

Spar Nord reports highly satisfactory profit for the year: DKK 838 million net profit and 10.7% return on equity

Spar Nord has just published its Annual Report for 2016 – with the following key announcements:

- Low-interest environment and keen competition deliver pressure on net interest income, which dropped 6% from 2015 to 2016, ending at DKK 1,621 million
- Record-high income from fees, charges and commissions driven by housing and asset management: Total net income from fees, charges and commissions came to DKK 1,053 million, up 2% from the previous record-high year (2015)
- Highly satisfactory market-value adjustments and dividends in the amount of DKK 434 million after strong performance, particularly for bonds – adjusted for the sale in 2015 of Spar Nord's shareholding in Nørresundby Bank this represents an increase of 54%
- Costs & expenses were impacted by the migration of systems to a new data-processing service centre and the implementation of a new strategy and ended at DKK 1,896 million – adjusted for one-off items in 2016 this represented a flat development compared with 2015
- Core earnings before impairment ended at DKK 1,271 million, which was somewhat higher than forecast at the beginning of the year
- Loan impairment losses dropped to DKK 242 million, equal to 0.44% of total loans, advances and guarantees
- Solid capital position paves the way for the recommendation that a dividend of DKK 5 per share be distributed for 2016, equal to a payout ratio of 75%.

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9 February 2017

Cvr. No. 13 73 75 84



Lasse Nyby, Chief Executive Officer of Spar Nord, has the following comment on the financial statements:

"2016 was a busy as well as positive year for Spar Nord, displaying both brisk customer activity and a smooth migration to the new IT platform, plus the so far successful launch of our new strategy. Customers' activities and our employees' dedicated efforts have helped us achieve a net profit of DKK 838 million, equal to a 10.7% return on equity. Given the keen competition on the market, and particularly against the backdrop of the modest economic growth and low interest level, we consider the profit to be highly satisfactory.

Looking forward it is clear that 2017 will be characterized by the work on implementing and embedding the new strategy we put forward in autumn 2016 – and get a head start on both growth and efficiency-enhancing initiatives. Externally, the low interest level and the presumably sustained relatively moderate demand for loans and financing will once more drive us to fight hard for the top line. Nonetheless, it will also be a year where we hopefully take yet another step in the right direction on the credit side".

Should you have any questions in connection with this announcement or the Annual Report as a whole, please contact Ole Madsen, Senior Vice President, Communication & Business Development, at tel. + 45 9634 4010 or at oma@sparnord.dk.

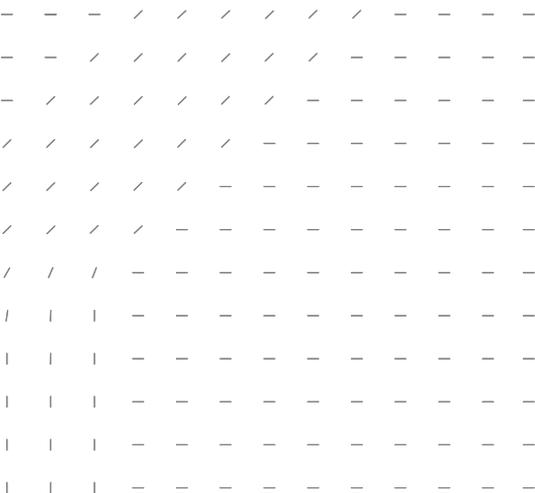
Sincerely yours,
Spar Nord

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Spar Nord

Annual Report

2016

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Spar Nord at a glance



400,000

Customers

1,540

Employees

58

Branches

32%

Market share in North Jutland

4%

National market share

CUSTOMERS

Spar Nord focuses on providing comprehensive counselling to retail customers and businesses in the local area. The Bank serves a total of about 368,000 retail customers and approx. 32,000 business customers.

EMPLOYEES

Spar Nord has 1,540 employees, 1,120 of whom work at Spar Nord's Local Banks, 64 at Trading, Financial Markets & the International Division, and 356 in the central functions.

SHAREHOLDERS

Spar Nord is owned by 112,000 shareholders – 75% of whom are from Denmark and 25% from other countries. Of these, private investors represent 33% and professional and institutional investors 67%.

BRANCHES

The Spar Nord chain is composed of 58 local banks (branches), organized into 31 bank regions. Almost all major towns and cities in Denmark have a Spar Nord branch.

BUSINESS VOLUME

Spar Nord's total bank deposits amounted to DKK 46.5 billion. The volume has increased by as much as 11% over the past five years. Spar Nord has bank and leasing loans for a total of DKK 35.1 billion, and mortgage-credit loans arranged through the Bank amounted to DKK 73.6 billion. Bank lending has been under pressure in recent years, while mortgage-credit lending has grown sharply.

MARKET SHARE

Spar Nord is a market leader in North Jutland, with a market share (number of retail and business customers relative to the total population) of around 32%. The Bank's national market share ranges at around 4%.

46.5

DKK bn

Bank deposits

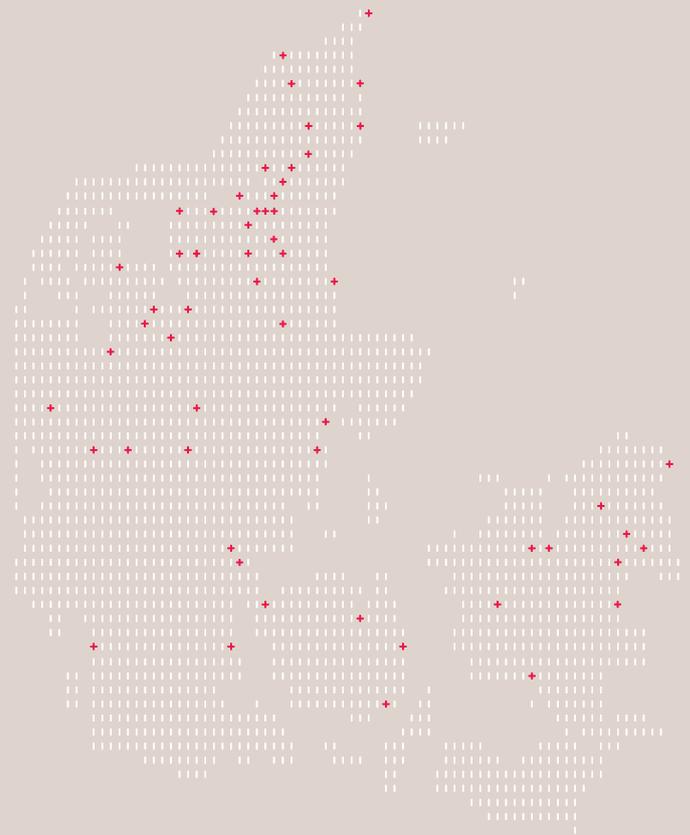
35.1

DKK bn

Bank and leasing loans

FROM REGIONAL TO NATIONAL

	2001	2009	2016
Branches	65	77	58
North Jutland	63	48	27
Outside North Jutland	2	29	31
Lending, banking activities (DKK bn)	14.6	30.1	31.8
North Jutland	12.4	21.0	13.5
Outside North Jutland	2.2	9.1	18.3
Deposits, banking activities (DKK bn)	14.0	29.0	44.1
North Jutland	13.2	21.8	21.6
Outside North Jutland	0.8	7.2	22.5
Customers	198,000	264,000	394,000
North Jutland	190,000	193,000	192,000
Outside North Jutland	8,000	71,000	202,000
Employees	724	995	1,057
North Jutland	668	645	479
Outside North Jutland	56	350	578



Note: Spar Nord's local branches

Spar Nord was established in Aalborg in 1824, and North Jutland remains the Bank's home turf. However, since 2001 the Bank's strategy has been to open branches throughout Denmark. Thus, Spar Nord's ambition is to combine the physical and psychological proximity of a local bank with the expertise and economies of scale that flow from being a nationwide player.

During the growth strategy's initial years the Bank pursued geographical growth by establishing new branches in major towns and cities throughout the country. As a result, a total of 18 new branches were established. As from 2008, the strategy also encompassed acquisitions and mergers. First, the Bank took over branches from Roskilde Bank, later it merged with

Sparbank and subsequently conducted a series of acquisitions that included FIH Erhvervsbank, Basisbank and Danske Andelskassers Bank. Since 2001, 58 branches have closed down or merged, primarily in the North Jutland region. At end-2016, 31 of the Bank's 58 branches and 61% of the total business volume are located outside North Jutland.



1. Profitable focus on ordinary household customers and local SMEs



2. High customer satisfaction and potential for further market share growth



3. Sound credit quality – although agriculture still faces challenges



4. Standardized approach to risk-weighting – low leverage and low risk



5. Strong capital position – providing room for substantial profit distribution as well as firepower for M&A



6. New strategy plan: The Personal Bank in a Digital World

Letter to our shareholders

2016 was a busy as well as positive year for Spar Nord, displaying both brisk customer activity and a smooth migration to the new IT platform, plus the so far successful launch of our new strategy. Customers' activities and our employees' dedicated efforts have helped us achieve a net profit of DKK 838 million, equal to a 10.7% return on equity. Given the keen competition on the market, and particularly against the backdrop of the modest economic growth and a low interest level, we consider the profit to be highly satisfactory.

From a shareholder perspective, Spar Nord's performance in 2016 forms a uniformly positive picture: The Spar Nord share price lifted by 33% compared with the 0.2% seen in the banking index, and combined with a paid dividend of DKK 3 per share, equal to a total dividend yield of 38%, this made the Spar Nord share a good investment in 2016. In fact, the Spar Nord share was one of the past year's best-performing bank shares in the Nordic countries.

Cautious steps in the right direction

2016 proved to be yet another year in the slow yet continuing recovery of the national economy – and thus improvement of the framework conditions for running a bank. Private households' finances are generally solid as a result of factors like rising disposable incomes, relatively low unemployment and the housing market looks generally to be on the verge of a rebound. However, growth remains relatively too muted to spark a real increase in investment and demand for financing.

Combined, these factors put earnings on the traditional deposit and lending business under substantial pressure, although business activities in areas such as mortgage-credit arrangement and asset management are gathering momentum. Spar Nord's financial statements reflect this growth in an increase over the past five years in net income from fees, charges and commissions from 25% to 39% of total net income from interest and fees, charges and commissions. Together with the highly

“Externally, the low interest level and the presumably sustained relatively moderate demand for loans and financing will once more drive us to fight hard for the top line”

respectable market-value adjustments, this means that even in the extreme low-interest environment earnings could be generated that by far exceeded forecasts at the beginning of the year.

The biggest project in the Bank's history

One of last year's highlights for the Spar Nord organization was the challenging technical migration of our basic IT platform from our old business partner, SDC, to BEC, our new partner. This IT infrastructure revamping project was unequivocally the largest in the Bank's history, involving just about the entire organization in the preparation, the migration proper and ultimately the internal and customer-centric follow-up activities.



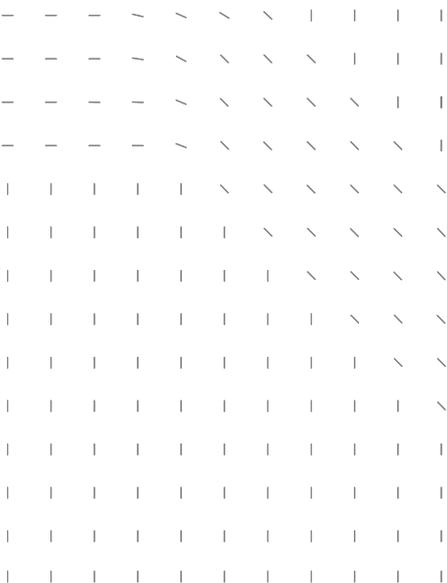
Kjeld Johannesen, Chairman of the Board of Directors.

After an 18-month preparatory phase, Spar Nord completed the migration of all its IT systems and data from SDC to BEC at the beginning of May. The migration process as such proved highly satisfactory, and the subsequent efforts to boost a “mind-shift” among employees and customers to familiarize them with the new systems are also proceeding smoothly. So far, the migration has thus proved a generally positive experience for both customers and employees.

Hopefully, the Bank's shareholders will also find the transition positive, as it will fetch annual savings in the amount of DKK 55 million and is likely to provide firepower for our ongoing development, which will put us in good stead in the face of tomorrow's digital challenges.

New challenges – new strategy

Fifteen years have passed since we launched our so-called Local Strategy. At the heart of this strategy was an ambitious objective to grow and win market shares beyond the Bank's home turf in North Jutland. To this end, we designed a business model that gave the local branches a good measure of decision-making autonomy and room for manoeuvre.





Lasse Nyby, Chief Executive Officer.

Those 15 years proved a turbulent period for Denmark's financial institutions. More than half the banks that existed before 2000 have closed down. Against this background alone Spar Nord feels cause to be satisfied with the success of its strategy to spread the locally embedded business model from North Jutland to all of Denmark.

Although our field position is good, offering a package with "more of the same" is not the right approach to meeting market needs in the coming years. On the contrary, far-reaching changes that will definitely require a major strategic reshaping are on the horizon: Digitalization is sweeping the globe. Customers are becoming more self-reliant and demanding. Growth remains sluggish, and interest rates are staying low. And, to complete the picture, we continue to be inundated with new regulatory requirements.

Having sketched this "diagnostic" backdrop, in autumn 2016 we launched our new vision to become Denmark's most personal bank and our new strategy plan "The Personal Bank in a Digital World" – a plan we will deploy to conduct our three "Must Win Battles": Top-notch personalized advice and service, Local ownership and strong central support and Digitalization the Spar Nord way. If we succeed in carrying through all the scheduled initiatives, the plan will also help us generate satisfactory results in the years to come.

Challenging years ahead

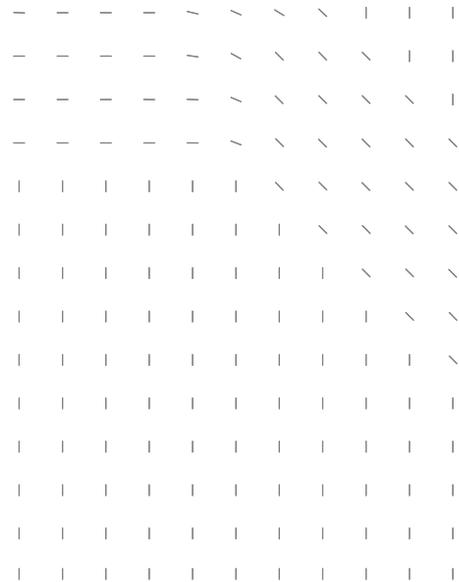
Consequently, in 2017 Spar Nord will clearly be characterized by the work of implementing and embedding our new strategy and getting a good head start on both the growth and efficiency-enhancing measures. Externally, the low interest level and the presumably sustained relatively moderate demand for loans and financing will once more drive us to fight hard for the top line. Nonetheless, it will also be a year where we hopefully take yet another step in the right direction on the credit side.

