

NASDAQ OMX Copenhagen

Company Announcement no. 1

12 January 2015

Spar Nord Bank A/S briefs about issues that will impact the 2014 full-year result

According to plan, Spar Nord Bank A/S ("Spar Nord") will publish its 2014 Annual Report on 5 February 2015. However, two events have occurred that will impact the expected annual result, viz.:

- The conclusion of an agreement with Skandinavisk Datacentral A/S ("SDC") regarding Spar Nord's exit terms, operating prices and terms & conditions until Spar Nord converts to BEC, and the sale of the Bank's shares in SDC – in total a plus of DKK 55 million compared to previous expectations.
- A fresh valuation of the Bank's agricultural exposures, based on the Danish Financial Supervisory Authority's principles regarding "triggering events", gives rise to an impairment of loans and advances, etc. of DKK 100 million.

Agreement with Skandinavisk Datacentral A/S ("SDC")

In continuation of Company Announcement No. 19/2014 regarding change of data processing centre, Spar Nord can now announce that it has concluded an overall agreement with SDC regarding Spar Nord's exit terms, operating prices and terms & conditions until its exit from SDC, and the sale of the Bank's shareholding in SDC.

The agreement means that the accounting impact in 2014 of Spar Nord's decision to terminate its agreement with SDC will not be a DKK 195 million impairment of Spar Nord's shareholding in SDC, as forecast earlier, as it has been agreed with SDC that Spar Nord will sell its shareholding in SDC at the book value recorded by Spar Nord at 30 September 2014.

At the same time, it is been agreed that in connection with its exit Spar Nord will pay an extraordinary fee to SDC as compensation for the system development carried out by SDC in anticipation of Spar Nord becoming the customer for the solutions developed.

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Combined, the agreement regarding the sale of shares and the ordinary and the extraordinary exit fees mean that the accounting impact of the decision to change data processing centre will be about DKK 55 million more positive than previously anticipated.

Impairment of agricultural exposures

In continuation of the letter from the Danish Financial Supervisory Authority to the financial institutions of 12 December 2014, in which the Authority describes the principles regarding "triggering events", Spar Nord has made a fresh valuation of its agricultural exposures.

In that connection, impairment losses of DKK 100 million have been recognized, relating both to pig breeders, who will be adversely impacted by the drop in settlement prices that the trade war between the EU and Russia has given rise to, and to milk producers, who have also been impacted by declining settlement prices.

In concrete terms it means that a substantial portion of the Bank's agricultural exposures with objective indication of impairment are expected to record a negative cash flow in 2015, and that some customers will also be expected to find it difficult to repay their loans.

Spar Nord's total gross agricultural exposures amounted to about DKK 3.5 billion, which represents about 8 % of the Bank's total loans, advances and guarantees, and the accumulated writedowns for impairment now amount to approx. DKK 600 million. The total impact on the income statement from loan impairment, etc. within the agricultural sector will amount to about DKK 245 million in 2014, equal to about 7 %.

Based on the earnings challenges that the agricultural industry is facing, the Bank also expects to record major writedowns on agricultural exposures in 2015. In contrast, we foresee a diminished need for further impairment in respect of other business customers and retail customers.

Financial forecasts for 2014

Spar Nord's most recent forecasts for 2014 amount to core earnings before impairment hovering around DKK 1,200 million, and an impairment level that is slightly lower than the DKK 405 million realized in 2013.

In continuation of the two events described above, Spar Nord now expects core earnings before impairment to hover around DKK 1,275 million, and impairment to amount to around DKK 495 million.

The Group's pre-tax profits are expected to be realized at around DKK 700 million.

Please direct any questions regarding this announcement to:

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Sincerely yours,
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