Risk Report 2009

Contents

INTRODUCTION

TO THE 2009 Risk Report

Spar Nord is very much committed to risk management. Accordingly, the Bank publishes an independent risk report as a supplement to the risk section in Spar Nord's Financial Statements.

The report is structured into the following sections:

- Credit risk
- Market risk
- Operational risk
- Capital base
- Individual solvency requirement

Policies, strategies and management of the various categories of risk are dealt with in the respective sections.

Pursuant to the Basel II rules, the Bank is required to disclose comprehensive information, se Annex 20 to the Danish Capital Adequacy Order.

The disclosures in the Risk Report concern Spar Nord Bank A/S, CVR no. 13737584, Selagervej 15, P.O. Box 162, DK-9100 Aalborg, and its fully consolidated subsidiaries.

The Risk Report is published on Spar Nord's website.

CREDIT RISKS

Credit risk is the risk of losses arising because counterparties fail to meet all or part of their payment obligations. Spar Nord's overall credit risks are managed pursuant to the Bank's credit policy, which is geared to strike a balance between earnings and risks, and to ensure that the risk assumption is always quantified.

Spar Nord's policy is to have full insight into the customers' financial health and paying behaviour before granting credit facilities. Also, creditworthiness - the customer's ability and will to meet current and future obligations - is a key parameter in all customer relations. Spar Nord aims to develop long-term relationships with customers and does not want to use risk appetite as a competitive parameter. Spar Nord only wants to conclude transactions that conform to good banking practice and do not jeopardize the Group's reputation and professional profile.

As a basic rule, the Spar Nord does not grant loans and credit facilities based on collateral alone. Thus, the customer should show the will and have the ability to repay loans without the Bank having to realize the collateral.

In its endeavours to ensure sound risk diversification of its credit exposure, Spar Nord has introduced some internal objectives. The Group does not want to be exposed to individual customers or industries that might solely and separately jeopardize its independence. Consequently, Spar Nord has introduced a cap on credit facilities at DKK 400 million, and the unsecured share of credit exposure may not exceed DKK 200 million in respect of any facility. This limit has been kept at all times. In determining the amount of exposure, due provision is made for the so-called 'particularly secure claims', which are stated in the Danish Financial Supervisory Authority's Executive Order on Large Exposures. The DKK 400 million cap does not apply to trading partners in the financial sector.

CREDIT MANAGEMENT AND MONITORING

Credit authorization is -granting powers are governed by two factors: the expertise of the individual Local Bank managers and the desire that the Credit Rating Department review a certain share of the authorizations from the individual areas. The decentralized credit authorization limits range between DKK 2 and 10 million.

All facilities in excess of DKK 60 million are subject to authorization by the Supervisory Board.

Customer advisers, in consultation with the individual managers, handle day-to-day management of the Bank's credit risks. Decentralized powers are allocated based on an assessment of need and expertise. If a credit facility exceeds the local loan approval limits, it will be passed on and dealt with by the Credit Rating Department, the Executive Board (the Credit Committee) or the Supervisory Board.

Overall monitoring of the Group's credit risk exposure is managed by the Credit Quality function. This department monitors changes in the credit quality of all exposures and undertakes a systematic credit quality control of the Bank's entire exposure portfolio.

Spar Nord has developed IT tools for controlling and monitoring credit risks. The Bank's credit analysis system is used for monitoring purposes, and key data regarding credit facilities and customers' financial affairs are recorded in it. This is done to detect danger signals at an early stage. At the same time, changes in the credit quality of portfolios and organizational units are being monitored.

As an element in the procedure, business customers are rated and retail customers credit scored based on risk analyses. Rating and credit scoring have been introduced in all the Bank's departments, and these tools are used at the local level to grant credit facilities. Thus, customers in the risk categories accorded the lowest risk exposure are likelier to be given higher credit limits or extensions than those with the highest risk exposure. In addition, the systems are used for managing overdrafts and for pricing purposes.

CREDIT SCORING OF RETAIL CUSTOMERS AND RATING OF BUSINESS CUSTOMERS

Retail customers are categorized into seven risk categories using behavioural data (with 1 being the best), and a separate credit watchlisted group has also been established.

The model for scoring retail customers, which is based on the customers' behaviour history, is used to quantify the likelihood that a loan will not be repaid and fall into default in the forthcoming 12-month period (the so-called Probability of Default, (PD)). This model is based on 10-20 variables that are picked from a comprehensive gross list as the ones that best describe previously defaulted loans.

A statistically-based credit application scoring model is used to classify new borrowing customers according to risk. A smaller number of variables are used for credit application scoring than for behaviour scoring. Once a credit limit has been assigned, the models are adapted on a sliding scale, and after six months the shift to using behavioural data alone is completed.

Business customers are divided into eight rating categories according to financial data (earnings, solvency ratio, etc.). The model is not based on statistical data, but could be termed an "expert model" of sorts.

The above models are not yet used for all retail and business customers. Efforts are ongoing at Spar Nord to become an IRB bank according to the Basel II rules, but it is not yet ready to apply to the Danish Financial Supervisory Authority for permission to use its own models for the solvency calculation.

In 2009, a new statistically-based PD model for business customers was developed. This model will be used internally in for our risk management of business customers, starting in early in 2010. Feedback from our use of the new model is positive.

IMPAIRMENT

All significant loans and advances and those slated for credit quality review are re-evaluated individually, and other loans are reviewed on a group basis. All loans and advances that have not been impaired on an individual basis are assigned to groups having uniform credit risk exposure. If the review discloses objective indications of impairment, an impairment loss is recognized. Impairment is calculated as the difference between the carrying amount of loans and advances and the present value of anticipated repayments on the loan. A credit facility need not be in default before impairment is recognized and approval procedures regarding any new extension of credit are tightened.

Group impairment losses are recognized when objective indications show that expected future losses exceed the anticipated loss when the loan was granted. Accordingly, in addition to objective indications for a group, group impairment losses are basically recognized when customers are transferred to groups with a higher credit risk exposure.

The rating and credit scoring constitute the primary sources of group allocationcustomer categorization, but customers slated for credit review without individual impairment provisions also make up a group.

Doubtful loans - loans for which interest accruals have been suspended because full collection of the principal is unlikely or because no interest has been paid for an extensive period of time - are subject to special scrutiny, and if repayment is considered doubtful and loss unavoidable, the loan is categorized as partially or fully impaired and uncollectible. Interest on the parts of facilities that have been written down for impairment is not recognized as income.

THE GROUP'S LOANS, ADVANCES AND GUARANTEES

The Group's total loans, advances and guarantees before setoff of impairment losses amounted to DKK 45.7 billion at end-2009 compared with DKK 50.5 billion at end-2008. Retail customers account for 37% of total loans, advances and guarantees and business customers for 63%, equivalent to an increase in retail customers' share of about 3 percentage-points on end-2008.

The largest portion of the reduction in credit exposure stemmed from the discontinuation of reverse transactions, accounting for DKK 2.2 billion, the approx. DKK 1.9 billion decline in credit exposure to business customers at the local banks and the approx. DKK 0.3 billion decline relating to retail customers at the local banks. Finally, the Bank recorded a DKK 0.8 billion drop in exposures to financial customers, while Finans Nord's slight increase in lending had the opposite effect.

The development in credit exposure to retail customers at the local banks covers two contrary trends, viz. a decline in lending and an increase in guarantees stemming from arranging mortgage -credit loans. Lending to retail customers dropped by DKK 2.3 billion, and guarantees increased by DKK 2.0 billion.

Apart from the reverse transactions that have been discontinued, no significant shifts in the breakdown by industry occurred from 2008 to 2009 as concerns the Group's loans, advances and guarantees.

BREAKDOWN OF EXPOSURES BY BUSINESS AREA

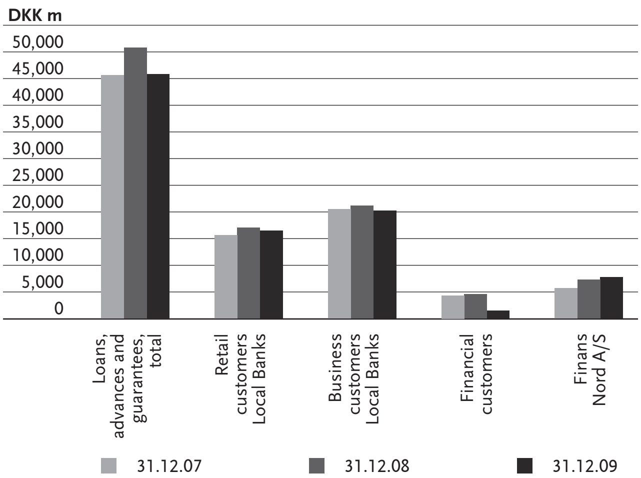

Figure 1

Customers are divided into four groups as part of the ongoing risk monitoring: Retail customers at the local banks, business customers at the local banks, financial customers and customers at Finans Nord. As appears from Figure 2fig. 1, in 2009 the total credit volume declined in the three first areas, while it grew slightly for Finans Nord.

2009 saw credit facilities further diversified with respect to size of facilities. The share of total loans, advances and guarantees attributable to large exposures was reduced, and the share attributable to <DKK 5 million facilities rose.

THE GROUP'S LOANS. ADVANCES AND GUARANTEES BROKEN DOWN BY SIZE OF FACILITY

DKK m	Number 2009	Broken down by % 2009	Number 2008	Broken down by % 2008
0 - 0.1	38,965	1.5	37,631	1.3
0.1 - 0.5	27,670	11.1	28,015	10.6
0.5 - 1.0	8,200	9.7	8,419	8.9
1.0 - 5.0	7,790	30.2	7,349	25.3
5.0 - 10.0	912	11.3	995	12.2
10.0 - 20.0	376	9.7	423	10.3
20.0 - 50.0	202	11.0	229	12.7
50.0 - 100.0	50	6.0	55	6.5
100.0 -	33	9.5	46	12.2
Total	**84,198**	**100.0**	**83,162**	**100.0**

Figure 2

Retail customers at the local banks
The Bank's credit exposure to retail customers at Spar Nord's Local Banks amounts to DKK 16.3 billion, equivalent to 35.7% of the Group's total loans, advances and guarantees. The breakdown on the above risk categories and the developments in them appear from fig 3.

After a several-year period with sharp rises in the retail customer portfolio's credit quality, credit quality stagnated in 2008 and 2009, with the average credit quality tending to decline slightly. The average decline in the portfolio's credit quality is attributable to an increase in the number of credit-watchlisted customers. Thus, in 2008 and 2009 the average quality among the other risk categories improved compared with 2007.

BREAKDOWN OF RETAIL CUSTOMERS BY RISK GROUP

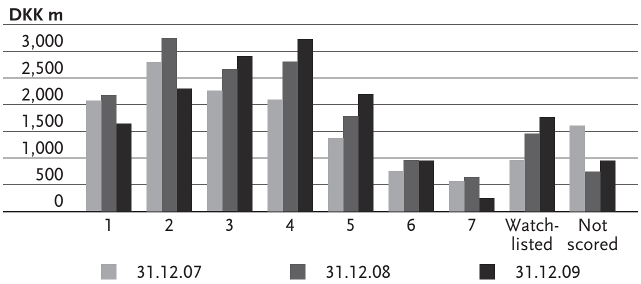

Figure 3

In the past four or five years, during which ongoing back tests were performed, the model we are using has proved its worth as a highly accurate risk classification tool, capable of predicting default rates for a given year. The results of expected and realized default ratios during the past few years are shown in fig 4. As appears from the figure, the model predicted the number of defaults in 2008 with high accuracy, while the closing figure for 2009 was slightly higher than estimated. For 2010, the number is expected to drop.

The retail customer model comprises only customers in risk categories 1 to 7, as the retail customers in the credit-watchlisted group have been transferred to individual monitoring. Thus, the credit-watchlist flagging in the model is used as part of the default definition.

Spar Nord has not yet developed so-called LGD-models, i.e. models that can predict losses when a customer is certain to default (Loss Given Default). Figures 6 and 7 below show how customers have migrated across risk categories during the past two years. The migration is shown as the percentage of customers migrating from one group to another, and the percentages are calculated based on the figure at the beginning of the year. The only exception is the top line, which shows customers who are not included in the model at the beginning of the year, primarily new customers.

The tables clearly show that customer migration was heavier in 2009 than in 2008. Not only did more customers migrate to weaker groups, but the migration towards better groups also increased.

The highlighted diagonal shows the share of customers in each risk category that stayed in the same group. The decline in stability can, for instance, be illustrated by risk category 7, where the share of customers that remained in the group from one year to another dropped from 26.8% to 13.9%. In general, Management considers the development in the retail customer portfolio satisfactory, in that it shows an almost unchanged average credit quality compared with the situation at end-2007, a markedly improved lending margin and a distinct decline in the unsecured share of credit exposure.