Everything considered, we are therefore confident that operating at the intersection of our own strategic initiatives and the financial framework conditions for our business, we and our 1,500 employees will be able to generate yet another satisfactory profit for our shareholders

Sincerely yours,

Kjeld Johannesen
Chairman of the Board of Directors

Lasse Nyby
Chief Executive Officer



Performance indicators and financial ratios for the Group

CORE EARNINGS - YEAR

PERFORMANCE INDICATORS

INCOME STATEMENT DKK m	2016	2015	Change in %	2014	2013	2012
Net interest income *)	1,621.2	1,727.2	-6.1	1,799.5	1,849.4	1,676.8
Net income from fees, charges and commissions	1,052.7	1,030.3	2.2	863.3	722.6	561.6
Market-value adjustments and dividends	433.7	506.9	-14.4	379.5	200.8	243.8
Other operating income *)	29.7	38.1	-22.0	49.9	99.2	173.9
Profit/loss on equity investments in associates and group enterprises	29.6	28.3	4.6	109.7	66.4	54.8
Core income	3,166.9	3,330.8	-4.9	3,201.9	2,938.4	2,710.9
Salaries	1,141.7	1,098.2	4.0	1,052.9	1,025.6	930.3
Operating expenses	660.4	679.2	-2.8	798.0	617.5	591.1
Depreciation, amortiz. and impairment	94.3	65.5	44.0	71.5	98.3	153.5
Costs	1,896.4	1,842.9	2.9	1,922.4	1,741.4	1,674.9
Core earnings before impairment	1,270.5	1,487.9	-14.6	1,279.5	1,197.0	1,036.0
Impairment of loans, advances and receivables, etc. *)	242.4	315.6	-23.2	493.1	404.8	661.8
Core earnings	1,028.1	1,172.3	-12.3	786.4	792.2	374.2
Earnings from investment portfolios	-	-	-	20.9	43.6	40.9
Contributions to sector-wide solutions	-	-98.7	-	-102.3	-120.2	-58.4
Special merger-related items	-	-	-	-	-46.1	-66.6
Profit/loss before tax	1,028.1	1,073.6	-4.2	705.0	669.5	290.1
Tax	189.9	176.8	7.4	91.4	133.4	66.3
Profit/loss	838.2	896.8	-6.5	613.6	536.1	223.8
Of which, share attributable to interest expenses to holders of Additional Tier 1 (AT1) capital	26.1	13.5	93.3	-	-	-
BALANCE SHEET DISCLOSURES						
DKK m						
Total assets	78,473	76,357	2.8	78,825	74,605	79,146
Loans and advances	41,346	38,039	8.7	35,948	37,648	39,058
Lending, banking activities	33,131	32,630	1.5	34,352	33,772	34,916
Lending, reverse repo transactions	6,253	4,155	50.5	464	1,786	116
Lending, leasing activities	1,962	1,254	56.5	1,132	2,090	4,026
Deposits	61,005	58,116	5.0	53,090	50,883	48,923
Deposits, banking activities	46,464	44,366	4.7	42,236	41,831	41,922
Deposits, repo transactions	0	370	-	0	0	0
Deposits in pooled schemes	14,541	13,380	8.7	10,854	9,052	7,001
Subordinated debt	1,093	1,089	0.4	1,708	3,002	2,562
Holders of Additional Tier 1 (AT1) capital instruments	862	412	109.2	-	-	-
Shareholders' equity	7,765	7,475	3.9	7,033	6,533	5,975
Contingent liabilities	12,334	9,585	28.7	10,240	5,380	5,767
Total risk exposure	47,485	46,500	2.1	49,005	42,697	46,307
Core capital (Tier 1)	7,427	6,946	6.9	6,516	7,437	6,973
Impairment account and discount on exposures taken over **)	1,994	1,998	-0.2	2,149	2,117	2,742
Contractual non-performing loans	443	514	-13.8	523	672	1,186
Business volume	220,259	210,658	4.6	195,613	182,387	179,346

*) As compared to the financial part of the Annual Report, the format of core earnings includes a reclassification of the following items: Net interest income, Other operating income and Impairment of loans, advances and receivables, etc. The reclassification relates to the share of the discount, recognized as income, on exposures taken over; see note 3.

**) Spar Nord's impairment account amounts to DKK 1,891 million (2015: DKK 1,837 million) (note 51) and the discount on commitments taken over amounts to DKK 103 million (2015: DKK 161 million).

As from 1 January 2015, earnings from investment portfolios are presented as part of the Bank's core earnings, in that the remaining portfolio of securities - previously presented separately - has been reduced substantially.

The definition and breakdown of contributions to sector-wide solutions, etc., which have been recognized separately, appear from note 3.

**FINANCIAL
RATIOS**

		2016	2015	2014	2013	2012
OWN FUNDS						
Total capital ratio		17.7	17.0	15.0	19.4	15.5
Core capital (Tier 1) ratio		15.6	14.9	13.3	17.4	15.1
Common Equity Tier 1 (CET1) ratio		14.0	14.4	13.0	14.1	12.1
EARNINGS						
Return on equity before tax, excl. Additional Tier 1 (AT1) capital *)	%	13.2	14.6	10.4	10.7	5.5
Return on equity after tax, excl. Additional Tier 1 (AT1) capital *)	%	10.7	12.2	9.0	8.6	4.2
Cost share of core income	DKK	0.60	0.55	0.60	0.59	0.62
Cost share of core income, incl. impairment of loans and advances, etc.	DKK	0.68	0.65	0.75	0.73	0.86
Return on assets	%	1.1	1.2	0.8	0.7	0.3
MARKET RISK AND LIQUIDITY						
Interest-rate risk	%	1.2	1.8	0.6	-0.3	-1.1
Foreign-exchange position	%	3.2	3.4	2.6	3.7	1.4
Foreign-exchange risk	%	0.1	0.1	0.0	0.0	0.0
Excess coverage rel. to statutory cash ratio requirement	%	308.3	296.1	186.0	230.7	211.5
Liquidity Coverage Ratio (LCR)	%	171	145	-	-	-
CREDIT RISK						
Loans and advances plus impairment account and discount hereon rel. to deposits	%	70.9	68.8	71.7	78.1	85.4
Loans and advances rel. to shareholders' equity	%	5.3	5.1	5.1	5.8	6.5
Increase in loans and advances for the year	%	3.6	-4.5	-1.1	-7.9	1.7
Large exposures as % of own funds	%	14.5	16.1	0.0	26.2	16.5
Impairment ratio	%	0.4	0.6	1.0	0.9	1.4
EMPLOYEES AND BRANCHES						
Number of employees (full-time, end of year)		1,540	1,538	1,507	1,512	1,653
Number of branches		58	70	71	76	90
THE SPAR NORD SHARE						
DKK PER SHARE OF DKK 10						
Share price, end of year		81	61	58	49	26
Net asset value (NAV) *)		63	60	56	52	48
Profit/loss for the year *)		6.6	7.1	4.9	4.3	1.9
Dividend		5.0	3.0	1.6	1.0	0.0
Extraordinary dividend	DKK	-	2.0	-	-	-
Return	DKK	38	11	20	88	13
Price/earnings	%	12	9	12	11	14

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

The Danish Financial Supervisory Authority's layout and ratio system appear from note 57.

Ratio definitions appear from note 58.

Performance indicators and financial ratios for the Group

CORE EARNINGS - QUARTERLY

PERFORMANCE INDICATORS

INCOME STATEMENT DKK m	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4
Net interest income *)	395.3	412.9	417.2	395.8	415.8
Net income from fees, charges and commissions	274.5	259.7	268.1	250.4	239.2
Market-value adjustments and dividends	104.4	142.5	114.7	72.1	43.4
Other operating income	1.4	11.0	9.7	7.6	8.0
Profit/loss on equity investments in associates and group enterprises	7.1	7.5	7.4	7.6	7.8
Core income	782.7	833.6	817.1	733.5	714.2
Salaries	306.9	248.5	306.9	279.4	290.8
Operating expenses	192.6	140.5	149.1	178.2	165.3
Depreciation, amortiz. and impairment	43.4	16.5	17.3	17.1	13.3
Costs	542.9	405.5	473.3	474.7	469.4
Core earnings before impairment	239.8	428.1	343.8	258.8	244.8
Impairment of loans, advances and receivables, etc. *)	54.6	54.4	78.9	54.5	75.5
Core earnings	185.2	373.7	264.9	204.3	169.3
Contributions to sector-wide solutions	-	-	-	-	-24.6
Profit/loss before tax	185.2	373.7	264.9	204.3	144.7
Tax	37.3	66.0	47.0	39.6	27.3
Profit/loss	147.9	307.7	217.9	164.7	117.4
Of which, share attributable to interest expenses to holders of Additional Tier 1 (AT1) capital	7.9	6.2	6.1	5.9	6.1

BALANCE SHEET DISCLOSURES

DKK m

Total assets	78,473	78,957	77,476	79,432	76,357
Loans and advances	41,346	39,697	38,531	40,404	38,039
Lending, banking activities	33,131	33,332	33,398	33,635	32,630
Lending, reverse repo transactions	6,253	4,591	3,528	5,400	4,155
Lending, leasing activities	1,962	1,774	1,605	1,369	1,254
Deposits	61,005	60,926	59,649	57,248	58,116
Deposits, banking activities	46,464	47,046	46,295	43,802	44,366
Deposits, repo transactions	0	0	0	364	370
Deposits in pooled schemes	14,541	13,880	13,354	13,082	13,380
Subordinated debt	1,093	1,095	1,093	1,092	1,089
Holders of Additional Tier 1 (AT1) capital instruments	862	404	397	414	412
Shareholders' equity	7,765	7,669	7,402	7,616	7,475
Contingent liabilities	12,334	11,885	10,847	9,373	9,585
Total risk exposure	47,485	47,778	46,823	46,943	46,500
Core capital (Tier 1)	7,427	6,943	6,875	6,803	6,946
Impairment account and discount exposures taken over	1,994	2,020	2,024	2,011	1,998
Contractual non-performing loans	443	439	468	472	514
Business volume	220,259	218,173	214,107	210,442	210,658

*) As compared to the financial part of the Annual Report, the format of core earnings includes a reclassification of the following items: Net interest income and Impairment of loans, advances and receivables, etc. The reclassification relates to the share of the discount, recognized as income, on exposures taken over; see note 3.

The definition and breakdown of contributions to sector-wide solutions, etc., which have been recognized separately, appear from note 3.

FINANCIAL RATIOS

		2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4
OWN FUNDS						
Total capital ratio		17.7	16.6	16.8	16.6	17.0
Core capital (Tier 1) ratio		15.6	14.5	14.7	14.5	14.9
Common Equity Tier 1 (CET1) ratio		14.0	13.9	14.0	13.8	14.4
EARNINGS						
Return on equity before tax, excl. Additional Tier 1 (AT1) capital *)	%	2.3	4.9	3.5	2.6	1.9
Return on equity after tax, excl. Additional Tier 1 (AT1) capital *)	%	1.9	4.0	2.9	2.1	1.6
Cost share of core income	DKK	0.69	0.49	0.58	0.65	0.66
Cost share of core income, incl. impairment of loans and advances	DKK	0.76	0.55	0.68	0.72	0.76
Return on assets	%	0.2	0.4	0.3	0.2	0.2
MARKET RISK AND LIQUIDITY						
Interest-rate risk	%	1.2	0.4	0.7	1.1	1.8
Foreign-exchange position	%	3.2	3.1	3.0	3.4	3.4
Foreign-exchange risk	%	0.1	0.0	0.1	0.0	0.1
Excess coverage rel. to statutory cash ratio requirement	%	308.3	298.8	283.1	264.0	296.1
Liquidity Coverage Ratio (LCR)	%	171	155	161	152	145
CREDIT RISK						
Loans and advances plus impairment account and discount hereon rel. to deposits	%	70.9	68.3	67.9	74.0	68.8
Loans and advances rel. to shareholders' equity		5.3	5.2	5.2	5.3	5.1
Increase in loans and advances for the period	%	0.0	0.3	0.0	3.3	-1.2
Large exposures as % of own funds	%	14.5	15.8	15.9	17.2	16.1
Impairment ratio		0.1	0.1	0.2	0.1	0.2
EMPLOYEES AND BRANCHES						
Number of employees (full-time, end of period)		1,540	1,548	1,556	1,551	1,538
Number of branches		58	66	70	70	70
THE SPAR NORD SHARE						
DKK PER SHARE OF DKK 10						
Share price, end of period		81	64	54	63	61
Net asset value (NAV) *)		63	62	60	61	60
Profit/loss for the period *)		1.2	2.4	1.7	1.3	0.9

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

The year in review – the Group

In 2016, Spar Nord recorded a pre-tax profit of DKK 1,028 million (2015: DKK 1,074 million), amounting to DKK 838 million after tax (2015: DKK 897 million.) The profit performance yields a post-tax return on equity of 10.7% (2015: 12.2%).

The profit reflects core earnings before impairment in the amount of DKK 1,271 million, which is DKK 217 million, or 15%, down on 2015, although significantly higher than projected at the beginning of the year. Impairment of loans & advances, etc. amounted to DKK 242 million (2015: DKK 316 million), equal to 0.44% of total loans, advances and guarantees.

Income

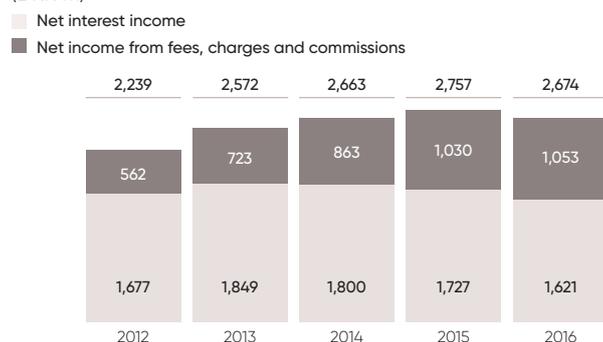
Total core income for the year ended at DKK 3,167 million, which is somewhat higher than forecast at the beginning of 2016, but DKK 164 million, or 5%, lower than in 2015. Adjusted for the substantial one-off income deriving from the sale of Spar Nord's shareholding in Nørresundby Bank in 2015, this represents a rise in core income of DKK 62 million, or 2%.

Net income from fees, charges and commissions aggregated DKK 1,621 million, corresponding to a decline of DKK 106 million, equal to 6%, compared with 2015. The low interest level resulted in an interest income on the Bank's bond portfolio that was DKK 78 million lower in 2016 than in 2015. At the same time, interest income on loans to customers fell as a result of the narrower lending margin. At end-2016, the lending margin was thus 26 basis points lower than at end-2015. On the upside, during the same period the Bank succeeded in reducing the deposit margin by 14 basis points.

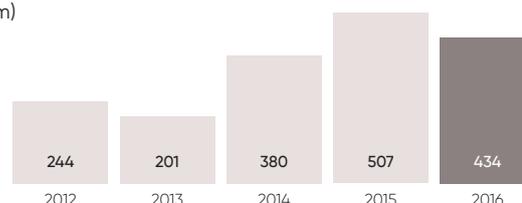
In 2016, net income from fees, charges and commissions amounted to DKK 1,053 million, equal to an advance of DKK 23 million, or 2%, compared with 2015, a year in which performance was already at an all-time high. The background to the highly satisfactory development is growth in income from fees, charges and commissions from securities trading and asset management, rising income from mortgage-credit loans arranged and higher income from the "daily banking" area.

Thus, recent years' declining market rates and pressure on the lending margin has meant that net income from fees, charges and commis-

NET INCOME FROM INTEREST, FEES, CHARGES AND COMMISSIONS (DKK m)



MARKET-VALUE ADJUSTMENTS AND DIVIDENDS (DKK m)



sions, which continues to grow, now represents a steadily increasing share of the Group's core income.

Market-value adjustments and dividends ended at DKK 434 million, which is DKK 73 million, or 14%, down on 2015. When adjusted for the non-recurring income of DKK 226 million in 2015 deriving from the sale of the Nørresundby Bank shareholding, this represents a highly satisfactory increase of as much as 54%.

The underlying growth is attributable to a strong performance in the trading area, particularly in the bond area because the spread between Danish mortgage-credit bonds and government bonds narrowed and interest rates fell.

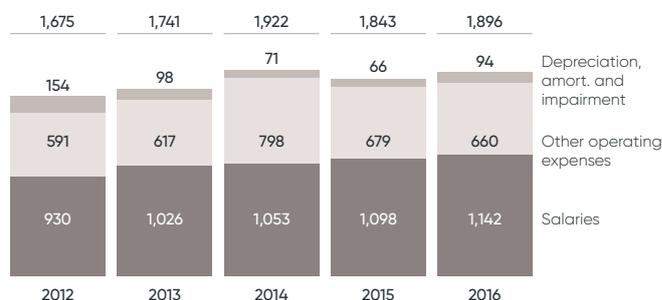
Market-value adjustments and dividends on strategic shareholdings in financial sector companies fell from 2015 to 2016, reflecting the absence of extraordinary income relating to Nørresundby Bank, while DLR Kredit, Danmarks Skibskredit, Vækst Invest Nordjylland A/S, Erhvervsinvest K/S and Nets (post-adjustment of selling price), contributed with positive results.

Costs and expenses

The Group's total costs and expenses ended at DKK 1,896 million, which is DKK 53 million, or 3%, up on 2015, or in line with 2015 when taking into account the non-recurring expenses of DKK 64 million that were defrayed in 2016 in connection with the implementation of the Bank's new strategy.

