

Nasdaq Copenhagen
London Stock Exchange
Other stakeholders

5 August 2020

Ringkjøbing Landbobank's interim report for the first half of 2020

The financial results for the half-year are affected by the corona crisis. We are pleased, in this context, that the bank's business model is robust, with a low rate of costs and a strong capital base.

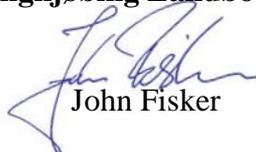
Core earnings

(DKK million)	H1 2020	H1 2019	2019	2018	2017	2016
Total core income	1,061	1,048	2,116	2,001	1,917	1,861
Total expenses and depreciation	390	405	805	866	845	815
Core earnings before impairment charges for loans	671	643	1,311	1,135	1,072	1,046
Impairment charges for loans etc.	-141	-49	-100	-43	-70	-211
Core earnings	530	594	1,211	1,092	1,002	835
Result for the portfolio etc.	-41	+33	+49	+77	+84	+78
Special costs	8	8	15	217	22	22
Profit before tax	481	619	1,245	952	1,064	891

Highlights of the first half of 2020

- Our main focus during the corona crisis has been to help our customers and business partners – and of course to safeguard the working conditions of our employees
- Income increases by 1% and expenses fall by 4%, reducing the bank's rate of costs to 36.8%
- The management estimate for impairment charges in the second quarter of 2020 has increased by DKK 198 million after impairment charges of DKK 66 million for operations in the quarter and large reversals, particularly in the agricultural segment
- 11% fall in core earnings to DKK 530 million
- 22% fall in profit before tax to DKK 481 million
- Continued big increase in customers and 2% growth in loans
- Strong capital position with common equity tier 1 capital ratio of 18.1% and MREL capital ratio of 30.0%

Yours sincerely
Ringkjøbing Landbobank



John Fisker

Management's review

Core income

Interest

Net interest income was DKK 616 million in the first half of 2020, compared to DKK 587 million in 2019, an increase of 5%. The bank is satisfied with this development.

The development is partly attributable to a 2% increase in lending compared to the end of June 2019. However, during 2020, lending initially increased and later decreased. Compared to the end of 2019, lending thus increased by approximately DKK 700 million in the first quarter and fell by approximately DKK 900 million in the second quarter. One of the reasons for this development is that the bank's business customers have drawn less on their lines of credit, partly because they have reduced their stocks and debtors and partly because the deadlines for tax and VAT payments have been extended to the second half of 2020 and the deadline for repayment of the so-called VAT loans is 1 April 2021. The bank's personal customers have also been cautious and paid off debt. The bank expects that business customers will increase their drawdowns on credits during the second half of 2020, but generally the bank expects a more subdued development in lending during the rest of the year.

A further reason for the positive trend in the interest income is that the bank introduced negative interest rates on business accounts in general in the fourth quarter of 2019 and on free deposited funds greater than DKK 2 million held by personal customers and on holdings in pension accounts with effect from 1 January 2020.

With effect from 1 May 2020, the DKK 2 million limit was reduced to DKK 500,000 and the bank has announced a further reduction to DKK 250,000 with effect from 1 August 2020.

Compared to the first half of 2019, there were more interest expenses for non-preferred senior capital, but in February 2020 and May 2020 respectively the bank also carried out early redemption of two issues of subordinated capital, which reduced interest expenses in part of the half-year.

Fee, commission and foreign exchange income

Fee, commission and foreign exchange income amounted to DKK 374 million in the first half of 2020, compared to DKK 387 million in 2019. The trend reflects both increases and falls in the different fee items. "Securities trading" and "Foreign exchange income" developed positively due to higher levels of activity. "Guarantee commission and mortgage credit commission etc." and "Asset management and custody accounts" stood at the same level as 2019, while "Loan fees" fell as expected due to less refinancing activity in the second quarter of 2020. In addition, income from "Payment handling" fell due to the implementation of harmonisation and restriction of payment fees within the EU. "Other fees and commission" also fell, partly because the item contained major one-off income in 2019 and partly because the bank has harmonised its non-life insurance activities in 2020. This change has meant falling payments from the bank's external business partners, but also fewer resources allocated by the advisers to these activities.

Sector shares and other operating income

Earnings of DKK 70 million from banking sector shares in the first half of 2020 stood at the same level as 2019, when earnings were DKK 73 million. The earnings derive primarily from returns on the bank's ownership interests in DLR Kredit, BankInvest (BI Holding) and PRAS. As in 2019, other operating income in the half-year was at an insignificant level.

Core income

Total core income increased by 1% from DKK 1,048 million in the first half of 2019 to DKK 1,061 million in the first half of 2020. The bank considers the increase satisfactory.

Expenses, depreciation and write-downs

Total expenses including depreciation and write-downs on tangible assets amounted to DKK 390 million in the first half of 2020, compared to DKK 405 million in 2019, a fall of 4%.

The positive development in costs is attributable to saved duplication of expenses.

The rate of costs was 36.8% in the first half of 2020, compared to 38.6% in the first half of 2019.

Impairment charges for loans etc.

In the second quarter of 2020, the bank reviewed all significant exposures with impairment on an individual basis to ensure they are classified appropriately in the different stages in accordance with IFRS 9. As a principal rule, exposures where the bank assesses full repayment to be the most probable scenario are placed in stage 2.

The review resulted in migration from stage 3 to stage 2. Thus the sum of the cumulative individual impairment charges in stage 3 fell from DKK 1,401 million at the end of the first quarter of 2020 to DKK 806 million at the end of the second quarter of 2020. A large part of this reduction results in a corresponding increase in the cumulative individual impairment charges in stage 2. The review reduced the individual impairment charges by DKK 175 million net.

The bank's losses and individual impairment charges for exposures generally developed reasonably in the second quarter of 2020. Although the bank has intensified its follow-up on credits in selected customer segments (selected on the basis of industry and credit rating), the size of new individual impairment charges is limited. The bank's exposure to the industries that are currently hardest hit by the economic downturn (e.g. transport, retail and certain parts of the hospitality and leisure industry) is relatively modest. The bank continues to realise reversals of individual impairment charges in the agricultural segment as a result of reasonable market conditions for pig and dairy farmers. However, the trend in prices paid to producers of pork was declining towards the end of the second quarter and at the beginning of the third quarter. Mink farmers continue to have a very difficult time with an adverse demand for mink pelts.

The credit quality of the bank's personal loan portfolio continues to develop satisfactorily and currently only very slightly reflects the economic impacts of the corona crisis.

The judgment remains that the quality of the bank's loans portfolio is generally good and that the bank benefits from the fact that loans to our niche areas are protected by first mortgages.

The bank is, however, aware of the major macroeconomic uncertainty that is a market condition at present. The outlook for Denmark in 2020 is a fall in total GDP of historic dimensions. However, large national financial aid packages partly compensate for the normal consequences of such a fall. The bank perceives substantial uncertainty relating to how the economy will develop when the many state aid schemes are phased out. There is also a risk that the coronavirus R number will develop negatively and thus cause a new partial lockdown.

The bank's rating model for business customers is to a large extent based on historical financial figures. The bank is in a highly unusual situation where the coefficient of determination of historical results will in many cases be lower than assumed in the last calibration of the bank's rating model. On the other hand, the results for 2020 will not give a true and fair view of the estimated future credit quality. For the most significant exposures, the bank has carried out an individual expert-based classification adjusted to the current market situation. The bank expects some downward migration in the total credit quality in the coming quarters, but continues to expect total credit quality to remain at a satisfactory level.

To counter the above uncertainties and the expected future development, the management estimate increased by DKK 198 million in the second quarter of 2020. Thus, the total management estimates are now DKK 524 million.

The total expense for losses and impairment charges is DKK 66 million in the second quarter of 2020, compared to DKK 75 million in the first quarter. The bank's expectation at present is that the impairment charges for operations will be lower in the coming quarters.

The bank's total account for impairment charges increased by DKK 80 million during the second quarter of 2020 and is now DKK 2,216 million.

