Interim report H1 2020 of Spar Nord

Contents

Executive Summary

DKKm	H1 2020	H1 2019	Index	Q2 2020	Q1 2020	Index
Net interest income	795	775	103	408	387	105
Net fee income	618	620	100	296	322	92
Market value adjustments and dividends	164	226	72	174	-11	-
Other income	27	66	42	7	21	32
Core income	**1,604**	**1,687**	**95**	**885**	**719**	**123**
Staff costs	660	613	108	344	315	109
Operating expenses	392	396	99	188	204	92
Costs and expenses	**1,052**	**1,009**	**104**	**532**	**520**	**102**
Core earnings before impairment	**552**	**678**	**81**	**353**	**199**	**178**
Impairment of loans and advances, etc.	234	1	-	59	175	34
Profit/loss before tax	**318**	**677**	**47**	**294**	**24**	**-**
Tax	63	132	48	63	0	-
Profit/loss for the period	**255**	**546**	**47**	**231**	**24**	**967**

After a very difficult first quarter influenced by the COVID-19 crisis, our performance improved considerably in the second quarter. Retail customer activity was largely at pre-COVID-19 levels, as reflected in satisfactory developments in our net interest and net fee income. Our market value adjustments are a reflection of favourable conditions in the financial markets. We have been reasonably successful in adjusting our costs. The greatest concern is definitely on the credit side, as the long-term credit consequences of the decline in economic activity resulting from the COVID-19 crisis remains subject to substantial uncertainty. Overall, however, I believe the first-half report we have published today contains far more more positives than negatives, said Spar Nord's CEO Lasse Nyby.

Spar Nord achieved a profit after tax of DKK 255 million in H1 2020, which corresponds to an annualised return on equity of 5.1%. Management considers the performance satisfactory in the context of the global COVID-19 crisis and its socio-economic implications.

Core income amounted to DKK 1,604 million in H1, which is DKK 83 million, or 5%, lower than in the year-earlier period.

At DKK 795 million, net interest income was 3% higher than last year, while net fee income was maintained at DKK 618 million despite the lack of last year's very high remortgaging activity. Market value adjustments and dividends amounted to DKK 164 million, against DKK 226 million in H1 2019 after a first quarter influenced by the COVID-19 crisis and a second quarter characterised by more favourable market conditions and a highly satisfactory performance.

Active cost-cutting initiatives

Total costs and expenses amounted to DKK 1,052 million, against DKK 1,009 million in the same period of 2019. Of this amount, payroll costs amounted to DKK 660 million, corresponding to an increase of DKK 47 million, and operating expenses amounted to DKK 392 million, equal to a fall of DKK 4 million.

Payroll costs were affected by the implementation of a voluntary severance programme in June, under which a total of 49 employees agreed to resign by the end of 2020. Non-recurring severance costs amount to DKK 23 million, which was expensed in the first half of the year.

In addition, through active initiatives, Spar Nord has identified savings on operating expenses (marketing, travel expenses, etc.) of approximately DKK 35 million relative to the original 2020 budget.

Growth in business volume despite lending pressure

The Group's total business volume (deposits, loans, advances and guarantees, mortgage credits arranged, customers' custodianship accounts and life annuities) amounted to DKK 274.0 billion at 30 June 2020, which was DKK 1.5 billion higher than at end-2019.

The increase was driven by growth in mortgage credits arranged, deposits and pension pools, while various relief packages have caused a decline in lending volumes in the corporate customer segment.

Outlook for 2020

At the beginning of 2020, Spar Nord forecast core earnings before impairment of around DKK 900-1,100 million and a net profit of around DKK 625-825 million. However, due to the COVID-19 crisis, Spar Nord opted in March to temporarily suspend its financial guidance.

In connection with the release of its Q1 report, Spar Nord reintroduced the guidance for core earnings before impairment at DKK 700-1,000 million.

Backed by developments in the second quarter, including positive developments in the financial markets combined with satisfactory developments in net interest and fee income along with active cost-cutting measures, Spar Nord now expects core earnings before impairment for the full year 2020 in the DKK 800-1,050 million range.

On the basis of estimates made by management, loan impairment charges – provided that society is gradually re-opened – are expected to be lower in H2 than in H1. The net profit for the year is expected to be around DKK 350-550 million.

Performance indicators and financial ratios Group

Performance indicators

Income statement

DKKm	H1 2020	H1 2019	Change in %	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Full year 2019
Net interest income	795	775	3	408	387	396	402	397	1,573
Net fee income	618	620	0	296	322	290	315	304	1,225
Market value adjustments and dividends	164	226	-28	174	-11	67	86	108	379
Other income	27	66	-58	7	21	25	70	24	160
Core income	**1,604**	**1,687**	**-5**	**885**	**719**	**779**	**873**	**833**	**3,338**
Staff costs	660	613	8	344	315	324	281	306	1,218
Operating expenses	392	396	-1	188	204	215	185	184	796
Costs and expenses	**1,052**	**1,009**	**4**	**532**	**520**	**539**	**466**	**491**	**2,014**
Core earnings before impairment	**552**	**678**	**-19**	**353**	**199**	**239**	**407**	**342**	**1,324**
Impairment of loans, advances and receivables etc.	234	1	-	59	175	12	9	-9	22
Profit/loss before tax	**318**	**677**	**-53**	**294**	**24**	**227**	**397**	**351**	**1,302**
Tax	63	132	-52	63	0	44	67	69	243
Profit/loss	**255**	**546**	**-53**	**231**	**24**	**182**	**331**	**283**	**1,059**
Interest expenses to holders of additional tier 1 (AT1) capital	27	24	11	15	12	12	12	12	49

Balance sheet

DKKm	H1 2020	H1 2019	Change in %	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Full year 2019
Total assets	95,242	89,354	7	95,242	94,457	93,113	94,151	89,354	93,113
Loans and advances	**49,272**	**47,023**	**5**	**49,272**	**50,400**	**51,312**	**48,982**	**47,023**	**51,312**
Lending, banking and leasing activities	41,644	42,096	-1	41,644	43,017	43,157	42,514	42,096	43,157
Lending, reverse repo transactions	7,629	4,928	55	7,629	7,383	8,155	6,468	4,928	8,155
Deposits	**73,227**	**68,722**	**7**	**73,227**	**67,631**	**70,602**	**69,239**	**68,722**	**70,602**
Deposits, banking activities	54,843	52,696	4	54,843	51,552	53,279	52,874	52,696	53,279
Deposits, repo transactions	166	201	-17	166	0	0	0	201	0
Deposits in pooled schemes	18,218	15,825	15	18,218	16,078	17,323	16,365	15,825	17,323
Issued bonds	2,632	-	-	2,632	2,585	2,637	-	-	2,637
Subordinated debt	1,321	1,320	0	1,321	1,293	1,322	1,311	1,320	1,322
Additional tier 1 (AT1) capital	796	862	-8	796	872	860	874	862	860
Shareholders' equity	9,125	8,424	8	9,125	8,915	8,901	8,743	8,424	8,901
Guarantees	14,494	13,867	5	14,494	14,596	14,766	16,070	13,867	14,766
Total risk exposure amount	54,627	56,152	-3	54,627	56,548	55,963	57,157	56,152	55,963
Tier 1 capital	9,725	8,615	13	9,725	9,471	9,032	8,787	8,615	9,032
Impairment account	1,678	1,824	-8	1,678	1,626	1,503	1,525	1,824	1,503
Contractual non-performing loans	343	528	-35	343	303	303	337	528	303
Business volume	273,952	259,991	5	273,952	263,879	272,431	266,551	259,991	272,431

Financial performance – core earnings, quarterly

Financial ratios

Own funds		H1 2020	H1 2019	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Full year 2019
Capital ratio		20.2	17.6	20.2	19.0	18.5	17.6	17.6	18.5
Tier 1 capital ratio		17.8	15.3	17.8	16.7	16.1	15.4	15.3	16.1
Common equity tier 1 capital ratio		16.4	13.8	16.4	15.3	14.6	13.9	13.8	14.6
Earnings									
Return on equity before tax excl. additional tier 1 (AT1) capital p.a. *)	%	6.5	15.5	12.4	0.5	9.9	18.0	16.2	14.5
Return on equity after tax excl. additional tier 1 (AT1) capital p.a. *)	%	5.1	12.4	9.6	0.5	7.9	14.9	12.9	11.7
Cost share of core income	DKK	0.66	0.60	0.60	0.72	0.69	0.53	0.59	0.60
Cost share of core income – incl. impairment of loans, advances and receivables, etc.	DKK	0.80	0.60	0.67	0.97	0.71	0.54	0.58	0.61
Return on assets	%	0.3	0.6	0.2	0.0	0.2	0.4	0.3	1.1
Market risk and liquidity									
Interest rate risk	%	1.1	1.0	1.1	0.1	0.6	0.3	1.0	0.6
Foreign exchange position	%	1.1	1.1	1.1	1.1	1.0	1.1	1.1	1.0
Foreign exchange risk	%	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Liquidity Coverage Ratio (LCR)	%	231	137	231	185	195	159	137	195
Bank and leasing loans relative to bank deposits	%	75.9	79.9	75.9	83.4	81.0	80.4	79.9	81.0
Credit risk									
Bank and leasing loans relative to shareholders' equity		4.6	5.0	4.6	4.8	4.8	4.9	5.0	4.8
Increase in loans and advances for the period	%	-3.5	6.4	-3.2	-0.3	1.5	1.0	3.8	9.1
Sum of large exposures	%	78.6	84.6	78.6	82.6	83.6	82.0	84.6	83.6
Impairment ratio		0.4	0.0	0.1	0.3	0.0	0.0	0.0	0.0
Employees and branches									
Number of employees (full-time equivalents, end of period)		1,560	1,534	1,560	1,561	1,549	1,539	1,534	1,549
Number of branches		49	49	49	49	49	49	49	49
Spar Nord share									
DKK per share of DKK 10									
Share price, end of period		53	58	53	42	65	62	58	65
Net asset value (NAV) *)		74	69	74	72	72	71	69	72
Profit/loss for the period *)		1.9	4.3	1.8	0.1	1.4	2.6	2.2	8.2
Dividend	DKK	-	-	-	-	-	-	-	3.5
Return	%	-	-	-	-	-	-	-	32
Price/earnings *)		-	-	-	-	-	-	-	8

*) Financial ratios have been calculated as if the additional tier 1 (AT1) capital were treated as a liability for accounting purposes, which means that the calculation of the financial ratio has been based on the shareholders' share of profit and equity. The shareholders' share of profit and equity appears from the statement of changes in equity.

Management commentary on H1 2020

Spar Nord achieved a profit after tax of DKK 255 million in H1 2020, which corresponds to an annualised return on equity of 5.1%. Management considers the performance satisfactory in a half-year period which in many respects was marked by the global COVID-19 crisis.

Net interest income up 3%
Net interest income was DKK 795 million, against DKK 775 million in H1 2019, or an improvement of 3%.

Adding to this income was a DKK 46 million decrease in interest expenses following active pricing measures. In addition, interest income from investment of excess liquidity was DKK 20 million higher than in the same period of last year.

Detracting from this income was a DKK 35 million decrease in interest income from lending relative to the year-earlier period, which was due to a fall in the average lending margin of 30 basis points (y/y). Volume growth failed to offset the lower lending margin, in part due to pressure on corporate customer lending during the COVID-19-crisis. Moreover, interest expenses for issued bonds and subordinated debt were DKK 12 million higher than in the year-earlier period.

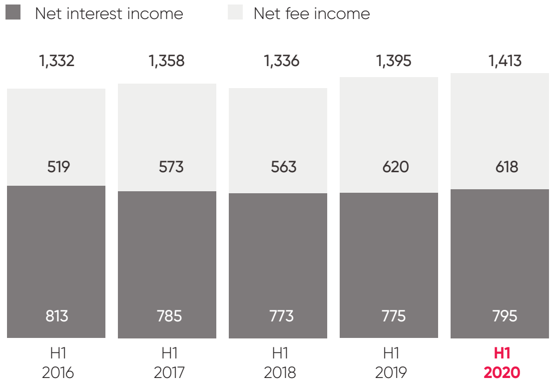
Net interest income rose from DKK 387 million to DKK 408 million from Q1 to Q2, partly as a result of higher interest income from bonds and financial instruments, partly persistently lower interest expenses for deposits.

Net fee income maintained at a high level
Net fee income was DKK 618 million in H1 2020, against DKK 620 million in the same period of 2019. As in the year-earlier period, net fee income accounted for 44% of total net interest and fee income in the period.

Realised net fee income is considered highly satisfactory in view of the fact that the same period of 2019 saw extraordinarily strong home remortgaging activity, which alone contributed approximately DKK 45 million.

Net fee income has been maintained at an unchanged level even without last year's strong remortgaging activity because of satisfactory developments in income from securities trading and asset management driven by positive volume developments and high trading activity. To this should be added the effect of continuing growth in the volume of mortgage loans arranged.

Net interest income and net fee income
(DKKm)



From Q1 to Q2 net fee income fell from DKK 322 million to DKK 296 million due to lower transaction fees driven by, among other things, lower customer activity (mortgage lending).

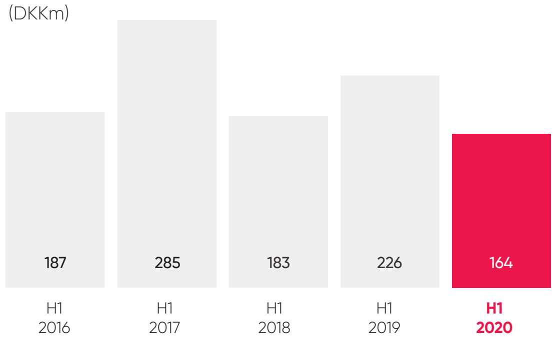
Higher market value adjustments in Q2
Market value adjustments and dividends amounted to DKK 164 million, against DKK 226 million in the same period of 2019.

The decline was driven mainly by a DKK 54 million decrease in market value adjustments of shares and bonds compared with H1 2019, which was caused principally by substantial market volatility in the form of plummeting share prices and widening credit spreads, particularly in March.