Wages and salaries accounted for DKK 1,142 million of total costs and expenses for the year. This is 4% higher than in 2015, on the one hand due to pay rises under collective agreements and the extra work connected with complet-

TOTAL COSTS (DKK m)



ing the IT-migration process, and on the other the successful outcome of a legal action regarding the principles governing payroll tax calculation (DKK 17 million). DKK 20 million of the realized payroll costs is attributable to severance pay, etc. in connection with the implementation of the Bank's new strategy.

At end-2016, the Group employed 1,540 employees.

Other operating expenses came to DKK 660 million, which is DKK 19 million, or 3%, down on 2015. The fall reflects a reduction in several important expense areas including IT and marketing. DKK 23 million of the realized operating expenses derived from non-recurring items related to the new strategy.

Finally, depreciation & amortization and impairment losses amounted to DKK 94 million, equal to a growth of 44% compared with 2015. DKK 21 million of the realized depreciation & amortization charges and impairment losses is attributable to the implementation of the new strategy (closure of branches, IT, etc.).

The core income and costs realized correspond to a cost/income ratio of 0.60 (2015: 0.55). Adjusted for the divestment of the Nørresundby Bank shareholding in 2015, this represents a growth from 0.59 to 0.60.

Core earnings before impairment

Thus, the Group's core earnings before impairment amounted to DKK 1,271 million versus DKK 1,488 million in 2015.

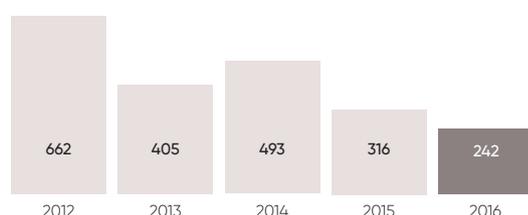
The core earnings realized in 2016 should be viewed against the original projection for core earnings before impairment to end "in the DKK 1.1 billion range" for the full year of 2016.

In connection with the Q3 financial statements, the forecast was adjusted upwards to "in the range of DKK 1.2 billion after non-recurring costs of about DKK 50 million related to a new strategy".

Impairment of loans and advances

The total profit impact from loan impairment losses, etc. amounted to DKK 242 million in 2016, equal to 0.44% of total loans, advances and guarantees. The realized impairment losses amounted to DKK 74 million, which is 23% down on 2015 and lower than expected at the beginning of the year.

IMPAIRMENT LOSSES (DKK m)



Agricultural customers account for DKK 121 million, or 50%, of the total impairment losses in the amount of DKK 242 million. This corresponds to an impairment ratio of 3.6% for this customer category. Retail customers contributed with DKK -4 million, equal to an impairment ratio of 0.0%, and DKK 125 million is attributable to business customers, excl. agricultural customers, equal to an impairment ratio of 0.4%. Impairment of loans to business customers is attributable primarily to a few major impairment losses on wind turbine exposures and property exposures. To some extent, the distribution between retail and business customers may have been affected by the implemented IT migration and is thus less accurate than normally.

At end-2016, the accumulated impairment ratio stood at 22 % for the Group's agricultural exposures. The impairment loss ratio for milk producers was 38 %, and 31 % for pig producers.

THE GROUP'S LOANS, ADVANCES AND GUARANTEES *) BREAKDOWN BY INDUSTRY

Line of business %	Loans, advances and guarantees		Impairment account and discount on exposures taken over
	31.12.15	31.12.16	31.12.16
Agriculture, hunting and forestry	7.6	6.9	38.1
Fisheries	0.2	0.2	0.1
Industry and raw materials extraction	5.5	5.4	2.6
Energy supply	4.1	3.3	1.4
Building and construction	3.4	3.9	3.0
Trade	7.8	7.8	4.3
Transport, hotels and restaurants	3.3	3.4	3.2
Information and communication	0.3	0.4	0.3
Financing and insurance	5.7	5.8	5.7
Real estate	12.3	12.2	17.0
Other business areas	5.6	5.4	4.6
Business customers, total	55.8	54.7	80.3
Public authorities	0.6	0.1	0.0
Retail customers	43.6	45.2	19.7
Total	100.0	100.0	100.0

*) Excl. reverse repo transactions

AGRICULTURAL EXPOSURE BY PRODUCTION LINE

2016 DKK m	Loans, advances and guarantees		Non-accrual loans	Of which impaired	Share impaired
	advances and guarantees				
Cattle producers	1,112.7	60.4	685.0	61.6	
Pig producers	798.8	60.0	414.0	51.8	
Plant cultivation	685.3	7.9	102.6	15.0	
Mink farmers	114.1	2.5	41.4	36.3	
Leasing	361.3	1.4	16.6	4.6	
Other production lines	321.8	0.2	20.7	6.4	
Total	3,394.0	132.4	1,280.3	37.7	

AGRICULTURAL IMPAIRMENT BY PRODUCTION LINE

2016 DKK m/%	Impairment account		Impairment for the year	Impairment ratio of exposure	Percentage impaired
	Impaired				
Cattle producers	425.2	83.8	102.5	38.2	62.1
Pig producers	247.9	120.2	-0.3	31.0	59.9
Plant cultivation	49.9	18.3	6.5	7.3	48.6
Mink farmers	16.0	1.1	10.8	14.0	38.6
Leasing	1.9	2.7	-0.1	0.5	11.4
Other production lines	14.2	0.0	1.8	4.4	68.6
Total	755.1	226.1	121.2	22.2	59.0

The Group's total impairment account amounted to DKK 1,980 million at the end of the year, which is DKK 7 million lower than at end-2015. The Group's non-accrual loans amounted to DKK 443 million, and the cover ratio can thus be calculated at 4.5.

Profit for the year

The profit for the year before tax amounted to DKK 1,028 million compared with last year's DKK 1,074 million. The Group's effective tax rate was 18% in 2016, and, accordingly, post-tax profits can be calculated at DKK 838 million.

Q4 2016

The pre-tax profit for Q4 came to DKK 185 million – which should be compared with DKK 374 million in Q3 2016 and DKK 145 million in last year's Q4.

Net interest income in Q4 came to DKK 395 million, which is down DKK 18 million compared with Q3 – in which, however, extraordinary income of DKK 13 million was recorded – and a fall of DKK 21 million compared with Q4 2015.

Net income from fees, charges and commissions ended at DKK 275 million, which is DKK 15 million higher than the previous quarter and up DKK 35 million on Q4 2015. Among other things, the rise is attributable to positive growth in the securities trading and asset management areas.

Costs and expenses came to DKK 543 million against DKK 469 million in Q4 2015.

The increase is due primarily to the fact that in Q4 2016 there were non-recurring costs related to a new strategy totalling DKK 58 million, including severance pay and impairment of properties, IT, etc.

Impairment losses amounted to DKK 55 million, which is in line with the previous quarter and DKK 21 million lower than Q4 the previous year. The positive trend reflects primarily an improvement in the situation of the agricultural sector.

Business volume

The Group's total business volume (deposits, loans, advances and guarantees, mortgage credits arranged and customers' custodianship accounts) amounted to DKK 220.3 billion at end-2016 – 5% up on the volume at end-2015.

Compared with end-2015, bank and leasing lending was DKK 1.2 billion, or 4% higher. Bank lending to retail customers rose by DKK 0.3

billion, bank lending to business customers rose by DKK 0.4 billion, lending to public-sector customers declined by DKK 0.2 billion and lending to leasing customers rose by DKK 0.7 billion.

During 2016, the volume of mortgage-credit loans arranged grew DKK 3.3 billion to DKK 73.6 billion, equal to 5%. In total, the volume of mortgage-credit loans arranged on behalf of retail customers (Totalkredit) amounted to DKK 62.2 billion, and to DKK 11.4 billion for business customers (DLR Kredit) at end-2016.

Thus, total mortgage credit arranged for retail customers (bank lending plus mortgage-credit lending) rose by 4%, while mortgage credit arranged on behalf of business customers (bank and leasing loans + mortgage-credit loans) grew 5%.

Deposits, banking activities increased during the year by DKK 2.1 billion, or 5%, while deposits in pooled schemes climbed DKK 1.2 billion, or 9%. Finally, customers' custodianship accounts have decreased DKK 0.9 billion, or 2%, since end-2015.

45%, or DKK 49.4 billion, of total loans, advances and guarantees, excl. reverse repo transactions, is attributable to retail customers and 55% to business customers.

Capital

On the capital side, Spar Nord pursues the goal of having a Common Equity Tier 1 (CET1) ratio of at least 12.0% and a total capital ratio of at least 15.5%.

At end-2016, the Group's Common Equity Tier 1 (CET1) ratio was 14.0%, while the total capital ratio came to 17.7%. This should be viewed relative to the individual solvency need calculated by Spar Nord at 95% plus the 0.6% combined buffer requirement. Thus, the Bank has an excess capital coverage of 7.6 percentage points, equal to DKK 3.6 billion.

As an element in the ongoing capital optimization process, Spar Nord issued Additional Tier 1 (AT1) capital in the amount of DKK 450 million in December 2016.

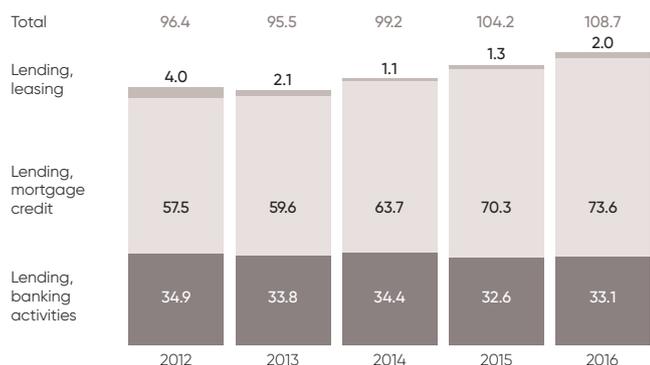
On the basis of fully phased-in CRD IV rules, the current capital position would correspond to a Common Equity Tier 1 (CET1) ratio of 13.7%.

Liquidity

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

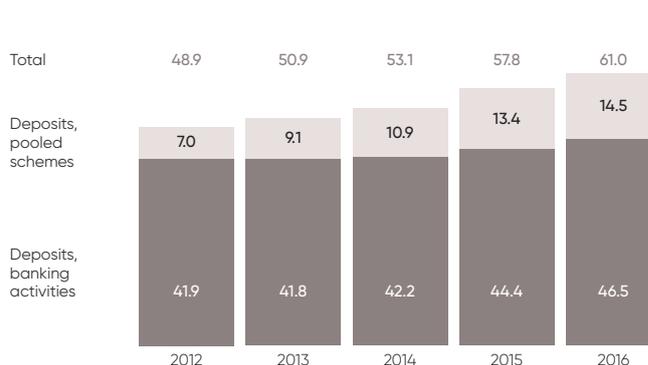
TOTAL CREDITS ARRANGED

(DKK bn)



TOTAL DEPOSITS

(DKK bn)



Strategy

15 years have passed since we launched our so-called Local Strategy. At the heart of this strategy was an ambitious objective to grow and win market shares beyond the Bank's home turf in North Jutland. To this end, we designed a business model that gave the local branches a good measure of decision-making autonomy and room for manoeuvre.

Those 15 years proved a turbulent period for Denmark's financial institutions. More than half the banks that existed before 2000 have closed down. Against this background alone Spar Nord feels cause to be satisfied with the success of its strategy to spread the locally embedded business model from North Jutland to all of Denmark, and in the process it doubled both the number of customers and the lending volume, while tripling deposits and quadrupling its equity.

Although our field position is good, offering a package with "more of the same" is not the right approach to meeting market needs in the coming years. On the contrary, far-reaching changes that will definitely require a major strategic reshaping are on the horizon.



Trend #1: Digitalization

Digitalization is sweeping the globe and permeating every aspect of customers' lives, while smartphones and social media have radically changed the way people bank. Digitalization also means that large volumes of data are constantly being generated – a development that gives us brand-new possibilities for learning more about customers' needs and behaviour.



Trend #2: More demanding customers

In step with digitalization spreading worldwide, our customers' expectations of us are also changing radically. Young customers, in particular, are used to having their service needs met instantly with just a few taps on their smartphones. At the same time, many customers still expect to get highly qualified personalized advice based on active and attentive exchange with a qualified staff member.



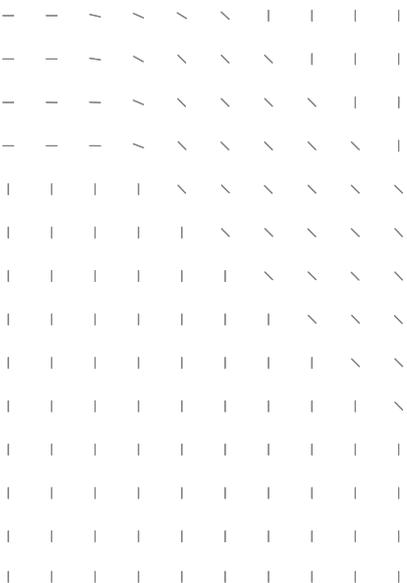
Trend #3: Low growth and low interest rates

Although the financial crisis has blown over, the economic climate remains uneasy. Growth, household consumption expenditure and interest rates are still at historic lows. At the same time, the banks that emerged unscathed from the financial crisis are now operating in a fiercely competitive market, which naturally puts enormous pressure on the prices of banks' core products, viz. deposits and loans.



Trend #4: Tighter rules and standards

In recent years a deluge of new rules and standards has flooded the banking sector. New capital adequacy rules, new accounting standards, new and tighter rules in the investment area, etc. All these regulatory initiatives will require major resources to implement, thus further squeezing earnings.





New vision

Developments in the banking market and the ensuing challenges call for a dramatic change in the way we run our bank. To overcome these challenges, we need to further sharpen Spar Nord's ability to remain afloat in a future banking world. This will require not only a new strategy but also a stronger long-term focus embodied in a new vision.

In this context it is important to point out that Spar Nord's greatest strength, namely our capacity to be a personal and attentive bank, will remain valuable in future. No matter what tomorrow brings, people will always desire a bank that is close to its customers in every sense of the term, and which knows and understands their needs and wants.

Therefore, Spar Nord's new vision – the navigational mark by which staff members should steer every single day – is to become **Denmark's most personal bank**.



New strategy plan

The first step in the journey towards a new vision to become Denmark's most personal bank is to launch a new strategy plan.

The launchpad will be the salient trends in the banking market right now – with digitalization taking an unrivalled centre stage in that perspective. Our competitors are dealing with digitalization in disparate ways. Some are striving to become fully digitized, while others are sticking to traditional bank models.

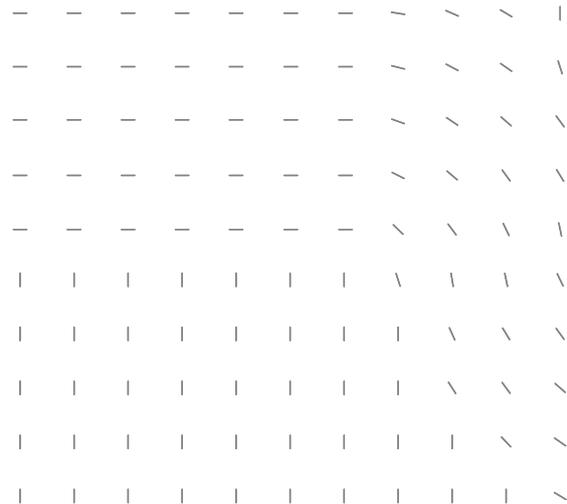
Spar Nord believes that in future many customers will still wish to speak with a REAL person about their financial affairs. But we also believe that we need to give these customers strong digital offerings to make it in tomorrow's banking world. This is why we want our new strategy to help us become **"The Personal Bank in a Digital World"**.

Being personal means that we retain our local presence and the attentive advice we provide. Being digital means that we need to be better at deploying digital options whenever it makes sense for our customers. In some areas digitalization may actually make us even more personal than we are today. For instance, we can use data to become better acquainted with our customers than we are today. Or we can use digital solutions to make the personal encounter an even more attentive and productive conversational exchange.



Must Win Battles

The next question is how to implement the strategy. To this end we have defined three so-called 'Must Win Battles', i.e. three 'battles' that we need to win to succeed with our strategy.



