and insurance		4.1	4.4	7.9	8.4
Real property		11.0	11.8	11.9	12.2
Other business		7.3	7.0	6.5	6.2
<b>Total business</b>		<b>46.3</b>	<b>45.5</b>	<b>47.5</b>	<b>46.7</b>
Private		52.9	53.5	51.7	52.3
<b>Total</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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)	
		2018	2017	2018	2017
<b>15 Bonds at fair value</b>					
Listed		6,620,883	4,814,742	6,620,883	4,814,742
Unlisted		0	25,000	0	25,000
<b>Total</b>		<b>6,620,883</b>	<b>4,839,742</b>	<b>6,620,883</b>	<b>4,839,742</b>

The Group has provided bonds at a total bond price of DKK 936m (2017: DKK 554m) as security for the day-to-day performance of clearing operations and securities trading. Refer to note 34 - Assets provided as collateral.

<b>16 Bonds at amortised cost</b>					
Amortised cost		0	99,999	0	99,999
Fair value		0	100,000	0	100,000

Due to the heavy distortion of pricing of a number of bonds in the autumn of 2008, at 1 July 2008 Sparekassen reclassified bonds with a nominal value of DKK 100m and a fair value of DKK 96.14m out of the trading portfolio into hold-to-maturity assets. The bonds expired on 1 January 2018.

At year-end 2017, the reclassified portfolio had been recognised in the balance sheet at DKK 100.0m, with fair value standing at DKK 100.0m.

In 2017, the portfolio was recognised and measured at amortised cost and therefore not subjected to fair value adjustment, whereas the fair value adjustment of the portfolio up to the time of reclassification in the financial year 2008 amounted to DKK 1.25m.

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

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

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>17 Shares etc</b>					
Shares/unit trust certificates listed on Nasdaq Copenhagen A/S	48,188	54,933	48,188	54,933	
Shares/unit trust certificates listed on other stock exchanges	269,970	159,891	269,970	159,891	
Other shares	483,149	438,759	483,149	438,759	
<b>Total</b>	<b>801,307</b>	<b>653,583</b>	<b>801,307</b>	<b>653,583</b>	
<b>18 Investments in associates and group enterprises</b>					
<b>Investments in group enterprises</b>					
Total cost at beginning of year			765,976	834,618	
Additions for the year			0	0	
Disposals for the year			0	-68,642	
<b>Total cost at end of year</b>			<b>765,976</b>	<b>765,976</b>	
Revaluations and impairment losses at beginning of year			-384,417	-400,964	
Profit/loss for the year			13,235	-2,236	
Other changes			-58	51	
Change in accounting policies applied			-2,375	0	
Disposals for the year			-0	54,089	
Dividend			-39,847	-35,357	
<b>Revaluations and impairment losses at end of year</b>			<b>-413,462</b>	<b>-384,417</b>	
<b>Holding recognised at end of year</b>			<b>352,514</b>	<b>381,559</b>	
Thereof, credit institutions			0	0	

Note	Amounts in DKK'000	Capital	Ownership interest in %	Equity at end of year	Profit/loss
<b>18 Investments in associates and group enterprises (continued)</b>					
<b>Group enterprises, 2018</b>					
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	
<b>Group enterprises, 2017</b>					
Investeringsselskabet Sjælland-Fyn A/S	162,000	100	225,055	12,669	
Leasing Fyn Faaborg A/S	5,000	100	14,199	7,347	
Ejendomsselskabet Sjælland-Fyn A/S	20,000	100	142,304	-22,253	

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.

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)	
		2018	2017	2018	2017
<b>18 Investments in associates and group enterprises (continued)</b>					
<b>Investments in associates and jointly controlled enterprises</b>					
Total cost at beginning of year	72,292	65,770	36,719	30,197	
Additions for the year	0	6,522	0	6,522	
<b>Total cost at end of year</b>	<b>72,292</b>	<b>72,292</b>	<b>36,719</b>	<b>36,719</b>	
Revaluations and impairment losses at beginning of year	-1,708	796	-2,918	240	
Profit/loss for the year/share of profit/loss for the year	8,061	2,618	5,014	-158	
Change in accounting policies applied	-221	0	0	0	
Other changes	-41	51	0	0	
Dividend	2,543	5,173	0	3,000	
Revaluations and impairment losses for the year	-500	0	-500	0	
<b>Revaluations and impairment losses at end of year</b>	<b>3,048</b>	<b>-1,708</b>	<b>1,596</b>	<b>-2,918</b>	
<b>Holding recognised at end of year</b>	<b>75,340</b>	<b>70,584</b>	<b>38,315</b>	<b>33,801</b>	
Thereof, credit institutions	37,025	36,783	0	0	

Note	Amounts in DKK'000	Capital	Ownership interest in %	Equity at end of year	Profit/loss
<b>18 Investments in associates and group enterprises (continued)</b>					
<b>Associates, 2018</b>					
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		45,000	50.0	49,635	77
Sparekassen Sjælland-Fyn, group share				24,817	39
The above enterprise is registered in the Municipality of Faaborg-Midtfyn.					
FinanceZealand A/S		2,760	49.0	12,789	-511
Sparekassen Sjælland-Fyn, group share				6,267	-250
The above enterprise is registered in the Municipality of Vordingborg.					
<b>Associates, 2017</b>					
Alutec Holding ApS, in solvent liquidation		200	49.5	6,351	105
Sparekassen Sjælland-Fyn, group share				3,144	52
The above enterprise is registered in the Municipality of Middelfart.					
Regional Invest Fyn A/S		45,000	50.0	55,557	3,516
Sparekassen Sjælland-Fyn, group share				27,779	1,758
The above enterprise is registered in the Municipality of Faaborg-Midtfyn.					
FinanceZealand A/S (the company was established in 2017)		2,760	49.0	13,310	
Sparekassen Sjælland-Fyn, group share				6,522	
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
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## 18 Investments in associates and group enterprises (continued)

### Jointly controlled enterprises, 2018

Leasing Fyn Bank A/S	58,500	33.3	111,074	9,141
Sparekassen Sjælland-Fyn, group share			37,025	3,047

The above enterprise is registered in the Municipality of Odense.

### Jointly controlled enterprises, 2017

Leasing Fyn Bank A/S	58,500	33.3	110,349	8,328
Sparekassen Sjælland-Fyn, group share			36,783	2,776

The above enterprise is registered in the Municipality of Odense.

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017

## 19 Pooled plans

### Assets in pooled plans

Cash balance	26,304	28,863	26,304	28,863
Bonds	486,882	401,286	486,882	401,286
Shares/unit trust certificates	748,202	469,934	748,202	469,934
Other assets	52,043	5,139	52,043	5,139

<b>Total pooled assets</b>	<b>1,313,431</b>	<b>905,222</b>	<b>1,313,431</b>	<b>905,222</b>
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### Deposits in pooled plans

Total deposits	1,307,937	855,402	1,307,937	855,402
Other debt	5,494	49,820	5,494	49,820

<b>Fair value at end of year</b>	<b>1,313,431</b>	<b>905,222</b>	<b>1,313,431</b>	<b>905,222</b>
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### Return on pooled assets (recognised in market value adjustments)

Fees and commission expenses	10,446	5,245	10,446	5,245
Interest income	7,820	6,713	7,820	6,713
Dividend	47,480	17,078	47,480	17,078
Market value adjustments	-91,932	27,404	-91,932	27,404

<b>Total return on pooled assets</b>	<b>-47,078</b>	<b>45,950</b>	<b>-47,078</b>	<b>45,950</b>
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## 20 Intangible assets

### Goodwill

Cost at beginning of year	91,154	91,154	91,154	91,154
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Cost at end of year	91,154	91,154	91,154	91,154
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<b>Total</b>	<b>91,154</b>	<b>91,154</b>	<b>91,154</b>	<b>91,154</b>
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# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>20 Intangible assets (continued)</b>					
<b>Other intangible assets</b>					
Cost at beginning of year	141,009	135,821	141,009	135,821	
Additions for the year	8,270	5,188	8,270	5,188	
Disposals for the year	295	0	295	0	
<b>Cost at end of year</b>	<b>148,984</b>	<b>141,009</b>	<b>148,984</b>	<b>141,009</b>	
Amortisation and impairment losses at beginning of year	94,505	77,189	94,505	77,189	
Disposals for the year	295	0	295	0	
Amortisation for the year	20,838	17,316	20,838	17,316	
<b>Amortisation and impairment losses at end of year</b>	<b>115,048</b>	<b>94,505</b>	<b>115,048</b>	<b>94,505</b>	
<b>Total</b>	<b>33,936</b>	<b>46,504</b>	<b>33,936</b>	<b>46,504</b>	
<b>Total intangible assets</b>	<b>125,090</b>	<b>137,658</b>	<b>125,090</b>	<b>137,658</b>	

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 10.0% before tax (2017: 10.0%) and 7.8% after tax (2017: 7.8%). The annual terminal value growth rate is assumed to be 1.5% (2017: 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".

Around 54% (2017: 51%) of the present value of future cash flows of DKK 3,409m (2017: DKK 2,842m) is expected to arise from the terminal period. An increase in the required rate of return after tax from 7.8% to 13.0% (2017: 7.8% to 13.5%) would not impair goodwill. A reduction in earnings in the terminal period by up to 43% (2017: 48%), or a decline in budgeted core earnings by up to 23% (2017: 24%) would not cause impairment either.