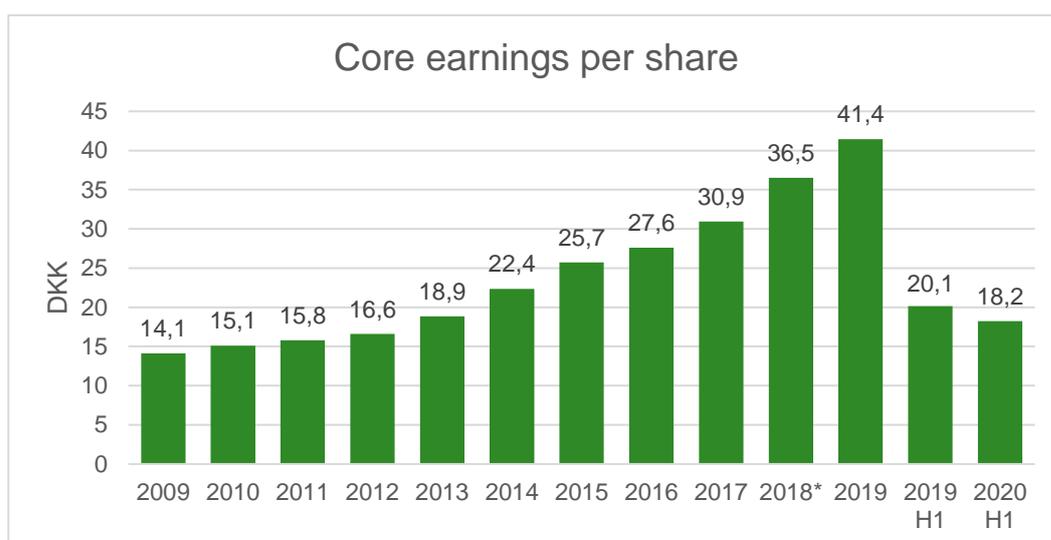
The bank's total loans to customers with suspended calculation of interest is DKK 211 million, unchanged relative to the end of 2019.

Core earnings

(DKK million)	H1 2020	H1 2019	2019	2018	2017	2016
Total core income	1,061	1,048	2,116	2,001	1,917	1,861
Total expenses and depreciation	390	405	805	866	845	815
Core earnings before impairment charges for loans	671	643	1,311	1,135	1,072	1,046
Impairment charges for loans etc.	-141	-49	-100	-43	-70	-211
Core earnings	530	594	1,211	1,092	1,002	835

Core earnings for the first half of 2020 totalled DKK 530 million compared to last year's DKK 594 million, a decrease of 11%.

Core earnings per share were thus DKK 18.2 for the first half of 2020 compared to DKK 20.1 in 2019, a decrease of 9%.



*The statement for 2018 was made on a pro forma basis.

Result for the portfolio etc.

The result for the portfolio etc. for the first half of 2020 was negative by DKK 41 million net, including funding costs for the portfolio. In 2019 the result for the portfolio etc. was positive by DKK 33 million net.

The negative result for the portfolio in 2020 is attributable to the turmoil on the financial markets as a result of the corona crisis, with falling prices of Danish mortgage credit bonds and shares and widening of the credit spread of corporate bonds in the first quarter of the year. The markets recovered during the second quarter of 2020 and the result for the portfolio for the second quarter of 2020 was positive by DKK 29 million net.

Amortisation and write-downs on intangible assets

The bank treats amortisation and write-downs on intangible assets as a special item. Posting amortisation and write-downs to this item enhances the quality of equity and helps to reduce the deduction when computing total capital. Amortisation and write-downs on intangible assets amounted to DKK 8 million in the first half-year, unchanged relative to 2019.

Profit before and after tax

The profit before tax was DKK 481 million, equivalent to a return of 12.6% p.a. on average equity.

The profit after tax was DKK 385 million, equivalent to a return of 10.1% p.a. on average equity.

Balance sheet items and contingent liabilities

The bank's balance sheet total at the end of June 2020 stood at DKK 53,984 million, compared to DKK 52,426 million at the end of June 2019.

Relative to June 2019, the bank's deposits including pooled schemes increased by 2% from DKK 39,070 million to DKK 39,670 million at the end of June 2020, while its loans in the same period also increased by 2% from DKK 34,528 million to DKK 35,260 million.

The bank's contingent liabilities, including guarantees, at the end of June 2020 amounted to DKK 9,379 million, compared to DKK 10,466 million at the end of June 2019 and DKK 9,665 million at the end of 2019. The fall is mainly attributable to the decreasing refinancing activity.

Credit intermediation

In addition to the traditional bank loans shown on its balance sheet, the bank also arranges mortgage loans for both Totalkredit and DLR Kredit.

The development in the bank's total credit intermediation is positive by 6% compared to June 2019 and shown in the following summary:

	30 June 2020 DKK million	30 June 2019 DKK million	31 December 2019 DKK million
Total credit intermediation			
Loans and other receivables at amortised cost	35,260	34,528	35,465
Arranged mortgage loans and funded home loans – Totalkredit	37,720	34,070	36,374
Arranged mortgage loans – DLR Kredit	9,291	8,911	9,029
Total	82,271	77,509	80,868

Securities and market risk

The item "Shares, etc." amounted to DKK 1,298 million at the end of June 2020, with DKK 26 million in listed shares and investment fund certificates and DKK 1,272 million in sector shares etc., mainly in DLR Kredit, BI Holding and PRAS. The bond portfolio amounted to DKK 6,576 million, of which the vast majority consisted of AAA-rated Danish government and mortgage credit bonds.

The total interest rate risk – impact on profit of a one percentage point change in interest level – was computed as 1.2% of the bank's tier 1 capital on 30 June 2020.

The bank's risk of losses calculated on the basis of a Value at Risk model (computed with a 10-day horizon and 99% probability) was as follows in the first half of 2020:

	Risk in DKK million	Risk relative to equity end of period in %
Highest risk of loss:	20.0	0.26%
Lowest risk of loss	7.2	0.09%
Average risk of loss	15.6	0.21%
End-of-period risk of loss	19.6	0.26%

In the first quarter of 2020 the extraordinary market situation resulted in capital losses which lie outside the framework of fluctuations applied by the bank's Value at Risk model with 99% probability. This is not unnatural in a situation where market volatility has exceeded historical market dynamics. The increased volatility is now part of the model's underlying data and has resulted in an increase in the computed risk.

The bank's total market risk within exposures to interest rate risk, listed shares etc. and foreign currency remains at a moderate level, and this policy will continue.

Liquidity

The bank's liquidity situation is good. The bank's short-term funding with term to maturity of less than 12 months thus amounts to DKK 1.0 billion, balanced by DKK 11.2 billion, primarily in short-term investments in Danmarks Nationalbank, the central bank of Denmark, and in liquid tradable securities.

The bank's deposits (excluding pooled schemes) and equity exceeded its loans by DKK 7.8 billion and these two items therefore more than fully finance the loan portfolio. In addition, part of the loan portfolio for renewable energy projects is financed back-to-back with KfW Bankengruppe, which means that DKK 1.2 billion can be disregarded in terms of liquidity.

In terms of liquidity coverage ratio (LCR), the bank must comply with the statutory requirement of at least 100%. On 30 June 2020, the bank's LCR was 239%, which thus met the statutory requirement by a good margin.

Capital structure

The bank's equity at the beginning of 2020 was DKK 7,610 million. The profit for the period must be added to this, while the dividend paid and the value of the bank's own shares bought must be subtracted. After this, equity at the end of the half-year was DKK 7,612 million.

In addition to the above, the bank's capital ratios were affected by a number of circumstances during the first six months of the year.

The bank carried out early redemption: of DKK 275 million of tier 2 capital in February 2020; and of tier 2 capital equivalent to EUR 50 million in May 2020. Refinancing of these two issues was already in place in the third quarter of 2019.

The bank's capital structure is also influenced by the European Parliament's adoption of the amendments to the CRR and CRR II regulations known as the CRR "Quick Fix", which was implemented at the end of June 2020. A permanent change of the SME discount for the calculation of credit risk in accordance with the standardised method for SMEs thus positively affects the bank's calculation of credit risk exposure. The SME discount was previously 23.89% for exposures not exceeding EUR 1.5 million. The discount going forward is 23.89% for the part of the exposure that is less than EUR 2.5 million, and a 15% discount has been introduced for the part of the exposure that exceeds EUR 2.5 million.

In addition, a new five-year phasing-in period for the dynamic component of the IFRS 9 transitional rules has been restarted. This means that the bank can add back to its capital the difference between its current stage 1 and 2 impairment charges and the stage 1 and 2 impairment charges on 1 January 2020. Provided the stage 1 and 2 impairment charges have increased since 1 January 2020, the bank can thus add back the increase in impairment charges less the corporate tax rate. The add-back factor is 100% for 2020, 100% for 2021, 75% for 2022, 50% for 2023, 25% for 2024 and 0% for 2025. The arrangement's positive effect on the bank's capital ratios is therefore only temporary.

The bank now uses both the static and the dynamic components of the IFRS 9 transitional rules, including the simplified approach to recalculation of capital requirements.

In addition, the Danish FSA has removed the possibility of down-weighting agricultural property exposures when calculating the capital requirement, because it considers that there is currently no well-developed and well-established market for them in Denmark. This decision has a small negative effect on the bank's capital ratios.