Must Win Battle #1: Top-notch personalized advice and service

We need to make good personal service and expert personalized advice our hallmark in the banking market of the future. In a digital world where customers only rarely set foot in a bank, we need to make sure that they have a first-rate experience whenever they do.

The three paramount strategic projects under this 'Must Win Battle' are:

- **The good customer meeting**

We will optimize all processes before, during and after the customer meeting so that we can consistently and systematically ensure that customers get maximum benefit from the encounter.

- **The good banking experience**

We are now working on redesigning every aspect of the customer-experience ecosystem to enrich the online and in-store customer experience. Good personal service, the layout and decor of bank premises, etc.

- **Better grip on customer relations**

We will introduce a new CRM system, among other initiatives, which will be used for mining, sharing and extracting data and insights about each customer across departments and branches.

Must Win Battle #2: Local ownership and strong central support

We need to ensure optimum balance between decentralized decision-making powers and central support. The goal is to hold on to the strength that comes from local banks having a good measure of autonomy – while also offering stronger central support in the areas where it creates value for customers.

The three most important strategic projects under this 'Must Win Battle' are:

- **Customer service of the future**

We are rethinking how work is to be shared between the local banks and the central customer service function so as to ensure that both Customer Service and advisers create maximum value for customers.

- **Improved wealth management concept**

We will build on our success with the regional pension and investments centres and strengthen central support in the wealth management area by establishing a new Private Banking unit.

- **New business customer concept**

We will improve the central support function in the business area by investing resources in concept development and strengthening cooperation between the small corporate banking departments and larger ones.

Must Win Battle #3: Digitalization the Spar Nord way

We will exploit every opportunity that digitalization brings. Internally, the great potential lies in automating our processes and work routines and thus streamlining them. Externally, our goal is to offer our customers new, relevant digital services.

The three key strategic projects under this 'Must Win Battle' are:

- **More efficient processes**

We will streamline our production flow and automate internal processes to the maximum, from the moment a customer places an order to when the product is delivered.

- **New digital solutions**

We will launch a number of new digital services on the market, both within our existing business areas and on their fringes.

- **New digital development organization**

We will establish an agile IT development organization that works inclusively – both internally and externally – to boost our digital innovation.

Selected KPIs

Financial Targets

Return on equity of 9-11% after tax (rising in the period)

Growth initiatives for DKK 200 million and

efficiency-enhancing measures for DKK 100 million

Cost/Income Ratio of 0.60

Investor relations

The overarching objective of Spar Nord's communication to investors and analysts is to ensure good and lasting relations. Spar Nord wants to maintain a high level of information and maximum accessibility, and the Bank constantly endeavours to make relevant and timely information available at all times. The Chief Executive Officer primarily manages Spar Nord Bank's communication in cooperation with the Senior Vice President, Communication & Business Development.

The Bank presents financial reports and other information via its IR website, sparnord.com/ir, and also provides ongoing information to investors and analysts at frequent meetings, conferences and roadshows immediately after the publication of the Group's annual and interim reports. In total, about 50 meetings were held in 2016 with the participation of investors from Scandinavia, Great Britain and North America.

In 2016, analysts from five investment banks were covering the Spar Nord share.

The Spar Nord share

Spar Nord is listed on the Nordic exchange, NASDAQ Copenhagen, and belongs to the Large Cap segment as from 1 January 2017.

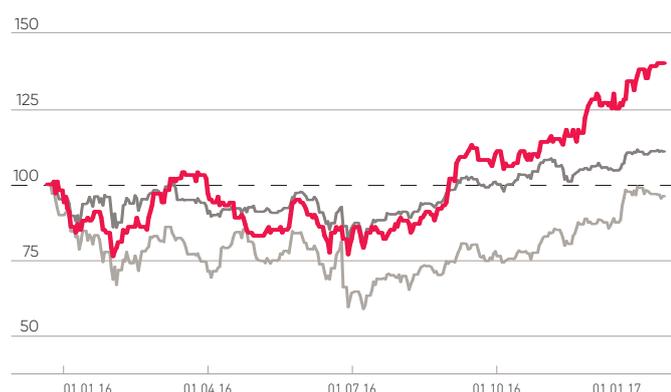
In 2016, the share capital stood at an unchanged DKK 1,255,299,180, divided into shares in the denomination of DKK 10. During 2016, share repurchase programmes for about DKK 150 million were completed, which means that a recommendation will be submitted at the Annual General Meeting in April 2017 for a reduction of the share capital by DKK 25,273,920 (2,527,392 shares).

The Spar Nord share rose from a price of DKK 61 at end-2015 to DKK 81 at end-2016, equal to 33%. At the end of the year, the market price was thus DKK 10.2 billion compared with DKK 7.7 billion at end-2015.

PRICE DEVELOPMENT FOR THE SPAR NORD SHARE 2016

Index-linked - Jan. 2016 = 100 — — — — —

■ Spar Nord
■ MSCI Europe Banks
■ OMX Cph. Financials



SPAR NORD SHARE

	2016	2015
Share capital (DKK '000)	1,255,299	1,255,299
Listed price, year-end	81	61
Total market value (DKK m)	10,168	7,657
Earnings per share for the year (DKK) *)	6.6	7.1
Dividend per share (DKK)	5.0	5.0
Net asset value (NAV) per share (DKK)	63	60
Listed price/Nav per share (DKK)	1.3	1.0

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

In 2016, the average daily trading volume amounted to about 167,000 shares compared with 110,000 in 2015. The trend reflects the fact that in recent years Spar Nord's shareholder composition has become more diversified, with institutional investors at home and abroad representing a larger share.

Breakdown of shareholders

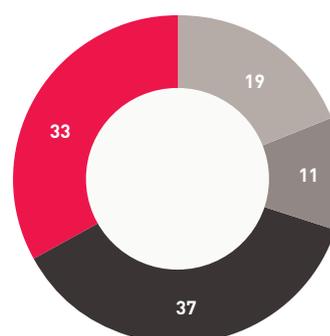
At end-2016, Spar Nord Bank had about 112,000 shareholders. About two-thirds of the share capital is held by foundations and institutional investors, while 32% of the capital is held by shareholders who each own fewer than 20,000 shares. Geographically speaking, 75% of the share capital is owned by Danish investors and 25% by foreign investors.

The Bank has two shareholders who have announced that they hold more than 5% of the share capital. The Spar Nord Foundation, Aalborg, is the largest shareholder, having an interest of 18.5%. Nykredit Realkredit A/S, Copenhagen, is the second largest shareholder, having an interest of 11.1%.

BREAKDOWN OF SHAREHOLDERS

End-2016 - %

■ The Spar Nord Foundation
■ Nykredit
■ Other institutional
■ Private investors and employees



Risks

Risk assumption is pivotal to banking, and risk management is a key focus area across the Spar Nord organization. The various risk types the Bank assumes and the initiatives taken to manage and monitor them, as well as the development of various risks are described in Spar Nord's Risk Report, which can be accessed at www.sparnord.com/risk. This section gives a general outline of the risk area.

Risk profile

Using Spar Nord's strategic objectives as its point of departure, the Board of Directors determines the Bank's risk profile, which comprises the risk appetite within the Bank's most important risk type areas that the Board of Directors is willing to accept while meeting the objectives set forth in the strategy.

The objective is to ensure cohesion between Spar Nord's vision and strategy and also ensure that at all times Spar Nord's risk profile is appropriate, having regard to the Bank's capital and liquidity situation.

The Bank's risk appetite is incorporated in the ordinary risk reporting, which ensures monitoring of compliance with the Bank's risk profile.

As a supplement to the Bank's risk profile, specific risk policies have been put in place, defining the general guidelines for handling and managing the individual risks. These policies are reviewed and approved by the Board of Directors at least once a year.

Risk management and control systems in connection with financial reporting

The Board of Directors and the Executive Board share overall responsibility for Spar Nord's risk management and control systems when the financial statements are prepared. The Board of Directors and the Executive Board are composed so as to ensure that the appropriate internal control and risk management expertise is present to warrant appropriate financial reporting.

The Board of Directors approves the overarching policies, procedures and control systems, and also prepares a detailed annual

plan for the internal audit and compliance functions and for the Risk Review Officer. Policies, manuals and procedures within important areas in connection with the presentation of the financial statements are available, including a business procedure for the presentation of the financial statements, a business procedure for the finance & accounts function and other central functions, and an IT security policy.

The Board of Directors makes an annual review of the organization, its focus areas and resource allocation control systems to manage risk, and also annually assesses the risk of fraud in all business areas.

Delegation of responsibility

Spar Nord has a two-tier management structure, with the Board of Directors having drafted written guidelines for the Executive Board, specifying clearly the areas of responsibility and scope of action for each management tier. The Board of Directors lays down general policies, while the Executive Board is responsible for the day-to-day management of Spar Nord. Spar Nord's management structure reflects statutory requirements for listed Danish companies and the provisions of the Danish Financial Business Act.

The Board of Directors is responsible for ensuring that Spar Nord has an appropriate organization and that risk policies and limits are established for all important risk categories. In addition, all major credit facilities must be submitted to the Board of Directors for approval. The Board of Directors also makes decisions regarding general principles for handling and monitoring risks. Regular reporting to the Board of Directors is undertaken with a view to enabling the Board of Directors to check whether the overarching risk policies and the pre-defined limits are complied with.

The Executive Board is responsible for the day-to-day management of Spar Nord. To this end, the Executive Board passes on specific instructions for Spar Nord's risks and its risk management procedures.

Most important risk categories

CREDIT RISK

The risk of losses because counterparties fail to meet all or part of their payment obligations. 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.

MARKET RISK

Market risk is an umbrella heading for the risk of loss caused by fluctuations in exchange rates or prices for financial instruments. Market risks are essentially managed on the basis of an instruction hierarchy having three levels: the Board of Directors, the Executive Board and the business units.

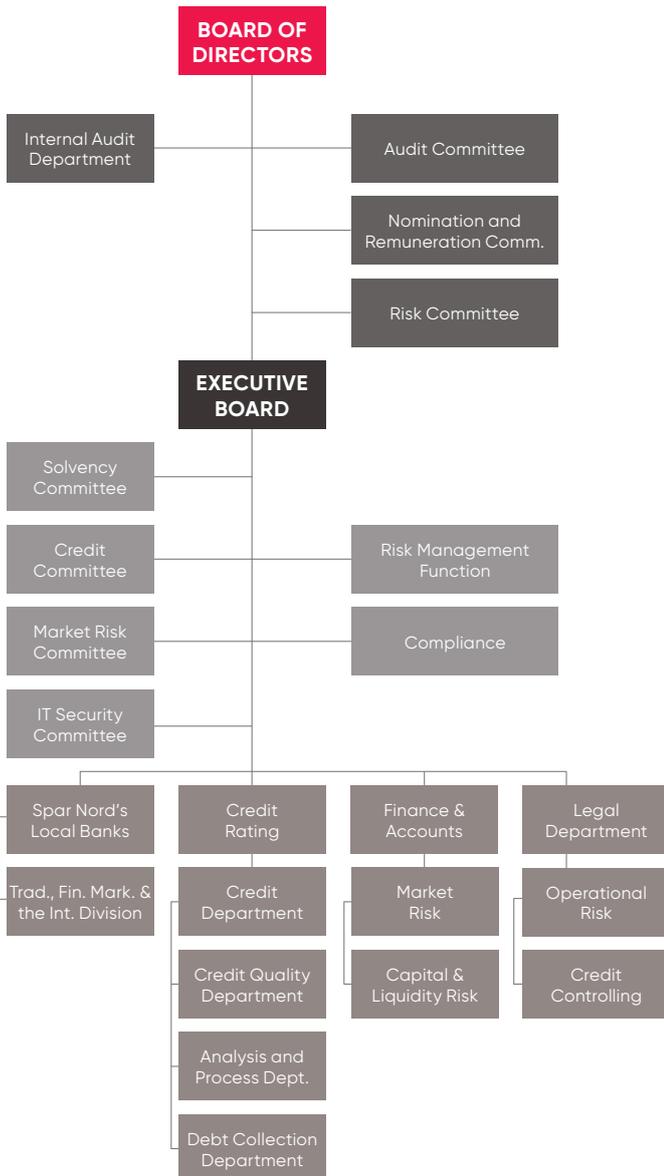
OPERATIONAL RISK

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. Managed across the Group through a comprehensive system of business procedures and control measures.

LIQUIDITY RISK

Liquidity risk is the risk that the Group's financing costs rise disproportionately, and that the Group is prevented from entering into new transactions because it lacks adequate cash funds. On the basis of the overarching policies and strategic goals for the Group's liquidity risks set by the Board of Directors, it has issued operational frameworks for the Executive Board.

THE RISK MANAGEMENT ORGANIZATION



The Executive Board reports regularly to the Board of Directors on Spar Nord's risk exposure.

Internal and external audit

Spar Nord's Internal Audit Department submits reports to both the Board of Directors and the Executive Board and answers to the Board of Directors. The Internal Audit Department bases its activities on the annual plan adopted by the Board of Directors. These activities include test examinations of business procedures and internal control systems in key areas subject to risk, including in connection with preparing the financial statements.

Spar Nord's independent auditors are elected at the Annual General Meeting for one year at a time. The focus of the auditing team is subject to review by the Board of Directors once a year based on the recommendations of the Audit Committee.

The Executive Board's committees and working parties

The Executive Board has appointed a number of committees and working parties that contribute to Spar Nord's risk governance in specific areas, and which prepare cases and themes for processing by the Executive Board and Board of Directors.

The Credit Committee, which is composed of representatives of the Executive Board, Credit Rating and Corporate Banking, deals with credit facilities that exceed Credit Rating's authorization limits or involve a matter of principle. The Committee meets three times a week. Frequently, matters that have been dealt with by the Credit Committee will be prepared for subsequent discussion among all members of the Board of Directors.

The Market Risk Committee is composed of representatives of the Executive Board, Finance & Accounts and Trading, Financial Markets & the International Division. The Committee meets every quarter and reviews developments in Spar Nord's positions and risks as well as the liquidity situation and expectations regarding market developments and future plans. In addition, the Committee receives input from a more operationally slanted Capital Market Committee, for example regarding any issues that may require specific discussion in terms of principles.

The Solvency Committee is composed of members of the Executive Board, Credit Rating and Finance & Accounts. The objective of the Committee is to formulate targets and principles for calculating adequate own funds and the individual solvency need. The Solvency Committee prepares a recommendation for the individual solvency need and passes it on to the Board of Directors for approval.

The IT Security Committee is composed of a member of the Executive Board, the head of the IT department, the IT security officer and selected heads of business areas. The Committee is tasked with advising and dealing with any issues that may arise in relation to the IT security policy, IT security rules and procedures and the IT contingency plan. The IT Security Committee holds quarterly meetings.

Risk Management Function

The Executive Board has set up a Risk Management Function, and a Risk Review Officer with specific responsibility for the Function has been appointed to head it. The Risk Management Function's area of responsibility comprises Spar Nord's risk-prone activities across various risk areas and organizational units and risks deriving from outsourced functions. The Function is responsible for appropriate risk management of Spar Nord's operations, including providing an overview of its risks and the overall risk exposure. The Risk Review Officer is responsible to the Executive Board, submits reports to the Board of Directors and the Executive Board and assists the Board of Directors' Risk Committee in its work. The activities of the Risk Management Function are rooted in the annual plan adopted by the Board of Directors.

Dismissal of the Risk Review Officer is subject to the prior approval of the Board of Directors.

Compliance

Spar Nord's Compliance Function is charged with overseeing Spar Nord's compliance with financial legislation, banking sector standards and Spar Nord's internal guidelines in all areas. This Function, which answers to the Executive Board, submits reports to the Board of Directors and the Executive Board and is manned by staff members responsible for compliance and representatives of a cross-section of Spar Nord's business areas who are engaged in decentralized compliance tasks. The activities of the Compliance Function are rooted in the annual plan adopted by the Board of Directors.

Dismissal of the Compliance Officer is subject to the prior approval of the Board of Directors.

As concerns the Group's other managerial echelons, the goal is that there should be at least five qualified applicants to managerial positions in the Bank, and that at least two of these should be women. As the HR area was heavily impacted in 2016 by the major changeover project that the transition from one IT platform to another entailed, there was less focus on initiatives related to gender diversity in the year under review.