ESTIMATED AND REALIZED NUMBER OF DEFAULTS, RETAIL CUSTOMERS 2006 - 2010

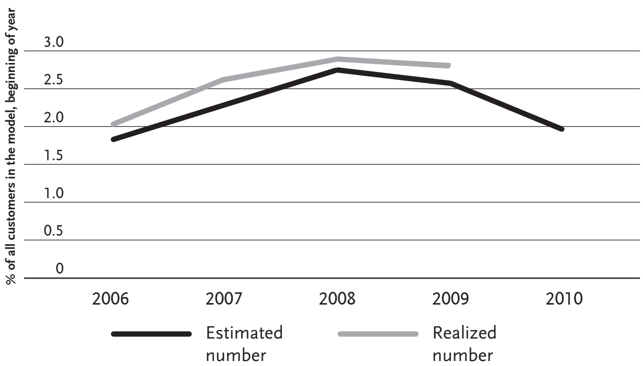

Figure 4

Unauthorized overdrafts are monitored on an ongoing basis at the Bank. During the past few years, this monitoring has been tightened up as a result of economic developments. Retail customers' unauthorized overdrafts have been gradually reduced on a monthly basis during the past two years. Average unauthorized overdrafts have been reduced from some 0.9% to about 0.6% at end-2009.

DEVELOPMENTS IN UNAUTHORIZED OVERDRAFTS FOR RETAIL CUSTOMERS THE PAST TWO YEARS

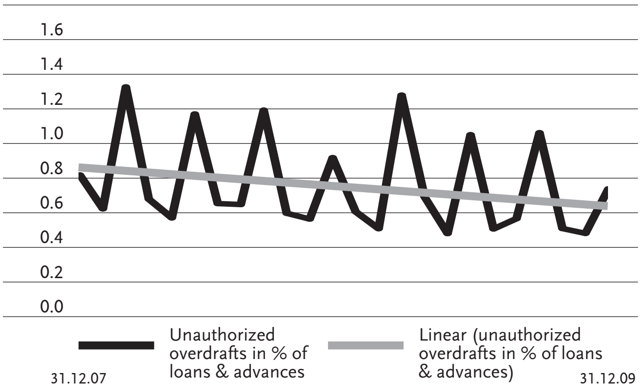

Figure 5

Business customers at Spar Nord's Local Banks
The credit exposure to business customers at Spar Nord's Local Banks amounts to DKK 20.1 billion, equivalent to 44.0% of the Group's total loans, advances and guarantees.

As appears from Figure 8 below, rating group 7 and the group of credit-watchlisted customers grew sharply in 2009. This development was expected and reflects the fact that business customers are navigating rough waters in the current economic climate.

As mentioned above, Spar Nord's rating model for business customers is not a statistical model showing default probabilities for individual groups. Actually, the model simply classifies customers in accounting terms based on their earnings performance and solvency. The model accords great weight to earnings, and a customer will automatically be downgraded from risk category 7 if its financial results for the past two years amount to a loss.

RETAIL CUSTOMERS 31.12.08 - 31.12.09 - SCORE CLASSES 31.12.09

No. of customers		1	2	3	4	5	6	7	Deposits	Not scored	Default impairm.	Default watch-listed	Default loss	Total
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
No model at beginning of year	0.0	1.8	5.1	6.9	14.1	4.8	2.2	0.4	25.8	37.0	0.1	1.6	0.2	100
1	2.2	**69.4**	16.0	4.2	0.9	0.1	0.0	0.0	0.0	7.1	0.0	0.1	0.0	100
2	2.6	30.9	**30.5**	19.2	6.3	1.0	0.2	0.1	0.0	9.0	0.0	0.3	0.1	100
3	3.5	8.2	22.8	**30.6**	18.4	3.6	0.7	0.1	0.0	11.5	0.1	0.5	0.1	100
4	4.3	1.5	6.3	21.6	**38.4**	12.1	3.3	0.9	0.0	10.0	0.1	1.4	0.2	100
5	5.7	0.4	1.9	9.8	33.8	**25.9**	10.1	3.2	0.0	5.0	0.3	3.5	0.5	100
6	6.7	0.1	1.0	3.8	20.3	29.0	**18.6**	8.0	0.0	2.5	0.5	8.4	1.1	100
7	5.6	0.0	0.5	2.3	11.2	21.4	20.2	**13.9**	0.0	1.0	1.2	21.5	1.3	100
8	6.1	1.1	2.1	2.0	2.8	0.4	0.2	0.0	**84.3**	0.7	0.0	0.1	0.0	100
Deposits	16.2	0.8	1.3	2.2	5.1	2.3	1.1	0.5	0.0	**69.9**	0.1	0.7	0.1	100
Impaired	4.2	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.5	**64.1**	14.3	16.5	100
Watchlisted	8.4	0.2	0.4	1.2	2.1	1.7	0.8	0.4	0.0	3.0	2.0	**78.1**	1.8	100
Losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**100.0**	100
Total	5.2	8.5	7.3	8.5	11.2	4.7	2.0	0.7	27.2	17.4	0.3	3.7	3.4	100

Figure 6

RETAIL CUSTOMERS 31.12.07 - 31.12.08 - SCORE CLASSES 31.12.08

No. of customers		1	2	3	4	5	6	7	Deposits	Not scored	Default impairm.	Default watch-listed	Default loss	Total
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
No model at beginning of year	0.0	2.8	7.1	11.2	19.4	12.5	6.7	2.2	0.0	34.1	0.3	3.6	0.0	100
1	0.6	**79.6**	17.2	2.0	0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	100
2	0.4	15.7	**58.8**	18.9	4.6	0.8	0.2	0.1	0.0	0.1	0.0	0.2	0.0	100
3	0.4	3.0	19.7	**48.8**	21.4	4.7	1.1	0.4	0.0	0.2	0.0	0.4	0.0	100
4	0.2	0.8	5.0	17.7	**47.5**	18.6	5.7	2.3	0.0	0.4	0.1	1.7	0.0	100
5	0.1	0.3	1.6	5.5	24.8	**41.1**	16.1	6.3	0.0	0.3	0.3	3.7	0.0	100
6	0.2	0.2	1.0	2.6	12.0	30.1	**30.1**	13.5	0.0	0.6	0.5	9.4	0.0	100
7	0.5	0.0	0.7	1.3	6.4	15.0	23.0	**26.5**	0.0	0.1	1.2	25.3	0.1	100
Deposits	0.1	12.5	21.6	22.3	22.5	12.9	4.9	1.1	**0.0**	1.4	0.0	0.8	0.0	100
Not scored	20.3	4.5	7.8	10.3	16.5	11.8	7.0	4.2	0.0	**13.4**	0.2	4.0	0.0	100
Impaired	1.3	0.0	0.0	0.0	0.4	0.9	0.2	0.0	0.0	0.0	**72.0**	23.1	2.1	100
Watchlisted	1.1	0.2	0.7	1.4	3.1	3.2	2.4	1.8	0.0	0.1	2.4	**83.5**	0.2	100
Losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**100.0**	100
Total	1.7	17.2	17.3	15.4	17.1	11.4	5.8	2.9	0.0	3.6	0.7	6.6	0.3	100

Figure 7

The model's highly restrictive approach to a combined loss record for the past few years on end accounts for the sharp growth in rating group 7. Previous back tests on the model have, in fact, shown that risk category 7 always came out with lower 'bad rates' than expected, whether the number of customers or the amount of facilities was measured.

Figs. 9 and 10 show business customers' migration between rating groups during the past two years. As was the case for retail customers, the scope of migration increased, although to a lesser degree. As opposed to the situation in the retail customer area, the trend in migration was predominantly adverse for business customers, triggered by the above-mentioned growth in rating group 7, among other factors.

BUSINESS CUSTOMERS BROKEN DOWN BY RATING GROUP

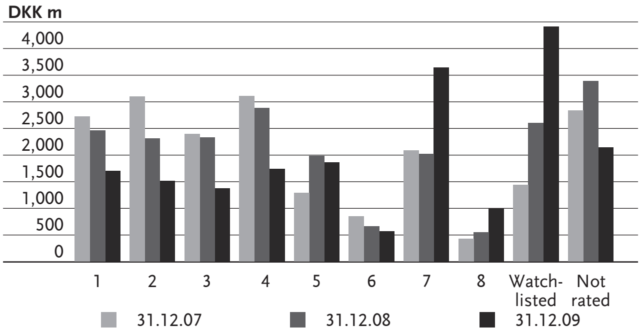

Figure 8

BUSINESS CUSTOMERS 31.12.08 - 31.12.09 – EXISTING MODEL

No. of business customers	Not rated %	1 %	2 %	3 %	4 %	5 %	6 %	7 %	8 %	Default impairm. %	Watch-listed %	Default loss %	Total %
Not rated	82.0	0.9	1.9	0.8	2.8	1.2	0.5	4.0	2.2	0.5	3.0	0.2	100
1	0.9	**59.8**	10.7	1.6	7.0	9.2	0.3	6.5	0.4	0.5	3.2	0.1	100
2	1.3	18.2	**40.0**	6.8	8.2	9.4	0.2	9.1	1.5	0.9	4.1	0.3	100
3	0.8	5.1	18.4	**36.8**	7.1	7.8	1.3	11.8	1.6	1.4	7.9	0.0	100
4	0.6	3.0	9.6	5.1	**44.3**	10.0	1.8	15.0	2.6	1.0	6.7	0.3	100
5	1.8	0.8	2.5	8.6	9.0	**36.7**	4.3	22.8	3.1	1.8	8.6	0.2	100
6	0.8	1.9	2.5	2.2	3.6	9.1	**49.9**	6.9	10.7	1.9	10.2	0.3	100
7	0.9	0.9	2.3	7.2	5.8	3.6	2.8	**54.6**	8.3	2.0	11.2	0.5	100
8	0.2	0.0	0.5	0.7	2.1	1.2	9.3	10.0	**58.4**	3.3	14.0	0.5	100
Impaired	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	**56.6**	20.6	22.4	100
Watchlisted	1.2	0.1	0.5	0.0	0.6	0.7	0.3	0.0	0.5	11.0	**81.1**	4.1	100
Losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**100.0**	100
Total	45.3	5.5	6.1	3.7	6.5	4.5	2.3	9.1	4.2	2.3	9.2	1.4	100

Figure 9

BUSINESS CUSTOMERS 31.12.07 - 31.12.08 – EXISTING MODEL

No. of business customers	0 %	1 %	2 %	3 %	4 %	5 %	6 %	7 %	8 %	Default impairm. %	Watch-listed %	Default loss %	Total %
Not rated	**84.5**	0.8	1.5	0.8	3.2	0.9	0.7	3.4	1.6	0.4	2.1	0.1	100
1	0.4	**72.7**	9.6	2.4	4.8	6.1	0.5	1.5	0.1	0.4	1.3	0.1	100
2	1.2	17.3	**57.3**	6.3	6.4	4.9	0.7	3.2	0.5	0.6	1.4	0.1	100
3	0.5	3.9	20.4	**49.9**	8.2	6.3	0.3	5.8	0.3	1.1	3.0	0.3	100
4	1.3	4.7	14.2	6.4	**52.0**	8.0	1.2	7.0	0.9	1.0	3.5	0.0	100
5	0.7	3.0	4.5	10.2	12.5	**44.7**	3.9	13.2	1.4	0.2	5.7	0.2	100
6	0.5	0.7	2.2	2.5	8.1	8.9	**58.2**	7.6	5.4	1.5	4.2	0.3	100
7	1.2	0.5	2.9	10.5	9.5	4.0	4.2	**57.3**	3.8	1.0	5.3	0.0	100
8	1.6	0.2	0.2	0.9	4.2	2.8	8.1	5.1	**68.7**	1.2	6.7	0.2	100
Impaired	0.5	0.0	0.0	1.0	0.0	0.0	0.5	1.0	0.5	**50.5**	22.4	23.8	100
Watchlisted	1.4	1.0	0.5	1.1	1.1	0.8	2.1	0.8	1.4	5.5	**81.7**	2.7	100
Losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100
Total	42.9	6.7	8.2	5.2	8.1	4.3	3.2	7.6	3.8	1.7	6.9	1.4	100

Figure 10

As part of our endeavours to establish an even better-balanced and detailed risk classification, Spar Nord is currently working on implementing a new statistically based model, which will incorporate company profiles and behaviour variables in addition to accounting data.

Figure 11 shows developments in business customer exposures, broken down by rating groups using the new rating model. The new model is based on statistical probabilities, which also applies to the credit scoring model used for retail customers. The new model classifies risk significantly more accurately, and provides a breakdown on rating groups that is closer to a Gaussian distribution. Another characteristic feature is the distinctly larger difference in terms of default probabilities for the individual rating groups, and that the three poorest rating groups show significantly higher default probabilities.