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>21 Land and buildings</b>					
<b>Investment property</b>					
Fair value at beginning of year	124,446	144,780	8,337	17,470	
Additions	91,819	23,330	20	5,917	
Disposals	50,512	25,700	417	14,550	
Fair value adjustments for the year	-7,026	-17,964	-651	-500	
<b>Fair value at end of year</b>	<b>158,728</b>	<b>124,446</b>	<b>7,289</b>	<b>8,337</b>	
Rental income	9,621	9,430	110	571	
Operating expenses	4,565	4,674	566	637	
Thereof, operating expenses for investment property not having generated rental income for the year	820	460	476	123	
		<b>Quoted prices</b>	<b>Observable input</b>	<b>Non-observable input</b>	<b>Total</b>
<b>Fair value hierarchy for investment property</b>					
Group 2018	0	0	158,727	158,727	
Group 2017	0	0	124,446	124,446	

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>21 Land and buildings (continued)</b>					
<b>Owner-occupied property</b>					
Cost at beginning of year	337,803	340,409	62,149	97,407	
Additions	0	32,652	0	0	
Disposals	0	35,258	0	35,258	
<b>Cost at end of year</b>	<b>337,803</b>	<b>337,803</b>	<b>62,149</b>	<b>62,149</b>	
Accumulated depreciation and impairment losses at beginning of year	65,926	49,595	13,855	14,753	
Depreciation for the year	1,864	2,057	427	505	
Impairment losses for the year	4,207	17,729	0	0	
Disposals for the year	0	3,455	0	1,403	
<b>Accumulated depreciation and impairment losses at end of year</b>	<b>71,997</b>	<b>65,926</b>	<b>14,282</b>	<b>13,855</b>	
Accumulated revaluation at beginning of year	3,176	3,694	3,176	3,694	
Revaluation for the year	-250	-518	-250	-518	
<b>Accumulated revaluation at end of year</b>	<b>2,926</b>	<b>3,176</b>	<b>2,926</b>	<b>3,176</b>	
<b>Revalued amount at end of year</b>	<b>268,732</b>	<b>275,053</b>	<b>50,793</b>	<b>51,470</b>	
If no revaluation had been made, the carrying amount of owner-occupied property would be:	265,806	271,877	47,867	48,294	

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.

Note	Amounts in DKK'000	Quoted prices	Observable input	Non-observable input	Total
<b>21 Land and buildings (continued)</b>					
<b>Fair value hierarchy of owner-occupied property</b>					
Group 2018	0	0	268,732	268,732	
Group 2017	0	0	275,053	275,053	

Investment properties and owner-occupied properties are measured at fair value/revalued amount calculated using a return-based model which is based on an estimate of prices per square metre and a required rate of return. A required rate of return ranging between 4.3% and 11.4% has been used in measuring properties located on Zealand and Funen and in Jutland (2017: 4.7% and 9.4%). 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.

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>22 Other property, plant and equipment</b>					
Total cost at beginning of year	201,477	179,940	191,652	170,115	
Additions	23,166	25,573	23,166	25,573	
Disposals	21,173	4,036	21,173	4,036	
<b>Total cost at end of year</b>	<b>203,470</b>	<b>201,477</b>	<b>193,645</b>	<b>191,652</b>	
Depreciation and impairment loss at beginning of year	153,647	132,805	143,822	122,980	
Depreciation and impairment losses for the year	21,736	22,065	21,736	22,065	
Reversal of depreciation and impairment losses	20,774	1,223	20,774	1,223	
<b>Depreciation and impairment losses at end of year</b>	<b>154,609</b>	<b>153,647</b>	<b>144,784</b>	<b>143,822</b>	
<b>Carrying amount</b>	<b>48,861</b>	<b>47,830</b>	<b>48,861</b>	<b>47,830</b>	
<b>23 Deferred tax assets/liabilities</b>					
Deferred tax at beginning of year	162,718	161,769	152,160	151,393	
Change in opening balance of deferred tax, IFRS 9	30,733	0	30,121	0	
Change in deferred tax for the year	-26,362	-29,341	-23,494	-26,169	
Adjustment of deferred tax asset, written down	8,600	30,290	6,839	26,936	
<b>Net deferred tax assets at end of year</b>	<b>175,689</b>	<b>162,718</b>	<b>165,626</b>	<b>152,160</b>	
Deferred tax assets	175,689	162,718	165,626	152,160	
Deferred tax liabilities	0	0	0	0	
<b>Net deferred tax at end of year</b>	<b>175,689</b>	<b>162,718</b>	<b>165,626</b>	<b>152,160</b>	

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

Note	Amounts in DKK'000	Deferred tax at beginning of year	Recognised in profit/loss for the year	Recognised in other comprehensive income	Deferred tax at end of year
<b>23 Deferred tax assets/liabilities (continued)</b>					
<b>Change in deferred tax Group 2018</b>					
Change in 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	
<b>Total</b>	<b>193,451</b>	<b>-17,766</b>	<b>4</b>	<b>175,689</b>	
<b>Group 2017</b>					
Intangible assets	-10,045	-3,336	0	-13,381	
Other intangible assets, customer lists	-5,113	-1,109	0	-6,222	
Machinery and equipment	818	859	0	1,677	
Properties	308	-777	4	-465	
Loans, leases	-1,520	870	0	-650	
Other	7,451	4,511	0	11,962	
Tax loss	315,739	-30,364	0	285,375	
Deferred tax asset, written down	-145,869	30,290	0	-115,579	
<b>Total</b>	<b>161,769</b>	<b>945</b>	<b>4</b>	<b>162,718</b>	

# 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
<b>23</b>	<b>Deferred tax assets/liabilities (continued)</b>				
	<b>Change in deferred tax Sparekassen (Parent) 2018</b>				
	Change in 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
	<b>Total</b>	<b>182,281</b>	<b>-16,659</b>	<b>4</b>	<b>165,626</b>
	<b>Sparekassen (Parent) 2017</b>				
	Intangible assets	-10,045	-3,336	0	-13,381
	Other intangible assets, customer lists	-5,113	-1,109	0	-6,222
	Machinery and equipment	818	859	0	1,677
	Properties	308	-600	4	-288
	Other	10,530	4,950	0	15,480
	Tax loss	245,164	-26,937	0	218,227
	Deferred tax asset, written down	-90,269	26,936	0	-63,333
	<b>Total</b>	<b>151,393</b>	<b>763</b>	<b>4</b>	<b>152,160</b>

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>24</b>	<b>Temporarily held assets</b>				
	Temporarily held assets	0	0	0	0
	Loss/profit from sale	0	880	0	880
	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.				
<b>25</b>	<b>Other assets</b>				
	Positive market value of derivatives	19,826	25,943	19,826	25,943
	Various receivables	37,375	64,401	343	41,855
	Interest and commission receivable	24,479	8,634	24,190	8,324
	Other assets	128,654	173,066	127,747	170,248
	<b>Total</b>	<b>210,334</b>	<b>272,044</b>	<b>172,106</b>	<b>246,370</b>

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>26</b>	<b>Amounts owed to credit institutions and central banks</b>				
	Amounts owed to central banks	0	0	0	0
	Amounts owed to credit institutions	425,191	439,229	423,810	437,892
	<b>Total</b>	<b>425,191</b>	<b>439,229</b>	<b>423,810</b>	<b>437,892</b>
	By time to maturity:				
	Debt payable on demand	423,810	420,252	423,810	420,252
	Up to 3 months	0	17,640	0	17,640
	From 3 months to 1 year	150	133	0	0
	From 1 year to 5 years	600	542	0	0
	More than 5 years	631	662	0	0
	<b>Total</b>	<b>425,191</b>	<b>439,229</b>	<b>423,810</b>	<b>437,892</b>
<b>27</b>	<b>Deposits and other debt</b>				
	On demand	16,798,455	15,102,150	16,811,830	15,104,736
	At notice	18,169	22,947	18,169	22,947
	Time deposits	4,565	23,318	4,565	23,318
	Special deposits	1,401,760	1,440,917	1,401,760	1,440,917
	<b>Total</b>	<b>18,222,949</b>	<b>16,589,332</b>	<b>18,236,324</b>	<b>16,591,918</b>
	Debt payable on demand	16,839,277	15,145,583	16,852,652	15,148,169
	Deposits at notice:				
	Up to 3 months	144,299	190,620	144,299	190,620
	From 3 months to 1 year	25,679	36,628	25,679	36,628
	From 1 year to 5 years	132,528	181,508	132,528	181,508
	More than 5 years	1,081,166	1,034,993	1,081,166	1,034,993
	<b>Total</b>	<b>18,222,949</b>	<b>16,589,332</b>	<b>18,236,324</b>	<b>16,591,918</b>

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>28</b>	<b>Other liabilities</b>				
	Various payables	97,690	78,578	87,233	70,754
	Negative market value of derivatives	22,486	27,379	22,486	27,379
	Interest and commission payable	14,125	12,286	14,125	12,286
	Other liabilities	127,185	128,329	104,724	105,867
	<b>Total</b>	<b>261,486</b>	<b>246,572</b>	<b>228,568</b>	<b>216,286</b>
<b>29</b>	<b>Provisions</b>				
	Provisions for losses on guarantees etc	61,096	55,905	61,096	55,905
	Other provisions	10,512	14,794	10,512	14,794
	<b>Total</b>	<b>71,608</b>	<b>70,699</b>	<b>71,608</b>	<b>70,699</b>
	<b>Provisions for losses on guarantees</b>				
	Balance at beginning of year	55,905	67,061	55,905	67,061
	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	
	New provisions (net)	-16,213	-3,444	-16,213	-3,444
	Other changes	0	0	0	0
	Finally written off	0	7,712	0	7,712
	<b>Provisions for losses on guarantees at end of year</b>	<b>61,096</b>	<b>55,905</b>	<b>61,096</b>	<b>55,905</b>
	<b>By time to maturity.</b>				
	Up to 1 year	10,219	150	10,219	150
	From 1 year to 5 years	3,099	2,258	3,099	2,258
	More than 5 years	47,778	53,497	47,778	53,497
	<b>Total</b>	<b>61,096</b>	<b>55,905</b>	<b>61,096</b>	<b>55,905</b>