The bank's total capital ratio was computed at 22.1% at the end of the June of 2020, and the tier 1 capital ratio at 18.1%. In the second quarter of 2020, the common equity tier 1 capital ratio increased from 15.0% at the beginning to 18.1% at the end of the quarter. The increase can be broken down into ordinary build-up of capital and a fall in the risk exposure amount due to lower loans and guarantees, which together contribute 0.8 percentage points. The permanent change in the SME discount under the standardised method results in an increase of 0.9 percentage points. Finally, the temporary transition programme regarding the reclassification after initial recognition of IFRS 9 stages 1 and 2 impairment charges in common equity tier 1 capital contributes 1.4 percentage points.

Capital ratios	H1 2020	H1 2019	2019	2018	2017
Common equity tier 1 capital ratio (%)	18.1	13.8	15.0	15.0	16.5
Tier 1 capital ratio (%)	18.1	13.8	15.0	15.0	16.5
Total capital ratio (%)	22.1	17.4	20.3	18.8	17.8
MREL requirement (%) – fixed by the Danish FSA	20.2	20.2	20.7	19.7	-
MREL capital ratio (%)	30.0	24.1	27.5	25.2	-

Calculated without the above IFRS 9 transition programmes, the bank's total capital ratio was 20.4% and the tier 1 capital ratio 16.3% on 30 June 2020.

The bank has calculated the individual solvency requirement at the end of June 2020 at 9.3%. To this should be added a capital conservation buffer of 2.5%; the total requirement for the bank's total capital is thus 11.8%.

Compared with the actual total capital of DKK 8.6 billion, the excess cover at the end of June 2020 was thus DKK 4.0 billion, equivalent to 10.3 percentage points.

At the beginning of 2020, the countercyclical capital buffer was 1.0%. Notice had been given during 2019 of additional 0.5 percentage point increases on 30 June 2020 and on 31 December 2020, so that the buffer would be 2.0% at the end of 2020.

The development described above was included in the bank's capital target for the MREL capital ratio. On 11 March 2020, the Minister for Industry, Business and Financial Affairs released the countercyclical buffer in the light of the uncertainties on the financial markets. This was maintained in an announcement from the Minister on 24 June 2020. Following release of the buffer, the bank received an updated MREL requirement for 2020, which is now 20.2% at the end of 2020. On this basis, the board of directors has reassessed the capital target for the MREL capital ratio in the first half of 2020 and reduced it by 1.5 percentage points.

The bank thus operates with three different capital targets. The capital targets specify that the common equity tier 1 capital ratio must be at least 13.5%, the total capital ratio at least 17% and the MREL capital ratio for covering the MREL requirement at least 23.5%, including the capital buffers. It is the last-mentioned target that the board of directors has reassessed and reduced from 25% to the stated 23.5%.

All capital targets are minimum figures that must be met at the end of the year, but there may be fluctuations in the capital ratios over the year. The MREL requirement must always be met.

To comply with the MREL requirement, the bank had established funding by the end of 2017 to meet the requirements for grandfathering of contractual senior capital. DKK 1.8 billion of the funding was included to meet the bank's MREL requirement at the end of June 2020. In addition, the bank issued non-preferred senior capital totalling DKK 1.2 billion in the period December 2018 to December 2019. The bank in June 2020 issued an additional DKK 125 million of non-preferred senior capital, so that the total issues now amount to DKK 1.3 billion. In July 2020, the bank has also raised a preferred senior loan in Danish kroner for the equivalent of EUR 60 million with a term of 10 years.

The release of the countercyclical capital buffer, the subsequent adjustment of the bank's target MREL capital ratio and the permanent positive effects on capital mean that the bank no longer requires the previously announced sum of approximately DKK 750 million to finance the non-preferred senior capital in 2020. The bank is not expected to require financing for non-preferred senior capital in 2021 and 2022. Despite this, the bank expects to make minor issues both in 2021 and 2022.

The bank's capital for covering the MREL requirement totalled DKK 11,668 million, equivalent to 30.0% of the total risk exposure on 30 June 2020. The excess cover relative to the MREL requirement on 30 June 2020 was thus 9.8 percentage points.

Share buy-back programme and capital reduction

The bank's annual general meeting in March 2020 authorised the board of directors, in accordance with applicable law, to permit the bank to acquire its own shares to a total nominal value of 10% of the bank's share capital.

The board of directors subsequently acted on the authorisation and initiated a share buy-back programme of DKK 150 million (of an expected total buy-back programme of DKK 300 million). On 30 March 2020, the board of directors decided to suspend the share buy-back programme in progress, based on a joint statement of 23 March 2020 made by the government and Finance Denmark. On 27 March 2020, 160,600 shares to a total value of DKK 57.5 million had been bought back.

Following the Danish FSA's recommendation of 26 June 2020, the bank's board of directors has decided not to buy back further shares or pay any dividends until the end of 2020. The bank expects to distribute dividend and establish a share buy-back programme again in 2021, based on the financial statements for 2020.

The annual general meeting further decided to cancel 433,475 of the bank's own shares. The capital reduction was finalised in May 2020.

The bank's actual share capital will thus be DKK 29,067,721 in nom. DKK 1 shares: see below.

	Number of shares
Beginning of 2020	29,661,796
May 2020	
Capital reduction completed by cancellation of own shares	-433,475
After the completed capital reduction	29,228,321
DKK 150 million share buy-back programme	
Bought under the share buy-back programme at the end of June 2020	-160,600
	29,067,721

The Supervisory Diamond

The bank complies with the Danish FSA's Supervisory Diamond which contains different benchmarks and associated limit values which Danish banks must observe.

The Supervisory Diamond benchmarks and limit values and the bank's key figures are given in the following table.

Benchmarks (Danish FSA limit values)	H1 2020	H1 2019	2019	2018	2017
Funding ratio (<1)	0.7	0.8	0.7	0.7	0.8
Liquidity benchmark (>100%)	222.5%	205.6%	193.2%	179.5%	-
Total large exposures (<175%)	103.8%	126.7%	121.0%	106.0%	136.1%
Growth in loans (<20%)	2.1%	8.0%	6.3%	72.3%*	10.7%
Real property exposure (<25%)	18.5%	14.4%	17.5%	15.8%	18.0%

* The increase was mainly caused by the merger with Nordjyske Bank. The pro forma growth in loans for the full year 2018 was 7.0%.

As shown above, Ringkjøbing Landbobank meets all five current limit values by a good margin.

Rating

The bank is rated by the international credit rating agency Moody's Investors Service. Moody's confirmed the bank's ratings on 22 April 2020, including A1 for long-term bank deposits and P-1 for short-term bank deposits, where the former is given a positive outlook. The bank is satisfied with this confirmation, which endorses the bank's robust business model.

Corona crisis

During the corona crisis we have seen it as an important part of our task to support our customers and business partners. Since March we have thus placed a strong emphasis on supporting our customers at a difficult time. The bank has carefully studied the aid packages that have been launched and its business departments have worked at full capacity. Business customer advisers have been in contact with the greater part of the customer portfolio to follow up on customers' circumstances and give them help and advice. The bank has also offered personal customers the possibility, at no charge, of deferring interest and capital repayments on loans.

The bank has also supported its suppliers, association activities and the local communities, partly by paying bills before they fall due and as soon as possible after receiving them, and partly by offering clubs and associations sponsored by the bank advances on agreed sponsorships. Further, the bank has inserted full-page advertisements in local daily and weekly newspapers in support of those media.

Finally, the bank naturally implemented a range of measures to protect its employees and lessen the risk of transmission of the virus.

In the second quarter of 2020, new IT workstations with video connections have been installed for all the bank's employees, enabling full service to the bank's customers during the corona crisis. The bank resumed physical customer meetings in May and the level of activity has increased steadily since then. Fortunately, none of the bank's employees has been infected with the coronavirus.

Strategy update 2020

In its report for the first quarter of 2020, the bank announced a strategy update. Overall, the bank will continue to have an organic growth strategy going forward and has decided to implement a number of initiatives to future-proof the foundations for a continued strong and competitive bank in West, Central and North Jutland for the benefit of its customers.

The initiatives included harmonisation of the management structure throughout the bank, combination of branches and automation of the last cashier functions.

All these initiatives were implemented during the second quarter of 2020. Two functions in North Jutland have been closed down and general managers Claus Andersen and Carl Pedersen have taken over the direct management of the branch network in North Jutland. The bank's branch in Nibe has been combined with the branch in Hasseris, and the branches in Sindal and Hirtshals have been combined with the branch in Hjørring. The automation of the last cashier functions means that they have been closed and replaced by ATMs where the customers can make both deposits and withdrawals in Danish kroner and euros.

The initiatives unfortunately meant that the bank had to part company with 20 employees through retirement or redundancy packages in the second quarter of 2020.

Expected results for 2020

On publication of the 2019 annual report, the bank announced its expectations for core earnings for 2020 in the range DKK 1,000-1,200 million and profit before tax in the range DKK 950-1,250 million.