These initiatives will be accorded a much higher priority in connection with the implementation of the Bank's new strategy, including more structured initiatives within career paths and leadership development. The long-term objective is to shift the gender breakdown at executive and executive mid-level towards a more equal distribution between men and women – from currently about 20% women in the Bank's executive team (unchanged compared with end-2015) to 25% women by 2019.

Executive Board

The Executive Board is appointed by the Board of Directors and is composed of Lasse Nyby, CEO, John Lundsgaard, Managing Director and Lars Møller, Managing Director.

The Executive Board is the supreme decision-making body as concerns the day-to-day affairs of the Bank, in compliance with the guidelines and directions issued by the Board of Directors. The more specific distribution of duties between the Board of Directors and the Executive Board appears from the rules of procedure under which they both operate.

Remuneration of the Board of Directors and the Executive Board

The remuneration of the Board of Directors and the fees and salaries paid to the Executive Board are shown in the notes to the Annual Report. Directors are paid a fixed annual amount and do not participate in any bonus or option programmes.

The Board of Directors finds that the terms of service of Executive Board members, including severance terms, are in tune with general practice in the area, and they are regularly reviewed. The Board of Directors also finds that the overall remuneration is competitive and fair in light of the Executive Board's performance and having regard to long-term value generation for shareholders.

According to the Group's remuneration policy, the Group does not operate with incentive schemes for the Board of Directors and the Executive Board.

For more information, please refer to the Bank's Corporate Governance Report, which is downloadable from the website, www.spar-nord.com/corporategovernance.

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Board of Directors



Kjeld Johannesen

Chairman of the Board of Directors

2016 - Chairman of the Board of Directors of Spar Nord Bank A/S
 2015 - Deputy Chairman of the Board of Directors of Spar Nord Bank A/S
 2014 - Member of the Board of Directors of Spar Nord Bank A/S
 1953 - Year of birth

Chairman of the Nomination and Remuneration Committee
 Member of the Risk Committee

Managing Director

CLK 2016 Holding ApS
 Kjeld Johannesen Holding ApS

Education

BCom (Marketing)

Chairman of the Board of Directors

KPC Holding
 Hamlet Protein A/S
 New Nutrition ApS
 New Nutrition Holding ApS

Member of the Board of Directors

Aktieselskabet Schouw & Co

Special expertise

Management
 Production and marketing
 Strategy
 Business development
 International business affairs
 Agriculture and foodstuffs

Shareholding

50,000

Disinterested



Per Nikolaj Bukh

Deputy Chairman of the Board of Directors

2016 - Deputy Chairman of the Board of Directors of Spar Nord Bank A/S
 2007 - Member of the Board of Directors of Spar Nord Bank A/S
 1965 - Year of birth

Chairman of the Audit Committee
 Member of the Nomination and Remuneration Committee

Professor

Aalborg University

Managing Director

P. N. Bukh ApS
 Value Spread 1 ApS

Education

MSc Econ.
 PhD
 Board of Directors training from Bestyrelsesakademiet

Member of the Board of Directors

Jurist- & Økonomforbundets Forlag A/S
 Jurist- & Økonomforbundets Forlagsfond
 Padborg Ejendomme ApS

Special expertise

Finance and risk management
 Financial markets
 Public enterprises
 Utilities

Shareholding

27,200

Disinterested



Kaj Christiansen

Member of the Board of Directors

2012 - Member of the Board of Directors of Spar Nord Bank A/S
 1955 - Year of birth

Chairman of the Risk Committee

Managing Director

Frederikshavn Maritime Erhvervspark A/S
 Dokøen A/S
 Kommanditaktieselskabet Østre Havn
 Østre Havn Aalborg ApS
 Danyard Holding ApS

Education

State-authorized Public Accountant

Member of the Board of Directors

Frederikshavn Maritime Erhvervspark A/S
 Dokøen A/S
 The Spar Nord Foundation

Special expertise

Properties
 Marketing
 Finance and risk management

Shareholding

21,100

Disinterested



Morten Bach Gaardboe

Member of the Board of Directors

2016 – Member of the Board of Directors of Spar Nord Bank A/S
1968 – Year of birth

Managing Director

Glascom A/S
Ejendomsselskabet Hans Egedes vej 29 ApS
FEG Invest 2 ApS
FEG Invest ApS
Ejendomsselskabet Nordvej 10 ApS
Gaardboe 2 Holding ApS

Education

Financial services background

Chairman of the Board of Directors

Svend Aage Nielsen A/S

Member of the Board of Directors

Fynboglas ApS
P.T.O. Teknik A/S
FEG Invest 2 ApS
FEG Invest ApS
Glascom A/S

Special expertise

The SME segment

Shareholding

3,620

Disinterested



Laila Mortensen

Member of the Board of Directors

2012 – Member of the Board of Directors of Spar Nord Bank A/S
1965 – Year of birth

Member of the Risk Committee

Managing Director

IndustriPension Holding A/S
Industriens Pensionsforsikring A/S
Chairman of the executive board of Industriens Pension Service A/S

Education

Graduate in insurance science,
IMD business programme (PED)

Chairman of the Board of Directors

IP Ejendomme 2013 P/S
IP Infrastruktur P/S
IP Komplementar ApS
IP Infrastruktur Komplementar ApS
IP OPP P/S
IP Sankt Petri P/S
IP Næstved Stråleterapi P/S
IP Europahuset ApS

Member of the Board of Directors

Kapitalforeningen Industriens Pension Portfolio, Deputy Chairman
IP Alternative Investments Komplementar ApS
IP Finans 1 ApS
Forsikringsorganisationernes Fællessekretariat F.M.B.A
The Board of Statistics Denmark

Special expertise

Experience in managing a financial business
Risk management – including operational risks
IT and IT risk

Shareholding
0

Disinterested



Ole Skov

Member of the Board of Directors

2000 – Employee-elected member of the Board of Directors of Spar Nord Bank A/S
1959 – Year of birth

Member of the Audit Committee

Senior workplace representative,
Spar Nord Bank A/S

Education

Financial services background
Financial continuing education
Business diploma (accounts & financing)
Board of Directors training for financial companies

Chairman of the Board of Directors

The Financial Services Union's "Spar Nord Kreds"

Member of the Board of Directors

The Financial Services Union's executive committee

Special expertise

HR
Business administration
Financial markets

Shareholding

7,054



Jannie Skovsen

Member of the Board of Directors

2008 – Employee-elected member of the Board of Directors of Spar Nord Bank A/S
 1965 – Year of birth

Workplace representative, Spar Nord Bank A/S

Education

Board of Directors training for financial companies
 Financial services background
 Financial continuing education
 Business diploma (marketing)

Member of the Board of Directors

The Financial Services Union's "Spar Nord Kreds" (Deputy Chairman)
 The Spar Nord Foundation

Special expertise

HR
 Business administration

Shareholding

7,404



Gitte Holmgaard Sørensen

Member of the Board of Directors

2012 – Employee-elected member of the Board of Directors of Spar Nord Bank A/S
 1965 – Year of birth

Member of the Nomination and Remuneration Committee

Workplace representative, Spar Nord Bank A/S

Education

Board of Directors training for financial companies
 Financial services background
 Financial continuing education
 Business diploma (financing)

Chairman of the Board of Directors

The Personnel Foundation at Spar Nord

Member of the Board of Directors

The Financial Services Union's "Spar Nord Kreds"

Special expertise

HR
 Business administration

Shareholding

2,486



John Sørensen

Member of the Board of Directors

2015 – Member of the Board of Directors of Spar Nord Bank A/S
 1957 – Year of birth

Member of the Audit Committee

Managing Director

The Accounts Division of the Ministry of Defence

Education

State-authorized Public Accountant

Special expertise

Accounting and auditing

Shareholding

5,160

Disinterested

Social responsibility

Corporate Social Responsibility, or CSR, is something we take seriously at Spar Nord and have done for many years. However, the Bank has traditionally translated this popular term into our own language and reality, because experience shows that this generates better defined and more focused action.

From the point of view of Spar Nord, CSR stands for conduct in the true sense of the word, and not abstract principles. Our basic approach is that Spar Nord's responsibility as a company and a financial institution is anchored in our close involvement with customers and the local community. A responsibility and an involvement that are embedded as given elements in the Bank's history and culture and on which the business depends.

Spar Nord supports the Danish Government's endeavours to put Corporate Social Responsibility at the top of the agenda, and we also support the intentions underlying international initiatives like the UN Global Compact and UN PRI. Nevertheless, we have chosen not to formally commit ourselves to the two UN reporting initiatives, nor does the Bank have formal climate or human rights policies.

This decision should be viewed in light of the fact that we already endeavour to abide by the principles, and also that our activities are very locally slanted.

In order to concentrate efforts and make them explicit and measurable, we regularly single out special CSR themes. This approach is based on our firm belief that the best results are obtained by focusing on one thing at a time. This also means that efforts will evolve over time. We follow up on the themes highlighted one year by measuring them in subsequent years. This ensures that words and headlines are transformed into concrete actions and tangible improvements.

Understanding finance

Since 2013, "Understanding finance" has been our special focus area. We chose this particular topic because a number of surveys show that children and young people extensively lack basic insight into financial concepts and issues – and thus the skill sets required to act and make decisions affecting one's personal finances.

Precisely because this topic is so important, the inclusion of financial insight in school curricula has gained widespread interest both politically and in the educational and financial sectors. This will entail a lengthy process, but Spar Nord and other financial institutions can make a vital contribution by developing materials and making them available.

Educationally speaking, various aspects of personal finances notably constitute a highly relevant field of instruction – particularly in maths, but also in social sciences.

In keeping with the Bank's business model, Spar Nord has prepared initiatives based on cooperation with primary and lower secondary schools in the local community. The goal is to develop a series of educational materials jointly with experts in maths and didactics and to make them available free of charge to schools and teachers who want to cover the subject in their lessons.

The first classroom material was a folder titled "Wising up on money", which caters to children aged 13 to 15 (classes 7-8) and addresses topics like interest, savings, loans and currency. This educational folder has now been distributed in 50,000 copies to schools nationwide – and has generally been received very positively.

In January 2014, we published "The Book on Money", which targets the youngest classes and deals with the basics required for understanding finances. The free material is aimed at maths teachers but is also available at Spar Nord's local banks for parents who want to discuss these topics with their children. Finally, Spar Nord's employees offer to give guest lectures to the relevant age brackets and to discuss the main topics contained in the material with them.

In April 2014, the app "Chickenfeed" was launched, the purpose of which is to give kids aged 3-5 some basic understanding of money, coins, prices, etc., via play. From the time it was launched until end-2016, the app had been downloaded more than 50,000 times.

In 2015, Spar Nord entered into a formalized partnership with the local primary and lower secondary schools in the Municipality of Aalborg, and the Bank's employees are therefore dedicating a total of 100 working days each year to introducing senior pupils to a variety of topics related to their personal finances. The cooperation continued in 2016.

Local initiatives

Dedicated involvement in local community activities in the areas where the Bank operates is a central element of Spar Nord's strategy and business model. This commitment is manifested both in the way that the Bank participates in and contributes to activities concerning sports and cultural events as well as association activities and in the funding granted by the Bank and the Spar Nord Foundation to worthy causes pursued in local communities. In total, the Bank made contributions of just under DKK 25 million towards the causes mentioned, and the Spar Nord Foundation distributed 800 grants totalling DKK 32 million.

For more information, please refer to the Bank's website at www.sparnord.com/csr.

Management's statement on the Annual Report

The Board of Directors and Executive Board have today reviewed and adopted the 2016 Annual Report of Spar Nord Bank A/S.

The Consolidated Financial Statements have been presented in accordance with International Financial Reporting Standards as adopted by the EU. Moreover, the Annual Report is presented in accordance with additional Danish disclosure requirements regarding annual reports for listed financial institutions.

We consider the accounting policies applied to be appropriate, and in our opinion the Consolidated Financial Statements and the Parent Company's Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and cash flows for the 2016 financial year.

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

We recommend the Annual Report for adoption by the shareholders at the Annual General Meeting.

Aalborg, 9 February 2017

EXECUTIVE BOARD



Lasse Nyby

Chief Executive Officer



John Lundsgaard

Managing Director



Lars Møller

Managing Director

BOARD OF DIRECTORS



Kjeld Johannesen

Chairman of the Board of
Directors



Per Nikolaj Bukh

Deputy Chairman of the Board
of Directors



Kaj Christiansen



Morten Bach Gaardboe



Laila Mortensen



Ole Skov

Elected by the employees



Jannie Skovsen

Elected by the employees



Gitte Holmgaard Sørensen

Elected by the employees



John Sørensen

Report by the Internal Audit Department

Opinion

We have audited the Consolidated Financial Statements and the Financial Statements of Spar Nord Bank A/S for the financial year 1 January – 31 December 2016, comprising the income statement, balance sheet, statement of changes in equity, cash flow statement, notes and statement of comprehensive income, including accounting policies, for the Group and the Parent Company.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and additional Danish disclosure requirements for listed financial institutions, and the Parent Company's Financial Statements have been prepared in accordance with the Danish Financial Business Act.

In our opinion, the Consolidated Financial Statements and the Parent Company's Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards, as adopted by the EU, and additional Danish disclosure requirements for listed financial institutions in respect of the Consolidated Financial Statements, and in accordance with the Danish Financial Business Act in respect of the Parent Company's Financial Statements.

Basis for opinion

We conducted our audit in compliance with the Executive Order issued by the Danish Financial Supervisory Authority on the performance of audits in financial institutions, etc. and financial groups and in accordance with international auditing standards regarding the planning and performance of the audit work.

We have planned and performed our audit to obtain reasonable assurance that the Consolidated Financial Statements and the Parent Company's Financial Statements are free from material misstatement. We have participated in the audit of all significant and high-risk areas.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Statement on the Management's review

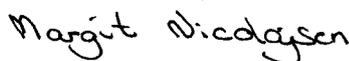
Our opinion on the Consolidated Financial Statements and the Parent Company's Financial Statements does not cover the Management's review, and we do not express any kind of assurance opinion on the Management's review.

In connection with our audit of the Consolidated Financial Statements and the Parent Company's Financial Statements, our responsibility is to read the Management's review and in that connection to consider whether the Management's review is materially inconsistent with the Consolidated Financial Statements or the Parent Company's Financial Statements or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Based on the work we have performed, we believe that the Management's review is in accordance with the Consolidated Financial Statements and the Parent Company's Financial Statements and that it has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not detect any material misstatement in the Management's review.

Aalborg, 9 February 2017

Spar Nord Bank A/S
Internal Audit Department



Margit Nicolajsen
Head of Internal Audit Department

Independent Auditors' Report

To the shareholders of Spar Nord Bank A/S

Opinion

We have audited the Consolidated Financial Statements and the Financial Statements of Spar Nord Bank A/S for the financial year 1 January – 31 December 2016, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and additional Danish disclosure requirements for listed financial institutions, and the Parent Company's Financial Statements have been prepared in accordance with the Danish Financial Business Act.

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2016 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards, as adopted by the EU, and additional Danish disclosure requirements for listed financial institutions.

Moreover, in our opinion, the Parent Company's Financial Statements give a true and fair view of the Company's financial position at 31 December 2016, the results of its operations and the cash flow statement for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Business Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section, "Auditors' responsibilities for the audit of the Consolidated Financial Statements and the Parent Company's Financial Statements". We are independent of the Group in accordance with the international ethics standards for accountants (the IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the Consolidated Financial Statements and the Parent Company's Financial Statements for the 2016 financial year. These matters were addressed in our audit of the Consolidated Financial Statements and the Parent Company's Financial Statements as a whole and in the wording of our opinion on the Financial Statements. We do not express a separate opinion on these matters. For each of the key audit matters listed below, the description of how we addressed the relevant matter in our audit is given in this context.

We have fulfilled our responsibilities as described in the below section, "Auditors' responsibilities for the audit of the Consolidated Financial Statements and the Parent Company's Financial Statements", including in relation to the key audit matters mentioned below. Our audit included designing and performing audit procedures in response to our assessment of the risk of material misstatement in the Consolidated Financial Statements and the Parent Company's Financial Statements. The results of the audit procedures performed, including the audit procedures aimed at the matters mentioned below, form the basis of our opinion on the Consolidated Financial Statements and the Parent Company's Financial Statements as a whole.