While the first quarter was thus quite challenging, market conditions improved substantially in the second quarter, in which Spar Nord saw highly satisfactory performance with market value adjustments of DKK 118 million, against negative adjustments of DKK 13 million in Q1.

Market value adjustments and dividends on the portfolio of strategic shareholdings in the financial sector were DKK 13 million lower in H1 2020 than in the same period of 2019. The decrease was due to lower positive contributions from DLR Kredit and PRAS, among others. Adding to performance was the sale of VP Securities, which contributed DKK 10 million.

Market value adjustments and dividends
(DKKm)



Other income of DKK 27 million
Other income amounted to DKK 27 million in H1 2020, against DKK 66 million in the same period of 2019. Relative to last year, the decline was attributable to the lack of extraordinary circumstances concerning Spar Nord's shareholding in Danske Andelskassers Bank ("DAB"), and the interim financial statements therefore only includes Spar Nord's share of DAB's expected results for the period.

Active cost-cutting initiatives
Total costs and expenses amounted to DKK 1,052 million, against DKK 1,009 million in the same period of 2019.

Wages and salaries accounted for DKK 660 million of total costs and expenses. Realised payroll costs were DKK 47 million higher than in the same period of last year.

About half of the year-on-year increase was attributable to an increase in the number of employees, pay rises under collective agreements and a higher payroll tax, while the other half was driven by one-off costs relating to a severance programme, under which a total of 49 employees in June agreed to resign by the end of 2020.

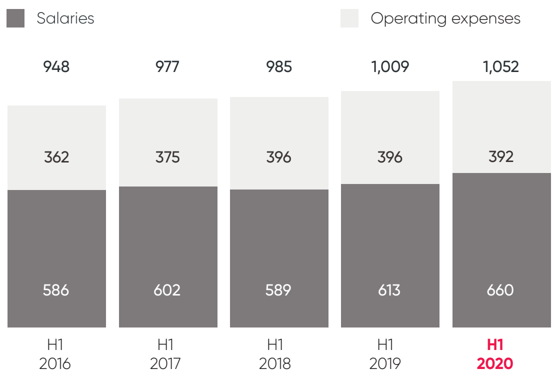
Based on the severance programme and already known recruitment and resignation of staff, Spar Nord now expects to employ about 1,520 staff (FTE) at 31 December 2020, compared with 1,549 FTE at 31 December 2019.

Operating expenses came to DKK 392 million, which is DKK 4 million lower than in H1 2019. The decrease covers rising costs of IT (data centre), while decent savings were achieved on most other cost items (marketing, travel expenses, staff costs, etc.).

Through active initiatives, Spar Nord has identified total savings on operating expenses (marketing, travel expenses, etc.) of approximately DKK 35 million relative to the original 2020 budget.

The realised core income and costs corresponded to a Cost/Income Ratio of 0.66 (H1 2019: 0.60).

Total costs
(DKKm)



From Q1 to Q2, costs rose from DKK 520 million to DKK 532 million, attributable in particular to provisions for severance pay.

COVID-19 crisis impacting loan impairment charges
Loan impairment charges etc. was an expense of DKK 234 million, which compares to an expense of DKK 1 million in the year-earlier period.

The DKK 234 million impact on profits breaks down into DKK 161 million attributable to business customers ex. agriculture, DKK 97 million to retail customers and DKK 4 million to customers in the consumer loan business SparXpres, while DKK 28 million was reversed in respect of agricultural customers.

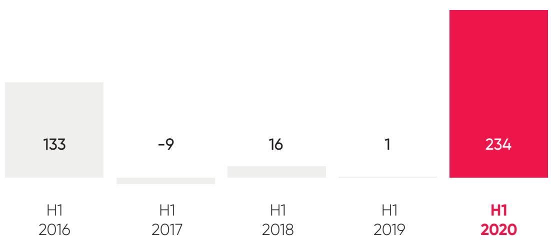
The long-term credit consequences of the decline in economic activity resulting from the COVID-19 crisis remain subject to substantial uncertainty, although only moderate credit losses have been recorded to date thanks to the many economic relief packages available.

The financial statements for Q2 indicate that impairment will impact operating profit by DKK 59 million, which amount includes total COVID-19-related impairment charges in Q2 of approximately DKK 80 million, of which DKK 30 million marks an increase in the management estimate relating to COVID-19 to a total of DKK 255 million.

Spar Nord's impairment balance, which at 30 June 2020 amounted to DKK 1,678 million, contains management estimates totalling DKK 532 million, against DKK 303 million at end-2019.

Individual impairments (stage 3) at 30 June 2020 were DKK 953 million (year-end 2019: DKK 1,083 million), while stage 1 and 2 impairments totalled DKK 725 million (year-end 2019: DKK 420 million).

Impairments
(DKKm)



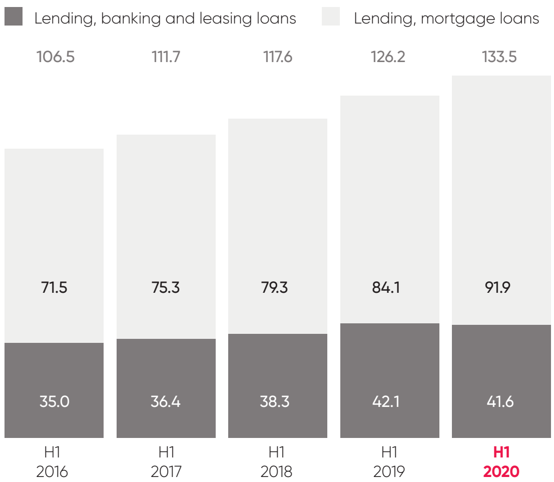
The Group's loans, advances and guarantees *)

Breakdown by industry

Line of business %	Loans, advances and guarantees 30.06.20	Loans, advances and guarantees 31.12.19	Impairment account 30.06.20	Impairment account 31.12.19
Public authorities	1.7	2.0	0.0	0.0
Agriculture, hunting and forestry	5.1	4.7	23.2	27.1
Fisheries	0.2	0.2	0.1	0.1
Industry and raw materials extraction	4.9	5.0	4.8	5.1
Energy supply	3.0	2.8	1.2	0.9
Building and construction	4.3	4.3	4.3	3.0
Trade	6.1	7.0	7.1	5.6
Transport, hotels and restaurants	4.6	4.4	8.1	5.8
Information and communication	0.4	0.5	0.6	0.6
Financing and insurance	5.7	5.7	6.0	4.7
Real estate	11.4	12.3	10.0	11.5
Other business areas	6.3	6.3	6.7	10.6
Business customers, total	**53.7**	**55.2**	**72.0**	**74.7**
Total retail customers	**46.3**	**44.8**	**28.0**	**25.3**
Total	**100.0**	**100.0**	**100.0**	**100.0**

*) Excl. reverse repo transactions

Total credits arranged
DKKbn



NPL ratio developments

	30.06.20	31.12.19
NPL (DKKm)	1,843	2,004
Exposure (DKKm)	52,472	54,079
NPL ratio	3.5	3.7

Business volume

DKKbn	30.06.20	30.06.19	30.06.18	30.06.17	30.06.16
Lending, banking and leasing activities	41.6	42.1	38.3	36.4	35.0
Deposits banking activities	54.8	52.7	49.5	47.6	46.3
Deposits in pooled schemes	18.2	15.8	15.4	15.0	13.3
Guarantees	14.5	13.9	12.1	12.3	10.8
Loans and advances, mortgage loans	91.9	84.1	79.3	75.3	71.5
Custodianship accounts	50.3	49.2	48.0	49.6	45.6
Letpension, life annuities	2.5	2.2	1.8	1.4	-
Total business volume	**274.0**	**260.0**	**244.3**	**237.6**	**222.5**

Net profit of DKK 255 million

The profit before tax was DKK 318 million against DKK 677 million in H1 2019. The effective tax rate was 20%, bringing the net profit to DKK 255 million.

Record-high business volume

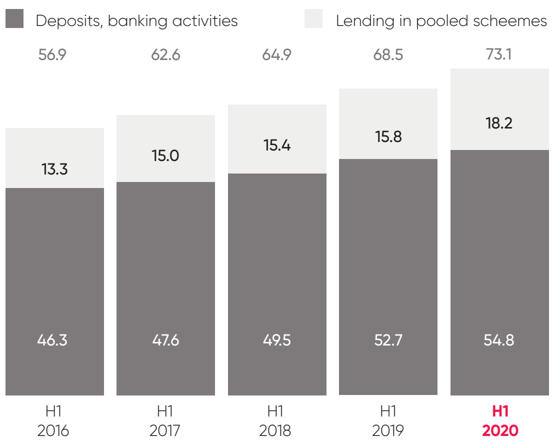
The Group's total business volume (deposits, loans, advances and guarantees, mortgage credits arranged, customers' custodianship accounts and life annuities) amounted to DKK 274.0 billion at 30 June 2020, which was DKK 1.5 billion higher than at end-2019.

Compared with end-2019, bank and leasing loans fell DKK 1.5 billion, which was exclusively due to corporate customers drawing less on their credit facilities on account of the various relief packages (VAT deferment, etc.).

From 1 January to 30 June 2020, the volume of mortgage loans arranged grew DKK 3.3 billion to DKK 91.9 billion. In total, the volume of mortgage loans arranged from Totalkredit, where Spar Nord is the largest loan arranger, amounted to DKK 80.5 billion and from DLR Kredit DKK 11.4 billion.

Deposits, banking activities rose by DKK 1.6 billion to DKK 54.8 billion, while deposits in pooled schemes rose DKK 0.9 billion to DKK 18.2 billion. Lastly, customers' custodianship accounts fell by DKK 2.5 billion to DKK 50.3 billion.

Total deposits
DKKbn



Strategic liquidity

DKKbn	30.06.20	31.03.20	31.12.19	30.09.19	30.06.19
Deposits, banking activities	54.8	51.6	53.3	52.9	52.7
Senior loans/bond issues	2.6	2.6	2.6	0.0	0.0
Equity and subordinated debt	11.2	11.1	11.1	10.9	10.6
Liquidity procurement	**68.7**	**65.2**	**67.0**	**63.8**	**63.3**
Lending, banking and leasing activities	41.6	43.0	43.2	42.5	42.1
Maturity, senior issued bonds, subordinated debt and additional tier 1 capital <1 year	0.0	0.4	0.4	0.4	0.4
Strategic liquidity, total	**27.1**	**21.8**	**23.4**	**20.9**	**20.8**

Strategic liquidity of DKK 27.1 billion

Spar Nord has defined strategic liquidity as the difference between bank and leasing loans and the long-term funding (bank deposits, senior loans, issued bonds, subordinated debt and equity).

Subordinated debt, senior loans and issued bonds due within 12 months are not included in the Bank's strategic liquidity.

At the end of June 2020, Spar Nord's strategic liquidity amounted to DKK 27.1 billion, up DKK 3.7 billion on end-2019. The increase was driven by an increase in deposits combined with fewer loans.

Spar Nord's LCR ratio at 30 June 2020 was 231.

Strong capital position

On the capital side, Spar Nord pursues the goal of having a common equity tier 1 (CET1) ratio of 13.5% and an own funds ratio of 17.5%.

At 30 June 2020, the common equity tier 1 (CET1) ratio was 16.4%, while the own funds ratio was 20.2%. This should be viewed relative to the individual solvency need calculated by Spar Nord at 9.7% plus the 3.0% combined buffer requirement, as a result of which the total capital requirement is 12.7%. Thus, Spar Nord has an excess capital coverage of 7.5 percentage points, equal to DKK 4.1 billion. The capital ratios reflect a reduction in total risk exposure amount (REA) in Q2 of approximately DKK 1.9 billion.

A number of new regulatory measures have been made in 2020 which affect the capital ratios, including accelerated implementation of new principles for treating SME exposures, which improve the capital ratios by 0.5 of a percentage point, and an adjusted transitional scheme for IFRS 9 effects, which improve the ratios by 0.4 of a percentage point.

	30.06.20	30.06.19	30.06.18	30.06.17	30.06.16
Common equity tier 1 capital ratio	16.4	13.8	14.4	13.2	14.0
Tier 1 capital ratio	17.8	15.3	16.0	14.8	14.7
Capital ratio	20.2	17.6	18.9	16.9	16.8

Calibrated MREL requirement

%	30.06.20	01.07.22
Solvency ratio	9.7	9.7
Capital conservation buffer requirement	2.5	2.5
SIFI buffer requirement	0.5	1.0
Countercyclical buffer requirement	0.0	0.0
Requirement for loss-absorption amount	**12.7**	**13.2**
Requirement for recapitalisation amount	6.2	13.2
Total MREL requirement	**18.9**	**26.4**

Excess coverage calibrated MREL requirement

DKKm	30.06.20
Own funds	11,027
Non-preferred senior capital	2,613
Other non-MREL-eligible liabilities	0
Total MREL-eligible liabilities	**13,640**
MREL capital ratio	25.0
MREL requirement in %-points	18.9
MREL requirement	10,322
Excess coverage	3,318
Excess coverage in percentage points	**6.1**

With a fully phased-in IFRS 9 effect, Spar Nord's common equity tier 1 (CET1) ratio would be 15.8%, while the own funds ratio would be 19.6%.

Plan for issuing MREL capital

Spar Nord's MREL requirements have been determined at twice the calculated solvency need plus twice the combined buffer requirement with the exception of the countercyclical buffer requirement, which will only be included once in the MREL requirement.

Following the decision by the Danish and European authorities to dissolve the countercyclical buffer and adjust the principles for phasing in the MREL requirement, Spar Nord will at the beginning of 2021 have an MREL requirement of approximately 19.4%, and at the beginning 2022 the MREL requirement will expectedly be 22.9% of the total risk exposure amount. Spar Nord's MREL requirement will be fully phased-in at 1 July 2022, and with the current capital position the requirement would be calculated at 26.4%.