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>29 Provisions (continued)</b>					
<b>Provisions for losses on committed facilities and undrawn credit lines</b>					
Balance at beginning of year	0	0	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		
New provisions (net)	-1,043	0	-1,043	0	
Other changes	0	0	0	0	
Finally written off	0	0	0	0	
<b>Provisions for losses on committed facilities and undrawn credit lines at end of year</b>	<b>6,087</b>	<b>0</b>	<b>6,087</b>	<b>0</b>	
By time to maturity:					
Up to 1 year	6,087	0	6,087	0	
From 1 year to 5 years	0	0	0	0	
More than 5 years	0	0	0	0	
<b>Total</b>	<b>6,087</b>	<b>0</b>	<b>6,087</b>	<b>0</b>	
<b>Other provisions</b>					
Balance at beginning of year	14,794	21,693	14,794	21,693	
New provisions (net)	-10,369	-6,899	-10,369	-6,899	
Other changes	0	0	0	0	
Finally written off	0	0	0	0	
<b>Other provisions at end of year</b>	<b>4,425</b>	<b>14,794</b>	<b>4,425</b>	<b>14,794</b>	
By time to maturity:					
Up to 1 year	0	0	0	0	
From 1 year to 5 years	4,425	14,794	4,425	14,794	
More than 5 years	0	0	0	0	
<b>Total</b>	<b>4,425</b>	<b>14,794</b>	<b>4,425</b>	<b>14,794</b>	

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

Note	Amounts in DKK'000	Current rate of interest	Sparekassen (Group/Parent)	
			2018	2017
<b>30 Subordinated loan capital</b>				
<b>Supplementary capital</b>				
Floating interest rate, maturing in October 2023, may be repaid early in 2018. <sup>2)</sup>	8.38 % <sup>1)</sup>	-	118,000	
From 2018 to 2023, the interest rate will be three months' CIBOR + 6.8% with quarterly adjustment.				
Floating interest rate, maturing in July 2024, may be repaid early in 2019. <sup>2)</sup>	7.81 % <sup>1)</sup>	82,000	82,000	
From 2019 to 2024, the interest rate will be three months' CIBOR + 6.75% with quarterly adjustment.				
Floating interest rate, maturing in July 2025, may be repaid early in 2020. <sup>2)</sup>	7.66 % <sup>1)</sup>	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 % <sup>1)</sup>	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 % <sup>1)</sup>	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 % <sup>1)</sup>	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 % <sup>1)</sup>	41,000	-	
From 2023 to 2028, the interest rate will be six months' CIBOR + 4.24% with half-yearly adjustment.				
Other <sup>3)</sup>				520
<b>Total supplementary capital</b>			<b>458,000</b>	<b>405,520</b>
<b>Total hybrid capital</b>			<b>0</b>	<b>0</b>
<b>Total subordinated loan capital</b>			<b>458,000</b>	<b>405,520</b>
Costs of establishment are charged to profit or loss over the expected term to maturity			3,501	2,672
<b>Total subordinated loan capital according to the balance sheet</b>			<b>454,499</b>	<b>402,848</b>

# Notes

Note	Amounts in DKK'000	Current rate of interest	Sparekassen (Group/Parent)	
			2018	2017
<b>30 Subordinated loan capital (continued)</b>				
<b>Hybrid capital reclassified to equity</b>				
Floating interest rate, indefinite term to maturity, may be repaid early in 2018. <sup>2)</sup>		10.83 % <sup>1)</sup>		520,000
From 2018, the interest rate will be a five-year swap rate + 9.25% with adjustment every five years.				
Floating interest rate, indefinite term to maturity, may be repaid early in 2022. <sup>2)</sup>		6.75 % <sup>1)</sup>	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. <sup>2)</sup>		6.50 % <sup>1)</sup>	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 <sup>2)</sup>		6.25 % <sup>1)</sup>	41,000	
From 2023, the interest rate will be six months' CIBOR + 5.74% with half-yearly adjustment.				
<b>Total hybrid capital, reclassified to equity</b>			<b>376,000</b>	<b>575,000</b>
Subordinated loan capital included in the calculation of capital resources			830,499	977,328

1) Fixed interest rate for the first five years.

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

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

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>30 Subordinated loan capital (continued)</b>					
<b>Interest etc on subordinated loan capital</b>					
Interest (excluding interest on reclassified hybrid core capital recognised in equity)		32,545	30,821	32,545	30,821
Extraordinary instalments/repayments/conversions		118,520	163,000	118,520	163,000
Expenses for raising subordinated loan capital		2,086	1,176	2,086	1,176
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 830,499k compared to DKK 977,328k in 2017.

In 2018, Sparekassen repaid DKK 118,520k in supplementary capital.

In 2018, Sparekassen obtained DKK 171,000k in supplementary capital and DKK 321,000 in hybrid capital. Expenses for obtaining supplementary capital amounted to DKK 2,086k. The amount is expensed over the expected term of the loans. Expenses for obtaining the hybrid capital amounted to DKK 4,509k. The amount has been recognised directly in equity, as has the hybrid capital.

# Notes

Note	Amounts in DKK'000	Number of shares		Nominal value (DKK'000)	
		2018	2017	2018	2017
<b>31 Share capital</b>					
Share capital, Sparekassen Sjælland-Fyn A/S	13,031,230	13,031,230	130,312	130,312	
Increase of share capital	4,343,743	0	43,437	0	
<b>Total</b>	<b>17,374,973</b>	<b>13,031,230</b>	<b>173,750</b>	<b>130,312</b>	
			<b>Number of shares</b>	<b>Nominal value (DKK'000)</b>	<b>Participation %</b>
<b>Treasury shares</b>					
Treasury shares at 1.1.2017		92,970	930	0,7	
Purchased		127,300	1,273	1,0	
Sold		220,270	2,203	1,7	
<b>Treasury shares at 31.12.2017</b>		<b>0</b>	<b>0</b>	<b>0,0</b>	
Purchased		11,000	110	0,1	
Sold		1,735	17	0,0	
<b>Treasury shares at 31.12.2018</b>		<b>9,265</b>	<b>93</b>	<b>0,1</b>	

Total purchase price DKK 1,154k (2017: DKK 15,766k)  
Total selling price DKK 170k (2017: DKK 24,720k)

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 9,265 treasury shares (2017: 0), corresponding to 0.1% of the share capital (2017: 0.0%). The shares were acquired as part of ordinary trading.

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

Sparekassen has been authorised by the general meeting to acquire treasury shares for up to 2% of the share capital. Sparekassen has been permitted by the Danish FSA to acquire treasury shares in 2017 for DKK 15m in market value in addition to the shares acquired in prior financial years. In 2018, Sparekassen has been permitted to acquire treasury shares for up to DKK 1m in market value.

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>31 Share capital (continued)</b>					
<b>Earnings per share</b>					
The Parent Sparekassen Sjælland-Fyn A/S, shareholders' share	148,127	200,793			
Average number of shares (units)	15,987,871	13,213,667			
Average number of treasury shares	4,633	47,136			
<b>Average number of shares outstanding</b>	<b>15,983,239</b>	<b>13,166,531</b>			
Share options outstanding, average dilution effect	0	0			
Average number of shares outstanding (diluted)	<b>15,983,239</b>	<b>13,166,531</b>			
Earnings per share (DKK)	9.3	15.3			
Diluted earnings per share (DKK)	9.3	15.3			

## 32 Shareholder information

At 31 December 2018, 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:

### 2018

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

### 2017

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

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>33</b>	<b>Contingent liabilities and assets</b>				
	<b>Contingent liabilities</b>				
	Finance guarantees	1,237,861	1,502,821	1,268,461	1,542,995
	Loss guarantees for mortgage loans	2,402,119	2,167,326	2,402,118	2,167,326
	Property registration and conversion guarantees	87,343	40,378	87,343	40,378
	Other contingent liabilities	1,630,001	1,502,599	1,710,681	1,589,875
	<b>Total</b>	<b>5,357,324</b>	<b>5,213,124</b>	<b>5,468,603</b>	<b>5,340,574</b>

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

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017

### 33 Contingent liabilities and assets (continued)

Sparekassen's participation in the data centre Bankdata implies that, in the event of withdrawal, it is obliged to pay a withdrawal compensation. Like other Danish financial institutions, Sparekassen is subject to the Danish Deposit Guarantee Fund and is so obliged, together with other financial institutions, to cover depositors' balances etc of up to EUR 100,000 with financial institutions in the process of liquidation or bankruptcy.

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

Sparekassen has entered into a number of leases on premises used for bank operations or other activities. If the leases entered into are terminated, a maximum amount of DKK 73.6m (2017: DKK 79.4m) will have to be paid at group level.