BUSINESS CUSTOMERS BROKEN DOWN BY RATING GROUP - NEW MODEL

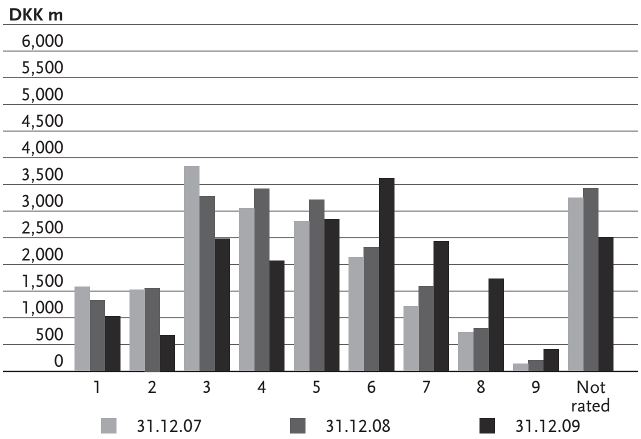

Figure 11

The new model also shows a rising risk level for 2009, as did the existing model.

A back test conducted on the new model for business customers covering the period 2006-2008 shows that the realized number of defaults matches the estimated number of defaults fairly accurately, and that the number of defaults was much higher than estimated for 2009. The actual number of defaults grew from 1.6% in 2008 to 3.5% in 2009, compared to the estimated increase to 1.9% based on the model.

One explanation for the sharp default rate growth is that the new model includes impairment in its default definition, and that the relatively sharp increase in impairment thus pushes up its default rate. The model was developed based on customers' financial statements covering the period 2001-2007, for which reason it does not take into account the financial statements presented for the period impacted by the current recession. At the beginning of 2010, the model will be updated based on experience from 2009 and macro figures.

ESTIMATED AND REALIZED NUMBER OF DEFAULTS, BUSINESS CUSTOMERS 2006-2009 - NEW SCORING MODEL

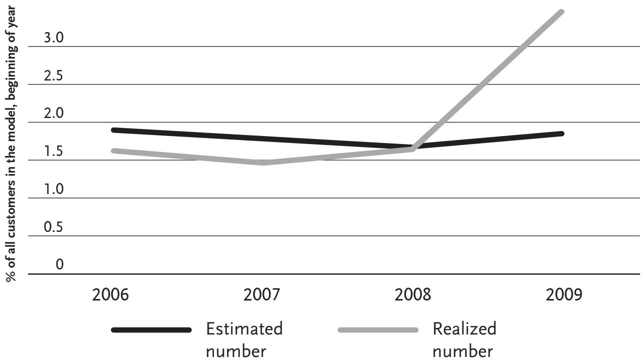

Figure 12

Over the past two years, business customers' unauthorized overdrafts have remained at an unchanged low level of about 0.45% of lending to business customers in the local bank regions. This development is considered highly satisfactory, particularly in light of economic trends.

It appears from the figure that the last month in a quarter is the month having the highest amount of unauthorized overdrafts. The level reaches almost 0.6%, but these "peaks" are declining, as can be seen from the figure. Authorized overdrafts have dropped for both retail and business customers during the same period.

DEVELOPMENTS IN UNAUTHORIZED OVERDRAFTS FOR BUSINESS CUSTOMERS THE PAST TWO YEARS

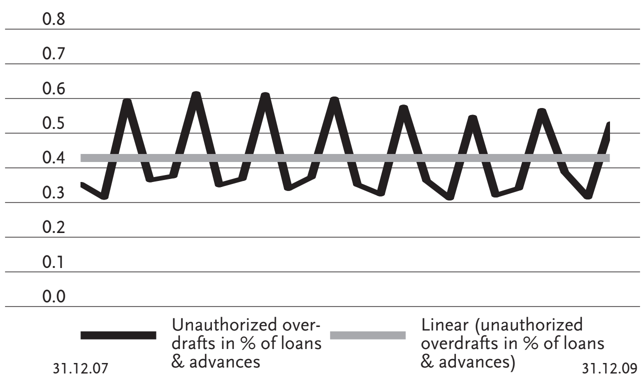

Figure 13

FINANS NORD

Finans Nord's total credit exposure amounted to approx. DKK 7.7 billion, equivalent to 17% of the Group's total loans and advances.

In line with Spar Nord Bank's policy, Finans Nord's credit application processing is based on an assessment of the customers' ability and will to meet their current and future obligations. Compared with Spar Nord Bank, the situation is different for the leasing company Finans Nord, in that it always has security in the assets, either through ownership or charges. Thus, the credit portfolio held by Finans Nord is composed of 91 lease contracts and 9% asset purchase financing and loans.

The agricultural and transporting industries constitute the two largest categories for Finans Nord. While the leasing performance was fairly good for the agricultural industry in 2009, the transport area presented major challenges, with customers encountering financial difficulties that forced Finans Nord to repossess equipment and recognize impairment losses. The number of customers in financial difficulties has risen sharply in another core area, viz. the industrial sector.

Finans Nord recorded an overall impact of impairment on the income statement in the amount of DKK 116 million, representing 1.5% of average loans and advances.

FINANS NORD'S LOANS AND ADVANCES BY INDUSTRY

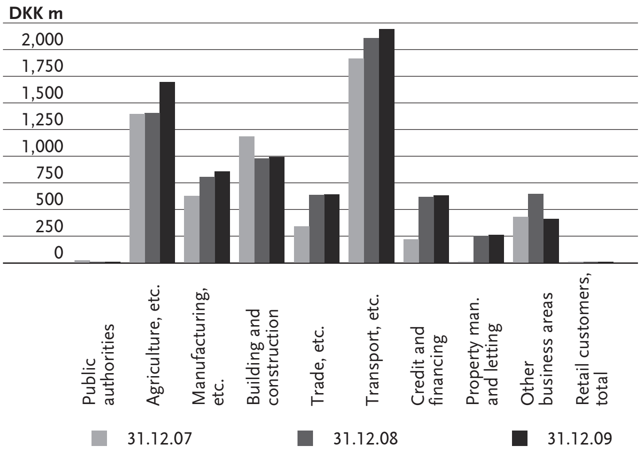

Figure 14

FINANCIAL CUSTOMERS

The Bank's credit exposure to financial customers is DKK 1.6 billion, equivalent to 3.5% of the Group's total loans, advances and guarantees. The exposure primarily consists of foreign loans to customers at other banks that request the provision of a guarantee.

IMPACT ON THE INCOME STATEMENT FROM IMPAIRMENT OF LOANS AND ADVANCES

The impact on the income statement from impairment of loans and advances amounted to an expense of DKK 692 million, DKK 107 million of which is attributable to the Danish Banking Sector Emergency Fund (Bank Package 1).

At the beginning of 2009, impairment of loans and advances was expected to impact the income statement by about 0.75-1.0% of total loans, advances and guarantees. After Q1, the forecast was adjusted upwards to 1.0-1.25%. The impact on the income statement for the year ended at 1.22%. As concerns impairment, there was a predominance of business customers in relative terms, including with respect to the categories "Agriculture" and "Trade, etc." and "Manufacturing", which accounted for the largest shares. Since end-2008 the agricultural industry's share has doubled.

Groups of impairment losses break down as follows: retail customers accounted for DKK 49.4 million, and business customers for DKK 59.5 million.

66% of the impact on the income statement for the year contributes to increasing the Group's impairment allowance account, now accounting for about 2.2% of the total credit exposure at the close of the year. At the beginning of the year, the impairment allowance account represented 1.1% of total credit exposure.

For the Group, the total impact on the income statement amounted to DKK 584.5 million for 2009 when the expenses for the Danish Banking Sector Emergency Fund are not taken into account. Of this impact, DKK 387 million, corresponding to more than 66%, has contributed to an increase in the allowance account for impairment losses, which grew from DKK 583 million to DKK 970 million at end-2009 if contributions to the Danish Banking Sector Emergency Fund are excluded. If these contributions are included, the impairment balance at end-2009 amounted to DKK 1,100 million.

As expected, the total credit portfolio rose in terms of risk during 2009. This increase was followed by a sharp increase in the lending margin on the overall portfolio.

THE GROUP'S LOSSES AND IMPAIRMENT

DKK m	2007	2008	**2009**
Losses, incl. losses covered by provisions/impairment	51.4	142.1	282.1
Losses on sector-targeted solutions	0.0	16.0	0.0
Loss guarantee, the Bank's pension pool 4	0.0	28.3	0.0
Covered by provisions/impairment	-32.7	-117.6	-177.1
Losses not covered by provisions/impairment	**18.7**	**68.8**	**105.0**
New provisions/impairm., excl. sector-targeted solutions	225.1	352.4	608.5
New provisions for sector-targeted solutions	0.0	23.1	107.3
Reversal of provisions/impairment	-275.4	-96.0	-45.0
Interest on impaired loans and advances taken to income	-35.3	-43.0	-62.5
New provisions/impairment, net	**-85.6**	**236.5**	**608.3**
Recoveries on loans written off as uncollectible	**-52.1**	**-29.9**	**-23.1**
Impact on income statement	**-119.0**	**275.4**	**690.2**
Losses and provisions for credit inst. and other losses	5.6	-0.8	1.6
Total impact on income statement	**-113.4**	**274.6**	**691.8**
- of which sector-targeted solutions	0	39.1	107.3
Impact on the income statement, excl. sector-targeted solutions	-113.4	235.5	584.5

Figure 15

THE GROUP'S DEVELOPMENTS IN LOSSES AND IMPAIRMENT AND NON-PERFORMING LOANS

DKK m	2007	2008	**2009**
Loans, advances and guarantees, gross, year-end	45,431	50,543	45,650
Losses and impairment for the year	-113	275	692
- in % of loans, advances and guarantees	-0.3	0.5	1.5
Impairment balance	444	606	1,100
- in proportion to loans, advances and guarantees	1.0	1.2	2.4
Impairment balance, excl. sector-targeted solutions	444	583	970
- in proportion to loans, advances and guarantees, year-end	1.0	1.2	2.1
Non-performing loans, year-end	27	48	103
- in % of loans, advances and guarantees	0.1	0.1	0.2
Impairment balance in % of non-performing loans	1,644	1,263	1,068

Figure 16

IMPAIRMENT AND LOSSES BY INDUSTRY

2009

Industry group	Past due and impaired	Value adj. and impairment *	Amounts expensed
Building and construction	101	44	28
Property man. and trade, business service	161	75	24
Fisheries	11	5	0
Manufacturing businesses, raw materials extraction, etc.	126	95	27
Trade, restaurants and hotels	326	130	50
Credit and financing and insurance activities	114	43	10
Agriculture and forestry	453	157	24
Retail customers	279	184	72
Transport, postal services and telecommunications	227	71	17
Other business areas	105	56	19
	1,903	**860**	**271**

*) *The Group's total value adjustments and impairments must be supplemented by groups of impairment amounting to DKK 109 million and impairment in the amount of DKK 130 million regarding the the Danish Banking Sector Emergency Fund.*

Figure 17

IMPAIRMENT AND LOSSES BY INDUSTRY

2008

Industry group	Past due and impaired	Value adj. and impairment *	Amounts expensed
Building and construction	107	22	11
Property man. and trade, business service	59	31	9
Manufacturing businesses, raw materials extraction, etc.	109	59	15
Trade, restaurants and hotels	221	110	28
Credit and financing and insurance activities	127	40	3
Agriculture, forestry and fisheries	109	47	9
Public administration	0	0	0
Retail customers	220	141	51
Transport, postal services and telecommunications	106	20	0
Other business areas	54	30	16
	1,277	**500**	**142**

*) *The Group's total value adjustments and impairments must be supplemented by groups of impairment amounting to DKK 83 million and impairment in the amount of DKK 23 million regarding the the Danish Banking Sector Emergency Fund.*

Figure 18

THE GROUP'S EXPOSURES AND IMPAIRMENT BY INDUSTRY

Industry - %	Sector 2008	The Group 2008	The Group 2009	**Impairm. * The Group 2009**
Publ. administration	2.3	1.6	1.4	**0.0**
Agriculture, etc.	3.5	11.0	12.5	**18.3**
Fisheries, etc.	0.2	0.2	0.5	**0.5**
Manufacturing, etc.	9.1	6.2	6.5	**11.1**
Building and construction	3.2	4.2	4.4	**5.1**
Trade, etc.	6.0	8.5	8.3	**15.1**
Transport, etc.	3.6	5.7	6.4	**8.2**
Credit and financing, etc.	29.0	11.4	6.2	**5.1**
Property man., etc.	13.9	12.0	12.3	**8.7**
Other business areas	4.4	5.2	4.8	**6.5**
Business customers, total	75.2	66,0	63.3	**78.6**
Retail customers, total	24.8	34.0	36.7	**21.4**
Total	**100.0**	**100.0**	**100.0**	**100.0**

*) *Only individual impairment*

Figure 19

DEVELOPMENT IN THE GROUP'S CREDIT QUALITY

Management considers overall development in credit quality in 2009 to be satisfactory in light of business trends.

Moreover, it is satisfactory that the increase in risk level has been countered by the widened interest margin and the strengthened impairment allowance account.