In order to ensure an appropriate and even maturity structure, Spar Nord expects that the Bank will issue MREL capital for DKK 0.7-1.0 billion in H2 2020 and MREL capital for DKK 1.0-1.5 billion in 2021. Spar Nord currently expects to comply with the MREL requirement by the beginning of 2021 also without additional issues

The Supervisory Authority Diamond Test Model
The Supervisory Authority Diamond Test Model lists a number of reference points stipulating what can basically be considered a financial institution with an increased risk profile. Violations of the principles contained in the Supervisory Authority Diamond Test Model are subject to supervisory reactions by the Danish FSA.

At 30 June 2020, Spar Nord remained comfortably within all threshold values in the Supervisory Authority Diamond Test Model. At 30 June 2020, Spar Nord could report the following values in respect of the defined reference points:

The Supervisory Authority Diamond Test Model		Threshold value	30.06.20	30.06.19
Sum of large exposures	%	<175	78.6	84.6
Growth in lending	%	<20	-1.1	9.8
Property exposure	%	<25	10.6	12.1
Funding ratio		<1	0.5	0.5
Liquidity benchmark	%	>100	247	174

Outlook for 2020
At the beginning of 2020, Spar Nord forecast core earnings before impairment of around DKK 900-1,100 million and a net profit of around DKK 625-825 million. However, due to the COVID-19 crisis, Spar Nord opted in March to temporarily suspend its financial guidance.

In connection with the release of its Q1 report, Spar Nord reintroduced the guidance for core earnings before impairment at DKK 700-1,000 million.

Backed by developments in the second quarter, including positive developments in the financial markets combined with satisfactory developments in net interest and fee income along with active cost-cutting measures, Spar Nord now expects core earnings before impairment for the full year 2020 in the DKK 800-1,050 million range.

On the basis of estimates made by management, loan impairment charges – provided that society is gradually re-opened – are expected to be lower in H2 than in H1. The net profit for the year is expected to be around DKK 350-550 million.

Alternative performance measures

Spar Nord's Management believes that the alternative performance measures (APMs) used in the Management's review provide valuable information to readers of the financial statements. The APMs provide a more consistent basis for comparing the results of financial periods and for assessing the performance of the Group. They are also an important aspect of the way in which Spar Nord's Management defines operating targets and monitors performance.

Throughout the Management's review, performance is assessed on the basis of the financial highlights and segment reporting, which represent the financial information regularly provided to Management. The differences between the financial highlights and the IFRS financial statements relate only to certain changes in the presentation. There are no adjusting items, which means that net profit is the same in the financial highlights and in the IFRS income statement. A reconciliation of the correlation between core income in the management commentary and the IFRS financial statements is shown in note 2.1 Business segments.

Defined below are the additional key indicators shown on page 3 of the management commentary and in the other sections of the management commentary.

Return on equity before tax, excl. additional tier 1 (AT1) capital	Profit/loss before tax in per cent of shareholders' equity. The average equity is calculated as a simple average of the shareholders' equity at the beginning of the year and at the end of the year. Profit/loss before tax and shareholders' equity are calculated as if the additional tier 1 (AT1) capital were treated as a liability.
Return on equity after tax excl. additional tier 1 (AT1) capital	Profit/loss after tax in per cent of shareholders' equity. The average equity is calculated as a simple average of the shareholders' equity at the beginning of the year and at the end of the year. Profit/loss after tax and shareholders' equity are calculated as if the additional tier 1 (AT1) capital were treated as a liability.
Cost share of core income	Total costs/core income.
Cost share of core income – incl. impairment of loans, advances and receivables, etc.	Total costs plus impairment of loans, advances and receivables, etc../core income.
Bank and leasing loans relative to bank deposits	Bank and leasing loans as a percentage of bank deposits
Bank and leasing loans relative to shareholders' equity	Bank and leasing loans / shareholders' equity
Impairment ratio, %	Impairment for the year in per cent of loans and advances + guarantees + impairment of loans, advances and receivables etc. and provisions for unutilised credit lines

Management's statement on the interim report

The Board of Directors and the Executive Board have today discussed and adopted the Interim Financial Statements of Spar Nord Bank for the period from 1 January to 30 June 2020.

The Consolidated Interim Financial Statements are presented in accordance with IAS 34 "Interim Financial Reporting", as adopted by the EU.

Moreover, the Interim Financial Statements are presented in accordance with additional Danish disclosure requirements regarding interim financial statements of listed financial institutions.

The interim financial statements are unaudited and have not been reviewed, but the external auditor has verified the profit. This verification included procedures consistent with the requirements relating to a review. Hence, it was ascertained that the conditions for ongoing recognition of the profit for the period in own funds were met.
In our opinion, the Interim Financial Statements give a true and fair view of the Group's and Parent Company's financial position at 30 June 2020 and of the results of the Group's and Parent Company's operations and the Group's cash flows for the period from 1 January to 30 June 2020.

In addition, we consider the Management's review to give a fair presentation of the development in the Group's and Parent Company's activities and financial affairs as well as a description of the significant risks and elements of uncertainty that may affect the Group or Parent Company.

Aalborg, 13 August 2020

Executive Board

Lasse Nyby
Chief Executive Officer

John Lundsgaard
Managing Director

Lars Møller
Managing Director

Martin Kudsk Rasmussen
Managing Director

Board of Directors

Kjeld Johannesen
Chairman of the Board of Directors

Per Nikolaj Bukh
Deputy Chairman of the Board of Directors

Lene Aaen

Kaj Christiansen

Morten Bach Gaardboe

Henrik Sjøgreen

Jannie Skovsen

John Sørensen

Kim Østergaard

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Consolidated financial statements

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Group

Income statement

Note		H1 2020 DKKm	H1 2019 DKKm	Q2 2020 DKKm	Q2 2019 DKKm	Full year 2019 DKKm
	Interest income calculated under the effective interest method	829	802	406	409	1,640
	Other interest income	52	34	38	18	63
2.2 + 2.3	**Interest income**	**881**	**836**	**444**	**427**	**1,702**
2.2 + 2.3	Interest expenses	86	61	36	30	129
	Net interest income	**795**	**775**	**408**	**397**	**1,573**
2.4	Fees, charges and commissions received	699	707	334	346	1,395
2.4	Fees, charges and commissions paid	81	87	38	42	169
2.5	Market value adjustments and dividends	164	226	174	108	379
2.6	Other income	27	66	7	24	160
2.7	Staff costs	660	613	344	306	1,218
2.8	Operating expenses	392	396	188	184	796
	Profit/loss before loan impairments (core earnings before impairment)	**552**	**678**	**353**	**342**	**1,324**
2.9	Impairment of loans, advances and receivables etc.	234	1	59	-9	22
	Profit/loss before tax	**318**	**677**	**294**	**351**	**1,302**
2.10	Tax	63	132	63	69	243
	Profit/loss	**255**	**546**	**231**	**283**	**1,059**
	Appropriation:					
	The shareholders of the Parent Company Spar Nord Bank A/S	228	521	216	270	1,010
	Holders of additional tier 1 (AT1) capital instruments	27	24	15	12	49
	Profit/loss	**255**	**546**	**231**	**283**	**1,059**
	Earnings per share					
	Earnings per share (DKK)	1.9	4.3	1.8	2.2	8.2
	Diluted earnings per share (DKK)	1.9	4.3	1.8	2.2	8.2

Statement of comprehensive income

	H1 2020 DKKm	H1 2019 DKKm	Q2 2020 DKKm	Q2 2019 DKKm	Full year 2019 DKKm
Profit/loss for the period	**255**	**546**	**231**	**283**	**1,059**
Other comprehensive income					
Items that cannot be reclassified to the income statement					
Adjustment relating to associates	-3	-6	-2	-5	-6
Net revaluation of domicile property	1	1	1	1	-10
Other comprehensive income after tax	**-2**	**-4**	**-1**	**-4**	**-16**
Total comprehensive income	**253**	**541**	**230**	**278**	**1,043**
Appropriation:					
The shareholders of the Parent Company Spar Nord Bank A/S	226	517	215	266	994
Holders of additional tier 1 (AT1) capital instruments	27	24	15	12	49
Total comprehensive income	**253**	**541**	**230**	**278**	**1,043**

Group

Balance sheet

Assets		30.06.20 DKKm	31.12.19 DKKm	30.06.19 DKKm
	Cash balances and demand deposits with central banks	1,224	1,152	1,095
	Due from credit institutions and central banks	1,831	1,588	1,338
5.1.1	Loans, advances and other receivables at amortised cost	49,272	51,312	47,023
	Bonds at fair value	19,364	16,498	18,701
	Shares, etc.	1,719	1,740	1,783
	Investments in associates	509	470	392
	Assets linked to pooled schemes	18,218	17,323	15,825
	Intangible assets	172	174	176
	Land and buildings	770	788	779
	Other property, plant and equipment	107	113	118
	Current tax assets	233	54	189
	Temporary assets	6	11	5
3.1	Other assets	1,624	1,780	1,786
	Prepayments and deferred income	193	111	143
	Total assets	**95,242**	**93,113**	**89,354**

Equity and liabilities

	Liabilities			
	Due to credit institutions and central banks	3,236	4,062	4,956
3.2	Deposits and other payables	55,009	53,279	52,897
	Deposits in pooled schemes	18,218	17,323	15,825
4.5	Issued bonds	2,632	2,637	-
	Other non-derivative financial liabilities at fair value	1,219	960	1,162
3.3	Other liabilities	3,536	3,664	3,545
	Prepayments and deferred income	64	30	49
	Deferred tax	21	20	161
	Provisions	66	54	152
4.4	Subordinated debt	1,321	1,322	1,320
	Total liabilities	**85,321**	**83,352**	**80,068**
	Equity			
	Share capital	1,230	1,230	1,230
	Revaluation reserves	93	92	104
	Statutory reserves	76	116	45
	Proposed dividend	0	431	-
	Retained earnings	7,726	7,032	7,046
	Shareholders' equity	**9,125**	**8,901**	**8,424**
4.3	Holders of additional tier 1 (AT1) capital instruments	796	860	862
	Total equity	**9,921**	**9,761**	**9,286**
	Total equity and liabilities	**95,242**	**93,113**	**89,354**

Group

Statement of changes in equity

	Share capital DKKm	Revaluation reserve DKKm	Statutory reserves DKKm	Proposed dividend DKKm	Retained earnings DKKm	Share-holders of Spar Nord Bank A/S DKKm	Additional tier 1 (AT1) capital DKKm	Equity capital Total DKKm
Equity at 30.06.20								
Equity at 01.01.20	**1,230**	**92**	**116**	**431**	**7,032**	**8,901**	**860**	**9,761**
Comprehensive income at 30.06.2020								
Profit/loss for the period	-	-	4	-	224	228	27	255
Other comprehensive income								
Adjustment relating to associates	-	-	-44	-	42	-3	-	-3
Net revaluation of properties	-	1	-	-	-	1	-	1
Other comprehensive income, total	**-**	**1**	**-44**	**-**	**42**	**-2**	**-**	**-2**
Total comprehensive income for the period	**-**	**1**	**-40**	**-**	**265**	**226**	**27**	**253**
Transactions with owners								
Issue of Additional Tier 1 (AT1) capital, net of transaction costs	-	-	-	-	0	0	330	330
Redemption of additional tier 1 (AT1) capital	-	-	-	-	-	-	-400	-400
Interest paid on additional tier 1 (AT1) capital	-	-	-	-	-	-	-24	-24
Suspended dividend payment	-	-	-	-431	431	0	-	0
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	-233	-233	-	-233
Addition upon sale of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	231	231	3	234
Total transactions with owners	**-**	**-**	**-**	**-431**	**428**	**-3**	**-91**	**-94**
Equity at 30.06.20	**1,230**	**93**	**76**	**0**	**7,726**	**9,125**	**796**	**9,921**
Equity at 30.06.19								
Equity at 31.12.18	1,230	103	0	431	6,616	8,380	861	9,241
Amortisation, additional fees and and commissions received	-	-	-	-	-40	-40	-	-40
Equity at 01.01.19	**1,230**	**103**	**0**	**431**	**6,577**	**8,340**	**861**	**9,201**
Comprehensive income at 30.06.19								
Profit/loss for the period	-	-	42	-	479	521	24	546
Other comprehensive income								
Adjustment relating to associates	-	-	3	-	-8	-6	-	-6
Net revaluation of properties	-	1	-	-	-	1	-	1
Other comprehensive income, total	**-**	**1**	**3**	**-**	**-8**	**-4**	**-**	**-4**
Total comprehensive income for the period	**-**	**1**	**45**	**-**	**471**	**517**	**24**	**541**
Transactions with owners								
Interest paid on additional tier 1 (AT1) capital	-	-	-	-	-	-	-24	-24
Dividends paid	-	-	-	-431	-	-431	-	-431
Dividends received, treasury shares	-	-	-	-	0	0	-	0
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	-153	-153	-	-153
Addition upon sale of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	150	150	1	151
Total transactions with owners	**-**	**-**	**-**	**-431**	**-2**	**-433**	**-23**	**-456**
Equity at 30.06.19	**1,230**	**104**	**45**	**0**	**7,046**	**8,424**	**862**	**9,286**

The share capital consists of 123,002,526 shares with a nominal value of DKK 10.
Additional tier 1 (AT1) capital is specified in note 4.3.