Impairment of loans

Risk assessment in relation to our audit:

- A significant portion of the Bank's assets consists of loans and advances to the Bank's customers, corresponding to 53% of all assets. Loans and advances to the Bank's customers involve a risk of loss, and the significant estimates made by Management in determining the need for impairment are deemed to be a key audit risk. At 31 December 2016, impairment losses represented 4.4% of loans, advances and receivables in both the Consolidated Financial Statements and the Parent Company's Financial Statements.
- Assessing the impairment of loans and advances requires estimates of factors that may be subject to great uncertainty. Management estimates include assessing whether there is any evidence of impairment and determining the realizable value of collateral received and the customer's ability to pay in case of default. Spar Nord Bank individually assesses loan exposures in excess of DKK 250,000. In case of loan exposures below DKK 250,000, the Bank performs a more automated assessment of customers placed on its watchlist, based on customer records and characteristics.
- Moreover, significant Management estimates are made in connection with designing methods and parameters for calculating groups of impairment losses, particularly as concerns Management estimates and adjustments of exposed trades and industries.
- Furthermore, reference is made to the description of significant accounting estimates and judgments in relation to loan impairment in note 2 and loan impairment and credit risk in notes 15 and 51.

How the matter was addressed (audit performed):

- Our audit of loan impairment, which is performed in cooperation with the Bank's Internal Audit Department, included a test of the Bank's procedures for following up on loans and registering any evidence of impairment.
- Based on analyses and test checks of the Bank's procedures, we examined whether impairment losses have been recognized in accordance with the Group's accounting policies.
- Test checks included the largest and most risk-prone loans and advances.
- As concerns portfolio impairment and group impairment losses, we tested the methods and assumptions used and the estimates made by Management in this connection. We also

tested the special estimates made by the Bank's Management in connection with loan impairment losses on agricultural customers.

- Moreover, we evaluated whether, in our opinion, the disclosures in the notes regarding loans, impairment and credit risk comply with the relevant accounting rules.

Statement on the Management's review

Management is responsible for preparing the Management's review. Our opinion on the Consolidated Financial Statements and the Parent Company's Financial Statements does not cover the Management's review, and we do not express any kind of assurance opinion on the Management's review.

In connection with our audit of the Consolidated Financial Statements and the Parent Company's Financial Statements, our responsibility is to read the Management's review and in that connection to consider whether the Management's review is materially inconsistent with the Consolidated Financial Statements or the Parent Company's Financial Statements or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we believe that the Management's review is in accordance with the Consolidated Financial Statements and the Parent Company's Financial Statements and that it has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not detect any material misstatement in the Management's review.

Management's responsibilities for the Consolidated Financial Statements and the Parent Company's Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial institutions, and for the preparation and fair presentation of Parent Company Financial Statements in accordance with the Danish Financial Business Act.

Management is also responsible for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements and the Parent Company's Financial Statements, Management is responsible for assessing the Group's and Parent Company's ability to continue as a going concern, and, when relevant, disclosing matters relating to going concern, and using the going concern basis of accounting when preparing the Consolidated Financial Statements and the Parent Company's Financial Statements, unless Management either

intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Consolidated Financial Statements and the Parent Company's Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements and the Parent Company's Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report, including our opinion, on the Financial Statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements and the Parent Company's Financial Statements.

As part of an audit in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Consolidated Financial Statements and the Parent Company's Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control;
- evaluate the appropriateness of accounting policies used by Management and the reasonableness of accounting estimates and associated disclosures made by Management;
- conclude on the appropriateness of Management's preparation of the Consolidated Financial Statements and the Parent Company's Financial Statements being based on the going concern concept, and – based on the audit evidence obtained – whether a material uncertainty exists related to events or conditions that may cast significant doubt about the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated Financial Statements and the Parent Company's Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease as a going concern;

- evaluate the overall presentation, structure and content of the Consolidated Financial Statements and the Parent Company's Financial Statements, including the disclosures in the notes, and whether the Consolidated Financial Statements and the Parent Company's Financial Statements reflect the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence for the financial disclosures about the companies or business activities in the Group to provide a basis for our audit opinion on the Consolidated Financial Statements. We are responsible for managing, supervising and performing the audit of the Consolidated Financial Statements. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during of our audit.

We also make a statement to those charged with governance to the effect that we have complied with relevant ethical requirements as to our independence, and inform them about all relations and other matters that could be reasonably expected to affect our independence and, where relevant, about the associated security measures.

Based on the matters communicated to those charged with governance, we determine which matters were of most significance in the audit of the Consolidated Financial Statements and the Parent Company's Financial Statements for the period under review, and are thus considered key audit matters. We describe these matters in our auditors' report, unless legislation or other regulations prevent us from disclosing the relevant matters to the public or, in very rare cases, where we conclude that the matter should not be disclosed in our auditors' report because the negative consequences of such disclosure could be reasonably expected to carry greater weight than the benefits derived by the general public from such communication.

Aalborg, 9 February 2017

ERNST & YOUNG

Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State-authorized
Public Accountant

Anne Tønsberg
State-authorized
Public Accountant

Consolidated Financial Statements and the Parent Company's Financial Statements

- 38. Income statement
- 38. Statement of comprehensive income
- 39. Balance sheet
- 40. Statement of changes in equity
- 44. Cash flow statement
- 45. Notes

Income statement

		Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m	
NOTE	4	Interest income	1,815.5	1,975.8	1,807.1	1,967.1
	5	Interest expenses	144.7	200.5	164.9	221.1
		Net interest income	1,670.8	1,775.3	1,642.2	1,746.0
	6	Dividends on shares, etc.	47.9	54.9	41.2	34.0
	7	Fees, charges and commissions received	1,174.8	1,125.9	1,174.8	1,125.9
	7	Fees, charges and commissions paid	122.1	95.6	122.1	95.6
		Net income from interest, fees, charges and commissions	2,771.4	2,860.5	2,736.1	2,810.3
	8	Market-value adjustments	385.8	452.0	340.2	449.6
	10	Other operating income	29.7	47.8	30.9	43.7
	11+12	Staff costs and administrative expenses	1,788.8	1,768.2	1,795.2	1,775.7
	13	Depreciation, amortization and impairment of intangible assets and property, plant and equipment	94.3	65.5	92.7	64.9
	14	Other operating expenses	13.3	107.9	13.3	107.9
	15+32+51	Impairment of loans, advances and receivables, etc.	292.0	373.4	292.0	373.4
	16	Profit/loss on equity investments in associates and group enterprises	29.6	28.3	104.5	78.9
		Profit/loss before tax	1,028.1	1,073.6	1,018.5	1,060.6
	17	Tax	189.9	176.8	179.5	163.2
		Profit/loss for the year	838.2	896.8	839.0	897.4

ALLOCATED TO:

The shareholders of the Parent Company, Spar Nord Bank A/S	812.1	883.3	812.9	883.9
Holders of Additional Tier 1 (AT1) capital instruments	26.1	13.5	26.1	13.5
Profit/loss for the year	838.2	896.8	839.0	897.4

Dividend distribution DKK 5.00 per share (2015: DKK 3.00 per share)			627.7	376.6
Extraordinary dividend distribution DKK 0.00 per share (2015: DKK 2.00 per share – paid at end-April 2015)			-	251.1
Reserve for net revaluation according to the equity method			104.5	78.9
Retained earnings			80.7	177.3
Total distribution			812.9	883.9

44 EARNINGS PER SHARE FOR THE YEAR

Earnings per share for the year (DKK)	6.6	7.1
Diluted earnings per share for the year (DKK)	6.6	7.1

STATEMENT OF COMPREHENSIVE INCOME

Profit/loss for the year	838.2	896.8	839.0	897.4
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Other comprehensive income

Items that cannot be reclassified to the income statement:

Net revaluation of corporate properties	-5.0	6.9	-5.8	6.3
Other capital movements in associates	0.0	-0.8	0.0	-0.8

Other comprehensive income after tax	-5.0	6.1	-5.8	5.5
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Comprehensive income, total	833.2	902.9	833.2	902.9
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Allocated to:

The shareholders of the Parent Company, Spar Nord Bank A/S	807.1	889.4	807.1	889.4
Holders of Additional Tier 1 (AT1) capital instruments	26.1	13.5	26.1	13.5
Profit/loss for the year	833.2	902.9	833.2	902.9

Balance sheet

Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
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NOTE

ASSETS

	Cash balances and demand deposits with central banks	595.3	610.4	595.3	610.4
18	Receivables from credit institutions and central banks	2,178.8	2,741.3	2,182.5	2,744.7
	Lending, banking activities	33,130.3	32,630.5	33,003.3	32,503.5
	Lending, reverse repo transactions	6,253.4	4,155.1	6,253.4	4,155.1
	Lending, leasing activities	1,961.9	1,253.7	1,961.9	1,253.7
19	Loans, advances and other receivables at amortized cost	41,345.6	38,039.3	41,218.6	37,912.3
20	Bonds at fair value	14,936.1	16,053.6	14,936.1	16,053.6
21	Shares, etc.	1,557.2	1,658.3	1,557.2	1,601.1
22	Equity investments in associates	118.4	82.4	118.4	82.4
23	Equity investments in group enterprises	-	-	1,583.7	1,508.8
56	Assets linked to pooled schemes	14,541.5	13,380.0	14,541.5	13,380.0
24	Intangible assets	194.4	214.5	194.4	214.5
	Investment properties	135.0	144.6	70.0	70.6
	Corporate properties	58.5	54.0	41.7	44.3
25	Land and buildings, total	653.5	691.6	486.7	514.1
26	Other property, plant and equipment	91.1	99.6	91.1	99.6
	Current tax assets	17.9	91.0	20.4	86.4
33	Deferred tax assets	0.0	6.0	0.0	0.0
27	Temporary assets	33.9	27.4	33.9	27.4
28	Other assets	2,086.3	2,483.7	2,074.3	2,478.7
	Prepayments	123.5	178.1	123.5	184.2
	Total assets	78,473.5	76,357.2	79,757.6	77,498.2

EQUITY AND LIABILITIES

LIABILITIES OTHER THAN PROVISIONS

29	Payables to credit institutions and central banks	2,429.8	3,739.5	2,399.2	3,708.5
30	Deposits and other payables	46,464.2	44,736.3	47,787.0	45,912.1
56	Deposits in pooled schemes	14,541.5	13,380.0	14,541.5	13,380.0
20+21	Other non-derivative financial liabilities at fair value	2,007.8	1,219.7	2,007.8	1,219.7
31	Other liabilities	3,084.1	4,081.4	3,080.8	4,077.6
	Deferred income	24.0	25.7	18.2	25.7
	Total liabilities other than provisions	68,551.4	67,182.6	69,834.5	68,323.6

PROVISIONS FOR LIABILITIES

32	Provisions for deferred tax	108.5	122.8	109.5	122.8
33	Provisions for losses on guarantees	67.0	42.9	67.0	42.9
	Other provisions	26.3	33.1	26.3	33.1
	Total provisions for liabilities	201.8	198.8	202.8	198.8

SUBORDINATED DEBT

34	Subordinated debt	1,093.2	1,088.8	1,093.2	1,088.8
	Total liabilities	69,846.4	68,470.2	71,130.5	69,611.2

EQUITY

	Share capital	1,255.3	1,255.3	1,255.3	1,255.3
	Revaluation reserves	91.3	96.3	88.6	94.4
	Statutory reserves	22.3	23.2	386.2	312.2
	Proposed dividend	627.7	376.6	627.7	376.6
	Retained earnings	5,768.1	5,723.3	5,406.9	5,436.2
	Shareholders' equity	7,764.7	7,474.7	7,764.7	7,474.7
	Holders of Additional Tier 1 (AT1) capital instruments	862.4	412.3	862.4	412.3
	Total equity	8,627.1	7,887.0	8,627.1	7,887.0

	Total equity and liabilities	78,473.5	76,357.2	79,757.6	77,498.2
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OFF-BALANCE-SHEET ITEMS

40	Contingent assets	6.9	5.2	5.1	3.4
41	Contingent liabilities	12,334.1	9,585.2	12,334.1	9,585.2
42	Other obligating agreements	500.9	540.5	529.6	576.8

Statement of changes in equity

EQUITY	The shareholders of the Parent Company, Spar Nord Bank A/S							
	Share capital DKK m	Re- valuation reserve DKK m	Statutory reserves DKK m	Proposed dividend DKK m	Retained earnings DKK m	Total DKK m	Additional Tier 1 (AT1) capital *) DKK m	Total DKK m
SPAR NORD, THE GROUP								
Total equity 01.01.16	1,255.3	96.3	23.2	376.6	5,723.3	7,474.7	412.3	7,887.0
<i>Comprehensive income in 2016</i>								
Profit/loss for the year	-	-	296	627.7	154.8	812.1	26.1	838.2
<i>Other comprehensive income</i>								
Net revaluation of properties	-	-5.0	-	-	-	-5.0	-	-5.0
Other comprehensive income, total	0.0	-5.0	0.0	0.0	0.0	-5.0	0.0	-5.0
Comprehensive income, total	0.0	-5.0	296	627.7	154.8	807.1	26.1	833.2
<i>Transactions with owners</i>								
Issue of Additional Tier 1 (AT1) capital, net of transaction costs	-	-	-	-	-3.0	-3.0	450.0	447.0
Interest paid on Additional Tier 1 (AT1) capital	-	-	-	-	-	-	-24.2	-24.2
Dividends paid	-	-	-	-376.6	-	-376.6	-	-376.6
Dividends received, treasury shares	-	-	-	-	19	19	-	19
Disposal upon acquisition of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	-658.2	-658.2	-1.8	-660.0
Addition upon sale of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	512.4	512.4	-	512.4
Revaluation reserves in associates	-	-	71	-	-71	0.0	-	0.0
Dividends received from associates recognized at net asset value	-	-	-376	-	376	0.0	-	0.0
Tax	-	-	-	-	6.4	6.4	-	6.4
Transactions with owners, total	0.0	0.0	-30.5	-376.6	-110.0	-517.1	424.0	-93.1
Total equity 31.12.16	1,255.3	91.3	22.3	627.7	5,768.1	7,764.7	862.4	8,627.1
Total equity 01.01.15	1,255.3	89.4	571.4	200.8	4,916.1	7,033.0	-	7,033.0
<i>Comprehensive income in 2015</i>								
Profit/loss for the year	-	-	28.3	627.7	227.3	883.3	13.5	896.8
<i>Other comprehensive income</i>								
Net revaluation of properties	-	6.9	-	-	-	6.9	-	6.9
Other capital movements in associates	-	-	-0.8	-	-	-0.8	-	-0.8
Other comprehensive income, total	0.0	6.9	-0.8	0.0	0.0	6.1	0.0	6.1
Comprehensive income, total	0.0	6.9	27.5	627.7	227.3	889.4	13.5	902.9
<i>Transactions with owners</i>								
Issue of Additional Tier 1 (AT1) capital, net of transaction costs	-	-	-	-	-2.9	-2.9	400.0	397.1
Dividends paid	-	-	-	-451.9	-	-451.9	-	-451.9
Dividends received, treasury shares	-	-	-	-	0.3	0.3	-	0.3
Disposal upon acquisition of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	-636.3	-636.3	-1.2	-637.5
Addition upon sale of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	639.2	639.2	-	639.2
Dividends received from associates recognized at net asset value	-	-	-864.3	-	864.3	0.0	-	0.0
Dissolution of revaluation reserves in associates	-	-	288.6	-	-288.6	0.0	-	0.0
Tax	-	-	-	-	3.9	3.9	-	3.9
Transactions with owners, total	0.0	0.0	-575.7	-451.9	579.9	-447.7	398.8	-48.9
Total equity 31.12.15	1,255.3	96.3	23.2	376.6	5,723.3	7,474.7	412.3	7,887.0

*) See description on page 42.