COLLATERAL

Whenever possible, Spar Nord wants to reduce the risk attaching to individual exposures by accepting collateral, such as mortgages and charges over physical assets, securities and guarantees, etc. Mortgages on real property, securities and vehicles make up the most common type of collateral. Mortgages on property make up by far the most important collateral type provided to the Group. In this connection, it should be noted that even if these properties are located throughout Denmark, only a very small share is located in the Aarhus area and on Zealand, where housing prices have dropped the most. See fig. 24. The bulk of mortgages on property relate to private housing.

Spar Nord continuously monitors the value of the collateral furnished. If the risk attaching to a counterparty increases, the collateral is subjected to a particularly critical scrutiny. The value is assessed based on the expected price to be fetched in a compulsory sale of the collateral, less any expenses arising from its realization.

Collateral that may be used for credit risk mitigation purposes under the standardized approach is included for the purpose of calculating the Group's solvency ratio. The figures are shown after a reduction to reflect volatility adjustments.

The unsecured share of the Group's credit exposure declined from 52.5% to 44.2% in 2009. The decline is attributable partly to growth in guarantees connected with mortgage-credit lending, and a general increase in collateral, both as concerns new exposures and existing ones. In addition, the collateral situation is unchanged for many customers, and the exposures have also declined in volume.

The Group's credit exposure broken down by unsecured share of credit exposure	**Spar Nord Bank A/S The Group 2009**	Spar Nord Bank A/S The Group 2008
Unsecured share of credit exposure		
< 10 %	33.2	29.3
10 - 50 %	24.7	19.3
50 - 75 %	10.6	11.2
> 75 %	31.5	40.2
Average unsecured share of credit exposure	**44.2**	**52.5**

Figure 20

The largest drop in the unsecured share of credit exposure is seen among retail customers - a decline attributable primarily to an increase in business volume connected with the arrangement of mortgage-credit loans. The low unsecured share for the industry, "Transport, etc." is due to the hefty share of Finans Nord's exposures to this industry.

BREAKDOWN OF THE GROUP'S CREDIT EXPOSURE BY UNSECURED SHARE OF CREDIT EXPOSURE (IN %) AND DKK MILL., BY INDUSTRY

Industries	**2009 DKK m**	**2009 %**	2008 DKK m	2008 %
Publ. authorities	650.9	100.0	793.2	100.0
Agriculture, etc.	2,121.5	36.5	2,674.8	48.2
Fisheries, etc.	78.1	37.8	46.2	35.0
Manufacturing, etc.	1,302.1	43.6	1,775.9	56.9
Building and construction	728.8	36.4	1,065.6	49.9
Trade, etc.	2,972.7	78.5	3,347.9	77.9
Transport, etc.	797.7	27.3	1,046.4	36.5
Credit and financing, etc.	947.1	34.6	1,729.5	29.9
Property man., etc.	2,653.5	47.2	3,655.7	60.5
Other business areas	1,048.7	47.7	1,517.9	57.3
Business customers, total	13,301.1	46.0	17,653.1	52.9
Retail customers, total	6,882.7	41.2	8,862.6	51.7
Average	20,183.8	44.2	26,515.7	52.5

Figure 21

Figure 18. 22 shows total collateral broken down by category and Finans Nord. It can be clearly seen from Finans Nord's collateral that the collateral, which primarily consists of leased assets, that it has been downgraded. Assets are valued on an ongoing basis, and the collateral values are reduced as and when market prices are estimated to decline.

CREDIT-MITIGATING FINANCIAL COLLATERAL

Type of collateral	**2009 DKK m**	2009 DKK m
Properties	8,768.3	7,307.8
Custody account / securities	2,230.7	4,444.0
Guarantees / sureties	973.8	1,943.7
Vehicles	912.8	818.5
Cash	792.5	988.3
Other collateral	1,093.8	993.6
Other collateral, total	**14,771.9**	**16,495.9**
Partic. sec. transactions (mortage-credit guarantees)	4,329.1	1,157.6
Secured, total, excl. Finans Nord	**19,101.0**	**17,653.5**
Collateral, Finans Nord	6,365.4	6,374.1
Total	**25,466.4**	**24,027.6**

Figure 22

The reason that the property value under mortgages broken down by property type is calculated at DKK 11.7 billion and that only DKK 8.7 billion is recorded as security on the properties (fig. 22) is that the DKK 11.7 billion is the amount mortgaged to the Bank and recorded as collateral, while the DKK 8.7 billion is the share actually used for calculating collateral regarding a facility; some facilities are smaller than the collateral value, and collateral has also been provided by customers who do not currently have any facilities.

MORTGAGES WITH POSITIVE EQUITY - 31.12.09

	DKK bn	**Share in % in 2009**
Private housing	7.0	59.8
Summer cottages	0.7	6.0
Agriculture	1.9	16.2
Offices and businesses	1.3	11.1
Miscellaneous	0.8	6.9
Total	11.7	100.0

Figure 23

GEOGRAPHICAL BREAKDOWN OF MORTGAGES - END 2009

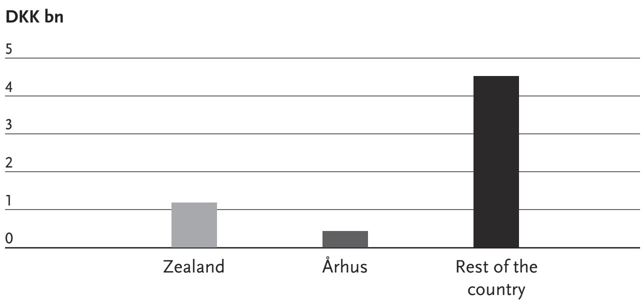

Figure 24

Spar Nord uses the Basel II standard approach to calculate the solvency ratio. The following figures show the financial collateral that has given solvency relief under these rules.

CREDIT RISK MITIGATION BY VIRTUE OF FINANCIAL COLLATERAL

2009

Industry	Exposure covered by guarantees	On-balance-sheet netting	Other financial security
Central governments or central banks	0	0	0
Regional or local authorities	0	0	0
Public entities	0	0	0
Institutions	0	0	3,308
Businesses, etc.	528	0	769
Retail customers	715	0	822
Exposures secured by mortgages on real property	0	0	0
Exposures in default or overdrawn	3	0	55
Short-term exposures to institutions and businesses, etc.	0	0	0
Collective investment schemes	0	0	0
Exp. in other items, including assets without counterparty risk	0	0	0
	1,246	**0**	**4,954**

Figure 25

CREDIT RISK MITIGATION BY VIRTUE OF FINANCIAL COLLATERAL

2008

Industry	Exposure covered by guarantees	On-balance-sheet netting	Other financial security
Central governments or central banks	0	0	0
Regional or local authorities	0	36	1
Public entities	0	5	0
Institutions	0	8	1,927
Businesses, etc.	775	405	3,058
Retail customers	1,445	364	933
Exposures secured by mortgages on real property	0	0	3
Exposures in default or overdrawn	3	0	23
Short-term exposures to institutions and businesses, etc.	0	0	0
Collective investment schemes	0	0	27
Exp. in other items, including assets without counterparty risk	0	0	0
	2,223	**818**	**5,972**

Figure 26

BREAKDOWN BY INDUSTRY

Figure 16 breaks down the Spar Nord Group's loans, advances and guarantees by industry. Compared with the average for the Danish banking sector, a relatively larger share of Spar Nord's loans, advances and guarantees is attributable to retail customers, while Spar Nord has a lower-than-average share of loans, advances and guarantees attributable to "credit, financing and manufacturing businesses". Finally, the Spar Nord Group has a larger-than-average exposure to the agricultural industry.

THE GROUP'S LOANS, ADVANCES AND GUARANTEES BROKEN DOWN BY INDUSTRY

DKK m

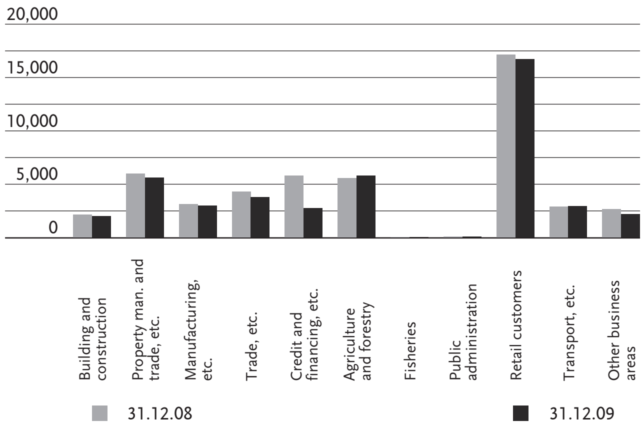

Figure 27

In this report we focus specifically on two industries, viz. the agricultural and the real property sectors. The agricultural industry has been chosen because Spar Nord expects this sector to have a major impact on operating results in 2010 as well. The real property sector helped trigger the problems experienced by a number of Danish banks in the past two years.

Agriculture

Agriculture is an important sector for both Spar Nord Bank and Finans Nord and accounts for 12.5% of the Group's total credit exposure.

The total credit exposure amounts to DKK 5.7 billion, broken down on 3,600 customers. Of this amount, 1,100 customers account for total facilities of DKK 4.0 billion, and 2,500 customers at Finans Nord represent a combined volume of DKK 1.7 billion.

The total unsecured share of the credit exposure to the industry has been reduced from 48.2% at end-2008 to 36.5% at end-2009. For both Finans Nord and Spar Nord Bank, agriculture has been a sector that has only caused very moderate losses for many years.

BREAKDOWN OF EXPOSURE TO AGRICULTURAL LENDING BY SCORING CATEGORIES, NEW MODEL

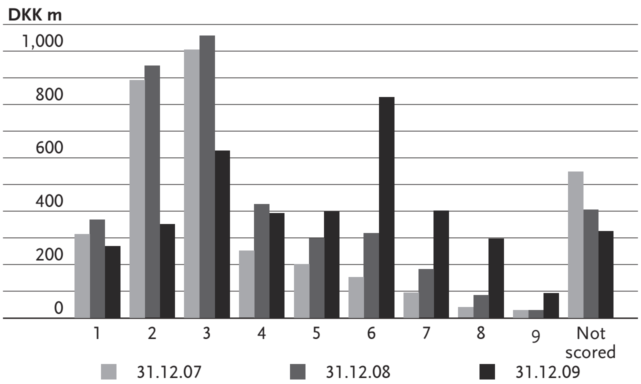

Figure 28

Finans Nord did not experience any sharp increase in 2009, either, in terms of losses and impairment of equipment leased by customers in the agricultural sector, whereas Spar Nord Bank recorded problems among a large number of agricultural businesses, particularly in the cattle industry.

The Group's total individual impairment losses on customers in the agricultural sector amounted to about DKK 160 million at end-2009. However, the losses realized on customers in the sector remain at a very low level, with a loss of some DKK 24 million being recorded in 2009.

The Bank's total impairment losses on the agricultural industry cover 80% of the unsecured share of the credit exposure to the two weakest scoring categories at end-2009.

Figure 29 shows the credit quality development for agricultural customers at Spar Nord's Local Banks during the period from 2007 to 2009. The model used is the Bank's new agricultural model, which represents an adjusted version of the new business model. As appears from the figure, there is a distinct trend towards the highly risk-prone groups.

However, in the big perspective the Group's portfolio of agricultural exposures is considered to be sound and characterized by satisfactory diversification in terms of production lines. Nonetheless, Spar Nord is aware that the sector is facing massive problems, a profitable business being very difficult to run given the prices that can currently be fetched on agricultural produce, particularly milk. Thus, it has been necessary, and will remain so in future, to finance operating losses for farmers who report satisfactory breakeven turnover and realistic and sound budgets.

The real property industry

The real property industry has proved to be highly risky in recent years on account of the adverse price developments on the market.

For a number of years, Spar Nord has been reluctant to assume exposures to property sector customers, and the Group's exposure in this regard extensively consists of customers with long-term relations with the Bank and wide experience in the sector.

During 2009, the Group cut its combined exposures to customers in the real property industry by about DKK 0.4 billion to some DKK 5.6 billion, equal to 12.3% of total loans, advances and guarantees. At end-2009, the impairment ratio for the industry as a whole stood at 1.4% against a beginning-of-year comprehensive impairment balance of 0.5%. For 2009, total losses on customers in the industry amounted to about DKK 24 million.

CREDIT EXPOSURE OUTSIDE THE TRADING PORTFOLIO, INCL. COUNTERPARTY RISK

A comprehensive statement of the Group's credit risk shows an exposure of DKK 75.7 billion. The statement corresponds to the Group's credit risk, which is treated according to the standardized approach, with assets and off-balance-sheet items being included.

The total credit exposure is the sum total of:

- Loans, advances and receivables
- Guarantees
- Unutilized credit limits
- Credit commitments
- Equity investments in group enterprises
- Non-current assets
- Intangible assets
- Other property, plant and equipment
- Counterparty risk

The breakdown of the Group's credit exposure by industry is based on a coding system used in DB07 - the new industry codes published by Statistics Denmark. The industry grouping is supplemented with a breakdown by retail customers, central bank and fisheries.