On 23 March 2020 the bank downwardly adjusted its expected results for 2020 as a result of the corona crisis and the macroeconomic uncertainty arising from it, including falling prices of mortgage bonds, widening credit spreads of corporate bonds and expected higher impairment charges.

The updated expected results for 2020 were for core earnings in the range DKK 900-1,100 million and profit before tax in the range DKK 800-1,100 million.

The downwardly adjusted expectations remain valid.

Accounting policies

The bank changed its accounting policies at the beginning of 2020 because rules in the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc., compatible with the provisions of IFRS 16 – Leases, entered into force on 1 January 2020.

The changes in the rules and policies mean that the lessee is no longer required to distinguish between finance leasing and operating leasing for accounting purposes. The lessee must recognise all leasing contracts, including leases, as a lease asset representing the value of the right-of-use asset. On initial recognition the asset must be measured at the present value of the lease liability including costs and any prepayments. The present value of the agreed lease payments must be recognised as a liability at the same time. Assets leased on short-term contracts and low-value asset leases are exempt from the requirement for recognition of lease assets.

The rule and policy changes thus resulted in an increase of DKK 21 million in the bank's tangible assets and debts at the beginning of 2020. The effect on operations is insignificant since the bank has only entered into a limited number of leasing agreements/leases, mainly for the premises accommodating a few of its branches.

The accounting policies are otherwise unchanged relative to those in the submitted and audited 2019 annual report.

Key figures

	H1 2020	H1 2019	Full year 2019
Key figures for the bank (per cent)			
Profit before tax as a percentage of average equity, per annum	12.6	17.2	16.8
Net profit for the period as a percentage of average equity, per annum	10.1	13.3	13.2
Rate of costs	36.8	38.6	38.0
Common equity tier 1 capital ratio	18.1	13.8	15.0
Tier 1 capital ratio	18.1	13.8	15.0
Total capital ratio	22.1	17.4	20.3
MREL requirement – fixed by the Danish FSA	20.2	20.2	20.7
MREL capital ratio	30.0	24.1	27.5
Key figures per DKK 1 share (DKK)			
Core earnings	18.2	20.1	41.4
Net profit for the period	13.3	16.3	33.5
Book value	261.9	245.1	260.4
Share price, end of period	468.5	426.0	514.0
Basis of calculation, number of shares	29,067,721	29,503,396	29,228,321

Quarterly overviews

Core earnings

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
(DKK million)										
Net interest income	311	305	292	294	296	291	289	287	284	287
Net fee and commission income excluding securities trading	136	152	154	163	159	150	146	136	141	146
Income from sector shares etc.	35	35	36	36	36	37	39	34	49	38
Foreign exchange income	9	10	8	9	8	6	8	8	9	6
Other operating income	1	0	5	7	0	1	2	1	2	1
Total core income excluding securities trading	492	502	495	509	499	485	484	466	485	478
Securities trading	28	39	35	29	23	41	17	23	20	28
Total core income	520	541	530	538	522	526	501	489	505	506
Staff and administration expenses	190	191	202	180	198	198	221	203	217	206
Depreciation and write-downs on tangible assets	2	3	9	8	4	2	3	3	2	8
Other operating expenses	0	4	1	0	2	1	1	0	1	1
Total expenses etc.	192	198	212	188	204	201	225	206	220	215
Core earnings before impairment charges for loans	328	343	318	350	318	325	276	283	285	291
Impairment charges for loans and other receivables etc.	-66	-75	-25	-26	-24	-25	-25	-20	-11	+13
Core earnings	262	268	293	324	294	300	251	263	274	304
Result for the portfolio etc.	+29	-70	-4	+20	+7	+26	-20	+4	+3	+90
Amortisation and write-downs on intangible assets	4	4	4	3	4	4	4	3	12	6
Merger and restructuring costs	0	0	0	0	0	0	26	46	46	4
Non-recurring costs	0	0	0	0	0	0	1	0	69	0
Profit before tax	287	194	285	341	297	322	200	218	150	384
Tax	60	36	62	66	76	63	46	37	33	58
Net profit for the period	227	158	223	275	221	259	154	181	117	326

Quarterly overviews – continued

Balance sheet items and contingent liabilities

	End of Q2 2020	End of Q1 2020	End of Q4 2019	End of Q3 2019	End of Q2 2019	End of Q1 2019	End of Q4 2018	End of Q3 2018	End of Q2 2018	End of Q1 2018
(DKK million)										
Loans	35,260	36,130	35,465	34,757	34,528	34,195	33,350	32,192	31,970	31,647
Deposits including pooled schemes	39,670	37,051	38,128	38,554	39,070	37,439	36,993	36,866	37,313	36,307
Equity	7,612	7,380	7,610	7,426	7,231	7,071	7,189	7,171	7,066	6,644
Balance sheet total	53,984	51,531	52,941	53,601	52,426	50,266	49,651	49,287	49,859	47,349
Contingent liabilities	9,379	9,992	9,665	10,836	10,466	7,976	7,829	8,078	7,809	7,821

Statement of capital

	End of Q2 2020	End of Q1 2020	End of Q4 2019	End of Q3 2019	End of Q2 2019	End of Q1 2019	End of Q4 2018	End of Q3 2018	End of Q2 2018	End of Q1 2018
(DKK million)										
Common equity tier 1	7,060	6,197	6,178	5,731	5,547	5,391	5,444	5,213	5,092	5,185
Tier 1 capital	7,060	6,197	6,178	5,731	5,547	5,391	5,444	5,213	5,092	5,185
Total capital	8,596	8,097	8,350	7,894	6,961	6,775	6,831	6,586	6,464	5,757
MREL capital	11,668	11,074	11,356	10,898	9,659	9,140	9,181	-	-	-
Total risk exposure	38,900	41,444	41,223	39,547	40,106	38,308	36,385	34,123	33,784	34,314
(Per cent)										
Common equity tier 1 capital ratio	18.1	15.0	15.0	14.5	13.8	14.1	15.0	15.3	15.1	15.1
Tier 1 capital ratio	18.1	15.0	15.0	14.5	13.8	14.1	15.0	15.3	15.1	15.1
Total capital ratio	22.1	19.5	20.3	20.0	17.4	17.7	18.8	19.3	19.1	16.8
MREL capital ratio	30.0	26.7	27.5	27.6	24.1	23.9	25.2	-	-	-

Statements of income and comprehensive income

Note		H1 2020 DKK 1,000	H1 2019 DKK 1,000	Full year 2019 DKK 1,000
1	Interest income	680,406	650,357	1,299,449
2	Interest expenses	62,799	63,800	131,144
	Net interest income	617,607	586,557	1,168,305
3	Dividends from shares etc.	71,106	69,369	70,409
4	Fee and commission income	398,037	409,599	833,082
4	Fee and commission expenses	42,604	36,675	78,541
	Net interest and fee income	1,044,146	1,028,850	1,993,255
5	Value adjustments	-19,850	+55,538	+168,906
	Other operating income	619	1,185	13,582
6,7	Staff and administration expenses	380,689	396,054	778,458
	Amortisation, depreciation and write-downs on intangible and tangible assets	12,866	13,676	37,959
	Other operating expenses	4,218	2,352	3,934
8,12	Impairment charges for loans and other receivables etc.	-145,938	-54,212	-110,172
	Results from investments in associated companies and group undertakings	0	0	+201
	Profit before tax	481,204	619,279	1,245,421
9	Tax	95,952	138,814	267,156
	Net profit for the period	385,252	480,465	978,265
	Other comprehensive income:			
	Value changes in pension liabilities	0	+59	+50
	Total comprehensive income for the period	385,252	480,524	978,315

Core earnings

Note	H1 2020 DKK 1,000	H1 2019 DKK 1,000	Full year 2019 DKK 1,000
	616,265	586,907	1,173,085
4	288,490	309,137	626,349
4	69,626	72,540	144,702
	18,725	14,014	30,749
	619	1,185	13,582
	993,725	983,783	1,988,467
4	66,943	63,787	128,192
	1,060,668	1,047,570	2,116,659
6,7	380,689	396,054	778,458
	5,366	6,176	22,959
	4,218	2,352	3,934
	390,273	404,582	805,351
	670,395	642,988	1,311,308
	-140,790	-49,064	-99,876
	529,605	593,924	1,211,432
	-40,901	+32,855	+48,989
	7,500	7,500	15,000
	481,204	619,279	1,245,421
9	95,952	138,814	267,156
	385,252	480,465	978,265