Group

Cash flow statement

Operations	H1 2020 DKKm	H1 2019 DKKm	Full year 2019 DKKm
Profit/loss before tax	318	677	1,302
Fair value changes, investment properties and temporary assets	1	-1	-1
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	40	42	86
Gains and losses on the sale of intangible assets and property, plant and equipment	0	0	4
Adjustment of loan impairments etc.	175	-121	-442
Adjustment of subordinated debt, issued bonds etc.	-6	-12	1
Provisions	12	-8	-127
Income from investments in associates	-4	-42	-110
Corporate income tax paid	-240	-192	-309
Operating activities, total	**295**	**345**	**403**
Working capital			
Movement in credit institutions and central banks, net	-827	2,515	1,596
Movement in loans, advances and other receivables at amortised cost	1,865	-2,647	-6,614
Movement in bonds at fair value	-2,866	-2,542	-338
Movement in equity portfolio	21	-16	28
Movement in other assets and other liabilities, net	251	729	677
Movement in deposits and other payables	1,730	2,124	2,506
Working capital, total	**173**	**163**	**-2,145**
Cash generated from operations, total	**468**	**509**	**-1,742**
Investments			
Acquisition of associates and group enterprises	-79	-37	-51
Sale of associates and group enterprises	0	0	4
Acquisition of intangible assets	-1	-1	-2
Acquisition of property, plant and equipment	-22	-28	-58
Sale of property, plant and equipment	13	17	28
Dividends from associates	42	14	14
Investing activities, total	**-47**	**-35**	**-66**
Financing			
4.4 Subordinated debt	2	-1	-5
4.3 Additional tier 1 (AT1) capital included in equity	-91	-23	-50
4.5 Issued bonds	-2	-	2,630
Dividends paid, excluding dividends on treasury shares	0	-430	-430
Acquisition of treasury shares	-233	-153	-372
Sale of treasury shares	231	150	369
Repayment of lease liabilities	-12	-12	-24
Financing activities, total	**-107**	**-469**	**2,119**
Movements in cash and cash equivalents for the period	**315**	**5**	**311**
Cash and cash equivalents, beginning of year	2,740	2,428	2,428
Movements in cash and cash equivalents for the period	315	5	311
Cash and cash equivalents, end of year	**3,055**	**2,433**	**2,740**
Cash and cash equivalents, end of year			
Cash, cash equivalents and demand deposits with central banks	1,224	1,095	1,152
Due from credit institutions and central banks within less than 3 months	1,831	1,338	1,588
Total	**3,055**	**2,433**	**2,740**

H1 2020

Notes to the financial statements

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Section 1

Basis of preparation

Section 1

Basis of preparation

§ 1.1 Accounting policies

1.1.1 Basis of preparation of the interim report

The interim report is presented in accordance with IAS 34, "Interim Financial Reporting", as adopted by the EU, and additional Danish disclosure requirements for interim reports. The application of IAS 34 means that the presentation is limited relative to the presentation of an annual report and that the recognition and measurement principles of the International Financial Reporting Standards (IFRS) have been applied.

Other than as set out below, the accounting policies are unchanged from those applied in Annual Report 2019.

Annual Report 2019 contains the full description of the accounting policies.

Figures in the interim report are presented in millions of Danish kroner, unless otherwise stated. Consequently, rounding differences may occur because grand totals are rounded and the underlying decimal places are not shown to the reader.

1.1.2 Accounting policy changes

Spar Nord has implemented new or amended IFRS standards and interpretations taking effect in the EU for 2020.

The implementation of these standards and interpretations has not materially affected recognition and measurement.

1.2 Significant accounting estimates and judgments

Measuring certain assets and liabilities requires Management to make an estimate of how future events will affect the value of such assets and liabilities. Estimates considered material in presenting the financial statements are, among other things, those made when determining loan impairments, the fair values of unlisted financial instruments as well as provisions. The applied estimates are based on assumptions deemed reasonable by Management but which are inherently uncertain.

In the presentation of the condensed Interim Financial Statements, the critical judgments made by Management in the application of the Group's accounting policies, and the considerable uncertainty related thereto, are identical to those applying to the presentation of the Financial Statements at 31 December 2019.

Section 2

Income statement

Main items

Net interest income

DKK **795** million

H1 2019: DKK **775** million

Impairment of loans and advances, etc.

DKK **234** million

H1 2019: DKK **1** million

Net fee income

DKK **618** million

H1 2019: DKK **620** million

Profit/loss before tax

DKK **318** million

H1 2019: DKK **677** million

Costs and expenses

DKK **1,052** million

H1 2019: DKK **1,009** million

Profit/loss after tax

DKK **255** million

H1 2019: DKK **546** million

Profit/loss before loan impairments

DKK **552** million

H1 2019: DKK **678** million

C/I ratio

0.66

H1 2019: **0.60**

Section 2

Income statement

Business segments

H1 2020

DKKm	Spar Nord's Local Banks	Trading Division	Other areas	Core earnings *) and Group
Income statement				
Net interest income	710	56	29	795
Net fee income	615	1	2	618
Market value adjustments and dividends	98	69	-4	164
Other income	11	0	16	27
Core income/revenue, total	**1,434**	**127**	**43**	**1,604**
Staff costs and operating expenses	1,001	30	21	1,052
Core earnings before impairment	**433**	**96**	**23**	**552**
Impairment of loans, advances and receivables etc.	235	0	-1	234
Profit/loss before tax	**198**	**96**	**23**	**318**

*) The core earnings column corresponds to the Group figures in the Management's review.

	Spar Nord's Local Banks	Trading Division	Other areas	Group Total
Balance sheet				
Loans, advances and other receivables at amortised cost	41,405	7,868	0	49,272
Investments in associates	0	0	509	509
Intangible assets and property, plant and equipment *)	251	0	797	1,049
Other assets **)	19,583	23,519	1,309	44,411
Allocated assets, total	**61,239**	**31,387**	**2,615**	**95,242**
Deposits and other payables	53,872	537	600	55,009
Equity (allocated capital)	6,034	1,321	2,566	9,921
Other liabilities	18,514	5,037	6,761	30,312
Allocated equity and liabilities, total	**78,420**	**6,895**	**9,927**	**95,242**
Disclosures – income/revenue, total				
Internal income/revenue	-74	71	390	387
Internal income and eliminations, offset against costs	0	-57	-330	-387
Income/revenue, external customers	1,508	113	-17	1,604
Income/revenue, total	**1,434**	**127**	**43**	**1,604**
Financial ratios				
Return on equity, % ***)	5.9	15.6	-	-
Cost share of core income	0.70	0.24	-	-
Total risk exposure amount, end of period	43,228	9,071	2,328	54,627
Number of employees (full-time equivalents, end of period)	1,021	68	471	1,560

As in previous years, the Group uses core earnings as a performance measure.

The reporting segments correspond to the Group's organisational entities, and an internal follow-up is carried out in this regard.

Description of business area activities:

- For a description of the activities of Spar Nord's Local Banks and Trading Division, please see page 52 of Annual Report 2019.
- The activities of the Local Banks include the Group's leasing activities, and the activities of Other Areas include central staffs and support functions.

Intra-group settlement is determined based on the same principles as in previous years and expresses contributions to earnings from the activities carried out by the respective business areas.

From 2020, the Bank has made an additional allocation of key costs incurred, which are expected to total approximately DKK 400 million per year, the vast majority of which will be allocated to Spar Nord's Local Bank.

Internal management takes place based on a net-interest consideration, and accordingly interest income and expenses are not disclosed.

*) All assets are located in Denmark.
**) Temporary assets amount to DKK 6 million, of which DKK 5 million relates to the Group's leasing activities and DKK 1 million relates to Other Areas.
***) The rate of return on equity per annum has been calculated on allocated capital, which amounts to 13.5% of the average total risk exposure amount.

Business segments

H1 2019

DKKm	Spar Nord's Local Banks	Trading Division	Other areas	Core earnings *) and Group
Income statement				
Net interest income	707	36	31	775
Net fee income	616	2	2	620
Market value adjustments and dividends	89	122	16	226
Other income	11	0	54	66
Core income/revenue, total	**1,424**	**160**	**103**	**1,687**
Staff costs and operating expenses	794	28	187	1,009
Core earnings before impairment	**630**	**132**	**-84**	**678**
Impairment of loans, advances and receivables etc.	1	0	-1	1
Profit/loss before tax	**629**	**132**	**-84**	**677**

*) The core earnings column corresponds to the Group figures in the Management's review.

	Spar Nord's Local Banks	Trading Division	Other areas	Group Total
Balance sheet				
Loans, advances and other receivables at amortised cost	41,952	5,065	6	47,023
Investments in associates	0	0	392	392
Intangible assets and property, plant and equipment *)	234	0	839	1,073
Other assets **)	17,265	22,286	1,314	40,865
Allocated assets, total	**59,451**	**27,351**	**2,552**	**89,354**
Deposits and other payables	51,741	603	553	52,897
Equity (allocated capital)	6,758	1,193	1,335	9,286
Other liabilities	16,302	6,748	4,121	27,171
Allocated equity and liabilities, total	**74,801**	**8,544**	**6,008**	**89,354**
Disclosures – income/revenue, total				
Internal income/revenue	-72	46	289	263
Internal income and eliminations, offset against costs	0	-26	-237	-263
Income/revenue, external customers	1,496	141	51	1,687
Income/revenue, total	**1,424**	**160**	**103**	**1,687**
Financial ratios				
Return on equity, % ***)	21.0	24.5	-	-
Cost share of core income	0.56	0.17	-	-
Total risk exposure amount, end of period	45,404	7,859	2,889	56,152
Number of employees (full-time equivalents, end of period)	1,023	66	445	1,534

As in previous years, the Group uses core earnings as a performance measure.

The reporting segments correspond to the Group's organisational entities, and an internal follow-up is carried out in this regard.

Description of business area activities:

- For a description of the activities of Spar Nord's Local Banks and Trading Division, please see page 52 of Annual Report 2019.
- The activities of the Local Banks include the Group's leasing activities, and the activities of Other Areas include central staffs and support functions.

Intra-group settlement is determined based on the same principles as in previous years and expresses contributions to earnings from the activities carried out by the respective business areas.

Internal management takes place based on a net-interest consideration, and accordingly interest income and expenses are not disclosed.

*) All assets are located in Denmark.
**) Temporary assets amount to DKK 5 million, of which DKK 4 million relates to the Group's leasing activities and DKK 1 million relates to Other Areas.
***) The rate of return on equity per annum has been calculated on allocated capital, which amounts to 13.5% of the average total risk exposure amount.

2.2 Interest income

	H1 2020 DKKm	H1 2019 DKKm
Due from credit institutions and central banks	-6	-1
Loans, advances and other receivables	711	757
Bonds	38	39
Foreign-exchange contracts	9	-3
Interest-rate contracts	5	-3
Total derivatives	**14**	**-6**
Other interest income	0	0
Total interest income after offsetting negative interest income	**757**	**790**
Negative interest income offset against interest income	40	15
Negative interest expenses offset against interest expenses	84	30
Total interest income before offsetting negative interest income	**881**	**836**
Of which, interest income from reverse repo transactions booked under		
Due from credit institutions and central banks	-8	-5
Loans, advances and other receivables	-21	-10

Negative interest income amounts to DKK 40 million (30.06.2019: DKK 15 million) and relates to repo transactions and bond yields.

In the table above, negative interest income is offset against interest income. In the income statement, negative interest income is presented as interest expenses, and negative interest expenses are presented as interest income.

2.3 Interest expenses

	H1 2020 DKKm	H1 2019 DKKm
Credit institutions and central banks	-5	10
Deposits and other payables	-62	-13
Issued bonds	12	-
Subordinated debt	17	17
Other interest expenses	0	1
Total interest expenses after offsetting negative interest expenses	**-38**	**15**
Negative interest expenses offset against interest expenses	84	30
Negative interest income offset against interest income	40	15
Total interest expenses before offsetting negative interest expenses	**86**	**61**
Of which, interest expenses from repo transactions booked under		
Credit institutions and central banks	-11	-4
Deposits and other payables	-3	-1

Negative interest expenses amount to DKK 84 million (30.06.2019: DKK 30 million) and relate partly to deposits, partly to repo transactions.

In the table above, negative interest expenses are offset against interest expenses. In the income statement, negative interest expenses are presented as interest income, and negative interest income is presented as interest expenses.

2.4 Fees, charges and commissions received

	H1 2020 DKKm	H1 2019 DKKm
Securities trading and custody accounts	232	222
Payment services	76	82
Loan transaction fees	279	289
of which mortgage credit institutions	218	215
Guarantee commission	15	14
Other fees, charges and commissions	98	100
Total fees, charges and commissions received	**699**	**707**
Total fees, charges and commissions paid	**81**	**87**
Total net fees, charges and commissions received	**618**	**620**

2.5 Market value adjustments and dividends

	H1 2020 DKKm	H1 2019 DKKm
Other loans, advances and receivables at fair value	-3	0
Bonds	53	84
Shares, etc.	23	46
Investment properties	-1	-
Currency	29	28
Foreign exchange, interest, share, commodity and other contracts and derivatives	3	10
Assets linked to pooled schemes	378	1,037
Deposits in pooled schemes	-378	-1,037
Total market value adjustments	**105**	**168**
Dividends on shares, etc.	59	58
Market value adjustments and dividends on shares, etc., total	**164**	**226**

2.6 Other income

	H1 2020 DKKm	H1 2019 DKKm
Payments under operating leases and other rental income	4	5
Other income	11	16
Operation of investment properties	7	3
Total other operating income	**23**	**24**
Income from investments in associates	4	42
Other income, total	**27**	**66**

2.7 Staff costs

	H1 2020 DKKm	H1 2019 DKKm
Salaries	535	493
Pensions	56	55
Social security costs	68	66
Total staff costs	**660**	**613**

Remuneration to members of the Board of Directors and Executive Board amounts to:

Board of Directors		
Number	9	9
Fixed remuneration	2.1	1.9
Pension	-	-
Total remuneration	**2.1**	**1.9**

Executive Board		
Number	4	3
Base salary *)	7.3	6.1
- less fees received from directorships	0.5	0.5
The Bank's expense, base salary	**6.8**	**5.7**
Pension	1.1	0.9
Total remuneration earned and paid	**7.9**	**6.6**

*) The amount includes the value of a company car etc.

The members of the Executive Board receive no variable pay.

Members of the Executive Board receive remuneration for their Group executive board duties based on the management agreement with the subsidiary.

Termination rules
The members of the Executive Board are entitled to a notice period of 12 months on the part of the Bank and will receive severance pay corresponding to one to two years' salary.

The two-year severance pay period for members of the Executive Board applies until the member's 64th birthday, after which the severance pay will be reduced gradually, and no severance pay will be paid when a member of the Executive Board has reached the age of 67.

Pension obligation
Like the other employees, members of the Executive Board and significant risk takers are comprised by defined contribution pension plans.