TOTAL CREDIT EXPOSURE

	31.12.09 DKK m	31.12.08 DKK m
Central governments or central banks	1,166	2,313
Regional or local authorities	5,071	6,257
Public entities	103	175
Institutions	7,878	6,062
Businesses, etc.	20,281	27,736
Retail customers	32,997	32,388
Exposures secured by mortgages on real property	4,699	5,482
Exposures in default or overdrawn	1,035	1,039
Short-term exposures to institutions and businesses, etc.	676	151
Collective investment schemes	1	610
Exp. in other items, including assets without counterparty risk	1,766	1,674
	75,673	83,888

Figure 29

TOTAL CREDIT EXPOSURE BY INDUSTRY

2009 Industry / Exposure category	Central gov. or central banks	Regional or local authorities	Public entities	Institutions	Businesses, etc.	Retail customers	Exp. secured by mortgages on real property	Exp. past due or overdrawn	Short-term exposures to institutions and businesses, etc.	Collective investment schemes	Exp. in other items, incl. assets without counterparty risk	Grand total
Building and construction	0	0	0	0	580	1,510	190	137	3	0	0	2,420
Property man. and trade, business service	0	0	0	0	4,749	2,140	607	92	18	0	0	7,606
Fisheries	0	0	0	0	124	88	6	10	0	0	0	228
Manufacturing businesses, raw materials extraction, etc.	0	0	77	0	2,497	1,095	49	35	12	0	0	3,765
Trade, restaurants and hotels	0	0	0	0	3,071	2,216	180	65	64	0	0	5,596
Credit and financing and insurance activities	0	0	1	7,206	1,985	919	117	78	531	1	1,300	12,138
Agriculture and forestry	0	0	0	0	2,943	3,237	443	141	18	0	0	6,782
Danmarks Nationalbank (central bank)	1,166	0	0	0	0	0	0	0	0	0	6	1,172
Public administration	0	4,969	0	0	1	506	0	0	0	0	1	5,477
Retail customers	0	0	0	672	1,791	17,508	2,927	193	14	0	0	23,105
Transport, postal services and telecommunications	0	91	0	0	975	1,754	37	166	10	0	0	3,033
Other business areas	0	11	25	0	1,565	2,024	143	118	6	0	459	4,351
Grand total	**1,166**	**5,071**	**103**	**7,878**	**20,281**	**32,997**	**4,699**	**1,035**	**676**	**1**	**1,766**	**75,673**

Figure 30

TOTAL CREDIT EXPOSURE BY INDUSTRY

2008 Industry / Exposure category	Central gov. or central banks	Regional or local authorities	Public entities	Institutions	Businesses, etc.	Retail customers	Exp. secured by mortgages on real property	Exp. past due or overdrawn	Short-term exposures to institutions and businesses, etc.	Collective investment schemes	Exp. in other items, incl. assets without counterparty risk	Grand total
Building and construction	0	0	0	0	774	2,018	139	111	4	0	0	3,046
Property man. and trade, business service	1	0	0	0	4,796	1,776	571	155	1	0	31	7,331
Manufacturing businesses, raw materials extraction, etc.	0	0	119	0	2,677	1,121	52	31	4	0	0	4,004
Trade, restaurants and hotels	0	0	0	0	3,225	1,847	152	123	2	0	0	5,349
Credit and financing and insurance activities	2,312	0	0	6,056	4,953	636	50	42	125	610	1,527	16,311
Agriculture, forestry and fisheries	0	0	0	0	3,552	3,156	427	93	5	0	0	7,233
Public administration	0	6,207	0	0	3	94	5	3	0	0	2	6,314
Retail customers	0	0	0	0	1,369	17,701	3,855	322	0	0	2	23,249
Transport, postal services and telecommunications	0	40	0	0	1,697	1,868	33	98	5	0	0	3,741
Other business areas	0	10	56	6	4,690	2,171	199	61	5	0	112	7,310
Grand total	**2,313**	**6,257**	**175**	**6,062**	**27,736**	**32,388**	**5,483**	**1,039**	**151**	**610**	**1,674**	**83,888**

Figure 31

AVERAGE VALUE OF EXPOSURES BY EXPOSURE CATEGORY

	Ave. 2009 DKK m	Ave. 2008 DKK m
Central governments or central banks	1,803	1,505
Regional or local authorities	6,014	5,182
Public entities	125	174
Institutions	6,317	7,339
Businesses, etc.	21,403	26,855
Retail customers	32,011	29,864
Exposures secured by mortgages on real property	4,846	4,485
Exposures in default or overdrawn	1,522	1,794
Short-term exposures to institutions and businesses, etc.	436	1,027
Collective investment schemes	181	635
Exp. in other items, including assets without counterparty risk	1,755	1,476
	76,413	80,336

Figure 32

The Group's credit exposure by the debtor's country of residence is primarily delimited geographically to Denmark. In 2009, debtors based in Denmark accounted for about 95% of the Group's credit exposure, for which reason a geographical breakdown is not considered important.

Breakdown by term to maturity of the Group's credit exposure is shown by exposure categories.

EXPOSURE CATEGORIES BY TERM TO MATURITY

	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Exposure categories	On demand	On demand	0 - 3 mths.	0 - 3 mths.	3 mths. - 1 year	3 mths. - 1 year	1 year - 5 year	1 year - 5 year	Over 5 years	Over 5 years	Grand total	Grand total
Central governments or central banks	366	29	800	2,229	0	1	0	54	0	0	1,166	2,313
Regional or local authorities	0	1,222	272	1	1,767	4,060	3,017	809	15	165	5,071	6,257
Public entities	0	25	103	0	0	0	0	66	0	84	103	175
Institutions	767	993	4,706	1,451	883	1,584	625	760	897	1,274	7,878	6,062
Businesses, etc.	6,303	7,770	4,794	3,032	3,572	7,149	2,639	3,848	2,973	5,937	20,281	27,736
Retail customers	3,642	4,117	5,617	2,395	6,670	4,111	8,746	7,243	8,322	14,522	32,997	32,388
Exposures secured by mortgages on real property	1,223	1,301	692	70	480	677	638	625	1,666	2,810	4,699	5,483
Exposures past due or overdrawn	150	330	212	21	92	173	461	197	120	318	1,035	1,039
Short-term exposures to institutions and businesses, etc.	0	0	676	151	0	0	0	0	0	0	676	151
Collective investment schemes	0	0	1	0	0	600	0	0	0	10	1	610
Exp. in other items, including assets without counterparty risk	475	459	6	1	98	111	693	587	494	516	1,766	1,674
Grand total	**12,926**	16,256	**17,879**	9,175	**13,562**	18,466	**16,819**	14,189	**14,487**	25,636	**75,673**	83,888

Figure 33

REAL PROPERTY RISKS

Properties are recognized at cost upon acquisition and subsequently measured at fair value. The fair value is calculated on the basis of current market data according to an asset return model that includes the property's rental income, operating expenses, as well as management and maintenance. Operating expenses and maintenance costs are calculated on the basis of the condition of the individual property, construction year, materials used, etc. The fair value of the property is determined based on the calculated return on operations and the individually determined rate of return. The return rate is fixed on the basis of the location of the individual property, potential use, the state of maintenance, etc.

The fair value of the individual property is reassessed at least once a year based on the current letting market and the interest level. An external valuation has been obtained from a real estate agent to support the calculation of fair value, including the rental rates and rates of return used. In 2009, revaluations of corporate properties totalled DKK 20 million, recognized in equity, and impairment totalled DKK 17 million, recognized as costs.

Reference is made to the Bank's Financial Statements for a more detailed description of the accounting treatment of properties.

CREDIT EXPOSURE TO FINANCIAL COUNTERPARTIES

As part of its trading in and holding of securities, foreign currency and derivative instruments and its payment services, etc., the Bank will experience settlement risk or credit risk exposure to financial counterparties.

Settlement risk is the risk that the Bank may not receive payments or securities that match the securities or payments delivered by it whenever it settles securities transactions or enters into foreign-exchange transactions.

RECEIVABLES FROM CREDIT INSTITUTIONS BY TYPE CALCULATED AS RISK PORTFOLIO

	DKK m	%
Certificates of deposit	800	17.3
Reverse transactions	1,375	29.7
Unlisted CDOs	33	0.7
Deposits and unlisted bonds	1,074	23.2
Subordinated loans	10	0.2
Current accounts	535	11.6
Market value of derivatives	187	4.1
Undisclosed	612	13.2
Total	**4,626**	**100.0**

Figure 34

RECEIVABLES FROM CREDIT INSTITUTIONS BY RATING CATEGORY CALCULATED AS RISK PORTFOLIO

	DKK m	%
AAA	3,481	75.2
AA	433	9.4
A	69	1.5
Non-rated	16	0.3
Undistributed	627	13.6
Total	**4,626**	**100.0**

Figure 35

Spar Nord's Management allocates lines for settlement risk and credit risk exposure to financial counterparties, based on the particular counterparty's risk profile, rating, amount of exposure and solvency. The risks and lines of financial instruments are constantly monitored. Spar Nord also participates in the CLS settlement system (Continuous Linked Settlement), which aims to reduce settlement risks.

Overall, Management's assessment is that Spar Nord's credit risk exposure to financial counterparties is moderate.

FINANCIAL CREDIT RISK, TOTAL

	DKK m	%
AAA	10,670	66.8
AA	4,158	26.1
A	486	3.0
CCC	11	0.1
Non-rated	16	0.1
Undistributed	627	3.9
Total	**15,968**	**100.0**

Figure 36

Bond portfolio

The Group's bond portfolio is the most significant source of financial credit risk.

Spar Nord's bond portfolio is composed of 90.3% of mortgage-credit bonds, 8.7% of bonds from financial issuers and 1.0% from other issuers.

Corporate bonds amount to DKK 128 million, the bulk of which are Scandinotes. The Bank still expects that tranches of senior loans will be repaid.

BOND PORTFOLIO BY ISSUER TYPE CALCULATED AS RISK PORTFOLIO

	DKK m	%
Government bonds	-41	-0.4
Mortgage-credit institutions	10,243	90.3
Financial issuers	977	8.7
CDOs	35	0.3
Corporate bonds	128	1.1
Total	**11,342**	**100.0**

Figure 37

BOND PORTFOLIO BY RATING CATEGORY CALCULATED AS RISK PORTFOLIO

	DKK m	%
AAA	7,190	63.4
AA	3,724	32.8
A	417	3.7
CCC	11	0.1
Total	**11,342**	**100.0**

Figure 38

Balances with credit institutions and central banks

The other major source of financial credit risk is the Bank's balances with credit institutions and central banks. In this area, Spar Nord's exposure is typically to central banks with a triple A rating or Danish banks with which the Bank's Trading, Financial Markets & the International Division has a customer relationship.

86% of Spar Nord's balances with credit institutions concerns banks with a rating of an A or higher. Of the total balances with credit institutions of DKK 4.6 billion, 75.2% is attributable to institutions with an AAA-rating, 9.4% to institutions with an AA-rating, and 1.5% to institutions with an A-rating.

MARKET RISKS

Market risks are defined as the risk that volatility in market conditions will change the market value of the Bank's assets and liabilities. Market risks are a consequence of the Bank's open positions in the financial markets and may be categorized as interest-rate risk, equity risk, foreign-exchange risk, commodity risk and liquidity risk. Market risks are managed and hedged by Spar Nord's Trading, Financial Markets & the International Division.

Spar Nord's Supervisory Board determines the overarching policies, frameworks and principles for risk management. The policies are concerned with identifying and estimating various types of market risk. The frameworks indicate specific limits on the extent of risk the Bank is ready to assume. The principles establish the methods to be used in calculating the various risk targets. The Supervisory Board receives continuous reporting on risk developments and the utilization of allocated risk limits.

For its management of market risks, the Bank has put a three-tier instruction hierarchy in place. At the first tier-level, the Supervisory Board issues the definition of the limits for the Spar Nord Group to the Executive Board. At the second tier-level, the Executive Board delegates limits to the other units of the Group, with Trading, Financial Markets & the International Division being the distinctly largest unit. At the third and last tier-level, the executives of the Trading, Financial Markets & the International Division are granted the limits within which they may operate.

The Middle Office Function of the Finance & Accounts Department is responsible for estimating, monitoring, checking and reporting market risks to the Supervisory Board and the Executive Board. Market risks are monitored through an integrated risk management system. Procedures for ongoing follow-up on all types of market risk are in place for all entities that are subject to the instructions and any failure to adhere to these instructions is reported further up in the hierarchy.

To ensure independence, the Middle Office Function has no position-taking authority. All trades are settled by Spar Nord's Back Office department according to the guidelines issued by the Danish Financial Supervisory Authority regarding functional separation.

INTEREST-RATE RISK

Interest-rate risks arise both in interest-bearing claims (primarily bonds) as well as in financial derivatives both inside and outside the trading portfolio. The Bank calculates the net interest risk by converting all positions in different currencies into Danish currency and setting off negative positions against positive ones. The Bank's interest-rate risk is assessed on an ongoing basis and determined in the light of expectations for the macroeconomic situation and market developments.