Rental liabilities by time to maturity				
Period of notice of up to 1 year	3,776	4,127	8,711	8,249
Period of notice from 1 year to 5 years	41,100	40,281	40,565	40,281
Period of notice of more than 5 years	28,707	35,005	104,987	118,159
<b>Total</b>	<b>73,583</b>	<b>79,414</b>	<b>154,263</b>	<b>166,690</b>
<b>Rent charged to profit or loss</b>	<b>19,183</b>	<b>17,260</b>	<b>37,374</b>	<b>35,772</b>
<b>Lease commitments</b>	<b>4,488</b>	<b>1,257</b>	<b>4,488</b>	<b>1,257</b>

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

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017

### 33 Contingent liabilities and assets (continued)

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

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

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

#### Contingent assets

Deferred tax asset, written down	106,978	115,579	56,494	63,333
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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.

### 34 Assets provided as collateral

Bonds deposited with Danmarks Nationalbank, clearing centres etc	935,928	554,400	935,928	554,400
Cash deposited with credit institutions, CSA agreements	22,902	28,780	22,902	28,780
Loss limit towards the Danish Growth Fund	291	291	291	291
<b>Total assets provided as collateral</b>	<b>959,121</b>	<b>583,471</b>	<b>959,121</b>	<b>583,471</b>

Unencumbered deposited securities may be discharged on demand.

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017

### 35 Capital resources

Equity excluding hybrid core capital	2,697,420	2,227,576	2,697,420	2,227,576
Intangible assets	-125,090	-137,658	-125,090	-137,658
Deferred tax assets	-175,689	-162,718	-165,626	-152,160
Proposed dividend	-43,437	0	-43,437	0
Deduction, capital instruments exceeding 10%	-174,878	-114,400	-173,404	-113,226
Other additions/deductions	116,644	5,675	121,319	9,799
<b>Common Equity Tier 1 capital</b>	<b>2,294,970</b>	<b>1,818,475</b>	<b>2,311,182</b>	<b>1,834,331</b>

Hybrid core capital	376,000	575,000	376,000	575,000
Deduction, investments exceeding 10%	0	-14,300	0	-14,153

<b>Core capital (including hybrid core capital) net of primary deductions</b>	<b>2,670,970</b>	<b>2,379,175</b>	<b>2,687,182</b>	<b>2,395,178</b>
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Supplementary capital	454,499	402,328	454,499	402,328
Deduction, investments exceeding 10%	0	-14,300	0	-14,153

<b>Capital resources</b>	<b>3,125,469</b>	<b>2,767,203</b>	<b>3,141,681</b>	<b>2,783,353</b>
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#### Risk exposures

Credit risk	14,621,223	14,170,225	14,765,100	14,237,951
Market risk	1,202,515	1,015,417	1,203,013	1,015,022
Operational risk	1,814,764	1,787,720	1,764,583	1,737,859

<b>Total risk exposures</b>	<b>17,638,502</b>	<b>16,973,362</b>	<b>17,732,696</b>	<b>16,990,832</b>
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Capital ratio	17.7	16.3	17.7	16.4
Core capital ratio	15.1	14.0	15.2	14.1
Common Equity Tier 1 capital ratio	13.0	10.7	13.0	10.8

Capital resources, requirement under Section 124(2) of the Danish Financial Business Act	1,411,080	1,357,869	1,418,616	1,359,267
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# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017

## 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	2,183,373	2,199,585
Capital resources	2,559,373	2,575,585
Capital resources	3,013,872	3,030,084
Total risk exposures	17,705,728	17,737,813
Capital ratio	17.0	17.1
Core capital ratio	14.5	14.5
Common Equity Tier 1 capital ratio	12.3	12.4

In 2018, 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](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)	
		2018	2017	2018	2017

## 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	628	628	628	628
Interest rate for loans	5.00 % - 7.00 %			

### Board of Directors

Loans and non-recourse guarantees	40,822	37,807	40,822	37,807
Interest rate for loans	1.05 % - 13.50 %	1.05 % - 8.45 %	1.05 % - 13.50 %	1.05 % - 8.45 %

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

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

Executive Board	0	0
Board of Directors	2,255	1,678

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 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	
		2018	2017	2018	2017
<b>36 Related parties (continued)</b>					
<b>Balances and transactions with:</b>					
Loans and other amounts owed	28,072	36,058	792,109	700,451	
Deposits and other debt	49,479	36,114	49,822	41,943	
Interest, loans and advances	463	1,040	12,888	12,746	
Interest, deposits and other debt	0	0	0	0	
Rent	0	156	17,942	18,512	
Commission and fee income	0	0	731	487	
Management fee, income	33	32	2,966	1,702	
Guarantees	7,308	9,106	30,600	40,174	
Investments/dividend			42,222	19,909	

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	2018	2017	Change in number
<b>37 Shares held by the Board of Directors and the Executive Board at end of year</b>			
<b>Board of Directors</b>			
Thomas Kullegaard	14,321	9,600	4,721
Jakob Nørrekjær Andersson	10,959	6,718	4,241
Bent Andersen	626	470	156
Per Bjørnsholm	1,333	1,000	333
Erik Larsen	4,108	3,081	1,027
Otto Spliid	400	300	100
Helle Lindhof Bjørnøe	2,672	2,006	666
Per Olsen	5,348	4,010	1,338
Mads Wallin	768	576	192
<b>Executive Board</b>			
Lars Petersson	11,590	8,320	3,270
Bruno Riis-Nielsen	8,024	6,018	2,006

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 2018

Note	Amounts in DKK'000	Nominval value	Net market value	Positive market value	Negative market value
<b>38 Derivatives</b>					
<b>Currency contracts</b>					
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	
<b>Interest rate contracts</b>					
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	
<b>Share contracts</b>					
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	
<b>Other derivative contracts</b>					
Options, acquired	0	0	0	0	
Options, issued	0	0	0	0	
<b>Total derivatives</b>	<b>885,834</b>	<b>-2,660</b>	<b>19,826</b>	<b>22,486</b>	

## Group 2017

Note	Amounts in DKK'000	Nominval value	Net market value	Positive market value	Negative market value
<b>38 Derivatives (continued)</b>					
<b>Currency contracts</b>					
Forward contracts, purchases	130,276	-921	991	1,912	
Forward contracts, sales	481,613	-115	1,475	1,590	
Currency swaps	0	0	0	0	
Unsettled spot transactions, purchases	0	0	0	0	
Unsettled spot transactions, sales	0	0	0	0	
<b>Interest rate contracts</b>					
Forward contracts, purchases	150,937	1,344	1,345	1	
Forward contracts, sales	150,921	-765	24	789	
Interest rate swaps	424,802	-3,448	19,423	22,871	
Unsettled spot transactions, certificates, purchases	389,239	2,410	2,430	20	
Unsettled spot transactions, certificates, sales	57,328	32	73	41	
<b>Share contracts</b>					
Forward contracts, purchases	0	0	0	0	
Forward contracts, sales	0	0	0	0	
Unsettled spot transactions, purchases	9,155	-43	56	99	
Unsettled spot transactions, sales	8,722	69	117	48	
<b>Other derivative contracts</b>					
Options, acquired	93	9	9	0	
Options, issued	93	-9	0	9	
<b>Total derivatives</b>	<b>1,803,179</b>	<b>-1,437</b>	<b>25,943</b>	<b>27,380</b>	

**2018**      **2017**

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

Other assets	19,826	25,943
Other liabilities	22,486	27,380

# Notes

## Sparekassen (parent) 2018

Note	Amounts in DKK'000	Nominal value	Net market value	Positive market value	Negative market value
<b>38 Derivatives (continued)</b>					
<b>Currency contracts</b>					
	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
<b>Interest rate contracts</b>					
	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
<b>Share contracts</b>					
	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
<b>Other derivative contracts</b>					
	Options, acquired	0	0	0	0
	Options, issued	0	0	0	0
	<b>Total derivatives</b>	<b>885,834</b>	<b>-2,660</b>	<b>19,826</b>	<b>22,486</b>

## Sparekassen (parent) 2017

Note	Amounts in DKK'000	Nominal value	Net market value	Positive market value	Negative market value
<b>38 Derivatives (continued)</b>					
<b>Currency contracts</b>					
	Forward contracts, purchases	130,276	-921	991	1,912
	Forward contracts, sales	481,613	-115	1,475	1,590
	Currency swaps	0	0	0	0
	Unsettled spot transactions, purchases	0	0	0	0
	Unsettled spot transactions, sales	0	0	0	0
<b>Interest rate contracts</b>					
	Forward contracts, purchases	150,937	1,344	1,345	1
	Forward contracts, sales	150,921	-765	24	789
	Interest rate swaps	424,802	-3,448	19,423	22,871
	Unsettled spot transactions, certificates, purchases	389,239	2,410	2,430	20
	Unsettled spot transactions, certificates, sales	57,328	32	73	41
<b>Share contracts</b>					
	Forward contracts, purchases	0	0	0	0
	Forward contracts, sales	0	0	0	0
	Unsettled spot transactions, purchases	9,155	-43	56	99
	Unsettled spot transactions, sales	8,722	69	117	48
<b>Other derivative contracts</b>					
	Options, acquired	93	9	9	0
	Options, issued	93	-9	0	9
	<b>Total derivatives</b>	<b>1,803,179</b>	<b>-1,437</b>	<b>25,943</b>	<b>27,380</b>

**2018**      **2017**

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

Other assets	19,826	25,943
Other liabilities	22,486	27,380

# Notes

## 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
<b>38 Derivatives (continued)</b>						
<b>Currency contracts</b>						
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
<b>Interest rate contracts</b>						
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
<b>Share contracts</b>						
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
<b>Other derivative contracts</b>						
Options, acquired	0	0	0	0	0	0
Options, issued	0	0	0	0	0	0
<b>Total derivatives</b>	<b>282</b>	<b>69</b>	<b>-1,099</b>	<b>-1,912</b>	<b>0</b>	<b>-2,660</b>