Number of employees		
Average number of employees in the financial year converted into full-time equivalents	1,559	1,528

2.8 Operating expenses

	H1 2020 DKKm	H1 2019 DKKm
IT costs	214	196
Marketing expenses	34	45
Cost of premises	26	27
Staff costs and travel expenses	22	29
Office expenses	9	8
Other administrative expenses	47	49
Operating expenses	**352**	**354**
Depreciation, amortisation and impairment	**40**	**42**
Total operating expenses	**392**	**396**

2.9 Impairment of loans, advances and receivables, etc.

	H1 2020 DKKm	H1 2019 DKKm
Impairments re. new exposures during the year, including new accounts to existing customers	59	154
Reversed impairments re. repaid accounts	-76	-143
Impairments during the year due to change in credit risk	268	30
Impairments during the year due to model changes	-	-30
Loss without prior impairment	12	19
Amounts recovered on previously impaired receivables	-29	-29
Value adjustment of properties taken over	0	-1
Total impairment of loans and receivables etc.	**234**	**1**

See note 5.1.4 for an explanation of impairments and provision for losses on guarantees etc. at 30.06.2020.

2.10 Effective tax rate

	H1 2020 DKKm	H1 2019 DKKm
Current tax rate, %	22.0	22.0
Income from investments and market value adjustment of shares, %	-4.7	-3.1
Non-deductible expenses and non-taxable income, %	2.4	0.5
Adjustment of prior-year taxes, %	0.1	0.1
Total effective tax rate	**19.8**	**19.4**

Section 3

Balance sheet

Main items

Lending, banking and leasing activities

DKK **41,644** million

31.12.19: DKK **43,157** million

Deposits, banking activities

DKK **54,843** million

31.12.19: DKK **53,279** million

Guarantees

DKK **14,494** million

31.12.19: DKK **14,766** million

Deposits in pooled schemes

DKK **18,218** million

31.12.19: DKK **17,323** million

Bonds at fair value

DKK **19,364** million

31.12.19: DKK **16,498** million

3.1 Other assets

	30.06.20 DKKm	31.12.19 DKKm
Positive fair value of derivatives, etc.	861	828
Miscellaneous receivables	377	376
Interest and commissions receivable	48	52
Capital contribution to Bankernes EDB Central a.m.b.a.	312	500
Other assets	27	24
Total other assets	**1,624**	**1,780**

3.2 Deposits and other payables

	30.06.20 DKKm	31.12.19 DKKm
Repo transactions	166	0
Demand deposits	50,650	48,509
Subject to notice	1,434	1,651
Time deposits, excluding repo business	28	40
Special types of deposits	2,730	3,078
Total deposits and other payables	**55,009**	**53,279**

3.3 Other liabilities

	30.06.20 DKKm	31.12.19 DKKm
Miscellaneous payables	2,447	2,606
Negative fair value of derivatives, etc.	611	555
Interest and commissions payable	20	24
Lease liabilities	125	132
Other liabilities	333	348
Total other liabilities	**3,536**	**3,664**

3.4 Information on fair value of financial instruments

A more detailed description of the principles for recognition and measurement of financial assets and financial liabilities is provided in accounting policies in note 3.3.4 to Annual Report 2019.

Reference is also made to note 3.3.4 to Annual Report 2019 for information about differences between the carrying amount and fair value of financial assets and financial liabilities recognised at amortised cost.

Recognition of financial assets and financial liabilities

	Amortised cost 30.06.20 DKKm	Fair value through profit or loss 30.06.20 DKKm	Amortised cost 31.12.19 DKKm	Fair value through profit or loss 31.12.19 DKKm
Cash balances and demand deposits with central banks	1,224	0	1,152	0
Due from credit institutions and central banks	1,831	0	1,588	0
Loans, advances and other receivables at amortised cost	49,272	0	51,312	0
Bonds at fair value	0	19,364	0	16,498
Shares, etc.	0	1,719	0	1,740
Assets linked to pooled schemes	0	18,218	0	17,323
Positive fair value of derivatives	0	861	0	828
Total financial assets	**52,328**	**40,161**	**54,051**	**36,389**
Due to credit institutions and central banks	3,236	0	4,062	0
Deposits and other payables	55,009	0	53,279	0
Deposits in pooled schemes	0	18,218	0	17,323
Issued bonds at amortised cost	2,632	0	2,637	0
Other non-derivative financial liabilities at fair value	0	1,219	0	960
Lease liabilities	125	0	132	0
Negative fair value of derivatives	0	611	0	555
Subordinated debt	1,321	0	1,322	0
Total financial liabilities	**62,322**	**20,048**	**61,432**	**18,839**

Spar Nord has no financial assets or financial liabilities at fair value through other comprehensive income.

Day 1 gains
When valuing unlisted derivative instruments, the initial customer margin, etc. is amortised over the remaining term to maturity. At 30.06.2020, the customer margin, etc. not yet amortised amounted to DKK 65 million (31.12.2019: DKK 68 million).

In Day 1 gains, DKK 8 million (31.12.2019: DKK 8 million) was offset from CVA at 30.06.2020, which is the credit value component of derivatives.

Breakdown of financial instruments relative to the fair-value hierarchy classification and carrying amount

30.06.20	Quoted prices Level 1 DKKm	Observable inputs Level 2 DKKm	Non-Observable inputs Level 3 DKKm	Total DKKm
Bonds at fair value	0	19,364	0	19,364
Shares, etc.	185	45	1,489	1,719
Assets linked to pooled schemes	13,008	4,843	367	18,218
Positive fair value of derivatives	0	861	0	861
Total financial assets	**13,193**	**25,111**	**1,857**	**40,161**
Deposits in pooled schemes	0	18,218	0	18,218
Other non-derivative financial liabilities at fair value	0	1,219	0	1,219
Negative fair value of derivatives	0	611	0	611
Total financial liabilities	**0**	**20,048**	**0**	**20,048**

31.12.19	Quoted prices Level 1 DKKm	Observable inputs Level 2 DKKm	Non-Observable inputs Level 3 DKKm	Total DKKm
Bonds at fair value	0	16,498	0	16,498
Shares, etc.	187	37	1,516	1,740
Assets linked to pooled schemes	10,934	6,048	342	17,323
Positive fair value of derivatives	0	828	0	828
Total financial assets	**11,121**	**23,411**	**1,858**	**36,389**
Deposits in pooled schemes	0	17,323	0	17,323
Other non-derivative financial liabilities at fair value	7	953	0	960
Negative fair value of derivatives	0	555	0	555
Total financial liabilities	**7**	**18,832**	**0**	**18,839**

In 2020, no transfers have been made to or from non-observable inputs (Level 3).

At 31.12.2019, Spar Nord changed its estimate/method for calculating fair value of a significant proportion of the bond portfolio. Previously, Spar Nord used stock exchange prices for a significant proportion of its bond portfolio. As a result of the changed estimate/method, a significant proportion of the bond portfolio was changed from quoted prices (level 1) to observable prices (level 2), because Spar Nord assessed that the market for bond trading now mainly consists of professional counterparties where transactions are based on price information from Reuters. The changed estimate/method affects the accounting items bonds, other non-derivative financial liabilities and bonds included in assets linked to pooled schemes. At 31.12.2019, the changed estimate/method resulted in the following change from level 1 to level 2: DKK 12,680 million under bonds, DKK 953 million under other non-derivative financial liabilities and DKK 4,123 million under assets linked to pooled schemes.

The changed estimate/method had an entirely immaterial profit impact in 2019, which was recognised in market value adjustments.

Prices available via Reuters are real-time prices provided by large Danish and European banks, which means that end-prices take into account interest rate developments since the latest transactions. Spar Nord believes that these prices express the most correct fair value of the bond portfolios, which are mainly traded between professional counterparties and other large single transactions.

Level 3

	Fair value based on net asset value, cf. shareholders' agreements 30.06.20 DKKm	Other 30.06.20 DKKm	Fair value based on net asset value, cf. shareholders' agreements 31.12.19 DKKm	Other 31.12.19 DKKm
Equities	1,110	379	1,148	368
Assets linked to pooled schemes	-	367	-	342
Positive fair value of derivatives	-	0	-	0
Sensitivities:				
Change in fair value of shares if the profit/loss of the companies changes by 10% (annualised)	11	-	11	-

A substantial portion of the shares included under "Other" are valued based on future expected cash, market expectations as to the required rate of return on equity and comparable transactions.

Financial instruments measured at fair value based on non-observable inputs (Level 3)	30.06.20 DKKm	31.12.19 DKKm
Carrying amount, beginning of period	1,858	1,891
Value adjustments through profit or loss	11	110
Market value adjustments in other comprehensive income	0	0
Purchase	42	21
Sale	54	165
Transferred to/from Level 3	0	0
Carrying amount, end of period	**1,857**	**1,858**
Value adjustments through profit or loss of assets held at the reporting date	10	81

Dividends on shares recognised in the income statement are not included in the above statement.

Section 4

Capital

Main items

Target:
Common equity tier 1 capital ratio

13.5%

31.12.19: **13.5**%

Common equity tier 1 capital ratio

16.4%

31.12.19: **14.6**%

Target:
Capital ratio

17.5%

31.12.19: **17.5**%

Capital ratio

20.2%

31.12.19: **18.5**%

Earnings per share for the period

DKK **1.9**

30.06.19: DKK **4.3**

Section 4
Capital

4.1 Own funds

	30.06.20 DKKm	31.12.19 DKKm
Equity	9,921	9,761
Phasing in of IFRS 9	380	188
Additional tier 1 (AT1) capital included in equity	796	860
Proposed dividend	127	431
Intangible assets	142	143
Other primary deductions	43	47
Deduction – Holdings of insignificant CET1 instruments	168	205
Deduction – Holdings of significant CET1 instruments	69	71
Common equity tier 1 capital	**8,955**	**8,192**
Additional tier 1 (AT1) capital *)	773	843
Other deductions	3	3
Tier 1 capital	**9,725**	**9,032**
Subordinated debt, excl. additional tier 1 (AT1) capital *)	1,306	1,308
Other deductions	3	5
Own funds	**11,027**	**10,335**
Weighted risk exposure amount, credit risk etc.	44,975	47,068
Weighted risk exposure amount, market risk	4,058	3,340
Weighted risk exposure amount, operational risk	5,594	5,555
Total risk exposure amount	**54,627**	**55,963**
Common equity tier 1 capital ratio	16.4	14.6
Tier 1 capital ratio	17.8	16.1
Capital ratio	20.2	18.5

*) The maximum holding of own bonds etc. has been deducted.

4.2 Treasury share portfolio

	30.06.20 DKKm	31.12.19 DKKm
Number of shares	106,512	79,179
Percentage of share capital	0.1	0.1

4.3 Additional tier 1 (AT1) capital

Currency	Note	Principal DKKm	Interest rate	Received	Maturity	30.06.20 DKKm	31.12.19 DKKm
DKK	a	330	6.00%	2020	Perpetual	334	-
DKK	b	450	5.50%	2016	Perpetual	462	449
DKK	c	400	6.052%	2015	-	-	412
Additional tier 1 (AT1) capital issued under CRR, total						**796**	**860**

a Issued on 15.04.2020, with an option of early redemption as from 15.04.2025. The loan carries interest at a rate of 6.00% p.a. until 15.04.2025, after which date interest will be fixed at CIBOR6 + a 6.00% margin, but a minimum of 6.00%.
b Issued on 06.12.2016, with an option of early redemption as from 06.12.2021. The loan carries interest at a rate of 5.50% p.a. until 06.12.2021, after which date interest will be fixed at CIBOR6 + a +5.166% margin.
c Redeemed on 10.06.2020.

If Spar Nord's common equity tier 1 (CET1) ratio falls below 5 1/8 %, the loans will be written down. The loans can be written up again based on the rules laid down in CRR.

Specification of cash flows

	30.06.20 DKKm	31.12.19 DKKm
Issue of additional tier 1 (AT1) capital	330	-
Redemption of additional tier 1 (AT1) capital	-400	-
Net transaction costs	0	-
Change in portfolio of own bonds	3	-1
Interest paid	-24	-49
Net cash flows	**-91**	**-50**

4.4 Subordinated debt

Supplementary capital contributions

Currency	Note	Principal DKKm	Interest rate	Received	Maturity	30.06.20 DKKm	31.12.19 DKKm
DKK	a	350	CIBOR6 + 2.40 %	2018	29.05.29	349	349
DKK	b	150	2.9298 %	2018	29.05.29	150	149
DKK	c	400	2.5348 %	2018	19.06.28	400	400
SEK	d	600	STIBOR3 + 2.50 %	2017	18.10.27	425	428
Supplementary capital contributions, total						**1,324**	**1,326**
Portfolio of own bonds relating to subordinated debt						-3	-5
Total subordinated debt						**1,321**	**1,322**

a Redeemable as from 29.05.2024. If the loan is not redeemed, interest will be fixed at CIBOR6 + a 2.40% margin.
b Redeemable as from 29.05.2024. If the loan is not redeemed, interest will be fixed at CIBOR6 + a 2.40% margin.
c Redeemable as from 19.06.2023. If the loan is not redeemed, interest will be fixed at CIBOR3 + a 2.10 % margin.
d Redeemable as from 18.10.2022. If the loan is not redeemed, interest will be fixed at STIBOR3 + a 2.50 % margin.

Specification of cash flows and other movements

	30.06.20 DKKm	31.12.19 DKKm
Beginning of period	**1,322**	**1,332**
Cash Flows		
New loans	-	-
Redeemed	-	-
Net transaction costs	-	-
Change in portfolio of own bonds	2	-5
Net cash flows	**2**	**-5**
Other movements		
Change in exchange rate adjustments	-3	-7
Amortised costs expensed	0	1
Total other movements	**-3**	**-6**
End of period	**1,321**	**1,322**

4.5 Issued bonds at amortised cost

Currency	Note	Principal DKKm	Interest rate	Received	Maturity	30.06.20 DKKm	31.12.19 DKKm
SEK	a	1,250	STIBOR3 + 1.05%	2019	05.12.23	886	893
DKK	b	1,350	CIBOR 3 + 1.00%	2019	05.12.25	1,347	1,348
DKK	c	400	0.7290 %	2019	05.12.25	399	397
Issued bonds, total						**2,632**	**2,637**
Portfolio of own bonds relating to issued bonds						-	-
Issued bonds, total						**2,632**	**2,637**

a The bonds are redeemable from 05.12.2022. If the bonds are not redeemed, interest will be fixed at STIBOR3 + a 1.05% margin.
b The bonds are redeemable from 05.12.2024. If the bonds are not redeemed, interest will be fixed at CIBOR3 + a 1.00 % margin.
c The bonds are redeemable from 05.12.2024. If the bonds are not redeemed, interest will be fixed at CIBOR3 + a 1.00 % margin. The loan is comprised by the rules on hedge accounting. Reference is made to note 6.5 in the annual report for 2019.