Balance sheet

Note		30 June 2020 DKK 1,000	30 June 2019 DKK 1,000	31 December 2019 DKK 1,000
	Assets			
	Cash in hand and demand deposits with central banks	688,104	642,261	685,380
10	Receivables from credit institutions and central banks	3,950,526	4,397,988	2,668,915
11,12,13	Total loans and other receivables at amortised cost	35,259,875	34,528,105	35,465,416
	Loans and other receivables at amortised cost	34,021,803	33,313,097	34,205,433
	Wind turbine loans etc. with direct funding	1,238,072	1,215,008	1,259,983
14	Bonds at fair value	6,575,542	5,483,535	6,773,533
15	Shares etc.	1,297,597	1,470,012	1,290,523
	Investments in associated companies	457	480	457
	Investments in group undertakings	12,035	11,811	12,035
16	Assets linked to pooled schemes	4,240,387	4,096,130	4,276,344
17	Intangible assets	1,042,338	1,057,338	1,049,838
	Total land and buildings	221,320	225,480	208,881
	Investment properties	11,567	12,407	11,567
	Domicile properties	189,735	213,073	197,314
	Domicile properties (leasing)	20,018	-	-
	Other tangible assets	18,466	22,068	20,055
	Current tax assets	0	0	37,044
	Deferred tax assets	1,828	0	3,849
	Temporary assets	9,115	4,643	3,756
	Other assets	648,719	468,504	423,606
	Prepayments	17,964	17,591	21,262
	Total assets	53,984,273	52,425,946	52,940,894

Balance sheet – continued

Note		30 June 2020 DKK 1,000	30 June 2019 DKK 1,000	31 December 2019 DKK 1,000
	Liabilities and equity			
18	Debt to credit institutions and central banks	2,106,397	2,082,752	2,172,765
	Total deposits and other debt	39,670,395	39,070,014	38,127,837
19	Deposits and other debt	35,430,008	34,973,884	33,851,493
	Deposits in pooled schemes	4,240,387	4,096,130	4,276,344
20	Issued bonds at amortised cost	2,363,398	1,860,981	2,212,709
	Preferred senior capital	1,034,703	1,145,865	1,030,961
	Non-preferred senior capital	1,328,695	715,116	1,181,748
	Current tax liabilities	17,720	51,680	0
	Other liabilities	561,724	561,274	531,576
	Deferred income	2,129	3,761	1,841
	Total debt	44,721,763	43,630,462	43,046,728
	Provisions for pensions and similar liabilities	2,121	2,823	2,398
	Provisions for deferred tax	0	2,458	0
12	Provisions for losses on guarantees	63,142	77,051	58,694
12	Other provisions for liabilities	34,597	22,802	22,341
	Total provisions for liabilities	99,860	105,134	83,433
	Tier 2 capital	1,551,091	1,459,018	2,200,857
21	Total subordinated debt	1,551,091	1,459,018	2,200,857
22	Share capital	29,228	29,662	29,662
	Net revaluation reserve under the equity method	419	218	419
	Retained earnings	7,581,912	7,201,452	7,252,515
	Proposed dividend etc.	-	-	327,280
	Total shareholders' equity	7,611,559	7,231,332	7,609,876
	Total liabilities and equity	53,984,273	52,425,946	52,940,894
23	Own shares			
24	Contingent liabilities etc.			
25	Assets provided as security			
	Credit risk			
26	Loans and guarantees in per cent, by sector and industry			
27	Loans, guarantees and unutilised credit facilities and loan undertakings by credit quality and IFRS 9 stages			
28	Miscellaneous comments			

Statement of changes in equity

DKK 1,000	Share capital	Net revaluation reserve under the equity method	Retained earnings	Proposed dividend etc.	Total shareholders' equity
As at 30 June 2020					
Shareholders' equity at the end of the previous financial year	29,662	419	7,252,515	327,280	7,609,876
Reduction of share capital	-434		434		0
Dividend etc. paid				-327,280	-327,280
Dividend received on own shares			4,966		4,966
Purchase of own shares			-421,125		-421,125
Sale of own shares			351,851		351,851
Other equity transactions (employee shares)			8,019		8,019
Total comprehensive income for the period			385,252		385,252
Shareholders' equity on the balance sheet date	29,228	419	7,581,912	0	7,611,559

DKK 1,000	Share capital	Net revaluation reserve under the equity method	Retained earnings	Proposed dividend etc.	Total shareholders' equity
As at 30 June 2019:					
Shareholders' equity at the end of the previous financial year	30,994	218	6,847,035	310,443	7,188,690
Reduction of share capital	-1,332		1,332		0
Dividend etc. paid				-310,443	-310,443
Dividend received on own shares			13,332		13,332
Purchase of own shares			-603,834		-603,834
Sale of own shares			458,869		458,869
Other equity transactions (employee shares)			4,194		4,194
Total comprehensive income for the period			480,524		480,524
Shareholders' equity on the balance sheet date	29,662	218	7,201,452	0	7,231,332

Statement of changes in equity – continued

DKK 1,000	Share capital	Net revaluation reserve under the equity method	Retained earnings	Proposed dividend etc.	Total shareholders' equity
As at 31 December 2019:					
Shareholders' equity at the end of the previous financial year	30,994	218	6,847,035	310,443	7,188,690
Reduction of share capital	-1,332		1,332		0
Dividend etc. paid				-310,443	-310,443
Dividend received on own shares			13,332		13,332
Purchase of own shares			-906,758		-906,758
Sale of own shares			634,280		634,280
Other equity transactions (employee shares)			12,460		12,460
Total comprehensive income for the year		201	650,834	327,280	978,315
Shareholders' equity on the balance sheet date	29,662	419	7,252,515	327,280	7,609,876

Statement of capital

	30 June 2020 DKK 1,000	30 June 2019 DKK 1,000	31 December 2019 DKK 1,000
Credit risk	33,777,036	35,581,966	35,824,915
Market risk	2,216,053	2,261,022	2,491,568
Operational risk	2,906,665	2,262,571	2,906,665
Total risk exposure	38,899,754	40,105,559	41,223,148
Shareholders' equity	7,611,559	7,231,332	7,609,876
Proposed dividend etc.	-	-	-327,280
Deduction for expected dividend	-147,167	-225,357	-
Addition for transition programme concerning IFRS 9	757,632	136,653	136,653
Deduction for the sum of equity investments etc. above 10%	-77,055	-375,946	-149,246
Deduction for prudent valuation	-16,151	-15,491	-15,233
Deduction for intangible assets	-1,042,338	-1,057,338	-1,049,838
Deferred tax on intangible assets	26,198	29,498	27,848
Deduction of amounts of share buy-back programmes	-57,504	-190,000	0
Actual utilisation of amounts of share buy-back programmes	57,504	67,557	0
Deduction for trading limit for own shares	-55,000	-55,000	-55,000
Actual utilisation of the trading limit for own shares	2,525	1,549	126
Common equity tier 1	7,060,203	5,547,457	6,177,906
Tier 1 capital	7,060,203	5,547,457	6,177,906
Tier 2 capital	1,545,435	1,448,188	2,195,418
Deduction for the sum of equity investments etc. above 10%	-10,068	-34,205	-23,454
Total capital	8,595,570	6,961,440	8,349,870
Contractual senior funding (grandfathered)	1,766,956	1,990,467	1,824,492
Non-preferred senior capital	1,305,902	706,994	1,181,431
MREL capital	11,668,428	9,658,901	11,355,793

Statement of capital – continued

	30 June 2020 DKK 1,000	30 June 2019 DKK 1,000	31 December 2019 DKK 1,000
Common equity tier 1 capital ratio (%)	18.1	13.8	15.0
Tier 1 capital ratio (%)	18.1	13.8	15.0
Total capital ratio (%)	22.1	17.4	20.3
MREL capital ratio (%)	30.0	24.1	27.5
Pillar I capital requirements	3,111,980	3,208,445	3,297,852
Individual solvency requirement (%)	9.3	9.2	9.3
Capital conservation buffer (%)	2.5	2.5	2.5
Countercyclical buffer (%)	0.0	0.5	1.0
Total requirement for the bank's total capital (%)	11.8	12.2	12.8
Excess cover in percentage points relative to individual solvency requirement	12.8	8.2	11.0
Excess cover in percentage points relative to total requirement for total capital	10.3	5.2	7.5
MREL requirement (%) – fixed by the Danish FSA	20.2	20.2	20.7
Excess cover in percentage points relative to MREL requirement	9.8	3.9	6.8

