

Spar Nord Bank A/S acquires customer portfolio from FIH Erhvervsbank A/S

Spar Nord Bank A/S ("Spar Nord") and of FIH Erhvervsbank A/S ("FIH") have concluded a conditional agreement regarding Spar Nord's acquisition of credit and guarantee facilities from FIH, totalling about DKK 4.0 billion, broken down on approx. 900 corporate customers. The facilities are all in the SME segment (< DKK 50 million) and consist primarily of loans and guarantees and associated financial instruments.

For Spar Nord, the strategic rationale behind the conclusion of the agreement was its plans to strengthen its position on the market for serving small and medium-sized businesses nationwide. To this should be added the wish to exploit the potential for the improved efficiency and earning power derived from serving a larger number of customers on the same production and support platform.

In connection with the takeover of facilities, FIH's branches in Aarhus and Fredericia as well as a part of the Copenhagen branch (with a total of 30 employees) will be taken over by Spar Nord. The point of departure is a continuation of relations between advisers and customers on a business-as-usual basis, so that customers will not generally experience major changes in daily service operations.

The acquired portfolio

According to the transfer agreement, Spar Nord will take over business customer facilities totalling about DKK 4.0 billion, broken down on approx. 900 customers. The facilities are in the SME segment (< DKK 50 million), and the portfolio is highly diversified in terms of geography and lines of business. The total business volume can be broken down on DKK 2.4 billion of loans and advances, DKK 1.3 billion of guarantees and DKK 0.3 billion in market value of derivatives.

Before the conclusion of the agreement, the usual thorough due diligence process has been carried out, and against this background Spar Nord expects the credit quality of the acquired portfolio to be in line with the Bank's existing customer portfolio but with better security coverage.

Financial expectations

Spar Nord anticipates that in 2014 the facilities taken over will contribute about DKK 35 million to the Bank's core earnings before impairment, and that non-recurring costs in connection with the transaction will amount to about DKK 25 million, of which the majority is expected to be defrayed in 2014.

As from 2015 onwards, the portfolio is expected to contribute with core earnings before impairment of around DKK 70 million. As a consequence of the better

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security coverage, the portfolio taken over is assessed to have a risk level that is slightly lower than Spar Nord's existing business customer portfolio.

Capital and liquidity issues

In terms of capital, Spar Nord had a Common Equity (Tier 1) ratio of 14.0%, a total capital ratio of 19.4% and a solvency need ratio of 9.7% at end-Q1 2014.

After the takeover of risk-weighted assets in the amount of about DKK 2.7 billion and the scheduled redemption of a state-funded hybrid loan of about DKK 1,265 million in May 2014, the Bank's Common Equity (Tier 1) ratio is expected to amount to about 13.2%, and the total capital ratio to about 15.6%.

With respect to cash resources, at end-Q1 2014 Spar Nord had long-term funding that exceeded the Bank's lending by about DKK 18.0 billion. Hence, Spar Nord has no plans to issue new capital or to raise new senior funding in connection with the transaction.

Implementation of the transaction

The final implementation of the transaction is subject to a number of conditions, e.g. that the transfer will be approved by the Danish Financial Supervisory Authority and the Danish Competition and Consumer Authority.

Questions regarding this announcement

Please direct any questions regarding this announcement to the undersigned, who can be reached on tel. +45 9634 4010.

Carnegie Investment Bank is the financial adviser, and Accura is the legal adviser to Spar Nord.

Sincerely yours,
Spar Nord Bank A/S

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