Specification of cash flows and other movements

	30.06.20 DKKm	31.12.19 DKKm
Beginning of period	**2,637**	**0**
Cash Flows		
New loans	-	2,635
Redeemed	-	-
Net transaction costs	-2	-5
Change in portfolio of own bonds	-	-
Net cash flows	**-2**	**2,630**
Other movements		
Change in exchange rate adjustments	-7	9
Change in interest rate hedging	3	-3
Amortised costs expensed	1	0
Total other movements	**-3**	**7**
End of period	**2,632**	**2,637**

	30.06.20 DKKm	31.12.19 DKKm
Shown by contractual term to maturity		
Up to 3 months	0	0
Over 3 months and up to 1 year	1	1
Between 1 year and 5 years	2,630	2,636
Over 5 years	-	-
Total	**2,632**	**2,637**

Section 5

Risk management

Main items

Credit exposure - loans, advances and guarantees excl. reverse repo transactions

DKK **57,792** million

31.12.19: DKK **59,416** million

Total impairment account

DKK **1,678** million

31.12.19: DKK **1,503** million

Credit exposure – excl. reverse repo transactions Retail/business

46.3% / **53.7**%

31.12.19: **44.8**% / **55.2**%

Impairment of loans, advances and receivables etc.

DKK **234** million

30.06.19: DKK **1** million

Section 5
Risk management

5.1 Credit risk

Spar Nord's credit policy is unchanged relative to the description in note 5.1.1 to Annual Report 2019.

5.1.1 Summary, carrying amount of exposures

30.06.20	Exposure before impairment DKKm	Impairment DKKm	Carrying amount DKKm	Recognised impairment etc. total DKKm
Loans and advances at amortised cost	50,890	1,617	**49,272**	225
Due from credit institutions and central banks	1,832	1	**1,831**	0
Guarantees	14,531	37	**14,494**	-4
Unutilised credit lines and loan commitments	25,930	23	**25,907**	14
Total	**93,183**	**1,678**	**91,505**	**234**

31.12.19	Exposure before impairment DKKm	Impairment DKKm	Carrying amount DKKm	Recognised impairment etc. total DKKm
Loans and advances at amortised cost	52,764	1,453	**51,311**	128
Due from credit institutions and central banks	1,588	1	**1,588**	0
Guarantees	14,807	40	**14,766**	-39
Unutilised credit lines and loan commitments	23,412	9	**23,403**	-67
Total	**92,571**	**1,503**	**91,068**	**22**

5.1.2 Impairments and provisions by stages

30.06.20	Stage 1 DKKm	Stage 2 DKKm	Stage 3 DKKm	Total DKKm
Loans and advances at amortised cost	154	532	931	**1,617**
Due from credit institutions and central banks	1	0	0	**1**
Guarantees	18	9	10	**37**
Unutilised credit lines and loan commitments	5	6	12	**23**
Impairments and provisions by stages, total	**179**	**547**	**953**	**1,678**

31.12.19	Stage 1 DKKm	Stage 2 DKKm	Stage 3 DKKm	Total DKKm
Loans and advances at amortised cost	134	258	1,061	**1,453**
Due from credit institutions and central banks	1	0	0	**1**
Guarantees	17	5	18	**40**
Unutilised credit lines and loan commitments	3	3	3	**9**
Impairments and provisions by stages, total	**155**	**265**	**1,083**	**1,503**

5.1.3 Exposures before impairments and provisions by stages

30.06.20	Stage 1 DKKm	Stage 2 DKKm	Stage 3 DKKm	Total DKKm
Loans and advances at amortised cost	40,947	8,107	1,835	**50,890**
Due from credit institutions and central banks	1,832	0	0	**1,832**
Guarantees	13,393	992	147	**14,531**
Unutilised credit lines and loan commitments	23,700	2,110	120	**25,930**
Exposures before impairments and provisions by stages, total	**79,872**	**11,209**	**2,102**	**93,183**

31.12.19	Stage 1 DKKm	Stage 2 DKKm	Stage 3 DKKm	Total DKKm
Loans and advances at amortised cost	43,773	6,992	1,999	**52,764**
Due from credit institutions and central banks	1,588	0	0	**1,588**
Guarantees	13,907	707	192	**14,807**
Unutilised credit lines and loan commitments	21,919	1,394	99	**23,412**
Exposures before impairments and provisions by stages, total	**81,188**	**9,093**	**2,290**	**92,571**

Spar Nord does not have the categories "Financial assets at fair value through other comprehensive income" and "Loans at fair value through profit or loss".

5.1.4 Impairments and provisions for losses

Analysis of changes in impairments for the period broken down by stages and correlated to recognised impairments, etc.

30.06.20	Stage 1 DKKm	Stage 2 DKKm	Stage 3 DKKm	Total DKKm	Recognised impairments etc. DKKm
Impairment, beginning of year	155	265	1,083	**1,503**	-
Impairments re. new exposures during the year, including new accounts to existing customers	33	10	16	**59**	59
Reversed impairments re. repaid accounts	-15	-14	-47	**-76**	-76
Change in impairments at 1 January, transfer to/from stage 1	46	-32	-14	**-**	-
Change in impairments at 1 January, transfer to/from stage 2	-17	42	-26	**-**	-
Change in impairments at 1 January, transfer to/from stage 3	-1	-7	8	**-**	-
Impairments during the year due to change in credit risk	-22	282	8	**268**	268
Previously impaired, now finally lost	-	0	-87	**-87**	-
Other movements (interest rate correction etc.)	-	-	11	**11**	-
Loss without prior impairment	-	-	-	**-**	12
Amounts recovered on previously impaired receivables	-	-	-	**-**	-29
Impairments and provisions for losses, total	**179**	**547**	**953**	**1,678**	**234**

31.12.19	Stage 1 DKKm	Stage 2 DKKm	Stage 3 DKKm	Total DKKm	Recognised impairments etc. DKKm
Impairment, beginning of year	106	308	1,531	**1,945**	-
Impairments re. new exposures during the year, including new accounts to existing customers	68	51	156	**275**	275
Reversed impairments re. repaid accounts	-29	-41	-197	**-267**	-267
Change in impairments at 1 January, transfer to/from stage 1	198	-150	-48	**-**	-
Change in impairments at 1 January, transfer to/from stage 2	-16	159	-143	**-**	-
Change in impairments at 1 January, transfer to/from stage 3	-2	-9	10	**-**	-
Impairments during the year due to change in credit risk	-171	-22	215	**22**	22
Change in impairments due to model changes and risk parameters, net	0	-30	0	**-30**	-30
Previously impaired, now finally lost	0	0	-463	**-463**	-
Other movements (interest rate correction etc.)	-	-	21	**21**	-
Loss without prior impairment	-	-	-	**-**	88
Amounts recovered on previously impaired receivables	-	-	-	**-**	-65
Impairments and provisions for losses, total	**155**	**265**	**1,083**	**1,503**	**22**

The change in portfolio impairments was driven by an increase in gross lending and movements between the stages as illustrated in the table, which is the result of a change in customers' credit risk. In addition, impairments are affected by impaired macroeconomic factors.

The figures concerning impairments re. new exposures and reversed impairments re. repaid accounts include administrative movements in which the balance is moved between two accounts for the same customer.

Loss without prior impairment expresses Spar Nord's recognised loans for which the loss is greater than impairments at the beginning of the year.

Section 6

Other notes

Section 6
Other notes

6.1 Collateral

	30.06.20 DKKm	31.12.19 DKKm
Collateral provided through clearing systems, with central counterparties and other infrastructure institutions:		
Deposits, clearing	153	178
Collateral provided for the market value of derivatives transactions	397	345
Positive market value of derivative contracts subject to netting	194	180
Collateral provided as part of repo transactions	961	2,766
Collateral provided for monetary policy loans	2,211	0
Total collateral	**3,917**	**3,470**

6.2 Contingent assets

	30.06.20 DKKm	31.12.19 DKKm
Unrecognised deferred tax assets	17	17

6.3 Contingent liabilities

	30.06.20 DKKm	31.12.19 DKKm
Guarantees	14,494	14,766
Other binding commitments	1,208	515
Total contingent liabilities	**15,702**	**15,281**

Guarantees

Financial guarantees	5,952	5,482
Loss guarantees for mortgage loans	5,663	5,458
Registration and refinancing guarantees	2,174	3,121
Other contingent liabilities	705	705
Total guarantees	**14,494**	**14,766**

Reference is made to note 2.7 in Annual Report 2019 regarding the Executive Board's notice of termination and the associated compensation.

In addition, the Spar Nord Group has contingent liabilities and other binding agreements corresponding to the relative ownership interest in associates.

Spar Nord is taxed jointly with its Danish subsidiary in the Spar Nord Group. As management company, Spar Nord has unlimited, joint and several liability together with the other jointly taxed companies for the Danish corporate income tax payable. Due to the payment of tax on account, no tax was payable at 30.06.2020 and 31.12.2019. The corporate income tax receivable within the tax pool amounted to DKK 233 million at 30.06.2020 (31.12.2019: DKK 54 million). Any adjustments to the taxable income subject to joint taxation might entail an increase in the Parent Company's liability.

Spar Nord has made provisions for a deferred tax liability in respect of recaptured losses related to international joint taxation.

The Bank participates in the national restructuring and resolution scheme, with separate contributions being paid to the Guarantee Fund and the Resolution Fund. For both funds, separate target levels have been set, based on the sector's total deposits that are covered by the guarantee limit of EUR 100,000 (section 9(1) of the Act on a Depositor and Investor Guarantee Scheme).

The Guarantee Fund covers customers' deposits and securities pursuant to the Act on a Depositor and Investor Guarantee Scheme. The Bank's costs for the Guarantee Fund are calculated based on the Bank's pro-rata share. The amount of the contribution will be adjusted by an individual risk factor.

The Resolution Fund is to be used pursuant to the Act on Restructuring and Resolution of Certain Financial Enterprises for the purpose of covering the associated costs.

The Bank's costs for the Resolution Fund are calculated based on the Bank's pro-rata share of the sector's total equity and liabilities less own funds and covered deposits. This contribution will also be adjusted by an individually determined risk factor.

The Bank's costs for the Resolution Fund for 2020 have been included as a pro-rata share of the annual contributions. The Bank's contribution to the Resolution Fund at 30.06.2020 amounted to DKK 10 million (30.06.2019: DKK 3 million). The Bank's contribution has increased because Finansiel Stabilitet has informed the banks that an error has been identified in the calculation of the above risk factors. The error results in a adjustment of the Bank's contributions for the period 2015-2019 totalling DKK 3.4 million, which is recognised at 30.06.2020.

The amount of the contingent liabilities and the possible due dates are subject to uncertainty.

Section 6

Other notes

Other binding commitments

	30.06.20 DKKm	31.12.19 DKKm
Data-processing centre	1,179	500
Lease liabilities, Spar Nord as lessee	29	15
Other binding commitments, total	**1,208**	**515**

Data-processing centre
Spar Nord has entered into an agreement with Bankernes EDB Central a.m.b.a. regarding the provision of IT services.

Spar Nord's membership means that in case of termination of the Bank's membership, it is liable to pay an exit fee. In addition, a capital contribution to Bankernes EDB Central a.m.b.a. has been recognised under Other assets.

The Spar Nord Group has no other significant binding agreements.

Lease obligations, with the Group as lessee
The item concerns lease liabilities for leases concluded at the balance sheet date but for which the lease asset has not yet been made available.

6.4 Group overview

	Activity	Share capital end of period*) DKKm	Equity end of period*) DKKm	Profit/loss for the year *) DKKm	Ownership interest %
Spar Nord Bank A/S	Banking	1,230	9,761	1,059	-
Subsidiary					
Aktieselskabet Skelagervej 15, Aalborg	Real property	27	327	11	100

*) According to the most recent annual report.

6.5 Ownership at 30.06.20

Spar Nord Fonden, Aalborg, and Nykredit Realkredit A/S, Copenhagen, have disclosed that they each own more than 5% of the share capital of Spar Nord Bank A/S.

6.6 Events after the balance sheet date

There have been no events after the balance sheet date at 30 June 2020.

Events after the balance sheet date at 30 June 2019:
On 14 August 2019, the sale of 75% of the shares in Sparinvest Holdings SE to the Nykredit Group was approved by CSSF and the Danish competition authorities. At 30 June 2019, the sale was still subject to regulatory approvals required for the transaction from the financial supervisory authorities in Luxembourg (CSSF) and the Danish competition authorities.

The transaction was completed on 30 August 2019.