The interest-rate risk increased during the first six months of 2009, only to drop in the second half of the year. The increase in the first half of the year was due primarily to a market-based assessment as to where it was most advantageous to hedge the Bank's bond portfolio. The decline in the second half of the year was due primarily to an increase in fixed-interest deposits and the raising of hybrid capital, which had a negative impact on the net interest-rate risk.

DEVELOPMENT IN THE GROUP'S INTEREST-RATE RISK, NET

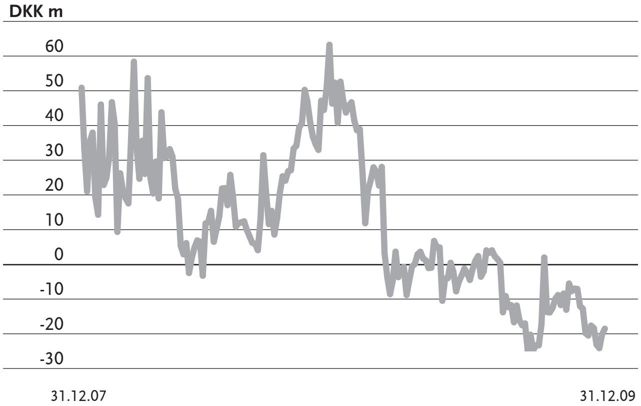

Figure 39

The impact on the Group's profit of a one-percentage-point increase in interest rates would be DKK 19.2 million as at 31 December 2009. (DKK 4.4 million, including pension pool 4) compared with DKK -11.9 million at end-2008.

Relative to shareholders' equity, the Group's interest-rate risk amounted to max. 1.55% in 2009, which is considered moderate.

DEVELOPMENTS IN THE GROUP 'S INTEREST-RATE RISKS - RELATIVE TO THE SHAREHOLDERS' EQUITY

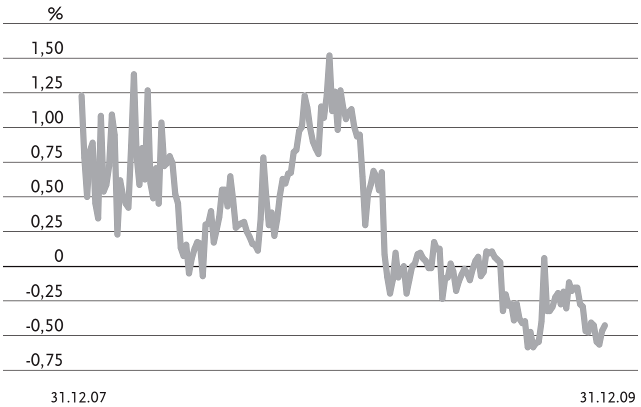

Figure 40

Figure 41 shows the Group's net interest-rate risk by duration and currency. As appears from the figure, the interest-rate risk declined. With respect to time bracket, this decline occurred primarily in the interval 3 mths to 1 year, and with respect to currency the decline primarily occurred in euros.

INTEREST-RATE RISK SHOWN BY CURRENCY AND DURATION

2009 DKK m	Less than 3 mths	3 mths - 1 year	1 year to 3 years	3 years to 7 years	Over 7 years	Total
DKK	9.0	-12.7	16.3	-2.1	7.2	**17.7**
EUR	-1.8	-14.7	-15.5	-12.8	5.6	**-39.2**
USD	0.0	0.0	0.0	0.0	0.0	**0.0**
GBP	0.1	0.0	0.0	0.0	0.0	**0.1**
NOK	-0.3	-0.2	-0.3	0.0	0.0	**-0.8**
CHF	2.4	0.2	-0.4	-0.4	0.8	**2.6**
JPY	0.3	0.1	0.1	0.0	0.0	**0.5**
SEK	-0.1	-0.1	-0.2	0.0	0.0	**-0.4**
Miscellaneous	-0.2	0.2	0.3	0.0	0.0	**0.3**
Total	**9.4**	**-27.2**	**0.3**	**-15.3**	**13.6**	**-19.2**
2008 DKK m						
DKK	3.2	11.1	-3.9	-29.2	15.1	**-3.7**
EUR	-8.0	10.5	4.2	11.8	-8.2	**10.3**
USD	3.3	0.7	0.6	0.0	0.0	**4.6**
GBP	0.1	0.2	-0.5	0.0	0.0	**-0.2**
NOK	-0.2	-0.6	-0.1	-0.2	0.0	**-1.1**
CHF	0.9	0.8	-1.8	0.0	0.4	**0.3**
JPY	0.2	0.1	0.1	0.1	0.0	**0.5**
SEK	1.1	0.0	-0.1	-0.1	0.0	**0.9**
Miscellaneous	-0.1	0.1	0.1	0.2	0.0	**0.3**
Total	**0.5**	**22.9**	**-1.4**	**-17.4**	**7.3**	**11.9**

Figure 41

At the beginning of the year, the gross interest-rate risk increased, followed by a period with a decline in gross interest-rate risk. Towards the end of 2009, the gross interest-rate risk began to increase again. The market-based assessment as to which currency to use for hedging purposes is the reason for these movements. An increase in the bond portfolio as a result of a significant improvement of liquidity caused the gross interest-rate risk to increase in the last part of 2009.

POSITIONS SUBJECT TO INTEREST-RATE RISK OUTSIDE THE TRADING PORTFOLIO

Positions	2009 Market value DKK m	2009 Interest-rate risk DKK m
Fixed-rate loans	14,584	54.5
Fixed-rate deposits	9,045	-41.4
Bonds	7,538	-8.3
Total	**30,626**	**4.8**

Figure 42

The Bank's positions subject to interest-rate risk outside the trading portfolio are specified, stating the interest-rate risk as a result of a 1 percentage point change in interest rates.

EQUITY RISK

Spar Nord's total equity portfolio at the close of 2009 aggregated DKK 1,589 million. Of this amount, shares in associates, e.g. Nørresundby Bank A/S, in which Spar Nord Bank holds a 50.2% interest, totalled DKK 719 million.

Shares in strategic partners in the financial sector amount to DKK 752 million. These partners are companies whose purpose is to support bank transactions in the fields of mortgage credit, payment services, unit trusts, etc. Spar Nord has no plans to sell its shares in this portfolio, as participation in the companies in question is considered necessary for the Bank's operations. Thus, the shares are considered to be outside the trading portfolio.

In several of the sector companies, the shares are reallocated such that the ownership interests of the banks will reflect the business volume with the sector company at all times. Typically, this reallocation is made based on the net asset value of the sector company in question. In light of this, Spar Nord adjusts the recognized value of these shares when new information is available that supports a change of valuation.

In other sector companies, the shares are not reallocated, but instead measured based on a recognized valuation method. The adjustments of the values of the shares in these companies are also recognized in the income statement.

THE BANK'S EQUITY PORTFOLIO END-2009

DKK m		
Listed shares in the trading portfolio	75	
Unlisted shares in the trading portfolio	43	
Total shares in the trading portfolio	**118**	**118**
Shares in credit and financing institutions	363	
Shares in man. companies and unit trusts	46	
Shares in pension institutions	21	
Shares in data supplier	127	
Shares in payment services business	157	
Other shares	38	
Shares in strategic partners, total	**752**	**752**

Figure 43

A few shares in strategic partners have been sold as an element in the reallocation process, see the description above. The shares were sold at the recognized value, and accordingly no profit was realized.

As concerns shares in strategic partners, there was an unrealized net capital gain of DKK 47 million in 2009, which was carried to income in the income statement.

The actual portfolio of listed shares and unlisted shares, acquired through the wholly-owned subsidiary Erhvervsinvest Nord A/S, among others, amounted to DKK 118 million, of which listed shares accounted for DKK 75 million.

Future private equity investments are being made in Vækstinvest Nordjylland A/S and Erhvervsinvest II K/S, which the Bank owns jointly with Nykredit and Vækstfonden (the Danish Fund for Industrial Growth) and other partners.

FOREIGN-EXCHANGE RISK

Spar Nord calculates its foreign-exchange risk exposure by means of a foreign-exchange indicator, which is computed based on the sum of all currencies in which the Bank has placed orders to sell ('gone short') and all the currencies in which the Bank has placed orders to buy ('gone long'). The foreign-exchange indicator is calculated by correlating the higher of the two sums to the Bank's core capital after deductions.

FOREIGN-EXCHANGE RISKS - INCL. CURRENCY OPTIONS

Foreign-exchange indicator *)	
End-2007	5.7
End-2008	9.2
End-2009	2.9

*) *The foreign-exchange indicator has been calculated pursuant to the guidelines issued by the Danish Financial Supervisory Authority and is stated as a percentage of core capital after deductions.*

Figure 44

COMMODITY RISK

Spar Nord only accepts commodity risks on its own books to a very limited extent. When accepting such risks, this is primarily done in connection with hedging transactions on behalf of the Bank's customers.

LIQUIDITY RISK

Liquidity risk is the risk that the Group's financings costs rise disproportionately, so that the Group is prevented from entering into new transactions because it lacks adequate cash funds, and - ultimately - that the Group cannot honour its payment obligations on account of insufficient cash resources.

The objective of Spar Nord's cash management is thus to ensure suitable cash funds to allow the Bank to honour its payment obligations as and when they fall due, and to ensure reasonable funding costs. This work is carried out at three levels.

The first level is the long-term internal liquidity target, viz. Spar Nord's intention that cash deposits, senior loans, issued bonds, subordinated loan capital and shareholders' equity should exceed loans and advances to customers.

Compared with the past, Spar Nord has tightened up its liquidity target, so that subordinated loans, senior loans and issued bond loans falling due within 12 months are no longer included in the Bank's strategic liquidity. At end-2008, there was an undercoverage of DKK 0.7 billion relative to this new tightened target. The Bank strengthened its liquidity throughout 2009, and at end-2009 there was an excess coverage of DKK 7.4 billion relative to the tightened target.

EXCESS COVERAGE RELATIVE TO STRATEGIC LIQUIDITY TARGET

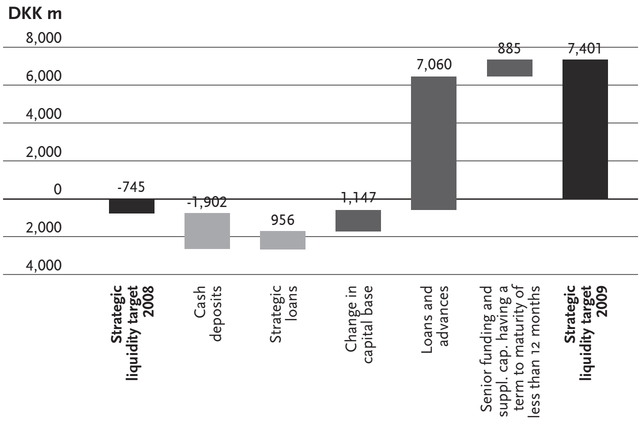

Figure 45

The second level in the Group's cash management is the target that Spar Nord should have free liquidity by way of unencumbered exchange-listed securities, demand deposits held with credit institutions, certificates of deposit or cash balances that will ensure Spar Nord's compliance with the liquidity requirement stipulated in section 152 of the Danish Financial Business Act, and that Spar Nord maintains an appropriate liquidity reserve. The liquidity excess coverage relative to the 10% requirement stood at DKK 10.0 billion at end-2009 compared with an excess coverage of DKK 5.9 billion in 2008. If the excess coverage is converted to a percentage ratio, this corresponds to an excess coverage of 157.0% in 2009, whereas it amounted to 86.7% in 2008.

At the third level, Spar Nord has for many years employed a fixed model to manage the Bank's short-term liquidity. The model is based on the one developed by the Danish Financial Supervisory Authority. The model shows movements in the Bank's liquidity if all funding on the money market falls due and is not renewed. Spar Nord's Supervisory Board determines the time window in which Spar Nord's liquidity is to remain positive according to the model.

Finally, Spar Nord has prepared a liquidity emergency plan pursuant to section 71 of the Danish Financial Business Act. This plan describes the action to be taken, should an emergency arise.

Funding structure

The Bank has four funding sources for its assets: customer deposits, loans with other credit institutions and the central bank, via issued bonds and also via the Bank's capital base, which is composed of the subordinated capital and the Bank's shareholders' equity.

Customer deposits are the largest source of funding, amounting to 55.5% of the Bank's total funding in 2009, the same level as in 2008. Of this amount, time deposits accounted for 10% in 2009 compared with 20% in 2008.

Payables to credit institutions and central banks amount to 21.4%. It is important to note that this share has dropped from 29.6% in 2008.

Issued bonds accounted for 11.2% of total funding, which should be compared with a corresponding figure in 2008 of only 5.6%. During 2009, issued bonds aggregating DKK 2 billion matured. Overall, senior funding aggregating DKK 4.2 billion matured in 2009. In the same period, Spar Nord raised new bond loans in the amount of DKK 5.0 billion.