Notes

Note	H1 2020 DKK 1,000	H1 2019 DKK 1,000	Full year 2019 DKK 1,000
1 Interest income			
Receivables from credit institutions and central banks – net	-8,786	-6,440	-12,804
Loans and other receivables	629,492	638,619	1,272,826
Discounts – amortisation concerning loans taken over etc.	5,148	5,148	10,296
Loans – interest on the impaired part of loans	-31,982	-34,332	-68,853
Bonds – net	4,820	14,237	17,314
Total derivative financial instruments – net	11,266	10,323	26,043
of which currency contracts – net	8,017	7,650	10,589
of which interest-rate contracts – net	3,249	2,673	15,454
Other interest income	1,762	2,092	4,594
Total interest income	611,720	629,647	1,249,416
Negative interest income transferred to interest expenses			
Receivables from credit institutions and central banks	9,842	7,311	14,260
Bonds	4,383	1,698	9,838
Total derivative financial instruments	2,988	2,554	3,937
of which currency contracts	776	829	1,199
of which interest-rate contracts	2,212	1,725	2,738
Total negative interest income transferred to interest expenses	17,213	11,563	28,035
Negative interest expenses transferred from interest expenses			
Debt to credit institutions and central banks	76	102	273
Deposits and other debt	51,397	9,045	21,725
Total negative interest expenses transferred from interest expenses	51,473	9,147	21,998
Total interest income	680,406	650,357	1,299,449

Notes – continued

Note	H1 2020 DKK 1,000	H1 2019 DKK 1,000	Full year 2019 DKK 1,000
2 Interest expenses			
Debt to credit institutions and central banks – net	6,051	6,215	12,197
Deposits and other debt – net	-40,854	10,291	9,725
Issued bonds	10,285	7,339	17,131
Subordinated debt	18,000	19,044	41,932
Other interest expenses	631	201	126
Total interest expenses	-5,887	43,090	81,111
Negative interest expenses transferred to interest income			
Debt to credit institutions and central banks	76	102	273
Deposits and other debt	51,397	9,045	21,725
Total negative interest expenses transferred to interest income	51,473	9,147	21,998
Negative interest income transferred from interest income			
Receivables from credit institutions and central banks	9,842	7,311	14,260
Bonds	4,383	1,698	9,838
Total derivative financial instruments	2,988	2,554	3,937
of which currency contracts	776	829	1,199
of which interest-rate contracts	2,212	1,725	2,738
Total negative interest income transferred from interest income	17,213	11,563	28,035
Total interest expenses	62,799	63,800	131,144
3 Dividends from shares etc.			
Shares	71,106	69,369	70,409
Total dividends from shares etc.	71,106	69,369	70,409
4 Gross fee and commission income			
Securities trading	75,915	68,270	137,452
Asset management and custody accounts	81,868	80,515	160,958
Payment handling	49,041	56,416	113,046
Loan fees	41,489	45,736	115,134
Guarantee commission and mortgage credit commission etc.	108,865	108,018	217,465
Other fees and commission	40,859	50,644	89,027
Total gross fee and commission income	398,037	409,599	833,082
Net fee and commission income			
Securities trading	66,943	63,787	128,192
Asset management and custody accounts	72,547	73,261	147,859
Payment handling	31,979	41,452	79,241
Loan fees	37,938	41,991	103,805
Guarantee commission and mortgage credit commission etc.	108,865	108,018	217,465
Other fees and commission	37,161	44,415	77,979
Total net fee and commission income	355,433	372,924	754,541
Foreign exchange income	18,725	14,014	30,749
Total net fee, commission and foreign exchange income	374,158	386,938	785,290

Notes – continued

Note	H1 2020 DKK 1,000	H1 2019 DKK 1,000	Full year 2019 DKK 1,000
5 Value adjustments			
Other loans and receivables, fair value adjustment	1,453	5,298	2,675
Bonds	-30,958	31,707	31,350
Shares etc.	-5,409	7,457	101,018
Investment properties	0	1,018	-256
Foreign exchange	18,725	14,014	30,749
Total derivative financial instruments	23,894	33,875	26,136
of which currency contracts	21,332	16,526	12,711
of which interest-rate contracts	2,556	17,149	13,071
of which share contracts	6	200	354
Assets linked to pooled schemes	-196,275	249,802	417,435
Deposits in pooled schemes	196,275	-249,802	-417,435
Issued bonds	-28,169	-28,316	-17,325
Other liabilities	614	-9,515	-5,441
Total value adjustments	-19,850	55,538	168,906
6 Staff and administration expenses			
Payments and fees to general management, board of directors and shareholders' committee			
General management	7,965	7,558	15,840
Board of directors	1,585	1,538	3,075
Shareholders' committee	0	0	781
Total	9,550	9,096	19,696
Staff expenses			
Salaries	178,657	175,156	362,703
Pensions	21,761	18,979	39,478
Social security expenses	3,367	3,484	6,444
Costs depending on number of staff	30,350	30,074	56,420
Total	234,135	227,693	465,045
Other administration expenses	137,004	159,265	293,717
Total staff and administration expenses	380,689	396,054	778,458
7 Number of full-time employees			
Average number of employees during the period converted into full-time employees	645	663	657
Number of full-time employees at the end of the period	640	648	652
8 Impairment charges for loans and other receivables etc.			
Net changes in impairment charges for loans and other receivables, etc. and provisions for losses on guarantees and unutilised credit facilities	184,363	-47,842	-8,762
Actual realised net losses	-6,443	136,386	187,787
Interest on the impaired part of loans	-31,982	-34,332	-68,853
Total impairment charges for loans and other receivables etc.	145,938	54,212	110,172

Notes – continued

Note	H1 2020 DKK 1,000	H1 2019 DKK 1,000	Full year 2019 DKK 1,000
9 Tax			
Tax calculated on income for the year	91,600	126,227	250,816
Adjustment of deferred tax	2,004	10,221	3,914
Adjustment of tax calculated for previous years	2,348	2,366	12,426
Total tax	95,952	138,814	267,156
Effective tax rate (%):			
Tax rate currently paid by the bank	22.0	22.0	22.0
Permanent deviations	-2.6	0.0	-1.5
Adjustment of tax calculated for previous years	0.5	0.4	1.0
Total effective tax rate	19.9	22.4	21.5

Note	30 June 2020 DKK 1,000	30 June 2019 DKK 1,000	31 December 2019 DKK 1,000
10 Receivables from credit institutions and central banks			
Demand	267,102	294,622	132,760
Up to and including 3 months	3,633,424	4,053,366	2,486,155
More than 3 months and up to and including 1 year	0	0	0
More than 1 year and up to and including 5 years	5,000	5,000	5,000
More than 5 years	45,000	45,000	45,000
Total receivables from credit institutions and central banks	3,950,526	4,397,988	2,668,915
11 Loans and other receivables at amortised cost			
Demand	3,185,101	3,735,793	3,503,230
Up to and including 3 months	2,768,568	3,287,320	1,646,467
More than 3 months and up to and including 1 year	6,361,359	5,178,483	8,170,271
More than 1 year and up to and including 5 years	10,163,551	10,123,410	9,543,370
More than 5 years	12,781,296	12,203,099	12,602,078
Total loans and other receivables at amortised cost	35,259,875	34,528,105	35,465,416

Notes – continued

Note	Stage 1 DKK 1,000	Stage 2 DKK 1,000	Stage 3 DKK 1,000	Total DKK 1,000
12				
Impairment charges for loans and other receivables and provisions for losses on guarantees, unutilised credit facilities and loan undertakings				
Impairment charges and provisions – by stages				
As at 30 June 2020				
Loans and other receivables at amortised cost	206,485	1,026,425	885,359	2,118,269
Guarantees	18,467	23,698	20,977	63,142
Unutilised credit facilities and loan undertakings	16,601	17,996	0	34,597
Total impairment charges and provisions by stages	241,553	1,068,119	906,336	2,216,008
of which management's estimates	95,152	328,620	100,000	523,772
As at 30 June 2019				
Loans and other receivables at amortised cost	135,425	301,787	1,455,499	1,892,711
Guarantees				77,052
Unutilised credit facilities and loan undertakings				22,802
Total impairment charges and provisions by stages				1,992,565
of which management's estimates				63,000
As at 31 December 2019				
Loans and other receivables at amortised cost	116,610	372,618	1,461,382	1,950,610
Guarantees				58,694
Unutilised credit facilities and loan undertakings				22,341
Total impairment charges and provisions by stages				2,031,645
of which management's estimates				126,000

Note	30 June 2020 DKK 1,000	30 June 2019 DKK 1,000	31 December 2019 DKK 1,000
12			
Impairment charges for loans and other receivables and provisions for losses on guarantees, unutilised credit facilities and loan undertakings – continued			
In addition to the above, a discount on loans and guarantees taken over from Nordjyske Bank amounted to	30,246	40,543	35,395
The above includes the following stage 3 impairment charges and provisions taken over from Nordjyske Bank:			
Cumulative stage 3 impairment charges and provisions at the end of the previous financial year	507,433	839,529	839,529
Change during the period	-186,248	-129,907	-332,096
Total stage 3 impairment charges and provisions taken over	321,185	709,622	507,433