EQUITY

The shareholders of the Parent Company, Spar Nord Bank A/S

	Share capital DKK m	Re- valuation reserve DKK m	Statutory reserves DKK m	Proposed dividend DKK m	Retained earnings DKK m	Total DKK m	Additional Tier 1 (AT1) capital*) DKK m	Total DKK m
SPAR NORD PARENT COMPANY								
Total equity 01.01.16	1,255.3	94.4	312.2	376.6	5,436.2	7,474.7	412.3	7,887.0
<i>Comprehensive income in 2016</i>								
Profit/loss for the year	-	-	104.5	627.7	80.7	812.9	26.1	839.0
<i>Other comprehensive income</i>								
Net revaluation of properties	-	-5.8	-	-	-	-5.8	-	-5.8
Other comprehensive income, total	0.0	-5.8	0.0	0.0	0.0	-5.8	0.0	-5.8
Comprehensive income, total	0.0	-5.8	104.5	627.7	80.7	807.1	26.1	833.2
<i>Transactions with owners</i>								
Issue of Additional Tier 1 (AT1) capital, net of transaction costs	-	-	-	-	-3.0	-3.0	450.0	447.0
Interest paid on Additional Tier 1 (AT1) capital	-	-	-	-	-	-	-24.2	-24.2
Dividends paid	-	-	-	-376.6	-	-376.6	-	-376.6
Dividends received, treasury shares	-	-	-	-	1.9	1.9	-	1.9
Disposal upon acquisition of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	-658.2	-658.2	-1.8	-660.0
Addition upon sale of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	512.4	512.4	-	512.4
Revaluation reserves in associates	-	-	7.1	-	-7.1	0.0	-	0.0
Dividends received from associates recognized at net asset value	-	-	-37.6	-	37.6	0.0	-	0.0
Tax	-	-	-	-	6.4	6.4	-	6.4
Transactions with owners, total	0.0	0.0	-30.5	-376.6	-110.0	-517.1	424.0	-93.1
Total equity 31.12.16	1,255.3	88.6	386.2	627.7	5,406.9	7,764.7	862.4	8,627.1
Total equity 01.01.15	1,255.3	88.1	746.0	200.8	4,742.8	7,033.0	-	7,033.0
<i>Comprehensive income in 2015</i>								
Profit/loss for the year	-	-	78.9	627.7	177.3	883.9	13.5	897.4
<i>Other comprehensive income</i>								
Net revaluation of properties	-	6.3	-	-	-	6.3	-	6.3
Other capital movements in associates	-	-	-0.8	-	-	-0.8	-	-0.8
Other comprehensive income, total	0.0	6.3	-0.8	0.0	0.0	5.5	0.0	5.5
Comprehensive income, total	0.0	6.3	78.1	627.7	177.3	889.4	13.5	902.9
<i>Transactions with owners</i>								
Issue of Additional Tier 1 (AT1) capital, net of transaction costs	-	-	-	-	-2.9	-2.9	400.0	397.1
Dividends paid	-	-	-	-451.9	-	-451.9	-	-451.9
Dividends received, treasury shares	-	-	-	-	0.3	0.3	-	0.3
Disposal upon acquisition of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	-636.3	-636.3	-1.2	-637.5
Addition upon sale of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	639.2	639.2	-	639.2
Dividends received from associates recognized at net asset value	-	-	-864.3	-	864.3	0.0	-	0.0
Dissolution of revaluation reserves in group enterprises	-	-	63.8	-	-63.8	0.0	-	0.0
Dissolution of revaluation reserves in associates	-	-	288.6	-	-288.6	0.0	-	0.0
Tax	-	-	-	-	3.9	3.9	-	3.9
Transactions with owners, total	0.0	0.0	-511.9	-451.9	516.1	-447.7	398.8	-48.9
Total equity 31.12.15	1,255.3	94.4	312.2	376.6	5,436.2	7,474.7	412.3	7,887.0

*) See description on page 42.

Additional Tier 1 (AT1) capital

The Additional Tier 1 (AT1) capital issued by Spar Nord under CRR has a perpetual term, with voluntary payment of interest and repayments of principal, for which reason it is treated as equity for accounting purposes.

Currency	Note	Principal		Received	Maturity	Spar Nord	Spar Nord	Spar Nord	Spar Nord
		DKK m	Interest rate			The Group 2016 DKK m	The Group 2015 DKK m	Parent Company 2016 DKK m	Parent Company 2015 DKK m
DKK	a	400.0	6.052 %	2015	Perpetual	412.7	412.3	412.7	412.3
DKK	b	450.0	5.500 %	2016	Perpetual	449.7	0.0	449.7	0.0
Additional Tier 1 (AT1) capital issued under CRR, total						862.4	412.3	862.4	412.3

- a** Issued on 10 June 2015, with an option for early redemption as from 10 June 2020. Interest is payable on the loan at the rate of 6.052% p.a. until 10 June 2020, after which date interest will be fixed at CIBOR6 + a 5.40% margin.
- b** Issued on 6 December 2016, with an option for early redemption as from 6 December 2021. Interest is payable on the loan at the rate of 5.50% p.a. until 6 December 2021, after which date interest will be fixed at CIBOR6 + a 5.166% margin.

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

Differences in accounting policies between the Parent Company's Financial Statements and the Consolidated Financial Statements

With the exception that subsidiaries are included in the Consolidated Financial Statements and recognized at net asset value in the Parent Company's Financial Statements, the accounting policies have been consistently applied.

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

	PROFIT/LOSS		EQUITY	
	2016	2015	2016	2015
Spar Nord, the Group	838.2	896.8	8,627.1	7,887.0
Net depreciation and impairment, the Group's corporate properties	0.8	0.6	0.0	0.0
Spar Nord, the Parent Company	839.0	897.4	8,627.1	7,887.0

Shares issued	Number of shares		Nominal value (DKK m)	
	2016	2015	2016	2015
1 January	125,529,918	125,529,918	1,255.3	1,255.3
31 December – fully paid-up	125,529,918	125,529,918	1,255.3	1,255.3

The share capital consists of 125,529,918 shares in the denomination of DKK 10.

No shares have been allocated special rights. There are no restrictions in terms of transferability and no restrictions on voting rights.

A dividend of DKK 627.7 million is proposed to be distributed for 2016 (2015: DKK 627.7 million, of which DKK 251.1 million was proposed to be distributed as extraordinary dividend in March 2015, based on the sale of shares in Nørresundby Bank), of which DKK 12.7 million is to be paid on shares acquired in connection with the share repurchase programme in 2016.

Dividends paid in 2016 amounted to DKK 376.6 million (2015: DKK 451.9 million, of which DKK 200.8 million was proposed to be distributed as ordinary dividend in the 2014 Annual Report and DKK 251.1 million as extraordinary dividend in March 2015 following the sale of shares in Nørresundby Bank).

The distribution of dividend to Spar Nord's shareholders has no tax consequences for Spar Nord.

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
NUMBER OF SHARES IN CIRCULATION				
Beginning of year	125,390,517	125,366,131	125,390,517	125,366,131
Share repurchase programme	2,527,392	0	2,527,392	0
Acquisition/sale of treasury shares, trading book	75,458	24,386	75,458	24,386
End of year	122,938,583	125,390,517	122,938,583	125,390,517
Shares issued	125,529,918	125,529,918	125,529,918	125,529,918
Share repurchase programme	2,527,392	0	2,527,392	0
The Group's holding of treasury shares, trading book	63,943	139,401	63,943	139,401
Outstanding shares in circulation	122,938,583	125,390,517	122,938,583	125,390,517
TREASURY SHARE PORTFOLIO				
Number of shares	2,591,335	139,401	2,591,335	139,401
Nominal value, DKK m	25.9	1.4	25.9	1.4
Fair value, DKK m	209.9	8.5	209.9	8.5
Percentage of share capital	2.1	0.1	2.1	0.1
TREASURY SHARE PORTFOLIO, FAIR VALUE, DKK M				
Portfolio, beginning of year	8.5	9.5	8.5	9.5
Share repurchase programme	150.0	0.0	150.0	0.0
Acquisition of treasury shares	508.2	636.3	508.2	636.3
Sale of treasury shares	512.4	639.2	512.4	639.2
Market-value adjustment	55.6	1.9	55.6	1.9
Portfolio, end of year	209.9	8.5	209.9	8.5
TREASURY SHARES DEPOSITED AS COLLATERAL				
Number of shares	1,251,144	1,491,977	1,251,144	1,491,977
Nominal value, DKK m	12.5	14.9	12.5	14.9
Fair value, DKK m	101.3	91.0	101.3	91.0
Percentage of share capital	1.0	1.2	1.0	1.2
Treasury shares deposited as collateral comprise collateral provided by customers in the form of Spar Nord shares.				
The Bank uses treasury shares for trading with customers.				
Until the next Annual General Meeting, the Board of Directors is authorized to let the Bank acquire treasury shares of a nominal value of up to 10% of the share capital based on the listed price at the date of acquisition subject to a deviation of up to 10%.				
Spar Nord launched a share repurchase programme worth DKK 150 million on 15 February 2016, to be implemented in the period until 31 December 2016. The share repurchase programme was completed on 29 December 2016.				
	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
OWN FUNDS				
Equity	8,627.1	7,887.0	8,627.1	7,887.0
Additional Tier 1 (AT1) capital included in equity	862.4	412.3	862.4	412.3
Proposed dividend, excl. share rel. to share repurchase programme	615.0	376.6	615.0	376.6
Intangible assets, incl. share recognized in investments in associates	196.4	212.0	196.4	212.0
Deferred tax assets *)	0.0	6.0	0.0	0.0
Other regulatory adjustments	48.3	45.7	48.2	45.7
Deductions, equity investments	240.4	161.1	240.4	138.0
Common Equity Tier 1 (CET1)	6,664.6	6,673.3	6,664.7	6,702.4
Additional Tier 1 (AT1) capital **)	843.0	393.0	843.0	393.0
Other deductions	80.1	120.8	80.1	103.5
Core capital (Tier 1)	7,427.5	6,945.5	7,427.6	6,991.9
Subordinated debt (excl. Additional Tier 1 (AT1) capital **)	1,079.6	1,078.0	1,079.6	1,078.0
Other deductions	80.1	120.8	80.1	103.5
Own funds	8,427.0	7,902.7	8,427.1	7,966.4
Weighted risk exposure, credit risk, etc.	38,215.5	36,550.1	39,494.0	37,770.4
Weighted risk exposure, market risk	3,537.7	4,162.6	3,537.7	4,176.1
Weighted risk exposure, operational risk	5,732.3	5,787.2	5,662.3	5,444.7
Total risk exposure	47,485.5	46,499.9	48,694.0	47,391.2
Common Equity Tier 1 (CET1) ratio, %	14.0	14.4	13.7	14.1
Core capital (Tier 1) ratio, %	15.6	14.9	15.3	14.8
Total capital ratio, %	17.7	17.0	17.3	16.8

*) The Group figure relates to a separate loss in a subsidiary.

***) Incl. portfolio of own bonds.

NOTE

Cash flow statement

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m	
OPERATIONS					
	Profit/loss before tax	1,028.1	1,073.6	1,018.5	1,060.6
25+27	Fair-value changes, investment properties and temporary assets	11.1	4.0	1.1	3.0
13	Depreciation, amortization and impairment of intangible assets and property, plant and equipment	94.3	65.5	92.7	64.9
	Gains and losses on the sale of intangible assets and property, plant and equipment	3.0	0.2	3.0	0.2
32+51	Adjustment of impairment of loans and advances, etc.	54.4	-19.0	54.4	-19.0
32	Provisions for liabilities	17.3	5.0	17.3	5.0
16	Profit/loss on equity investments in associates and group enterprises	-29.6	-28.3	-104.5	-78.9
	Corporate income tax paid	-118.5	-153.6	-120.4	-156.9
	Operations, total	1,060.1	947.4	962.1	878.9
WORKING CAPITAL					
18+29	Movement in credit institutions and central banks, net	-1,326.2	-6,598.5	-1,322.4	-6,601.4
19	Movement in loans, advances and other receivables at amortized cost	-2,811.2	-2,072.7	-2,811.2	-2,072.7
20	Movement in bonds at fair value	1,117.5	4,180.4	1,117.5	4,180.4
21	Movement in equity portfolio	82.8	-241.5	25.6	-241.5
	Movement in issued bonds at amortized cost	0.0	-22.6	0.0	-22.6
	Movement in other assets and other liabilities, net	241.4	-484.4	248.5	-480.0
30	Movement in deposits and other payables	1,727.9	2,500.5	1,874.9	2,516.7
	Working capital, total	-967.8	-2,738.8	-867.1	-2,721.1
	Cash generated from operations, total	92.3	-1,791.4	95.0	-1,842.2
INVESTMENTS					
45	Acquisition of activities from FIH Erhvervsbank	-549.5	0.0	-549.5	0.0
22+23	Acquisition of associates and group enterprises	-25.8	-0.1	-25.8	-0.1
22+23	Sale of associates and group enterprises	0.0	22.2	0.0	76.4
24	Acquisition of intangible assets	-5.6	-6.0	-5.6	-6.0
24	Sale of intangible assets	2.5	0.0	2.5	0.0
25+26+27	Acquisition of property, plant and equipment	-73.4	-50.5	-72.4	-49.9
25+26+27	Sale of property, plant and equipment	22.9	28.6	22.9	20.6
22+23	Dividends from associates and group enterprises	37.6	864.3	37.6	864.3
	Investments, total	-591.3	858.5	-590.3	905.3
FINANCING					
34	Subordinated debt	4.4	-619.5	4.4	-619.5
	Additional Tier 1 (AT1) capital recognized as equity, purchase/sale, etc.	445.2	395.9	445.2	395.9
	Additional Tier 1 (AT1) capital recognized as equity, interest paid	-24.2	0.0	-24.2	0.0
	Dividends paid, excl. dividends on treasury shares	-374.7	-451.6	-374.7	-451.6
	Share repurchase programme	-150.0	0.0	-150.0	0.0
	Acquisition of treasury shares	-508.2	-636.3	-508.2	-636.3
	Sale of treasury shares	512.4	639.2	512.4	639.2
	Financing, total	-95.1	-672.3	-95.1	-672.3
	Movement in cash and cash equivalents for the year	-594.1	-1,605.2	-590.4	-1,609.2
	Cash and cash equivalents, beginning of year	3,295.2	4,900.4	3,295.2	4,904.4
	Movement in cash and cash equivalents for the year	-594.1	-1,605.2	-590.4	-1,609.2
	Cash and cash equivalents, end of year	2,701.1	3,295.2	2,704.8	3,295.2
	Cash and cash equivalents, end of year				
	Cash, cash equivalents and demand deposits with central banks	595.3	610.4	595.3	610.4
18	Receivables from credit institutions and central banks with less than 3 mths to maturity	2,105.8	2,684.8	2,109.5	2,684.8
	Total	2,701.1	3,295.2	2,704.8	3,295.2

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The purchase sum paid consists of the fair value of the agreed consideration in the form of transferred assets, assumed liabilities and issued equity instruments. Costs allocable to business combinations are recognized directly in profit or loss for the year when incurred.

In case of any uncertainty at the date of acquisition about the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase sum, initial recognition is based on amounts preliminarily determined. If the identification or measurement of the purchase sum, acquired assets, liabilities or contingent liabilities proves to be incorrect on initial recognition, the determination is adjusted with retroactive effect, including goodwill, within 12 months after the acquisition, and comparative figures are restated. Subsequently goodwill is not adjusted. Changes to estimates of conditional purchase sums are recognized in profit or loss for the year.

Companies sold or wound up are recognized in the Consolidated Financial Statements until the date of divestment or the date of winding-up. Gains or losses upon the divestment or winding-up of group enterprises and associates are recognized as the difference between the selling price or the winding-up proceeds and the carrying amount of net assets, including goodwill, at the time of sale plus the defrayed and expected costs of divestment or winding-up.

Foreign-currency translation

The Consolidated Financial Statements and the Parent Company's Financial Statements are presented in Danish kroner (DKK), rounded to the nearest million DKK with one decimal, which is the functional currency of Spar Nord Bank A/S and the subsidiary Aktieselskabet Skelagervej 15. Transactions denominated in a foreign currency are translated at the rate of exchange ruling at the date of the transaction. Exchange differences that arise between the exchange rate at the date of the transaction and the exchange rate at the payment date are recognized in the income statement under market-value adjustments.