The Bank's capital base increased from 2008 to 2009, primarily as a result of the raising of hybrid capital from the Danish Government in the amount of DKK 1.265 billion, and in 2009 the capital base amounted to 11.9% of total funding, compared to 9.3% in 2008. Thus, total funding is composed of a larger share of long-term funds than was the case in 2008.

In October 2008 the Bank was granted a drawing right with the central bank due to the Bank exceeding the statutory solvency requirement. The drawing right amounts to DKK 800 million and runs until 30 September 2010. The drawing right has not been exercised since it was granted in 2008.

The Bank established an EMTN bond programme of EUR 3 billion in 2008, which contributes to diversifying the Bank's funding sources and ensuring standardization in connection with the issuing of bonds. The Bank made three issuances under the EMTN programme in 2009, the total value being DKK 5.0 billion. In June, the programme was supplemented with the option of issuing guaranteed bonds under the Danish state-guaranteed scheme, which applies until the end of 2010.

The agreement, which was concluded with Finansiel Stabilitet A/S, provides an option for issuing guaranteed bonds up to a value of DKK 7.5 billion. Overall, the Bank's Management is convinced that the Bank is well-prepared for the time after the expiration of Bank Package I on 1 October 2010. In 2009, guaranteed bonds for a total amount of DKK 4.6 billion were issued, and the Group thus still has a framework of DKK 2.9 billion within which state-guaranteed bonds may be issued.

THE SPAR NORD BANK GROUP-SENIOR FUNDING - MATURITY PER YEAR

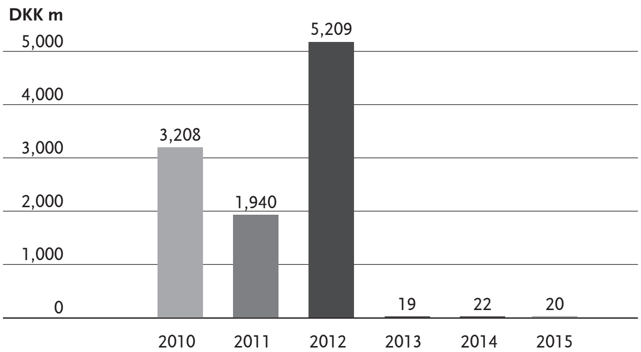

Figure 46

FUNDING STRUCTURE 2008

	DKK m	%
Deposits	31,931	55.5
Payables	12,280	21.4
Bonds issued	6,445	11.2
Capital base	6,824	11.9
Total	**57,480**	**100.0**

Figure 47

EXCESS COVERAGE RELATIVE TO STATUTORY CASH RATIO REQUIREMENT

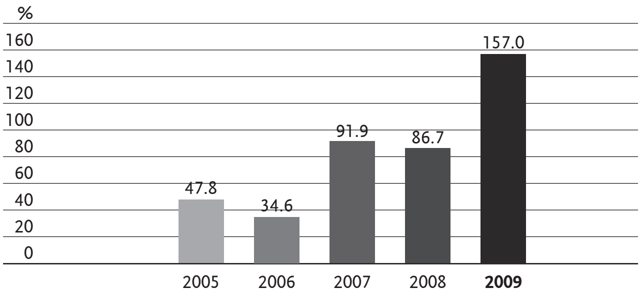

Figure 48

FUNDING STRUCTURE 2009

	DKK m	%
Deposits	33,833	55.5
Payables	17,994	29.6
Bonds issued	3,421	5.6
Capital base	5,677	9.3
Total	**60,925**	**100.0**

Figure 49

OPERATIONAL RISK

Operational risk is the risk of direct or indirect losses caused by deficient or erroneous internal procedures and processes, human errors, system errors or losses due to external events or incidents. Operational risks include business and reputation risks. As indicated by the definition, operational risk is frequently associated with certain, one-off events or incidents.

Operational risk is managed across the Group through a system of comprehensive business procedures and control measures developed to ensure an optimum process environment. The effort to minimize operational risks includes separating the execution of activities from the control of the same activities.

INTERNAL AUDIT

Internal Audit carries out checks to obtain reasonable assurance that principles and procedures are adhered to at all times. Internal Audit was established by the Bank's Supervisory Board as an independent staff function in conformity with the Danish Financial Supervisory Authority's Executive Order on the Conduct of Auditing in Financial Institutions.

Together with the elected external auditors, the Internal Audit Department is responsible for auditing the financial statements of Spar Nord Bank and the companies forming part of the Group, in accordance with applicable statutes, executive orders and the Articles of Association.

COMPLIANCE

Spar Nord has an independent Compliance Function charged with overseeing the Bank's compliance with financial legislation, industry standards and the Bank's internal guidelines in all areas. The objective of the function is to assist Management in its efforts to identify and minimize risks by developing and conducting risk analyses, providing counselling to Management and employees and checking and assessing the adequacy and prudence of the Bank's procedures. The Compliance Function, managed by a Head of Compliance (a law graduate), reports to the Supervisory Board and is manned by representatives from a broad cross-section of the Bank's business areas. An annual programme for the function's activity has been approved by the Supervisory Board.

FRAUD

In view of the regular reporting provided to the Bank's Supervisory and Executive Boards, it is Management's opinion that the Bank has a satisfactory level of measures to counter the risk of being exposed to fraud.

IT SECURITY

Information and information systems are vital to Spar Nord, and IT security is therefore decisive for the Bank's credibility and continued existence. An IT security function has been established, and Spar Nord's Executive Board and Supervisory Board are regularly checking up on IT security.

Spar Nord's activity in the area of IT security is based on regulatory requirements as well as consideration for day-to-day operations. All IT installations running at Spar Nord and its service providers must operate according to documented running schedules and guidelines. The operation must be safe and stable, which will be ensured through the highest possible degree of automation and ongoing capacity adjustments. In the case of IT services run by service providers this must be ensured by means of written agreements. The Bank's IT security work includes the preparation of emergency plans and recovery procedures aimed to ensure continued operation at a satisfactory level, in the case of extraordinary events.

CAPITAL BASE

The Bank calculates the risk-weighted items for credit risk and market risk based on the Basel II standard approach. As concerns operational risk, the risk-weighted items are calculated based on the basic indicator approach.

The risk-weighted items for the Bank's credit risk

During 2009 there was a small shift in credit exposure broken down by exposure category. Developments are characterized by a reduction of exposure to business customers and exposure covered by mortgages on real property. As concerns retail customers, that was a slight increase, which is currently supported by a rise in guarantees furnished in connection with mortgage-credit lending.

RISK-WEIGHTED ITEMS FOR CREDIT RISK EXPOSURE

DKK m	**2009 Risk-weighted items**	2008 Risk-weighted items	**2009 Capital require-ments**	2008 Capital require-ments
Central governments or central banks	0	0	0	0
Regional or local authorities	0	0	0	0
Public entities	3	19	0	2
Institutions	650	735	52	59
Businesses, etc.	14,614	17,615	1,169	1,409
Retail customers	15,495	14,712	1,240	1,177
Exp. secured by mortgages on real property	1,648	1,929	132	154
Exp. past due or overdrawn	1,318	1,327	105	106
Short-term exposures to institutions and businesses, etc.	218	50	17	4
Collective investment schemes	1	0	0	0
Exp. in other items, including assets without counterparty risk	1,118	1,037	90	83
	35,065	37,424	**2,805**	**2,994**

Figure 50

The risk-weighted items for the Bank's market risk

The risk-weighted items for the Bank's market risk have increased by DKK 642 million since 2008, which increases the capital requirement by DKK 51 million. The increase is mainly attributable to the risk-weighted items for instruments of debt, with the bond portfolio growing by DKK 2.3 billion in 2009. In contrast, the exchange-rate risk declined from 2008 to 2009 on account of a reduction in exposure to CHF.

RISK-WEIGHTED ITEMS FOR MARKET RISK EXPOSURE

DKK m	**2009 Risk-weighted items**	2008 Risk-weighted items	**2009 Capital require-ments**	2008 Capital require-ments
Debt instruments	2,417	1,629	193	130
Shares	148	147	12	12
Collective investment schemes	87	19	7	2
Exchange-rate risk	161	376	13	30
Commodity risk	0	0	0	0
Risk-weighted items subject to a market risk	**2,813**	2,171	**225**	174

Figure 51

The risk-weighted items for the Bank's operational risk

The Bank's operational risk has been calculated based on the basic indicators for 2007, 2008 and 2009. The risk-weighted items for the Bank's operational risk have increased by DKK 605 million since 2008, which increases the capital requirement by DKK 48 million. This increase is due to the fact that the basic indicator for 2009 is DKK 821 million larger than the basic indicator for 2006, which lapses in the statement

RISK-WEIGHTED ITEMS FOR OPERATIONAL RISK EXPOSURE

DKK m	**2009 Risk-weighted items**	2008 Risk-weighted items	**2009 Capital require-ments**	2008 Capital require-ments
Operational risk	**3.924**	3.319	**314**	266

Figure 52

Statement of capital base

In 2009, the Bank chose to strengthen its capital structure and the liquidity situation by floating a government loan by way of hybrid core capital in the amount of DKK 1,265 million. The Bank's capital base, measured using the core capital ratio as well as the solvency ratio, has been strengthened sharply in 2009.

STATEMENT OF CAPITAL BASE

DKK m	**The Group 2009**	The Group 2008	**The Bank 2009**	The Bank 2008
Share capital	571	571	571	571
Other reserves	412	433	704	767
Retained earnings	3,105	2,985	2,813	2,651
Total core capital	**4,088**	**3,989**	**4,088**	**3,989**
Deductions from core capital	224	187	199	215
Core capital after deductions	**3,864**	**3,802**	**3,889**	**3,774**
Hybrid core capital	1,638	352	1,638	352
Core capital - incl. hybrid core capital	**5,502**	**4,154**	**5,549**	**4,126**
Supplementary capital	1,098	1,336	1,098	1,336
Capital base before deductions	**6,600**	**5,490**	**6,625**	**5,462**
Deductions	694	660	736	660
Capital base	**5,906**	**4,830**	**5,889**	**4,802**

Figure 53

INDIVIDUAL SOLVENCY REQUIREMENT

The Bank's Supervisory and Executive Boards must determine the Bank's adequate capital base and individual solvency requirement pursuant to section 124(1) and (4) of the Danish Financial Business Act.

Once a year, the Supervisory Board reviews the calculation method for the Bank's adequate capital base and solvency requirement, including the risk areas and stress levels to be used in calculating the solvency requirement. In addition, the Supervisory Board makes a quarterly review of the solvency requirement.

The reviews are based on recommendations prepared by the Bank's solvency group (the Executive Board, Credit Rating and the Finance & Account Department). The recommendations contain proposals for the amount of the solvency requirement, including a proposal for choice of stress variables, stress levels and risk areas to be included in the calculation of the individual solvency requirement.

MODEL FOR CALCULATING INDIVIDUAL SOLVENCY REQUIREMENT

Since the beginning of 2008, the Bank's determination of the individual solvency requirement has been based on an adaptation of a calculation method prepared by the Association of Local Banks in Denmark.

The determination has a three-level structure:

Level 1
The Bank's income statement is subjected to a stress test, using a total of six stress parameters: a drop in core income, loss of credit options, interest rate increases, share price drops, foreign exchange losses and losses on counterparty risks regarding financial counterparties.

The objective of stress testing is to subject the Bank's income statement to a number of adverse events, thus determining the losses in a worst case scenario that the Bank should at least be capable of covering via its core capital. The results of the stress tests are therefore included in the solvency requirement model in that the Bank must at least have a capital of a magnitude that can cover the losses that would arise if the scenario in question became a reality.

For each individual stress factor, 97.5% fractile values are used, calculated based on historical data spanning the past 24 years. The stress level is assessed to be very extreme: all stress parameters are fixed at more extreme values than the worst historical figure in any one year since 1986, apart from the stress parameter for share price drops.

However, using the worst historical figure for share price drops since 1986 instead of the 97.5% fractile value would only have a slight impact on the overall capital requirement and would not impact the calculated individual solvency requirements, whether at group or at parent bank level. At the same time, a highly extreme assumption regarding full correlation among the six stress variables is used.

VALUE FOR THE MOST IMPORTANT STRESS VARIABLES

	%
Decline in core income	13,0
Impairment of loans and advances, etc.	3,4
Interest increase	1,7
Share price drop	39,0

Figure 54

Level 2
The capital requirement in connection with the anticipated growth is calculated based on the expected growth in business volume.

Level 3
An assessment is made whether the Bank's business and risk areas in general warrant additional supplements to the calculated solvency requirement in level 1. These are the four risk areas:

Credit risks: Customers having financial difficulties, large exposures, business and geographical concentration, concentration of collateral and risks in connection with granted, unutilized credit lines.

Market risks: including interest-rate structure risks and risks in connection with unlisted shares, etc.

Operational risks

Other risks: Business profile, strategic risks, reputation risks, real property risks, risks in connection with floating capital, liquidity risks and other risks.