Notes – continued

Note	Stage 1 DKK 1,000	Stage 2 DKK 1,000	Stage 3 DKK 1,000	Total DKK 1,000	Impair- ment charges etc. taken to income state- ment DKK 1,000
12					
Impairment charges for loans and other receivables and provisions for losses on guarantees, unutilised credit facilities and loan undertakings – continued					
Impairment charges and provisions					
As at 30 June 2020					
Impairment charges and provisions at the end of the previous financial year	136,729	404,006	1,490,910	2,031,645	-
Impairment charges and provisions for new exposures during the period, including new accounts for existing customers	53,772	45,382	110,374	209,528	209,528
Reversed impairment charges and provisions for repaid accounts	-22,567	-40,101	-151,183	-213,851	-213,851
Change in impairment charges and provisions at beginning of year for/from stage 1	77,271	-34,537	-42,734	0	0
Change in impairment charges and provisions at beginning of year for/from stage 2	-6,897	612,243	-605,346	0	0
Change in impairment charges and provisions at beginning of year for/from stage 3	-778	-3,395	4,173	0	0
Impairment charges and provisions during the year resulting from credit risk change	4,023	84,521	115,536	204,080	204,080
Previously written down, now definitively lost	-	-	-15,394	-15,394	-
Lost, not previously written down	-	-	-	-	11,989
Received on receivables previously written off	-	-	-	-	-65,808
Total impairment charges and provisions	241,553	1,068,119	906,336	2,216,008	145,938
of which regarding credit institutions etc.	2,586	0	0	2,586	1,675

Notes – continued

Note	Stage 1 DKK 1,000	Stage 2 DKK 1,000	Stage 3 DKK 1,000	Total DKK 1,000
12				
Impairment charges for loans and other receivables and provisions for losses on guarantees, unutilised credit facilities and loan undertakings – continued				
Impairment charges and provisions				
As at 30 June 2019				
Impairment charges and provisions at the end of the previous financial year	182,963	287,175	1,570,270	2,040,407
Impairment charges and provisions / value adjustments during the period	47,291	170,662	248,927	466,880
Reversed impairment charges and provisions during the period	-64,181	-122,021	-181,517	-367,719
Previously written down, now definitively lost	-	-	-147,003	-147,003
Total impairment charges and provisions	166,073	335,816	1,490,677	1,992,565
of which regarding credit institutions etc.	3,503	0	0	3,503

Notes – continued

Note	Stage 1 DKK 1,000	Stage 2 DKK 1,000	Stage 3 DKK 1,000	Total DKK 1,000	Impair- ment charges etc. taken to income state- ment DKK 1,000
12					
Impairment charges for loans and other receivables and provisions for losses on guarantees, unutilised credit facilities and loan undertakings – continued					
Impairment charges and provisions					
As at 31 December 2019					
Impairment charges and provisions at the end of the previous financial year	182,963	287,175	1,570,269	2,040,407	-
Impairment charges and provisions for new exposures during the year, including new accounts for existing customers	45,424	62,994	237,441	345,859	345,859
Reversed impairment charges and provisions for repaid accounts	-41,510	-58,905	-123,638	-224,053	-224,053
Change in impairment charges and provisions at beginning of year for/from stage 1	80,160	-53,806	-26,354	0	0
Change in impairment charges and provisions at beginning of year for/from stage 2	-14,884	171,067	-156,183	0	0
Change in impairment charges and provisions at beginning of year for/from stage 3	-14,067	-7,405	21,472	0	0
Impairment charges and provisions during the year resulting from credit risk change	-101,357	2,886	170,066	71,595	71,595
Previously written down, now definitively lost	-	-	-202,163	-202,163	-
Lost, not previously written down	-	-	-	-	6,452
Received on receivables previously written off	-	-	-	-	-89,681
Total impairment charges and provisions	136,729	404,006	1,490,910	2,031,645	110,172
of which regarding credit institutions etc.	911	0	0	911	354

Notes – continued

Note	30 June 2020 DKK 1,000	30 June 2019 DKK 1,000	31 December 2019 DKK 1,000
13	Suspended calculation of interest		
	Loans and other receivables with suspended calculation of interest on the balance sheet date		
	210,744	247,380	212,195
14	Bonds at fair value		
	Listed on the stock exchange		
	6,575,542	5,483,535	6,773,533
	6,575,542	5,483,535	6,773,533
15	Shares etc.		
	Listed on Nasdaq Copenhagen		
	5,328	9,003	6,094
	Investment fund certificates		
	20,407	28,640	32,598
	Unlisted shares at fair value		
	12,204	14,918	15,576
	Sector shares at fair value		
	1,259,658	1,417,451	1,236,255
	1,297,597	1,470,012	1,290,523
16	Assets linked to pooled schemes		
	Cash deposits		
	9,838	26,141	50,067
	Bonds:		
	Index-linked bonds		
	0	26,598	61,673
	Other bonds		
	1,635,854	1,481,830	1,459,712
	1,635,854	1,508,428	1,521,385
	Shares:		
	Other shares		
	583,278	450,674	531,933
	Investment fund certificates		
	2,011,417	2,110,887	2,172,959
	2,594,695	2,561,561	2,704,892
	4,240,387	4,096,130	4,276,344
17	Intangible assets		
	Goodwill		
	Cost at the end of the previous financial year		
	923,255	923,255	923,255
	Total cost on the balance sheet date		
	923,255	923,255	923,255
	Write-downs at the end of the previous financial year		
	0	0	0
	Write-downs for the period		
	0	0	0
	Total write-downs on the balance sheet date		
	0	0	0
	923,255	923,255	923,255
	Customer relationships		
	Cost at the end of the previous financial year		
	150,000	150,000	150,000
	Total cost on the balance sheet date		
	150,000	150,000	150,000
	Amortisation at the end of the previous financial year		
	23,417	8,417	8,417
	Amortisation for the period		
	7,500	7,500	15,000
	Total amortisation on the balance sheet date		
	30,917	15,917	23,417
	119,083	134,083	126,583
	1,042,338	1,057,338	1,049,838

Notes – continued

Note	30 June 2020 DKK 1,000	30 June 2019 DKK 1,000	31 December 2019 DKK 1,000
18 Debt to credit institutions and central banks			
Demand	700,603	699,810	744,719
Up to and including 3 months	106,291	21,197	49,588
More than 3 months and up to and including 1 year	163,762	126,722	172,328
More than 1 year and up to and including 5 years	590,736	730,346	686,368
More than 5 years	545,005	504,677	519,762
Total debt to credit institutions and central banks	2,106,397	2,082,752	2,172,765
19 Deposits and other debt			
Demand	29,139,020	27,814,606	27,360,670
Deposits and other debt with notice:			
Up to and including 3 months	936,063	849,210	719,625
More than 3 months and up to and including 1 year	1,855,910	2,061,067	1,831,691
More than 1 year and up to and including 5 years	1,259,521	1,280,635	1,281,235
More than 5 years	2,339,494	2,968,366	2,658,272
Total deposits and other debt	35,430,008	34,973,884	33,851,493
Distributed as follows:			
Demand	29,009,745	27,614,447	27,230,601
With notice	1,924,570	1,900,014	1,803,540
Time deposits	624,097	712,459	437,582
Long-term deposit agreements	1,338,331	1,505,593	1,394,999
Special types of deposits	2,533,265	3,241,371	2,984,771
	35,430,008	34,973,884	33,851,493
20 Issued bonds at amortised cost			
More than 1 year and up to and including 5 years	1,676,433	1,268,185	1,550,609
More than 5 years	686,965	592,796	662,100
Total issued bonds at amortised cost	2,363,398	1,860,981	2,212,709
21 Subordinated debt			
Tier 2 capital:			
Fixed-rate loan, principal of DKK 275 million, maturity date 27 February 2025 (redeemed on 27 February 2020)	-	275,000	275,000
Floating-rate loan, principal of EUR 50 million, maturity date 20 May 2025 (redeemed on 20 May 2020)	-	373,188	373,473
Fixed-rate loan, principal of DKK 500 million, maturity date 13 June 2028	500,000	500,000	500,000
Floating-rate loan, principal of EUR 100 million, maturity date 22 August 2029	745,435	-	746,945
Floating-rate loan, principal of DKK 300 million, maturity date 13 June 2030	300,000	300,000	300,000
Adjustment to amortised cost and fair value adjustment	5,656	10,380	5,439
Total subordinated debt	1,551,091	1,459,018	2,200,857
22 Share capital			
Number of DKK 1 shares			
Beginning of period	29,661,796	30,994,258	30,994,258
Cancelled during the period	-433,475	-1,332,462	-1,332,462
End of period	29,228,321	29,661,796	29,661,796
of which reserved for subsequent cancellation	160,600	158,400	433,475
Total share capital	29,228	29,662	29,662