6.7 Performance indicators and financial ratios (Danish FSA's layout and ratio system) 5-year overview

Performance indicators

DKKm		H1 2020	H1 2019	Change in %	H1 2020	H1 2019	H1 2018	H1 2017	H1 2016	Full year 2019
Income statement										
Net interest and fee income		1,472	1,453	1	1,472	1,453	1,381	1,404	1,409	2,858
Market value adjustments		105	168	-38	105	168	138	267	138	320
Staff costs and administrative expenses		1,001	963	4	1,001	963	951	945	909	1,917
Impairment of loans, advances and receivables etc.		234	1	-	234	1	16	19	162	22
Income from investments in associates		4	42	-90	4	42	25	20	15	110
Profit/loss		255	546	-53	255	546	630	575	383	1,059
Balance sheet										
Loans and advances		49,272	47,023	5	49,272	47,023	45,678	42,407	38,531	51,312
Equity		9,921	9,286	7	9,921	9,286	8,960	8,565	7,799	9,761
Total assets		95,242	89,354	7	95,242	89,354	83,561	79,595	77,476	93,113

Financial ratios

		H1 2020	H1 2019	Change in %	H1 2020	H1 2019	H1 2018	H1 2017	H1 2016	Full year 2019
Own funds										
Own funds ratio *)		20.2	17.6		20.2	17.6	18.9	16.9	16.8	18.5
Tier 1 capital ratio *)		17.8	15.3		17.8	15.3	16.0	14.8	14.7	16.1
Earnings										
Return on equity before tax	%	3.2	7.3		3.2	7.3	8.1	8.4	6.0	13.7
Return on equity after tax	%	2.6	5.9		2.6	5.9	7.1	6.7	4.9	11.1
Income/cost ratio		1.25	1.67		1.25	1.67	1.72	1.72	1.42	1.64
Return on assets	%	0.3	0.6		0.3	0.6	0.8	0.7	0.5	1.1
Market risk and liquidity										
Interest rate risk	%	1.1	1.0		1.1	1.0	0.8	0.2	0.7	0.6
Foreign exchange position	%	1.1	1.1		1.1	1.1	1.3	3.9	3.0	1.0
Foreign exchange risk	%	0.1	0.1		0.1	0.1	0.1	0.1	0.1	0.1
Liquidity Coverage Ratio (LCR)	%	231	137		231	137	176	176	161	195
Excess coverage relative to statutory liquidity requirement	%	-	-		-	-	323.0	321.3	283.1	-
Loans and advances as % of deposits	%	67.3	68.4		67.3	68.4	70.4	67.5	64.6	72.7
Credit risk										
Loans and advances relative to equity		5.0	5.1		5.0	5.1	5.1	5.0	4.9	5.3
Increase in loans and advances for the period	%	-3.5	6.4		-3.5	6.4	3.5	3.6	3.3	9.1
Sum of large exposures	%	78.6	84.6		78.6	84.6	79.1	17.5	15.9	83.6
Impairment ratio for the period		0.3	0.0		0.3	0.0	0.0	0.0	0.3	0.1

The Spar Nord Bank share

DKK per share of DKK 10

	H1 2020	H1 2019	Change in %	H1 2020	H1 2019	H1 2018	H1 2017	H1 2016	Full year 2019
Profit/loss for the period	2.1	4.4		2.1	4.4	5.1	4.7	3.1	8.6
Net asset value (NAV)	74	69		74	69	66	63	60	72
Dividend	-	-		-	-	-	-	-	3.5
Share price/profit/loss for the period	25.3	13.2		25.3	13.2	13.3	18.1	17.4	7.6
Share price/NAV	0.7	0.8		0.7	0.8	1.0	1.3	0.9	0.9

*) Own funds for H1 2017 are exclusive of recognition of profit/loss for the period.

Spar Nord H1 2020

Parent Company

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Parent Company

Income statement

Note		H1 2020 DKKm	H1 2019 DKKm	Full year 2019 DKKm
7.2	Interest income	881	836	1,702
7.3	Interest expenses	86	61	129
	Net interest income	**795**	**775**	**1,573**
	Dividends on shares, etc.	59	58	60
7.4	Fees, charges and commissions received	699	707	1,395
	Fees, charges and commissions paid	81	87	169
	Net interest and fee income	**1,472**	**1,453**	**2,858**
7.5	Market value adjustments	105	168	320
	Other operating income	18	20	42
7.6	Staff costs and administrative expenses	1,005	966	1,924
	Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	39	41	84
	Other operating expenses	10	4	12
	Income from investments in associates and group enterprises	11	48	120
7.7	Impairment of loans, advances and receivables etc.	234	1	22
	Profit/loss before tax	**317**	**677**	**1,299**
	Tax	61	130	240
	Profit/loss	**256**	**547**	**1,060**
	Appropriation:			
	The shareholders of the Parent Company Spar Nord Bank A/S	229	523	1,011
	Holders of additional tier 1 (AT1) capital instruments	27	24	49
	Profit/loss	**256**	**547**	**1,060**

Statement of comprehensive income

	H1 2020 DKKm	H1 2019 DKKm	Full year 2019 DKKm
Profit/loss for the period	**256**	**547**	**1,060**
Other comprehensive income			
Items that cannot be reclassified to the income statement			
Adjustment relating to associates	-3	-6	-6
Net revaluation of domicile property	0	-	-11
Other comprehensive income after tax	**-3**	**-6**	**-17**
Total comprehensive income	**253**	**541**	**1,043**
Appropriation:			
The shareholders of the Parent Company Spar Nord Bank A/S	226	517	994
Holders of additional tier 1 (AT1) capital instruments	27	24	49
Total comprehensive income	**253**	**541**	**1,043**

Parent Company

Balance sheet

Note	Assets	30.06.20 DKKm	31.12.19 DKKm	30.06.19 DKKm
	Cash balances and demand deposits with central banks	1,224	1,152	1,095
	Due from credit institutions and central banks	1,831	1,588	1,338
	Loans, advances and other receivables at amortised cost	49,272	51,312	47,023
	Bonds at fair value	19,364	16,498	18,701
	Shares, etc.	1,714	1,735	1,783
	Investments in associates	509	470	392
	Investments in group enterprises	259	327	322
	Assets linked to pooled schemes	18,218	17,323	15,825
	Intangible assets	172	174	176
	Investment properties	70	71	70
	Domicile properties	381	391	415
	Domicile properties (leasing)	125	132	99
	Land and buildings, total	**577**	**594**	**584**
	Other property, plant and equipment	107	113	118
	Current tax assets	238	57	193
	Temporary assets	6	11	5
	Other assets	1,624	1,780	1,779
	Prepayments and deferred income	196	111	146
	Total assets	**95,311**	**93,246**	**89,482**

Equity and liabilities

Note		30.06.20 DKKm	31.12.19 DKKm	30.06.19 DKKm
	Payables			
	Due to credit institutions and central banks	3,236	4,062	4,956
7.8	Deposits and other payables	55,080	53,420	53,027
	Deposits in pooled schemes	18,218	17,323	15,825
	Issued bonds at amortised cost	2,632	2,637	-
	Other non-derivative financial liabilities at fair value	1,219	960	1,162
	Other liabilities	3,533	3,661	3,542
	Prepayments and deferred income	64	24	49
	Total payables	**83,981**	**82,088**	**78,562**
	Provisions			
	Provisions for deferred tax	22	21	161
	Provision for losses on guarantees	37	40	70
	Other provisions	29	13	83
	Total provisions	**88**	**75**	**314**
	Subordinated debt			
	Subordinated debt	1,321	1,322	1,320
	Total liabilities	**85,389**	**83,484**	**80,196**
	Equity			
	Share capital	1,230	1,230	1,230
	Revaluation reserves	86	86	97
	Statutory reserves	-	-	-
	Proposed dividend	-	431	-
	Retained earnings	7,809	7,155	7,097
	Shareholders' equity	**9,125**	**8,901**	**8,424**
	Holders of additional tier 1 (AT1) capital instruments	796	860	862
	Total equity	**9,921**	**9,761**	**9,286**
	Total equity and liabilities	**95,311**	**93,246**	**89,482**
	Off-balance sheet items			
	Contingent assets	15	16	13
7.9	Contingent liabilities	14,494	14,766	13,867
7.10	Other binding commitments	1,208	515	500

Parent Company
Capital position

Statement of changes in equity

	Share capital DKKm	Reval-uation reserve DKKm	Statutory reserves DKKm	Proposed dividend DKKm	Retained earnings DKKm	Share-holders of Spar Nord Bank A/S DKKm	Additional tier 1 capital DKKm	Equity capital Total DKKm
Equity at 30.06.20								
Equity at 01.01.20	**1,230**	**86**	**0**	**431**	**7,155**	**8,901**	**860**	**9,761**
Comprehensive income at 30.06.2020								
Profit/loss for the period	-	-	11	-	218	229	27	256
Other comprehensive income								
Adjustment relating to associates	-	-	-11	-	8	-3	-	-3
Net revaluation of properties	-	0	-	-	-	0	-	0
Other comprehensive income, total	**-**	**0**	**-11**	**-**	**8**	**-3**	**-**	**-3**
Total comprehensive income for the period	**-**	**0**	**0**	**-**	**226**	**226**	**27**	**253**
Transactions with owners								
Issue of Additional Tier 1 (AT1) capital, net of transaction costs	-	-	-	-	0	0	330	330
Redemption of additional tier 1 (AT1) capital	-	-	-	-	-	-	-400	-400
Interest paid on additional tier 1 (AT1) capital	-	-	-	-	-	-	-24	-24
Suspended dividend payment	-	-	-	-431	431	0	-	0
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	-233	-233	-	-233
Addition upon sale of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	231	231	3	234
Total transactions with owners	**-**	**-**	**-**	**-431**	**428**	**-3**	**-91**	**-94**
Equity at 30.06.20	**1,230**	**86**	**0**	**0**	**7,809**	**9,125**	**796**	**9,921**
Equity at 30.06.19								
Equity at 31.12.18	1,230	97	0	431	6,622	8,380	861	9,241
Amortisation, additional fees and and commissions received	-	-	-	-	-40	-40	-	-40
Equity at 01.01.19	**1,230**	**97**	**0**	**431**	**6,582**	**8,340**	**861**	**9,201**
Comprehensive income at 30.06.19								
Profit/loss for the period	-	-	48	-	475	523	24	547
Other comprehensive income								
Adjustment relating to associates	-	-	-48	-	42	-6	-	-6
Net revaluation of properties	-	-	-	-	-	-	-	-
Other comprehensive income, total	**-**	**-**	**-48**	**-**	**42**	**-6**	**-**	**-6**
Total comprehensive income for the period	**-**	**-**	**0**	**-**	**517**	**517**	**24**	**541**
Transactions with owners								
Interest paid on additional tier 1 (AT1) capital	-	-	-	-	-	-	-24	-24
Dividends paid	-	-	-	-431	-	-431	-	-431
Dividends received, treasury shares	-	-	-	-	0	0	-	0
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	-153	-153	-	-153
Addition upon sale of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	150	150	1	151
Total transactions with owners	**-**	**-**	**-**	**-431**	**-2**	**-433**	**-23**	**-456**
Equity at 30.06.19	**1,230**	**97**	**0**	**0**	**7,097**	**8,424**	**862**	**9,286**

The share capital consists of 123,002,526 shares with a nominal value of DKK 10.
Additional tier 1 (AT1) capital is specified in note 4.3.

Parent Company

Capital position

Statement of changes in equity

Treasury share portfolio	30.06.20	31.12.19
Number of shares	106,512	79,179
Percentage of share capital	0.1	0.1

Own funds	30.06.20	31.12.19
Equity	9,921	9,761
Phasing in of IFRS 9	380	188
Additional tier 1 (AT1) capital included in equity	796	860
Proposed dividend	127	431
Intangible assets	142	143
Other primary deductions	43	47
Deduction – Holdings of insignificant CET1 instruments	168	205
Deduction – Holdings of significant CET1 instruments	69	71
Common equity tier 1 capital	**8,955**	**8,192**
Additional tier 1 (AT1) capital *)	773	843
Other deductions	3	3
Tier 1 capital	**9,725**	**9,032**
Subordinated debt, excl. Additional Tier 1 (AT1) capital *)	1,306	1,308
Other deductions	3	5
Own funds	**11,027**	**10,335**
Weighted risk exposure amount, credit risk etc.	45,039	47,198
Weighted risk exposure amount, market risk	4,058	3,340
Weighted risk exposure amount, operational risk	5,575	5,519
Total risk exposure amount	**54,671**	**56,057**
Common equity tier 1 capital ratio	16.3	14.6
Tier 1 capital ratio	17.8	16.1
Capital ratio	20.2	18.4

*) The maximum holding of own bonds etc. has been deducted.

Section 7

Notes – Parent Company

Section 7

Notes – Parent Company

7.1 Accounting policies

The interim report of the Parent Company Spar Nord A/S has been prepared in accordance with the provisions of the Danish Financial Business Act, including the Danish FSA's Executive Order on financial reports presented by credit institutions and investment companies (Executive Order on the presentation of financial statements).

The Parent Company's accounting policies are identical to those of the Group. For a description of accounting policies and changes thereto, please see accounting policies in note 1.1 to the consolidated financial statements.

Other than as described in note 1.1 to the consolidated financial statements, the accounting policies are unchanged from Annual Report 2019. A full description of the accounting policies is provided in Annual Report 2019.

The difference between the equity and profit or loss in the Group and in the Parent Company is due to individual properties being classified as investment properties in the subsidiary and as domicile properties in the Group. The difference consists of net depreciation and impairment on such properties; see below:

	Profit/loss		Equity	
	H1 2020 DKKm	H1 2019 DKKm	H1 2020 DKKm	H1 2019 DKKm
Spar Nord Bank Group	255	546	9,921	9,286
Depreciation, domicile property	1	1	0	0
Spar Nord Bank, Parent Company	**256**	**547**	**9,921**	**9,286**

7.2 Interest income

	H1 2020 DKKm	H1 2019 DKKm
Due from credit institutions and central banks	-6	-1
Loans, advances and other receivables	711	757
Bonds	38	39
Foreign-exchange contracts	9	-3
Interest-rate contracts	5	-3
Total derivatives	**14**	**-6**
Other interest income	0	0
Total interest income after offsetting negative interest income	**757**	**790**
Negative interest income offset against interest income	40	15
Negative interest expenses offset against interest expenses	84	30
Total interest income before offsetting negative interest income	**881**	**836**
Of which, interest income from reverse repo transactions booked under		
Due from credit institutions and central banks	-8	-5
Loans, advances and other receivables	-21	-10

Negative interest income amounts to DKK 40 million (30.06.2019: DKK 15 million) and relates to repo transactions and bond yields.

In the table above, negative interest income is offset against interest income. In the income statement, negative interest income is presented as interest expenses, and negative interest expenses are presented as interest income.