## Group 2017, Net market value

Note	Amounts in DKK'000	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total
<b>38 Derivatives (continued)</b>						
<b>Forward contracts, purchases</b>						
Forward contracts, sales	-968	47	0	0	0	-921
Currency swaps	-74	-41	0	0	0	-115
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
<b>Interest rate contracts</b>						
Forward contracts, purchases	1,302	42	0	0	0	1,344
Forward contracts, sales	-734	-32	0	0	0	-766
Interest rate swaps	0	0	0	-3,447	0	-3,447
Unsettled spot transactions, certificates, purchases	2,410	0	0	0	0	2,410
Unsettled spot transactions, certificates, sales	32	0	0	0	0	32
<b>Share contracts</b>						
Forward contracts, purchases	0	0	0	0	0	0
Forward contracts, sales	0	0	0	0	0	0
Unsettled spot transactions, purchases	-43	0	0	0	0	-43
Unsettled spot transactions, sales	69	0	0	0	0	69
<b>Other derivative contracts</b>						
Options, acquired	9	0	0	0	0	9
Options, issued	-9	0	0	0	0	-9
<b>Total derivatives</b>	<b>1,994</b>	<b>16</b>	<b>0</b>	<b>-3,447</b>	<b>0</b>	<b>-1,437</b>

# Notes

## 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
<b>38 Derivatives (continued)</b>						
<b>Currency contracts</b>						
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
<b>Interest rate contracts</b>						
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
<b>Share contracts</b>						
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
<b>Other derivative contracts</b>						
Options, acquired	0	0	0	0	0	0
Options, issued	0	0	0	0	0	0
<b>Total derivatives</b>	<b>282</b>	<b>69</b>	<b>-1,099</b>	<b>-1,912</b>	<b>0</b>	<b>-2,660</b>

## Sparekassen (Parent) 2017, Net market value

Note	Amounts in DKK'000	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total
<b>38 Derivatives (continued)</b>						
<b>Forward contracts, purchases</b>						
Forward contracts, sales	-968	47	0	0	0	-921
Currency swaps	-74	-41	0	0	0	-115
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
<b>Interest rate contracts</b>						
Forward contracts, purchases	1,302	42	0	0	0	1,344
Forward contracts, sales	-734	-32	0	0	0	-766
Interest rate swaps	0	0	0	-3,447	0	-3,447
Unsettled spot transactions, certificates, purchases	2,410	0	0	0	0	2,410
Unsettled spot transactions, certificates, sales	32	0	0	0	0	32
<b>Share contracts</b>						
Forward contracts, purchases	0	0	0	0	0	0
Forward contracts, sales	0	0	0	0	0	0
Unsettled spot transactions, purchases	-43	0	0	0	0	-43
Unsettled spot transactions, sales	69	0	0	0	0	69
<b>Other derivative contracts</b>						
Options, acquired	9	0	0	0	0	9
Options, issued	-9	0	0	0	0	-9
<b>Total derivatives</b>	<b>1,994</b>	<b>16</b>	<b>0</b>	<b>-3,447</b>	<b>0</b>	<b>-1,437</b>

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>39</b>	<b>Cash and cash equivalents</b>				
	<b>Balance at beginning of year</b>				
	Cash and balances on demand at central banks	356,906	384,241	356,906	384,241
	Amounts owed by credit institutions and central banks	1,802,010	1,362,773	1,793,665	1,358,475
	<b>Total</b>	<b>2,158,916</b>	<b>1,747,014</b>	<b>2,150,571</b>	<b>1,742,716</b>
	<b>Balance at end of year</b>				
	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
	<b>Total</b>	<b>1,797,826</b>	<b>2,158,916</b>	<b>1,792,172</b>	<b>2,150,571</b>

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	2018		2017	
		Fair value	Amortised cost	Fair value	Amortised cost
<b>40</b>	<b>Financial assets and liabilities, Group</b>				
	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.				
	<b>Financial assets</b>				
	Cash and balances on demand at central banks		412,575		356,906
	Amounts owed by credit institutions and central banks		1,408,153		1,830,790
	Loans and other amounts owed at amortised cost		12,173,964		11,680,562
	Bonds at fair value	6,620,883		4,839,742	
	Bonds at amortised cost		0		99,999
	Shares etc	801,307		653,583	
	Assets in pooled plans	1,313,431		905,222	
	Positive market value, derivatives	19,826		25,943	
	<b>Total financial assets</b>	<b>8,755,447</b>	<b>13,994,692</b>	<b>6,424,490</b>	<b>13,968,257</b>
	<b>Financial liabilities</b>				
	Amounts owed to credit institutions and central banks		425,191		439,229
	Deposits and other debt		18,222,949		16,589,332
	Deposits in pooled plans	1,313,431		905,222	
	Subordinated loan capital		454,499		402,848
	Negative market value, derivatives	22,486		27,380	
	<b>Total financial liabilities</b>	<b>1,335,917</b>	<b>19,102,639</b>	<b>932,602</b>	<b>17,431,409</b>

# 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
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### 40 Financial assets and liabilities, Group (continued)

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

	31. december 2018			
<b>Financial assets</b>				
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
<b>Total financial assets</b>	<b>7,920,960</b>	<b>451,616</b>	<b>382,871</b>	<b>8,755,447</b>
<b>Financial liabilities</b>				
Deposits in pooled plans	0	1,313,389	0	1,313,389
Derivative financial liabilities	0	22,486	0	22,486
<b>Total financial liabilities</b>	<b>1,307,937</b>	<b>27,938</b>	<b>0</b>	<b>1,335,875</b>
	31. december 2017			
<b>Financial assets</b>				
Bonds at fair value	4,814,742	25,000	0	4,839,742
Shares etc	58,493	184,264	410,826	653,583
Assets in pooled plans	871,221	34,001	0	905,222
Derivatives	0	25,943	0	25,943
<b>Total financial assets</b>	<b>5,744,456</b>	<b>269,208</b>	<b>410,826</b>	<b>6,424,490</b>
<b>Financial liabilities</b>				
Deposits in pooled plans	0	905,222	0	905,222
Derivative financial liabilities	0	27,380	0	27,380
<b>Total financial liabilities</b>	<b>855,402</b>	<b>77,200</b>	<b>0</b>	<b>932,602</b>

# Notes

Note	Amounts in DKK'000	Group	
		2018	2017
<b>40</b>	<b>Financial assets and liabilities, Group (continued)</b>		
	Financial instruments measured at fair value in the balance sheet based on Level 3		
	Carrying amount at beginning of year	410,826	346,717
	Market value adjustments recognised in profit or loss in market value adjustments	-5,017	12,433
	Transferred from Level 1	7,000	0
	Purchases	171,618	288,118
	Sales	201,556	236,442
	<b>Carrying amount at end of year</b>	<b>382,871</b>	<b>410,826</b>
	Unrealised market value adjustments	-9,652	10,430
	<b>Sensitivity information</b>		
	If the actual market value varies by plus/minus 10% compared to fair value, this affects profit or loss by plus/minus	38,287	41,083

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 355.0m (2017: DKK 290.6m) 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 2017, 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
	Funding activity				
	<b>2018</b>				
	Subordinated loan capital	402,848	52,480	-829	454,499
	Hybrid core capital	575,000	-199,000	0	376,000
	<b>Total liabilities related to funding activity</b>	<b>977,848</b>	<b>-146,520</b>	<b>-829</b>	<b>830,499</b>
	<b>2017</b>				
	Subordinated loan capital	465,956	-63,000	-108	402,848
	Hybrid core capital	520,000	55,000	0	575,000
	<b>Total liabilities related to funding activity</b>	<b>985,956</b>	<b>-8,000</b>	<b>-108</b>	<b>977,848</b>

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	2018		2017	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>40 Financial assets and liabilities, Group (continued)</b>					
Financial instruments recognised at amortised cost, disclosure of fair values					
<b>Financial assets</b>					
	Cash and balances on demand at central banks	412,575	412,575	356,906	356,906
	Amounts owed by credit institutions and central banks	1,408,153	1,408,153	1,830,790	1,830,790
	Loans and other amounts owed at amortised cost	12,173,964	12,229,849	11,680,562	11,735,128
	Bonds at amortised cost	0	0	99,999	100,000
	<b>Total financial assets</b>	<b>13,994,692</b>	<b>14,050,577</b>	<b>13,968,257</b>	<b>14,022,824</b>
<b>Financial liabilities</b>					
	Amounts owed to credit institutions and central banks	425,191	425,191	439,229	439,229
	Deposits and other debt	18,222,949	18,222,949	16,589,332	16,589,332
	Subordinated loan capital	454,499	454,499	402,848	402,848
	<b>Total financial liabilities</b>	<b>19,102,639</b>	<b>19,102,639</b>	<b>17,431,409</b>	<b>17,431,409</b>

# Notes

Note	Amounts in DKK'000	Fair value recognised in profit or loss		Amortised cost		Total
		Trading portfolio	Fair value option	Assets	Liabilities	
<b>40 Financial assets and liabilities, Group (continued)</b>						
Return on and classification of financial assets and liabilities - Group 2018						
<b>Return</b>						
	Interest income	37,811	0	568,679	0	606,490
	Interest expenses	0	0	0	65,659	65,659
	Net interest income	37,811	0	568,679	-65,659	540,831
	Dividend on shares etc	7,646	16,717	0	0	24,363
	Market value adjustments	-28,350	56,620	0	0	28,270
	<b>Total return</b>	<b>17,108</b>	<b>73,337</b>	<b>568,679</b>	<b>-65,659</b>	<b>593,464</b>
<b>Financial assets</b>						
	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
	Bonds at amortised cost	0	0	0	0	0
	Shares etc	318,158	483,149	0	0	801,307
	Derivatives	19,826	0	0	0	19,826
	Assets in pooled plans	0	1,313,431	0	0	1,313,431
	<b>Total financial assets</b>	<b>6,958,867</b>	<b>1,796,580</b>	<b>13,994,692</b>	<b>0</b>	<b>22,750,139</b>
<b>Financial liabilities</b>						
	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
	<b>Total financial liabilities</b>	<b>22,486</b>	<b>1,313,431</b>	<b>0</b>	<b>19,102,639</b>	<b>20,438,556</b>