Notes – continued

Note	30 June 2020 DKK 1,000	30 June 2019 DKK 1,000	31 December 2019 DKK 1,000
23 Own shares			
Own shares included in the balance sheet at	0	0	0
Market value	77,776	69,027	222,933
Number of own shares:			
Beginning of period	433,721	1,125,666	1,125,666
Purchased during the period	1,009,724	1,539,187	2,202,299
Sold during the period	-843,980	-1,170,355	-1,561,782
Cancelled during the period	-433,475	-1,332,462	-1,332,462
End of period	165,990	162,036	433,721
of which reserved for subsequent cancellation	160,600	158,400	433,475
Nominal value of holding of own shares, end of period	166	162	434
Own shares' proportion of share capital, end of period (%)	0.6	0.5	1.5
24 Contingent liabilities etc.			
Contingent liabilities			
Financial guarantees	2,943,005	2,894,211	2,607,892
Guarantees against losses on mortgage credit loans	2,661,206	2,381,148	2,562,301
Registration and refinancing guarantees	2,925,519	4,393,962	3,685,346
Sector guarantees	104,802	104,802	104,802
Other contingent liabilities	744,079	691,991	704,333
Total contingent liabilities	9,378,611	10,466,114	9,664,674
Other contractual obligations			
Irrevocable credit commitments etc.	0	541,000	281,000
Total other contractual obligations	0	541,000	281,000
25 Assets provided as security			
First-mortgage loans are provided for renewable energy projects. The loans are funded directly by KfW Bankengruppe, to which security in the associated loans has been provided. Each reduction of the first-mortgage loans is deducted directly from the funding at KfW Bankengruppe.			
The balance sheet item is	1,238,072	1,215,008	1,259,983
As collateral for clearing and raising of loans, the bank has pledged securities to the central bank of Denmark at a market price of	309,807	185,960	180,113
Amount deposited in a cover-for-liabilities account as security for a loss limit with regard to the Danish Growth Fund as a consequence of Ringkjøbing Landbobank's ownership interest in Landbrugets Finansieringsbank	378	417	379
Collateral under CSA agreements etc.	44,110	49,592	46,270

Notes – continued

Note		Stage 1 DKK 1,000	Stage 2 DKK 1,000	Stage 3 DKK 1,000	Credit- impaired on initial recogni- tion DKK 1,000	Total DKK 1,000	Total %
27	Loans, guarantees and unutilised credit facilities and loan undertakings by credit quality and IFRS 9 stages						
	As at 30 June 2020						
	Credit quality						
	High	45,626,332	148,067	0	0	45,774,399	72%
	Medium	8,688,157	1,793,429	0	0	10,481,586	16%
	Low	1,745,464	4,493,542	0	0	6,239,006	10%
	Credit-impaired	0	0	955,858	463,229	1,419,087	2%
	Total	56,059,953	6,435,038	955,858	463,229	63,914,078	100%
	Impairment charges etc.	241,553	1,068,119	585,151	321,185	2,216,008	
	As at 31 Dec. 2019						
	Credit quality						
	High	46,888,753	184,277	0	0	47,073,030	74%
	Medium	7,953,793	1,307,302	0	0	9,261,095	14%
	Low	1,566,051	3,671,773	0	0	5,237,824	8%
	Credit-impaired	0	0	1,830,870	671,832	2,502,702	4%
	Total	56,408,597	5,163,352	1,830,870	671,832	64,074,651	100%
	Impairment charges etc.	136,729	404,006	983,477	507,433	2,031,645	
28	Miscellaneous comments						
	The statement of core earnings for 2016, 2017 and 2018 on pages 1 and 5 and the income statement items for the first and second quarters of 2018 in “Core earnings” in the quarterly overview on page 14 were calculated pro forma by adding up figures from Ringkjøbing Landbobank’s statement of the alternative measure of performance “Core earnings” and pro forma figures from Nordjyske Bank, converted and adjusted to Ringkjøbing Landbobank’s statement of the alternative performance measure “Core earnings”.						
	Balance sheet items and contingent liabilities, as well as capital ratios, in the quarterly overviews of “Balance sheet items and contingent liabilities” and “Statement of capital” for the first quarter of 2018, on page 15, were calculated pro forma by a simple adding up of figures from the respective accounts from Ringkjøbing Landbobank and Nordjyske Bank, without any adjustments.						
	Core earnings per share on page 5 are stated for the “old” Ringkjøbing Landbobank up to and including 2017, pro forma for 2018 and for the merged bank from 2019.						
	In note 27 no comparative figures are given on 30 June 2019 because it is not possible to compute these retrospectively.						

Main figures

Summary of income statement (DKK million)	H1 2020	H1 2019	Full year 2019
Net interest income	618	587	1,168
Dividends from shares etc.	71	69	70
Net fee and commission income	355	373	755
Net interest and fee income	1,044	1,029	1,993
Value adjustments	-20	+56	+169
Other operating income	1	1	13
Staff and administration expenses	381	396	778
Amortisation, depreciation and write-downs on intangible and tangible assets	13	14	38
Other operating expenses	4	3	4
Impairment charges for loans and receivables etc.	-146	-54	-110
Profit before tax	481	619	1,245
Tax	96	139	267
Net profit for the period	385	480	978

Main figures from the balance sheet (DKK million)	30 June 2020	30 June 2019	31 December 2019
Loans and other receivables at amortised cost	35,260	34,528	35,465
Deposits and other debt including pooled schemes	39,670	39,070	38,128
Subordinated debt	1,551	1,459	2,201
Equity	7,612	7,231	7,610
Balance sheet total	53,984	52,426	52,941

The Danish FSA's official key figures/ratios etc. for Danish banks

		H1 2020	H1 2019	2019
Capital ratios:				
Total capital ratio	%	22.1	17.4	20.3
Tier 1 capital ratio	%	18.1	13.8	15.0
Individual solvency requirement	%	9.3	9.2	9.3
MREL requirement – fixed by the Danish FSA	%	20.2	20.2	20.7
MREL capital ratio	%	30.0	24.1	27.5
Earnings:				
Return on equity before tax	%	6.3	8.6	16.8
Return on equity after tax	%	5.1	6.7	13.2
Income/cost ratio	DKK	1.89	2.33	2.34
Return on assets	%	0.7	0.9	1.8
Market risk:				
Interest rate risk	%	1.2	0.8	0.9
Foreign exchange position	%	2.1	1.6	1.4
Foreign exchange risk	%	0.0	0.0	0.0
Liquidity risk:				
Liquidity Coverage Ratio (LCR)	%	239	214	204
Loans and impairments thereon relative to deposits	%	94.2	93.2	98.1
Credit risk:				
Loans relative to shareholders' equity		4.6	4.8	4.7
Growth in loans	%	-0.6	3.5	6.3
Total large exposures (<175%)	%	103.8	126.7	121.0
Cumulative impairment ratio	%	4.7	4.2	4.3
Impairment ratio	%	0.31	0.12	0.21
Proportion of receivables at reduced interest	%	0.4	0.5	0.4
Share return:				
Earnings per share*/***	DKK	1,321.8	1,618.6	3,310.7
Book value per share**/	DKK	26,190	24,513	26,036
Dividend per share*	DKK	0	0	1,100
Market price relative to earnings per share*/***		35.4	26.3	15.5
Market price relative to book value per share**/		1.79	1.74	1.97

* Calculated on the basis of a denomination of DKK 100 per share.

** Calculated on the basis of number of shares in circulation at the end of the period.

*** Calculated on the basis of the average number of shares. The average number of shares is calculated as a simple average of the shares at the beginning and the end of the period.

Management statement

The board of directors and the general management have today discussed and approved the interim report of Ringkjøbing Landbobank A/S for the period 1 January to 30 June 2020.

The interim report is drawn up in accordance with the provisions of the Danish Financial Business Act and other Danish disclosure requirements for listed financial companies. We consider the chosen accounting policies to be appropriate and the estimates made responsible, so that the interim report provides a true and fair view of the bank's assets, liabilities and financial position as at 30 June 2020 and of the result of the bank's activities for the period 1 January to 30 June 2020. We also believe that the management's review contains a true and fair account of the development in the bank's activities and financial circumstances as well as a description of the most important risks and uncertainties which can affect the bank.

The interim report has not been audited or reviewed, but the bank's external auditors have verified the profit by carrying out procedures corresponding to those required for a review and have thereby checked that the conditions for ongoing recognition of the profit for the period in the common equity tier 1 capital have been met.

Ringkjøbing, 5 August 2020

General management:

John Fisker
CEO

Claus Andersen
General Manager

Jørn Nielsen
General Manager

Carl Pedersen
General Manager

Board of directors:

Martin Krogh Pedersen
Chairman

Mads Hvolby
Deputy Chairman

Jens Møller Nielsen
Deputy Chairman

Morten Jensen

Jon Steingrim Johnsen

Jacob Møller

Lone Rejkjær Söllmann

Sten Uggerhøj

Dan Junker Astrup
Employee board member

Gitte E. S. H. Vigsø
Employee board member

Arne Ugilt
Employee board member

Finn Aaen
Employee board member