7.3 Interest expenses

	H1 2020 DKKm	H1 2019 DKKm
Credit institutions and central banks	-5	10
Deposits and other payables	-62	-13
Issued bonds	12	-
Subordinated debt	17	17
Other interest expenses	0	1
Total interest expenses after offsetting negative interest expenses	**-38**	**15**
Negative interest expenses offset against interest expenses	84	30
Negative interest income offset against interest income	40	15
Total interest expenses before offsetting negative interest expenses	**86**	**61**
Of which, interest expenses from repo transactions booked under		
Credit institutions and central banks	-11	-4
Deposits and other payables	-3	-1

Negative interest expenses amount to DKK 84 million (30.06.2019: DKK 30 million) and relate partly to deposits, partly to repo transactions.

In the table above, negative interest expenses are offset against interest expenses. In the income statement, negative interest expenses are presented as interest income, and negative interest income is presented as interest expenses.

7.4 Fees, charges and commissions received

	H1 2020 DKKm	H1 2019 DKKm
Securities trading and custody accounts	232	222
Payment services	76	82
Loan transaction fees	279	289
- of which mortgage credit institutions	218	215
Guarantee commission	15	14
Other fees, charges and commissions	98	100
Total fees, charges and commissions received	**699**	**707**
Total fees, charges and commissions paid	**81**	**87**
Total net fees, charges and commissions received	**618**	**620**

7.5 Market value adjustments

	H1 2020 DKKm	H1 2019 DKKm
Other loans, advances and receivables at fair value	-3	0
Bonds	53	84
Shares, etc.	23	46
Investment properties	-1	-
Currency	29	28
Foreign exchange, interest, share, commodity and other contracts and derivatives	3	10
Assets linked to pooled schemes	378	1,037
Deposits in pooled schemes	-378	-1,037
Total market value adjustments	**105**	**168**

7.6 Staff costs and administrative expenses

	H1 2020 DKKm	H1 2019 DKKm
Staff costs	660	613
Administrative expenses	345	354
Total staff costs and administrative expenses	**1,005**	**966**
Salaries	535	493
Pensions	56	55
Social security costs	68	66
Total staff costs	**660**	**613**
Remuneration to members of the Board of Directors and Executive Board amounts to:		
Board of Directors	2.1	1.9
Executive Board	7.9	6.6
Total remuneration	**10.0**	**8.5**
Number of employees		
The average number of employees converted into full-time equivalents	1,559	1,528

7.7 Impairment of loans, advances and receivables, etc.

	H1 2020 DKKm	H1 2019 DKKm
Impairments re. new exposures during the year, including new accounts to existing customers	59	154
Reversed impairments re. repaid accounts	-76	-143
Impairments during the year due to change in credit risk	268	30
Impairments during the year due to model changes	-	-30
Loss without prior impairment	12	19
Amounts recovered on previously impaired receivables	-29	-29
Value adjustment of properties taken over	0	-1
Total impairment of loans and receivables etc.	**234**	**1**

See note 7.11.4 for an explanation of impairments and provision for losses on guarantees etc. at 30.06.2020.

7.8 Deposits and other payables

	30.06.20 DKKm	31.12.19 DKKm
Demand deposits	50,721	48,649
Subject to notice	1,434	1,651
Time deposits	195	40
Special types of deposits	2,730	3,078
Total	**55,080**	**53,420**
Repo transactions hereof	166	0

7.9 Contingent liabilities

	30.06.20 DKKm	31.12.19 DKKm
Financial guarantees	5,952	5,482
Loss guarantees for mortgage loans	5,663	5,458
Registration and refinancing guarantees	2,174	3,121
Other contingent liabilities	705	705
Total	**14,494**	**14,766**

7.10 Other binding commitments

Other binding commitments of DKK 1,208 million (31.12.2019: DKK 515 million) consist of lease obligations in which Spar Nord is lessee, and the liability to pay a withdrawal fee on potential withdrawal from BEC.

See note 6.3 to the consolidated financial statements for a description hereof.

7.11 Exposures and impairments etc.

7.11.1 Summary, carrying amount of exposures

30.06.20	Exposure before impairments DKKm	Impairments DKKm	Carrying amount DKKm	Recognised impairments etc. total DKKm
Loans and advances at amortised cost	50,890	1,617	**49,272**	225
Due from credit institutions and central banks	1,832	1	**1,831**	0
Guarantees	14,531	37	**14,494**	-4
Unutilised credit lines and loan commitments	25,930	23	**25,907**	14
Total	**93,183**	**1,678**	**91,505**	**234**

31.12.19	Exposure before impairments DKKm	Impairments DKKm	Carrying amount DKKm	Recognised impairments etc. total DKKm
Loans and advances at amortised cost	52,764	1,453	**51,311**	128
Due from credit institutions and central banks	1,588	1	**1,588**	0
Guarantees	14,807	40	**14,766**	-39
Unutilised credit lines and loan commitments	23,412	9	**23,403**	-67
Total	**92,571**	**1,503**	**91,068**	**22**

7.11.2 Impairments and provisions by stages

30.06.20	Stage 1 DKKm	Stage 2 DKKm	Stage 3 DKKm	Total DKKm
Loans and advances at amortised cost	154	532	931	**1,617**
Due from credit institutions and central banks	1	0	0	**1**
Guarantees	18	9	10	**37**
Unutilised credit lines and loan commitments	5	6	12	**23**
Impairments and provisions by stages, total	**179**	**547**	**953**	**1,678**

31.12.19	Stage 1 DKKm	Stage 2 DKKm	Stage 3 DKKm	Total DKKm
Loans and advances at amortised cost	134	258	1,061	**1,453**
Due from credit institutions and central banks	1	0	0	**1**
Guarantees	17	5	18	**40**
Unutilised credit lines and loan commitments	3	3	3	**9**
Impairments and provisions by stages, total	**155**	**265**	**1,083**	**1,503**

7.11.3 Exposures before impairments and provisions by stages

30.06.20	Stage 1 DKKm	Stage 2 DKKm	Stage 3 DKKm	Total DKKm
Loans and advances at amortised cost	40,947	8,107	1,835	**50,890**
Due from credit institutions and central banks	1,832	0	0	**1,832**
Guarantees	13,393	992	147	**14,531**
Unutilised credit lines and loan commitments	23,700	2,110	120	**25,930**
Exposures before impairments and provisions by stages, total	**79,872**	**11,209**	**2,102**	**93,183**

31.12.19	Stage 1 DKKm	Stage 2 DKKm	Stage 3 DKKm	Total DKKm
Loans and advances at amortised cost	43,773	6,992	1,999	**52,764**
Due from credit institutions and central banks	1,588	0	0	**1,588**
Guarantees	13,907	707	192	**14,807**
Unutilised credit lines and loan commitments	21,919	1,394	99	**23,412**
Exposures before impairments and provisions by stages, total	**81,188**	**9,093**	**2,290**	**92,571**

Spar Nord does not have the categories "Financial assets at fair value through other comprehensive income" and "Loans at fair value through profit or loss".

7.11.4 Impairments and provisions for losses

Analysis of changes in impairments for the period broken down by stages and correlated to recognised impairments, etc.

30.06.20	Stage 1 DKKm	Stage 2 DKKm	Stage 3 DKKm	Total DKKm	Recognised impairments etc. DKKm
Impairment, beginning of year	155	265	1,083	**1,503**	-
Impairments re. new exposures during the year, including new accounts to existing customers	33	10	16	**59**	59
Reversed impairments re. repaid accounts	-15	-14	-47	**-76**	-76
Change in impairments at 1 January, transfer to/from stage 1	46	-32	-14	**-**	-
Change in impairments at 1 January, transfer to/from stage 2	-17	42	-26	**-**	-
Change in impairments at 1 January, transfer to/from stage 3	-1	-7	8	**-**	-
Impairments during the year due to change in credit risk	-22	282	8	**268**	268
Previously impaired, now finally lost	-	0	-87	**-87**	-
Other movements (interest rate correction etc.)	-	-	11	**11**	-
Loss without prior impairment	-	-	-	**-**	12
Amounts recovered on previously impaired receivables	-	-	-	**-**	-29
Impairments and provisions for losses, total	**179**	**547**	**953**	**1,678**	**234**

31.12.19	Stage 1 DKKm	Stage 2 DKKm	Stage 3 DKKm	Total DKKm	Recognised impairments etc. DKKm
Impairment, beginning of year	106	308	1,531	**1,945**	-
Impairments re. new exposures during the year, including new accounts to existing customers	68	51	156	**275**	275
Reversed impairments re. repaid accounts	-29	-41	-197	**-267**	-267
Change in impairments at 1 January, transfer to/from stage 1	198	-150	-48	**-**	-
Change in impairments at 1 January, transfer to/from stage 2	-16	159	-143	**-**	-
Change in impairments at 1 January, transfer to/from stage 3	-2	-9	10	**-**	-
Impairments during the year due to change in credit risk	-171	-22	215	**22**	22
Change in impairments due to model changes and risk parameters, net	0	-30	0	**-30**	-30
Previously impaired, now finally lost	0	0	-463	**-463**	-
Other movements (interest rate correction etc.)	-	-	21	**21**	-
Loss without prior impairment	-	-	-	**-**	88
Amounts recovered on previously impaired receivables	-	-	-	**-**	-65
Impairments and provisions for losses, total	**155**	**265**	**1,083**	**1,503**	**22**

The change in portfolio impairments was driven by an increase in gross lending and movements between the stages as illustrated in the table, which is the result of a change in customers' credit risk. In addition, impairments are affected by impaired macroeconomic factors.

The figures concerning impairments re. new exposures and reversed impairments re. repaid accounts include administrative movements in which the balance is moved between two accounts for the same customer.

Loss without prior impairment expresses Spar Nord's recognised loans for which the loss is greater than impairments at the beginning of the year.

7.12 Credit risk policy

Spar Nord's credit policy is unchanged relative to the description in note 5.1.1 to Annual Report 2019.

7.13 Events after the balance sheet date

There have been no events after the balance sheet date at 30 June 2020.

Events after the balance sheet date at 30 June 2019:
On 14 August 2019, the sale of 75% of the shares in Sparinvest Holdings SE to the Nykredit Group was approved by CSSF and the Danish competition authorities. At 30 June 2019, the sale was still subject to regulatory approvals required for the transaction from the financial supervisory authorities in Luxembourg (CSSF) and the Danish competition authorities.

The transaction was completed on 30 August 2019.

7.14 Performance indicators and financial ratios
The Danish FSAs layout and ratio system
5-year overview

Performance indicators

DKKm		H1 2020	H1 2019	Change in %	H1 2020	H1 2019	H1 2018	H1 2017	H1 2016	Full year 2019
Income statement										
Net interest and fee income		1,472	1,453	1	1,472	1,453	1,381	1,401	1,388	2,858
Market value adjustments		105	168	-38	105	168	138	266	115	320
Staff costs and administrative expenses		1,005	966	4	1,005	966	953	948	913	1,924
Impairment of loans, advances and receivables etc.		234	1	-	234	1	16	19	162	22
Income from investments in associates and group enterprises		11	48	-77	11	48	30	30	61	120
Profit/loss		256	547	-53	256	547	630	576	383	1,060
Balance sheet										
Loans and advances		49,272	47,023	5	49,272	47,023	45,678	42,280	38,404	51,312
Equity		9,921	9,286	7	9,921	9,286	8,960	8,565	7,799	9,761
Total assets		95,311	89,482	7	95,311	89,482	83,690	79,686	78,632	93,246

Financial ratios

		H1 2020	H1 2019	Change in %	H1 2020	H1 2019	H1 2018	H1 2017	H1 2016	Full year 2019
Own funds										
Own funds ratio *)		20.2	17.6		20.2	17.6	18.9	16.9	16.5	18.4
Tier 1 capital ratio *)		17.8	15.3		17.8	15.3	16.0	14.8	14.4	16.1
Earnings										
Return on equity before tax	%	3.2	7.3		3.2	7.3	8.1	8.4	5.9	13.7
Return on equity after tax	%	2.6	5.9		2.6	5.9	7.1	6.7	4.9	11.2
Income/cost ratio		1.25	1.67		1.25	1.67	1.72	1.72	1.42	1.64
Return on assets	%	0.3	0.6		0.3	0.6	0.8	0.7	0.5	1.1
Market risk and liquidity										
Interest rate risk	%	1.1	1.0		1.1	1.0	0.8	0.2	0.7	0.6
Foreign exchange position	%	1.1	1.1		1.1	1.1	1.3	3.9	3.0	1.0
Foreign exchange risk	%	0,1	0.1		0,1	0.1	0.1	0.1	0.1	0.1
Liquidity Coverage Ratio (LCR)	%	229	135		229	135	174	173	157	192
Excess coverage relative to statutory liquidity requirement	%	-	-		-	-	322.4	320.8	277.6	-
Loans and advances as % of deposits	%	67.2	68.3		67.2	68.3	70.3	67.2	63.1	72.5
Credit risk										
Loans and advances relative to equity		5.0	5.1		5.0	5.1	5.1	4.9	4.9	5.3
Increase in loans and advances for the period	%	-3.5	6.4		-3.5	6.4	3.5	3.6	3.3	9.1
Sum of large exposures	%	78.6	84.6		78.6	84.6	79.1	14.0	14.6	83.6
Impairment ratio for the period		0.3	0.0		0.3	0.0	0.0	0.0	0.3	0.1

The Spar Nord Bank share

DKK per share of DKK 10

	H1 2020	H1 2019	Change in %	H1 2020	H1 2019	H1 2018	H1 2017	H1 2016	Full year 2019
Profit/loss for the period	2.1	4.4		2.1	4.4	5.1	4.7	3.1	8.6
Net asset value (NAV)	74	69		74	69	66	63	60	72
Dividend	-	-		-	-	-	-	-	3.5
Share price/profit/loss for the period	25.3	13.2		25.3	13.2	13.3	18.1	17.4	7.6
Share price/NAV	0.7	0.8		0.7	0.8	1.0	1.3	0.9	0.9

*) Own funds for H1 2017 is exclusive of recognition of profit/loss for the period.

The Interim Report has been prepared in a Danish and an English version. In case of discrepancy between the Danish-language original text and the English-language translation, the Danish text shall prevail.

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