# Notes

Note	Amounts in DKK'000	Fair value recognised in profit or loss		Amortised cost			Total
		Trading portfolio	Fair value option	Assets	Hold to maturity	Liabilities	
<b>40 Financial assets and liabilities, Group (continued)</b>							
<b>Return on and classification of financial assets and liabilities - Group 2017</b>							
<b>Return</b>							
	Interest income	29,420	0	576,710	0	0	606,130
	Interest expenses	0	0	0	0	63,635	63,635
	Net interest income	29,420	0	576,710	0	-63,635	542,495
	Dividend on shares etc	19,704	7,649	0	0	0	27,353
	Market value adjustments	30,500	27,270	0	365	0	58,135
	<b>Total return</b>	<b>79,624</b>	<b>34,919</b>	<b>576,710</b>	<b>365</b>	<b>-63,635</b>	<b>627,983</b>
<b>Financial assets</b>							
	Cash and balances on demand at central banks	0	0	356,906	0	0	356,906
	Amounts owed by credit institutions and central banks	0	0	1,830,790	0	0	1,830,790
	Loans and advances at amortised cost	0	0	11,680,562	0	0	11,680,562
	Bonds at fair value	4,839,742	0	0	0	0	4,839,742
	Bonds at amortised cost	0	0	0	99,999	0	99,999
	Shares etc	214,824	438,759	0	0	0	653,583
	Derivatives	25,943	0	0	0	0	25,943
	Assets in pooled plans	0	905,222	0	0	0	905,222
	<b>Total financial assets</b>	<b>5,080,509</b>	<b>1,343,981</b>	<b>13,868,258</b>	<b>99,999</b>	<b>0</b>	<b>20,392,747</b>
<b>Financial liabilities</b>							
	Amounts owed to credit institutions and central banks	0	0	0	0	439,229	439,229
	Deposits	0	0	0	0	16,589,332	16,589,332
	Subordinated loan capital	0	0	0	0	402,848	402,848
	Derivatives	27,380	0	0	0	0	27,380
	Deposits in pooled plans	0	905,222	0	0	0	905,222
	<b>Total financial liabilities</b>	<b>27,380</b>	<b>905,222</b>	<b>0</b>	<b>0</b>	<b>17,431,409</b>	<b>18,364,011</b>

# 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 on a regular basis. Each exposure is segmented based on credit quality, and weak exposures are placed in special credit segments.

# Notes

Note

## 41 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	Group		Sparekassen (Parent)		
	Amounts in DKK'000		2018	2017	2018
<b>41 Financial risks and financial risk management policies and objectives (continued)</b>					
<b>Maximum credit exposure</b>	The Group's and Sparekassen's credit exposure is composed of selected on-balance sheet and off-balance sheet items.				
<b>Credit exposure on lending activities</b>					
<b>On-balance sheet items</b>					
Amounts owed by credit institutions and central banks	1,408,153	1,830,790	1,402,499	1,822,445	
Subordinated loan capital in credit institutions	0	0	0	0	
Loans and other amounts owed at amortised cost	12,173,964	11,680,562	12,239,986	11,671,702	
<b>Off-balance sheet items</b>					
Guarantees	5,357,324	5,213,124	5,468,603	5,340,574	
Undrawn credit lines	4,518,006	4,092,968	4,648,897	4,153,413	
<b>Credit exposure on lending activities</b>	<b>23,457,447</b>	<b>22,817,444</b>	<b>23,759,985</b>	<b>22,988,134</b>	
<b>Credit exposure on trading and investment activities</b>					
<b>On-balance sheet items</b>					
Bonds at fair value	6,620,883	4,839,742	6,620,883	4,839,742	
Bonds at amortised cost	0	99,999	0	99,999	
Shares etc	801,307	653,583	801,307	653,583	
Positive value of derivatives	19,826	25,943	19,826	25,943	
<b>Credit exposure on trading and investment activities</b>	<b>7,442,016</b>	<b>5,619,267</b>	<b>7,442,016</b>	<b>5,619,267</b>	
<b>Total credit exposure</b>	<b>30,899,463</b>	<b>28,436,711</b>	<b>31,202,001</b>	<b>28,607,401</b>	

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)	
		2018	2017	2018	2017

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

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

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

### Collateral received

Collateral by type:

Charge on real property	14,004,837	13,961,851	14,053,418	14,028,902
Charge on movables etc	4,509,450	4,153,731	4,120,505	3,777,436
Securities accounts and bank deposits	332,500	339,490	332,500	339,490
Other collateral	62,880	61,653	62,880	61,653
<b>Total collateral</b>	<b>18,909,667</b>	<b>18,516,725</b>	<b>18,569,303</b>	<b>18,207,481</b>
Value of collateral	12,321,611	11,019,768	11,900,082	10,602,705

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017

## 41 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	699,555	881,481	1,387,734	1,536,500
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#### Other business

Credit exposure net of deductions	0	0	0	0
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More than 20% of capital resources	699,555	881,481	1,387,734	1,536,500
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	4	6	5
Other business before deductions	1	1	2	2

Total large exposures exclusive of credit institutions as a percentage of capital resources

	0.00	0.00	0.00	0.00
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Sparekassen has focus on avoiding concentration of risk and minimising the risk on large single exposures. The exposures were set up after carefully assessing that appropriate risk and collateral exist.

# Notes

Note	Amounts in DKK'000	Group			Write-down for impairment
		Credit exposure before write-down for impairment	Collateral	Unsecured	
<b>41</b>	<b>Financial risks and financial risk management policies and objectives (continued)</b>				
	Stage 3 credit exposures written down, by sector				
	<b>2018</b>				
	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
	<b>Total</b>	<b>1,829,732</b>	<b>860,342</b>	<b>969,390</b>	<b>892,234</b>
	Credit exposures written down, by sector				
	<b>2017 <sup>1)</sup></b>				
	Agriculture	209,252	103,939	105,313	79,928
	Financing and insurance	131,250	87,777	43,473	24,519
	Real property	758,952	530,361	228,591	222,893
	Other business	479,868	189,842	290,026	255,706
	Private	509,199	119,632	389,567	358,351
	<b>Total</b>	<b>2,088,521</b>	<b>1,031,551</b>	<b>1,056,970</b>	<b>941,397</b>

1) Written-down credit exposures in 2017 relate to the individually written-down loans and advances, receivables and guarantees.

Note	Amounts in DKK'000	Sparekassen (Parent)			Write-down for impairment
		Credit exposure before write-down for impairment	Collateral	Unsecured	
<b>41</b>	<b>Financial risks and financial risk management policies and objectives (continued)</b>				
	Stage 3 credit exposures written down, by sector				
	<b>2018</b>				
	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
	<b>Total</b>	<b>1,763,203</b>	<b>828,233</b>	<b>934,970</b>	<b>857,814</b>
	Credit exposures written down, by sector				
	<b>2017 <sup>1)</sup></b>				
	Agriculture	206,580	102,716	103,864	78,479
	Financing and insurance	130,413	87,172	43,241	24,287
	Real property	731,510	510,706	220,804	215,105
	Other business	469,463	184,998	284,465	250,145
	Private	466,884	104,608	362,276	331,060
	<b>Total</b>	<b>2,004,850</b>	<b>990,200</b>	<b>1,014,650</b>	<b>899,076</b>

1) Written-down credit exposures in 2017 relate to the individually written-down loans and advances, receivables and guarantees.

# Notes

Group					
Note	Amounts in DKK'000	Stage 1	Stage 2	Stage 3	Total
<b>41</b>	<b>Financial risks and financial risk management policies and objectives (continued)</b>				
	Loans, advances and guarantees etc by exposure category/stage				
	<b>2018</b>				
	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
	<b>Total loans, advances and guarantees etc</b>	<b>13,358,776</b>	<b>3,196,839</b>	<b>2,056,731</b>	<b>18,612,346</b>
	Committed facilities and undrawn credit lines by exposure category/stage				
	<b>2018</b>				
	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
	<b>Total committed facilities and undrawn credit lines</b>	<b>4,158,784</b>	<b>290,904</b>	<b>68,317</b>	<b>4,518,006</b>

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,

Sparekassen (Parent)					
Note	Amounts in DKK'000	Stage 1	Stage 2	Stage 3	Total
<b>41</b>	<b>Financial risks and financial risk management policies and objectives (continued)</b>				
	Loans, advances and guarantees etc by exposure category/stage				
	<b>2018</b>				
	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
	<b>Total loans, advances and guarantees etc</b>	<b>13,704,972</b>	<b>3,056,763</b>	<b>1,990,617</b>	<b>18,752,352</b>
	Committed facilities and undrawn credit lines by exposure category/stage				
	<b>2018</b>				
	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
	<b>Total committed facilities and undrawn credit lines</b>	<b>4,289,675</b>	<b>290,904</b>	<b>68,317</b>	<b>4,648,897</b>

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

Group					
Note	Amounts in DKK'000	Stage 1	Stage 2	Stage 3	Total
<b>41</b>	<b>Financial risks and financial risk management policies and objectives (continued)</b>				
	Loans, advances and guarantees etc by exposure category/stage				
	<b>2017 (at 1 January 2018)</b>				
	Category 1: Exposures with substantial weaknesses	532,518	833,447	2,399,543	3,765,507
	Category 2: Exposures with slightly impaired credit quality and certain signs of weakness	2,723,660	1,448,778	1,374	4,173,812
	Category 3: Exposures with normal credit quality	8,535,986	1,428,631	542	9,965,160
	<b>Total loans, advances and guarantees etc</b>	<b>11,792,164</b>	<b>3,710,856</b>	<b>2,401,459</b>	<b>17,904,479</b>
	Committed facilities and undrawn credit lines by exposure category/stage				
	<b>2017 (at 1 January 2018)</b>				
	Category 1: Exposures with substantial weaknesses	54,719	104,522	89,719	248,960
	Category 2: Exposures with slightly impaired credit quality and certain signs of weakness	790,991	287,680	84	1,078,755
	Category 3: Exposures with normal credit quality	2,706,762	58,286	205	2,765,253
	<b>Total committed facilities and undrawn credit lines</b>	<b>3,552,472</b>	<b>450,488</b>	<b>90,008</b>	<b>4,092,968</b>

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.