The impact of these areas on the solvency requirement ratio is determined directly via supplementary calculations. Management has made an estimate in a few risks areas. In the Bank's opinion, the risk factors included in the model cover all the risk areas required by legislation to be taken into consideration by Management in determining the solvency requirement and the risks that the Management finds the Bank has assumed.

BREAKDOWN OF OVERALL SOLVENCY REQUIREMENT BY RISK AREA

The total solvency requirement is broken down by risk area according to the following principles:

Credit risks: The risk as a result of borrowers or other counterparties defaulting on their payment obligations, including the risks attaching to customers having financial difficulties, large exposures, concentration risks and risks attaching to granted, unutilized credit lines.

Market risks: The risk of loss due to the fact that the fair value of the Bank's assets or obligations changes on account of changes in prices on the financial markets.

Operational risks: The risk of financial loss as a result of deficient or inexpedient or internal procedures, human or system errors and similar errors, or losses as a result of external events.

Other risks: The risk of loss as a result of business profile, strategic risks, reputation risks, real property risks, risks in connection with capital procurement, liquidity risks and other risks (Group risks, the Bank's size, settlement risks, external risks, etc.). The capital requirement for covering these risks is reduced by the recognized positive results before impairment of loans, etc.

Statutory requirements: The situations in which the requirements laid down in the Danish Financial Business Act stipulate a lower limit for the solvency requirement. The necessary core capital has been calculated at DKK 3,525 million, equal to a solvency requirement of 8.5%.

The internally calculated solvency requirement stood at 7.8% at end-2008. The increase in the solvency requirement is primarily attributable to the fact that the Bank has chosen to use 97.5% fractile values in its stress testing. This choice is inspired by the guidelines in the area issued by the Danish Financial Supervisory Authority, and the Bank finds that this choice represents a restrictive interpretation of these guidelines.

Of the total capital requirement, DKK 2,402 million or 68% is attributable to credit risks, while market risks and operational risks account for 19% and 10%, respectively, of the total capital requirement.

The capital requirement in connection with other risks has been calculated at DKK 100 million (net), as the capital requirement for covering these risks is reduced by the recognized positive results before impairment of loans, etc.

SOLVENCY REQUIREMENTS BY RISK AREA 2009

Risk area	Adequate capital base DKK m	The Group Solvency requirement %	Parent Company Solvency requirement %
Credit risks	2,402	5.9	5.8
Market risks	666	1.6	1.6
Operational risks	357	0.8	0.8
Other risks	100	0.2	0.2
Supplement, if required by law	0	0.0	0.0
Total	**3,525**	**8.5**	**8.4**

Figure 55

EXCESS COVERAGE RELATIVE TO STATUTORY REQUIREMENT AND INTERNAL CAPITAL TARGETS

At end-2009, the Group's solvency ratio stood at 14.2%, corresponding to an excess coverage of 67% relative to the individual solvency requirement.

EXCESS COVERAGE RELATIVE TO STATUTORY REQUIREMENT

	The Group	**Parent Company**
Core capital after deductions, DKK m	5,906	5.889
Adequate capital base, DKK m	3,525	3.525
Core capital ratio, excl. hybrid core capital, %	9.3	9.2
Core capital ratio, incl. hybrid core capital, %	13.2	13.1
Solvency ratio, %	14.2	14.0
Individual solvency requirement	8.5	8.4
Excess coverage in %	67	67

Figure 56

The internal capital targets are that the core capital ratio, excl. hybrid capital, must be at least 8%, and that the core capital ratio, incl. hybrid capital, must be at least 12%.

The Bank's calculation methods and model for calculating the individual solvency requirement are unchanged compared with the past:

BREAKDOWN OF OVERALL SOLVENCY REQUIREMENT BY RISK AREA

The total solvency requirement is broken down by risk area according to the following principles:

Credit risks: The risk as a result of borrowers or other counterparties defaulting on their payment obligations, including the risks attaching to customers having financial difficulties, large exposures, concentration risks and risks attaching to granted, unutilized credit lines.

Market risks: The risk of loss due to the fact that the fair value of the Bank's assets or obligations changes on account of changes in prices on the financial markets.

Operational risks: The risk of financial loss as a result of deficient or inexpedient or internal procedures, human or system errors and similar errors, or losses as a result of external events.

Other risks: The risk of loss as a result of business profile, strategic risks, reputation risks, real property risks, risks in connection with capital procurement, liquidity risks and other risks (Group risks, the Bank's size, settlement risks, external risks, etc.). The capital requirement for covering these risks is reduced by the recognized positive results before impairment of loans, etc.

Statutory requirements: The situations in which the requirements laid down in the Danish Financial Business Act stipulate a lower limit for the solvency requirement.

The necessary core capital has been calculated at DKK 3,496 million, equal to a solvency requirement of 8.2%.

The necessary core capital at end-2009 was calculated at DKK 3,525 million, equal to a solvency requirement of 8.5%. The drop in the solvency requirement is attributable primarily to an increase in weighted items, as the necessary capital base has been calculated at a largely unchanged amount.

Of the total capital requirement, DKK 2,374 million or 68% is attributable to credit risks, while market risks and operational risks account for 19% and 10%, respectively, of the total capital requirement.

The capital requirement in connection with other risks has been calculated at DKK 98 million (net), as the capital requirement for covering these risks is reduced by the recognized positive results before impairment of loans, etc.

SOLVENCY REQUIREMENTS BY RISK AREA, END-MARCH 2010

Risk area	Adequate capital base DKK m	The Group Solvency requirement %	Parent Company Solvency requirement %
Credit risks	2,374	5.6	5.5
Market risks	667	1.6	1.5
Operational risks	357	0.8	0.8
Other risks	98	0.2	0.2
Supplement, if required by law	0	0.0	0.0
Total	**3,496**	**8.2**	**8.0**

Figure 57

EXCESS COVERAGE RELATIVE TO STATUTORY REQUIREMENT AND INTERNAL CAPITAL TARGETS

At end-March 2010, the Group's solvency ratio stood at 14.2%, corresponding to an excess coverage of 73% relative to the individual solvency requirement.

EXCESS COVERAGE RELATIVE TO THE STATUTORY REQUIREMENT, END-MARCH 2010

	The Group	Parent Company
Core capital after deductions, DKK m	6,069	6.097
Adequate capital base, DKK m	3,496	3.496
Core capital ratio, excl. hybrid core capital, %	9.3	9.2
Core capital ratio, incl. hybrid core capital, %	13.2	13.0
Solvency ratio, %	14.2	14.0
Individual solvency requirement	8.2	8.0
Excess coverage in %	73	75

Figure 58

The internal capital targets are that the core capital ratio, excl. hybrid capital, must be at least 8%, and that the core capital ratio, incl. hybrid capital, must be at least 12%.

The Bank's calculation methods and model for calculating the individual solvency requirement are unchanged compared with the past.

BREAKDOWN OF OVERALL SOLVENCY REQUIREMENT BY RISK AREA

The total solvency requirement is broken down by risk area according to the following principles:

Credit risks: The risk as a result of borrowers or other counterparties defaulting on their payment obligations, including the risks attaching to customers having financial difficulties, large exposures, concentration risks and risks attaching to granted, unutilized credit lines.

Market risks: The risk of loss due to the fact that the fair value of the Bank's assets or obligations changes on account of changes in prices on the financial markets.

Operational risks: The risk of financial loss as a result of deficient or inexpedient or internal procedures, human or system errors and similar errors, or losses as a result of external events.

Other risks: The risk of loss as a result of business profile, strategic risks, reputation risks, real property risks, risks in connection with capital procurement, liquidity risks and other risks (Group risks, the Bank's size, settlement risks, external risks, etc.). The capital requirement for covering these risks is reduced by the recognized positive results before impairment of loans, etc.

Statutory requirements: The situations in which the requirements laid down in the Danish Financial Business Act stipulate a lower limit for the solvency requirement.

The necessary core capital has been calculated at DKK 3,558 million, equal to a solvency requirement of 8.2%.

The necessary core capital at end-2009 was calculated at DKK 3,525 million, equal to a solvency requirement of 8.5%. The drop in the solvency requirement is attributable primarily to an increase in weighted items, as the necessary capital base has been calculated at a largely unchanged amount.

Of the total capital requirement, DKK 2,363 million or 66% is attributable to credit risks, while market risks and operational risks account for 20% and 10%, respectively, of the total capital requirement.

The capital requirement in connection with other risks has been calculated at DKK 132 million (net), as the capital requirement for covering these risks is reduced by the recognized positive results before impairment of loans, etc.

SOLVENCY REQUIREMENTS BY RISK AREA, END-JUNE 2010

Risk area	Adequate capital base DKK m	The Group Solvency requirement %	Parent Company Solvency requirement %
Credit risks	2,363	5.4	5.4
Market risks	706	1.6	1.6
Operational risks	357	0.8	0.8
Other risks	132	0.3	0.3
Supplement, if required by law	0	0.0	0.0
Total	**3,558**	**8.2**	**8.1**

Figure 57

EXCESS COVERAGE RELATIVE TO STATUTORY REQUIREMENT AND INTERNAL CAPITAL TARGETS

At end-June 2010, the Group's solvency ratio stood at 14.1%, corresponding to an excess coverage of 72% relative to the individual solvency requirement.

EXCESS COVERAGE RELATIVE TO THE STATUTORY REQUIREMENT, END-JUNE 2010

	The Group	Parent Company
Core capital after deductions, DKK m	6,122	6,151
Adequate capital base, DKK m	3,558	3,558
Core capital ratio, excl. hybrid core capital, %	9.3	9.2
Core capital ratio, incl. hybrid core capital, %	13.2	13.0
Solvency ratio, %	14.1	14.0
Individual solvency requirement	8.2	8.1
Excess coverage in %	72	73

Figure 58

The internal capital targets are that the core capital ratio, excl. hybrid capital, must be at least 8%, and that the core capital ratio, incl. hybrid capital, must be at least 12%.

The Bank's calculation methods and model for calculating the individual solvency requirement are unchanged compared with the past.

BREAKDOWN OF OVERALL SOLVENCY REQUIREMENT BY RISK AREA

The total solvency requirement is broken down by risk area according to the following principles:

Credit risks: The risk as a result of borrowers or other counterparties defaulting on their payment obligations, including the risks attaching to customers having financial difficulties, large exposures, concentration risks and risks attaching to granted, unutilized credit lines.

Market risks: The risk of loss due to the fact that the fair value of the Bank's assets or obligations changes on account of changes in prices on the financial markets.

Operational risks: The risk of financial loss as a result of deficient or inexpedient or internal procedures, human or system errors and similar errors, or losses as a result of external events.

Other risks: The risk of loss as a result of business profile, strategic risks, reputation risks, real property risks, risks in connection with capital procurement, liquidity risks and other risks (Group risks, the Bank's size, settlement risks, external risks, etc.). The capital requirement for covering these risks is reduced by the recognized positive results before impairment of loans, etc.

Statutory requirements: The situations in which the requirements laid down in the Danish Financial Business Act stipulate a lower limit for the solvency requirement.

The necessary core capital has been calculated at DKK 3,680 million, equal to a solvency requirement of 8.4%.

The necessary core capital at end-2009 was calculated at DKK 3,525 million, equal to a solvency requirement of 8.5%.

Of the total capital requirement, DKK 2,422 million or 66% is attributable to credit risks, while market risks and operational risks account for 19% and 10%, respectively, of the total capital requirement.

The capital requirement in connection with other risks has been calculated at DKK 194 million (net) (5% of the total capital requirement), as the capital requirement for covering these risks is reduced by the recognized positive results before impairment of loans, etc.

SOLVENCY REQUIREMENTS BY RISK AREA, END-SEPTEMBER 2010

Risk area	Adequate capital base DKK m	The Group Solvency requirement %	Parent Company Solvency requirement %
Credit risks	2,422	5.5	5.4
Market risks	706	1.6	1.6
Operational risks	358	0.8	0.8
Other risks	194	0.4	0.4
Supplement, if required by law	0	0.0	0.0
Total	**3,680**	**8.4**	**8.3**

Figure 57

EXCESS COVERAGE RELATIVE TO STATUTORY REQUIREMENT AND INTERNAL CAPITAL TARGETS

At end-September 2010, the Group's solvency ratio stood at 14.1%, corresponding to an excess coverage of 68% relative to the individual solvency requirement.

EXCESS COVERAGE RELATIVE TO THE STATUTORY REQUIREMENT, END-SEPTEMBER 2010

	The Group	Parent Company
Core capital after deductions, DKK m	6,171	6,200
Adequate capital base, DKK m	3,680	3,680
Core capital ratio, excl. hybrid core capital, %	9.3	9.2
Core capital ratio, incl. hybrid core capital, %	13.2	13.1
Solvency ratio, %	14.1	13.9
Individual solvency requirement	8.4	8.3
Excess coverage in %	68	68

Figure 58

The internal capital targets are that the core capital ratio, excl. hybrid capital, must be at least 8%, and that the core capital ratio, incl. hybrid capital, must be at least 12%.