Sparekassen (Parent)					
Note	Amounts in DKK'000	Stage 1	Stage 2	Stage 3	Total
<b>41</b>	<b>Financial risks and financial risk management policies and objectives (continued)</b>				
	Loans, advances and guarantees etc by exposure category/stage				
	<b>2017 (at 1 January 2018)</b>				
	Category 1: Exposures with substantial weaknesses	532,518	807,053	2,315,320	3,654,890
	Category 2: Exposures with slightly impaired credit quality and certain signs of weakness	2,723,660	1,308,180	1,374	4,033,214
	Category 3: Exposures with normal credit quality	8,862,611	1,428,631	542	10,291,785
	<b>Total loans, advances and guarantees etc</b>	<b>12,118,789</b>	<b>3,543,864</b>	<b>2,317,236</b>	<b>17,979,888</b>
	Committed facilities and undrawn credit lines by exposure category/stage				
	<b>2017 (at 1 January 2018)</b>				
	Category 1: Exposures with substantial weaknesses	54,719	104,522	89,719	248,960
	Category 2: Exposures with slightly impaired credit quality and certain signs of weakness	790,991	287,680	84	1,078,756
	Category 3: Exposures with normal credit quality	2,767,207	58,286	205	2,825,698
	<b>Total committed facilities and undrawn credit lines</b>	<b>3,612,917</b>	<b>450,488</b>	<b>90,008</b>	<b>4,153,413</b>

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)	
		2018	2017	2018	2017
<b>41</b>	<b>Financial risks and financial risk management policies and objectives (continued)</b>				
	Loans with zero interest rates				
	Loans with zero interest rates <sup>1)</sup>	288,148	420,037	282,641	395,369
	Thereof, written down for impairment	154,158	275,671	151,505	260,010
	<b>On-balance sheet loans with zero interest rates</b>	<b>133,990</b>	<b>144,366</b>	<b>131,136</b>	<b>135,359</b>

1) Loans with zero interest rates

Note	Amounts in DKK'000	2018		2017	
		Credit exposure before write-down for impairment	Write-down for impairment	Credit exposure before write-down for impairment	Write-down for impairment

## 41 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 11. For the Group, interest on financial assets written down for impairment amounted to DKK 35,931k in 2018 (2017: DKK 39,213k) 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. <sup>1)</sup>

<b>Group</b>				
Bankruptcy	56,637	36,347	85,808	54,929
Debt collection and suspension of payments	84,184	59,037	144,728	110,948
Other financial difficulties	1,685,981	796,850	1,857,985	775,520
<b>Total</b>	<b>1,826,802</b>	<b>892,234</b>	<b>2,088,521</b>	<b>941,397</b>
Value of collateral	857,412		1,031,550	
<b>Sparekassen (Parent)</b>				
Bankruptcy	54,036	34,067	81,132	51,273
Debt collection and suspension of payments	70,511	52,643	112,820	92,962
Other financial difficulties	1,638,656	771,104	1,810,898	754,841
<b>Total</b>	<b>1,763,203</b>	<b>857,814</b>	<b>2,004,850</b>	<b>899,076</b>
Value of collateral	828,233		990,200	

1) Written-down credit exposures in 2017 relate to the individually written-down loans and advances, receivables and guarantees.

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>41</b>	<b>Financial risks and financial risk management policies and objectives (continued)</b>				
	The group as lessor				
	The Group serves as lessor in the areas of commercial leasing and vendor leasing with particular emphasis on transport, agricultural, industrial and contracting businesses. Finance leases are provided.				
	<b>Finance leases</b>				
	Balance at beginning of year	519,485	520,226	0	0
	Additions	268,625	202,646	0	0
	Disposals	220,969	203,387	0	0
	<b>Balance at end of year</b>	<b>567,141</b>	<b>519,485</b>	<b>0</b>	<b>0</b>
	<b>By time to maturity:</b>				
	Up to 1 year	149,713	138,836	0	0
	From 1 year to 5 years	387,284	355,503	0	0
	More than 5 years	30,144	25,146	0	0
	<b>Total</b>	<b>567,141</b>	<b>519,485</b>	<b>0</b>	<b>0</b>
	<b>Gross investments</b>				
	Up to 1 year	166,446	155,188	0	0
	From 1 year to 5 years	412,218	379,135	0	0
	More than 5 years	31,115	26,053	0	0
	<b>Total</b>	<b>609,779</b>	<b>560,376</b>	<b>0</b>	<b>0</b>
	<b>Unearned financing income</b>	<b>42,638</b>	<b>40,891</b>	<b>0</b>	<b>0</b>

## 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.

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>41 Financial risks and financial risk management policies and objectives (continued)</b>					
The table below shows interest rate risk specified by currency, product and duration.					
<b>Total interest rate risk</b>	<b>-25.600</b>	<b>26.276</b>	<b>-32.587</b>	<b>18.281</b>	
Interest rate risk as a percentage of core capital net of deductions	-1.0	1.1	-1.2	0.8	
<b>Interest rate risk by high-risk currency</b>					
DKK	714	26,849	-6,273	18,854	
EUR	-26,214	-464	-26,214	-464	
USD	-113	-115	-113	-115	
CHF	0	0	0	0	
SEK	13	6	13	6	
Other currencies	0	0	0	0	
<b>Interest rate risk by product</b>					
<b>Assets</b>					
Amounts owed by credit institutions and central banks	0	-6	0	-6	
Loans and advances etc	9,585	11,724	2,598	3,729	
Shares	209	0	209	0	
Bonds	0	43,959	0	43,959	
<b>Equity and liabilities</b>					
Deposits	-58	-9,745	-58	-9,745	
Bonds issued	0	0	0	0	
Subordinated loan capital	-12,798	-10,655	-12,798	-10,655	
Hybrid core capital	-21,762	-8,066	-21,762	-8,066	
<b>Derivatives</b>			0		
Interest rate and currency swaps	-775	-938	-775	-938	
Other derivatives	0	2	0	2	
<b>Total</b>	<b>-25,600</b>	<b>26,276</b>	<b>-32,587</b>	<b>18,281</b>	

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>41 Financial risks and financial risk management policies and objectives (continued)</b>					
<b>Interest rate risk by modified duration range</b>					
0-3 months	1,207	802	1,236	586	
3-6 months	1,154	-9,416	1,149	-9,426	
6-12 months	161	-5,530	81	-5,577	
1-2 years	2,310	-802	1,789	-1,437	
2-3.6 years	-331	510	-1,147	-472	
More than 3.6 years	-30,101	40,712	-35,695	34,607	
<b>Total</b>	<b>-25,600</b>	<b>26,276</b>	<b>-32,587</b>	<b>18,281</b>	
<b>Share price exposure</b>					
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.					
<b>Shareholding broken down</b>					
Listed shares etc	63,873	41,270	63,873	41,270	
Other equity investments etc	357,793	307,985	357,793	307,985	
Shares in sector-owned enterprises	379,641	304,328	379,641	304,328	
<b>Total shareholding</b>	<b>801,307</b>	<b>653,583</b>	<b>801,307</b>	<b>653,583</b>	
Shares exclusive of equity investments and sector shares as a percentage of core capital net of deductions	2.4	1.7	2.4	1.7	
<b>Sensitivity to share price exposure</b>					
If the actual market value varies by plus/minus 10% compared to fair value, this affects profit or loss (after tax) by plus/minus					
	62,502	50,979	62,502	50,979	

# Notes

Note	Amounts in DKK'000	Group		Sparekassen (Parent)	
		2018	2017	2018	2017
<b>41 Financial risks and financial risk management policies and objectives (continued)</b>					
<b>Currency risk</b>					
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)	1,857	3,246	1,857	3,246	
Equity and liabilities denominated in foreign currencies (short net positions)	18,567	16,843	18,567	16,843	
Currency indicator 1	18,567	16,843	18,567	16,843	
Currency indicator 1 as a percentage of core capital net of deductions	0.7	0.7	0.7	0.7	
Currency indicator 2	244	534	244	534	
Currency indicator 2 as a percentage of core capital net of deductions	0.0	0.0	0.0	0.0	
Currency indicator 1 for euro as a percentage of core capital net of deductions	0.0	0.0	0.0	0.0	
Currency indicator 1 for other currencies as a percentage of core capital net of deductions	0.7	0.7	0.7	0.7	

## 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.

# Notes

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

#### 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

#### 2017

##### Non-derivative financial liabilities

Amounts owed to credit institutions and central banks	439,229	439,229	438,025	542	662
Deposits and other debt	16,589,332	16,589,332	15,372,831	181,508	1,034,993
Deposits in pooled plans	905,222	905,222	66,568	52,397	786,257
Subordinated loan capital	402,848	405,520	520	0	405,000
Guarantees	5,213,124	5,213,124	2,223,275	223,097	2,766,752
Undrawn credit lines	0	4,092,968	4,092,968	0	0

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

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

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

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

## Note

## 41 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

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## Note

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### 42 Company announcements

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

20.12.2018	- Financial calendar 2019 for Sparekassen Sjælland-Fyn A/S
30.11.2018	- Sparekassen Sjælland-Fyn supplements its Executive Board
23.11.2018	- Reportable transactions
08.11.2018	- Capital transactions
06.11.2018	- Reportable transactions
30.10.2018	- Repayment of capital instruments
29.10.2018	- Satisfactory performance - net profit of DKK 173.6m
22.10.2018	- Change in financial calendar
29.08.2018	- Reportable transactions
14.08.2018	- Net profit of DKK 115.8m for H1 2018
10.08.2018	- Repayment of capital instruments
19.06.2018	- Capital transactions
08.05.2018	- Net profit for Q1 2018 up by 8% to DKK 80.3m
30.04.2018	- Change in share capital and voting rights
25.04.2018	- Announcements concerning disclosure of major shareholder - Execution of pre-emption rights issue
23.04.2018	- Result of pre-emption rights issue
09.04.2018	- Reportable transactions

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## Note

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### 42 Company announcements (continued)

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

03.04.2018	- The Board of Directors of Sparekassen Sjælland-Fyn A/S
22.03.2018	- Publication of prospectus regarding pre-emption rights issue
21.03.2018	- Upward adjustment of expectations for 2018
08.03.2018	- Result of the Annual General Meeting of Sparekassen Sjælland-Fyn A/S - Pick-up and historical net profit of DKK 215.7m of Sparekassen Sjælland-Fyn A/S
09.02.2018	- Notice convening the Annual General Meeting
08.02.2018	- Time line for share issue
08.02.2018	- Pre-tax profit of DKK 273.1m

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

## Committee of shareholders at 31 December 2018

Attorney-at-Law Palle Andersen, Vipperød  
 Glazier Kim Rørdam Andersen, Kalundborg  
 Financial Manager Jakob Andersson, Holbæk  
 Executive Officer Lene Bakgaard, Holbæk  
 Shop Owner Jeanette Benard, Frederiksberg C  
 Attorney-at-Law Per Bjørnsholm, Frederiksberg C  
 Chief Executive Officer Christina F. Bustrup, Vedbæk  
 Executive Officer Annette Christensen, Holbæk  
 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  
 Executive Officer Jesper I. Justesen, Holbæk  
 Executive Officer Birgitte Kastrup, Kerteminde  
 Farm Owner Egon Lund Keinicke, Gørlev  
 Executive Officer Allan Kienast, Holbæk  
 Financial Consultant Hans Jørgen B. Kolding, Slagelse  
 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  
 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  
 Executive Officer Ejvind Egebjerg Pedersen, Holbæk  
 Master Carpenter Boye Pedersen, Holbæk  
 Registered Accountant Roland Petersen, Vig  
 Attorney-at-Law Steen Røgilds, Kalundborg  
 Executive Officer Jakob Schiøtt, Tølløse  
 Master Carpenter Claus Sørensen, Holbæk  
 HR Manager John Ziegler, Frederikssund  
 Undertaker Heidi Ørskov, Holbæk  
 Executive Officer Eva Nielsen, Holbæk  
 Consultant Susanne Vang Søgard, Holbæk

## Board of Directors

Executive Officer Thomas Kullegaard, Architect MAA, Holbæk, Chairman  
 Financial Manager Jakob N. Andersson, Holbæk, Vice-Chairman  
 Former Chief Executive Officer Bent Andersen, Århus  
 Attorney-at-Law Otto Spliid, Odense  
 Farm Owner Erik Larsen, Dalmore  
 Attorney-at-Law Per Bjørnsholm, Frederiksberg C

## Board members elected by the employees:

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

## The Board of Directors has appointed the following committees:

### Audit committee

Financial Manager Jakob N. Andersson, Holbæk, Chairman  
 Executive Officer Thomas Kullegaard, Architect MAA, Holbæk,  
 Former Chief Executive Officer Bent Andersen, Århus  
 Farm Owner Erik Larsen, Dalmore

### Risk Committee

Former Chief Executive Officer Bent Andersen, Århus, Chairman  
 Executive Officer Thomas Kullegaard, Architect MAA, Holbæk,  
 Financial Manager Jakob N. Andersson, Holbæk  
 Attorney-at-Law Per Bjørnsholm  
 Development Manager Per Olsen, Copenhagen K

### Nomination Committee

Financial Manager 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  
 Branch Manager Mads Wallin, Holmegaard

### Remuneration Committee

Financial Manager 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  
 Branch 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

## Staff functions

### Management Secretariat

Deputy Chief Executive Jan Kolbye Jensen  
Development Manager Per Olsen  
Investor Relations Manager Jan Justesen

### Compliance

Compliance Officer Pia Møller Blæsbjerg

### Anti-Money Laundering

AML Officer Susanne Bouman

### Risk Management

Risk Manager Jan Justesen

### Finance

Group Chief Financial Officer Jens Trane  
Financial Manager Kenneth Bering

### 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

## 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

## Finance and Property Management

Department Manager Henrik Middelbo Andersen

## Digital Savings Bank

Department Manager Lisette Juul Jensen

## Branches and corporate customer centres

### Funen Region

**Private Customer Manager**  
Jan Klink Andersen

**Corporate Customer Manager**  
Kim Thykjær

**Assens**, Branch Manager Betina Skjold

**Dalum**, Branch Manager

Lars Michael Jensen

**Faaborg**, Branch Manager Lene Kragh

**Haarby**, Branch Manager  
Karsten Dahl Dittmann

**Hjallese**, Branch Manager Martin Petersen

**Kerteminde**, Branch Manager  
Jørgen Overgaard Schou

**Langeskov**, Branch Manager  
Jørgen Overgaard Schou

**Middelfart**, Branch Manager  
Vibeke Vinge Marxen

**Nyborg**, Branch Manager Poul Aaby

**Odense C.**, Branch Manager  
Poul Henning Fløjborg

**Odense N.**, Branch Manager  
Rasmus Grundsøe Petersen

**Ringe**, Branch Manager Jan Svenssen

**Svendborg**, Branch Manager  
Brian Berggren Sørensen

**V. Skerninge**, Branch Manager  
Brian Berggren Sørensen

**Årslev**, Branch Manager Jan Svenssen

### North/West Region

**Private Customer Manager**  
Henrik Møllegaard

**Corporate Customer Manager**  
Michael Nielsen

**Asnæs**, Branch Manager Lars Peter Larsen

**Dianalund**, Branch Manager Helle M. Nielsen

**Frederikssund**, Branch Manager - Vacant

**Frederiksværk**, Branch Manager  
Lars Blickfeldt

**Helsingø**, Branch Manager  
Maria Lehmkuhl Dich

**Helsingør**, Branch Manager  
Thomas Guldbæk

**Hillerød**, Branch Manager Sten Weibel

**Holbæk**, Private Customer Manager  
Henrik Møllegaard

**Hundested**, Branch Manager Lars Blickfeldt

**Jyderup**, Branch Manager Jens Varling

**Kalundborg**, Branch Manager  
Klaus Koksby Hansen

**Nykøbing Sj.**, Branch Manager  
Lars Peter Larsen

**Sorø**, Branch Manager  
Kristian Have Olejaz Tellerup

**Tølløse**, Branch Manager John Jensen

**Vig**, Branch Manager Lars Peter Larsen

### Southern Region

**Private Customer Manager**  
Claus Andersen

**Corporate Customer Manager**  
Peter Andreasen

**Faxe**, Branch Manager Julia Heinecke

**Haslev**, Branch Manager  
Thomas Søbygaard

**Høng**, Branch Manager Flemming Andersen

**Næstved**, Private Customer Manager  
Claus Andersen

**Ringsted**, Branch Manager Mads Wallin

**Skælskør**, Branch Manager  
Pia Kimer Jacobsen

**Slagelse**, Branch Manager  
Niels Wittendorff Ibsen

**Vordingborg**, Branch Manager  
Erik Arnberg Maigaard Filtenborg

### Eastern Region

**Private Customer Manager**  
Jannik Hindsbo

**Corporate Customer Manager**  
Henning Juhl Jessen

**Amagerbrogade**, Branch Manager  
Elisabeth Grandt

**Dragør**, Branch Manager  
Tina Bering Hansen

**Frederiksberg**, Branch Manager  
Louise René Jensen

**Greve**, Branch Manager  
Nicholaj Dyrholm Frimann

**Islands Brygge**, Branch Manager  
Line Simoni

**Kongelundsvej**, Branch Manager  
Janice Tagorio

**Køge**, Branch Manager  
Nicholaj Dyrholm Frimann

**Roskilde**, Branch Manager Allan Markussen

**Valby**, Branch Manager Hanne Poulsen

**Vanløse**, Branch Manager - Vacant

**Østerbro**, Branch Manager  
Kenneth Neergaard