Monetary items in foreign currencies are translated at the exchange rate prevailing at the reporting date. The difference between the exchange rate at the reporting date and the exchange rate at the time the balance arose is recognized in the income statement under market-value adjustments.

Offsetting

Receivables and liabilities are offset when the Group has a legal right to set off the recognized amounts, while at the same time intending to make a net settlement or realize the asset and redeem the liability at the same time.

Fair-value measurement of financial instruments

The fair value is the amount at which a financial asset or liability may be traded between market participants at the time of measurement on the principal market, or, in its absence, the most advantageous market to which the Group has access at such time.

In the Group, the fair value is measured based on the following fair-value hierarchy, which reflects the parameters included in the measurement:

Level 1 - Quoted market price:

Quoted prices (unadjusted) in active markets for identical financial assets or liabilities.

Level 2 - Observable inputs:

Valuation techniques based on inputs, apart from quoted prices at Level 1, observable either directly (prices) or indirectly (determined on the basis of prices).

Level 3 - Unobservable inputs:

Valuation techniques based on inputs for valuing an asset or liability based on unobservable market data. The valuation is based primarily on generally accepted valuation principles.

At the end of the accounting period, the Group recognizes transfers between levels in the fair-value hierarchy for the whole financial year.

Financial instruments generally

Financial assets are classified in the following categories at the date of recognition:

- trading book, which is measured at fair value
- loans, advances and receivables, which are valued at amortized cost
- held-to-maturity investments, which are valued at amortized cost
- financial assets designated at fair value, with value adjustments being recognized in the income statement (fair-value option)
- assets in pooled schemes, which are measured at fair value.

Financial liabilities are classified in the following categories at the date of recognition:

- trading book, which is measured at fair value
- liabilities in pooled schemes, which are measured at fair value
- other financial liabilities, which are valued at amortized cost.

The Spar Nord Group does not have held-to-maturity investments.

Bonds and shares, etc.

On initial recognition at the settlement date, bonds and shares, etc. are measured at fair value, excluding transaction costs. Subsequently, bonds and shares etc. are measured at fair value. Realized and unrealized gains and losses as well as dividends are recognized in market-value adjustments and in dividends on shares in the income statement.

When an active market exists, the Group measures the fair value of bonds and shares, etc. on the basis of quoted market prices for the relevant financial instruments. A market is considered active when the instrument is traded with sufficient frequency and in sufficient volume to provide a valid pricing basis. The fair value of such instruments is determined on the basis of the most recently observed closing prices on the reporting date (Level 1). In the alternative, accepted models and observable market data for corresponding assets are used to measure the fair value (Level 2).

The Group's acquired strategic shares, which are not included in the trading book, are measured at fair value on the basis of available trading information or accepted valuation principles and current market data, including an assessment of future earnings and cash flows (Level 3). The fair value is also affected by co-ownership, trading with the relevant company and shareholders' agreements.

Securities are removed from the balance sheet on the settlement day.

Derivative instruments

Derivative instruments and unsettled spot transactions are recognized and measured at fair value at the trade date. Positive fair values are recognized under Other assets. Negative fair values are recognized under Other liabilities.

On initial recognition, derivative instruments and unsettled spot transactions are measured at fair value, excluding transaction costs. Subsequently, derivative instruments and unsettled spot transactions are measured at fair value. Realized and unrealized gains and losses are recognized in market-value adjustments in the income statement. Gains or losses on initial recognition ("day 1 profit/loss") are not recognized for selected derivative instruments, but are amortized over the term of the relevant instrument.

The fair value of derivative instruments with a positive fair value is adjusted for credit risks attaching to counterparties – CVA.

The calculation of fair value is based on accepted models and observable market data (Level 2), including yield curves, exchange rates and volatility curves, for measuring the fair value. The valuation models used comprise swap models, credit pricing models as well as option models, such as Black & Scholes models.

Repo transactions and reverse repo transactions

If the sale is made subject to a repurchase agreement, securities sold are recognized in the balance sheet on the settlement day as if the securities were still part of the Group's portfolio. The amount received is recognized as a liability, and the difference between the offered price and the bid price is recognized as interest in the income statement over the term of the relevant instrument. The yield on the securities is recognized in the income statement.

Bought securities are not recognized in the balance sheet and the yield on such securities is not recognized in the income statement if a resale agreement is made simultaneously with the purchase. The purchase sum paid is recognized as a receivable, and the difference between the bid and offered price is recognized as interest in the income statement over the term of the relevant instrument.

Repo transactions and reverse repo transactions are recognized as deposits/loans and advances or receivables/payables from/to credit institutions and are measured at amortized cost.

Hedge accounting

The Group uses derivative instruments to hedge interest risks attaching to fixed-interest assets and liabilities (fair-value hedging), which are valued at amortized cost. Such hedging instruments are measured at fair value and any changes in value are recognized in market-value adjustments. When the criteria for the application of hedge accounting have been met, the carrying amount of the hedged assets and liabilities is adjusted for changes in fair value regarding the hedged risks (fair-value hedging). If the criteria for hedging are no longer met, the accumulated value adjustment of the hedged item is amortized over the remaining term to maturity.

INCOME STATEMENT

Interest income and expenses

Interest income and expenses comprise:

- Interest-bearing financial instruments that are measured at amortized cost and recognized in the income statement according to the effective interest method, based on the cost of the financial instrument.
- Amortization of fees that are an integral part of the effective yield on a financial instrument, including upfront fees, and the amortization of any further difference between the cost and redemption price.
- Interest on financial instruments measured at fair value, with the exception of interest relating to assets and deposits in pools, which are recognized under market-value adjustments.
- Interest on loans and advances individually written down for impairment that is recognized as income on the basis of the written-down value.
- Interest income on finance leases and purchase contracts that is recognized based on the agreed effective interest rate.
- Fees, etc. from operating and finance leases that are accrued over the remaining term of the leases and recognized on an ongoing basis under Interest income.

Net fees, charges and commissions received

Fees, charges and commissions relating to loans, advances and receivables that are considered an integral part of such loans, etc. are recognized as part of the carrying amount of loans, advances and receivables and are recognized in the income statement over the term of the loans and advances as part of the effective interest rate. Commissions relating to guarantees are carried to income over the term of the guarantees. Income generated upon performing a given transaction, including securities and custodianship fees plus payment services fees, is recognized as income when the transaction has been performed.

Consideration for arranging mortgage-credit loans for Totalkredit and DLR is calculated on the basis of an offset model. Loan origination fees are recognized at the date of loan origination, and consideration for continuous services to the borrower is recognized in step with the Bank rendering such services and thus earning an entitlement to the consideration. Recognized losses that can be offset are treated as an income reduction during the period in which losses are offset.

Market-value adjustments

Market-value adjustments include realized and unrealized market-value adjustments of items in the trading book of securities and derivative instruments as well as other shares at fair value (the fair-value option). In addition, the impact on profits/losses from exchange adjustments and fair-value hedge accounting is also recognized under market-value adjustments.

Other operating income

Other operating income includes items that are secondary to the Group's activities, including gains on the sale of acquired investment and corporate properties, the sale of leased assets, the adjustment of guarantees taken over, etc.

Other operating income also includes lease payments from operating leases and from properties after deducting operating expenses.

Gains on sales are calculated as the difference between the selling price less selling costs and the carrying amount at the date of the sale.

Staff costs and administrative expenses

Staff costs and administrative expenses comprise salaries, bonuses, holiday pay, anniversary lump sums, pension costs, etc.

Other operating expenses

Other operating expenses contain items of a secondary nature relative to the Group's activities, including contributions to the statutory depositors' guarantee scheme (insurance premium), the Guarantee Fund and the Resolution Fund.

Profit/loss on equity investments in associates and group enterprises

Profits or losses on equity investments in associates and group enterprises comprise the proportionate share of the individual companies' results after tax.

Tax

Spar Nord Bank is jointly taxed with its Danish subsidiary. The current Danish corporation tax is allocated to the jointly taxed Danish companies in proportion to their respective taxable incomes. Companies that utilize tax losses in other companies pay joint taxation contributions to the Parent Company equivalent to the tax base of the utilized losses, while companies whose tax losses are utilized by other companies receive joint taxation contributions from the Parent Company equivalent to the tax base of the utilized losses (full allocation). The jointly taxed Danish companies are included in the Danish tax prepayment scheme. Spar Nord recognizes a deferred tax liability in respect of the retaxation balance related to international joint taxation in respect of previous activities abroad, where the deducted tax loss on foreign activities continues to be subject to the ten-year period of commitment to the international joint taxation scheme.

Tax for the year, which comprises current tax for the year and any change in deferred tax, is recognized in the income statement with the portion attributable to the profit/loss for the year and in other comprehensive income with the portion attributable to other comprehensive income items, and in equity with the portion attributable to items recognized directly in equity.

BALANCE SHEET

Receivables from credit institutions and central banks

Receivables from credit institutions and central banks comprise receivables from other credit institutions and time deposits with central banks. Reverse repo transactions, which involve buying securities to be resold at a later date, and where the counterparty is a credit institution or a central bank, are recognized as Receivables from credit institutions and central banks. The valuation of Receivables from credit institutions and central banks is made as stated under Loans, advances and receivables at amortized cost.

Loans, advances and other receivables at amortized cost

This item comprises loans, advances and receivables, including mortgage deeds, finance leases (see the separate section below) and reverse repo transactions where the counterparty is not a credit institution or a central bank.

Initial recognition is based on fair value plus transaction costs and less fees, charges and commissions received in connection with loan origination. Subsequently, loans, advances and receivables that are not reverse repo transactions are periodically remeasured at amortized cost using the effective interest

method, less impairment provisions for bad and doubtful debts. The measurement of reverse repo transactions is described in the section Repo transactions and reverse repo transactions.

Impairment

Loans, advances and receivables are monitored continuously to assess whether there is any objective evidence of impairment and whether an impairment test shows any losses. This is done by individually assessing all significant and credit-quality flagged loans, advances and receivables. For minor loan exposures of less than DKK 250,000, credit-quality flagged customers are automatically assessed based on the customer data and characteristics recorded. Loans, advances and receivables that are not individually impaired are divided into groups with uniform characteristics with respect to credit risk and assessed on a portfolio basis.

Individual impairment

Impairment is based on an individual assessment of exposures when there is objective evidence of impairment of an individual facility.

There is objective evidence of impairment of loans and advances if one or more of the following events have occurred:

- the borrower is in considerable financial difficulty
- the borrower is in breach of his contract, e.g. in the form of non-payment of loan repayments and interest
- the Group grants the borrower special terms that would not have been granted in the absence of the borrower's financial difficulty
- the borrower is likely to become insolvent or subject to any other financial restructuring.

Impairment is calculated as the difference between the carrying amount and the discounted value of the expected cash flows. The collateral is deducted at fair value, excluding the costs of realization. Any subsequent increase of the discounted value of the expected cash flows results in full or partial reversal of impairment. For fixed-interest loans and advances, the original effective interest rate is used to calculate the discounted value, while the current effective interest rate is used for floating-rate loans and advances.

If a borrower is in considerable financial difficulty, the loan will be written down to an amount that the borrower is expected to be able to service in future based on a financial restructuring. If restructuring proves impossible, the impairment will be based on the expected proceeds of insolvency or bankruptcy proceedings.

Groups of impairment losses

Individually assessed loans and advances that are not subject to impairment and other loans and advances are classified into categories to assess the need for impairment by group. A portfolio assessment is made on the basis of groups of loans with uniform characteristics with respect to credit risk. Among other things, the portfolio impairment is intended to cover deterioration in the payment behaviour for the relevant portfolio and changes in other conditions that, based on experience, are related to the extent of non-payment in the relevant groups of loans, advances and receivables.

The portfolio assessment is based on the Bank's rating systems, which divide the customers into nine rating classes.

The calculation of groups of impairment losses is based on gross migration. Thus, following a gross addition, the total groups of impairment losses are composed of the sum total of the indi-

vidual borrowers' deterioration in rating, calculated exclusively for the customers whose rating has deteriorated, with a resulting increase in risk compared to the risk originally expected, where this heightened risk has not been offset by a corresponding increase in the customer's interest rate. Thus, it is not taken into account that other borrowers improved their rating during the period, with a resulting decrease in risk compared to the risk originally expected.

Spar Nord calculates groups of impairment losses as the difference between the present value of the originally expected future losses and the present value of expected future losses after the deterioration in rating for the individual customer. The discount rate used is the weighted average of the agreed-upon effective interest rates on the individual loans and advances.

Groups of impairment losses on leasing loans are based on a writedown of the portfolio that is calculated separately for the industries Transport, Construction, Agriculture, Industry and other areas, as these groups have uniform characteristics with respect to credit risk. The groups of impairment losses are based on a statistical model that incorporates external economic indicators in the form of unemployment rate and an index of consumer sentiment. Moreover, the model incorporates developments in the ratio of down payments and deposits, as a higher ratio of down payments or deposits will reduce group-based impairment losses.

Impairment losses, etc.

Impairment losses on loans and advances are charged to an impairment account, which is deducted from loans and advances. Any movement in the impairment account is recognized in the income statement under Impairment of loans, advances and receivables, etc. In case of any subsequent events that show that the impairment was not permanent, the impairment is reversed via Impairment of loans, advances and receivables, etc. Loans and advances considered to be uncollectible are written off via the impairment account. Loans and advances are written off when established collection procedures have been observed as follows:

- the debtor has filed an insolvency or bankruptcy petition and the liquidator has indicated the probable financial result of the insolvency/bankruptcy proceedings
- the Spar Nord Group cancels debts following either a compulsory or private arrangement with creditors
- the Spar Nord Group considers collection of the debt completely unlikely for other reasons.

No interest on the written-down portion of the individual loans and advances is carried to income.

Leasing

Lease contracts are classified as finance leases when all significant risks and returns associated with the title to an asset are transferred to the lessee. All other lease contracts are classified as operating leases.

Finance lease assets, with the Group as lessor, are recognized under loans and advances at the net investment in the leases less depreciation (repayments), calculated according to the annuity method over the term of the lease.

Income from leased assets is recognized based on the effective interest rate in the lease, and is booked in the income statement under Interest income. Profit and loss on the sale of leased assets are booked as Other operating income and Other operating expenses.

Operating lease assets, with the Group as lessor, are recognized under Other property, plant and equipment and are depreciated like the Group's other property, plant and equipment. Rental income from operating leases is recognized on a straight-line basis over the relevant term of the lease, under Other operating income.

Equity investments in group enterprises and associates

Equity investments in associates are recognized at the proportionate share of the net asset value (NAV) on the reporting date plus the carrying amount of goodwill acquired.

Equity investments in group enterprises in the Parent Company are recognized at the proportionate share of the net asset value (NAV) on the reporting date plus the carrying amount of goodwill acquired.

Goodwill is calculated and measured as described above under Business combinations.

The share of profit/loss for the year after tax is recognized in the income statement under Profit/loss on equity investments in associates and group enterprises. In connection with the purchase or sale of group enterprises or associates, the results of such group enterprises or associates are included in the income statement from or until the takeover date, as the case may be.

Any gain or loss upon sale is calculated as the difference between the selling price and the carrying amount at the transfer date, including the carrying amount of goodwill, and is recognized under Other operating income/Other operating expenses.

Pension pools

Assets forming part of pension pools and customers' contributions to pension pools are presented in separate balance-sheet items. The return on pooled assets and contributions is presented together under market-value adjustments and is specified in note 56. Assets and liabilities in pooled schemes are recognized at fair value.

Intangible assets

Goodwill

Goodwill acquired is recognized at cost less accumulated writedowns for impairment, as described under Business combinations.

The carrying amount is not systematically amortized.

Goodwill relating to associates is recognized under equity investments in associates.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. The identification of cash-generating units is based on the management structure and internal financial management.

Goodwill is not amortized, but a goodwill impairment test is made at least once a year for each cash-generating unit. Goodwill is written down to the recoverable amount via the income statement if the carrying amount of the cash-generating unit's net assets exceeds the higher of the net selling price and the value in use that corresponds to the present value of expected future cash flows from the unit.

Customer relations and software

Customer relations taken over in connection with company acquisitions are recognized at cost and are amortized on a straight-line basis over the expected useful life, which does not exceed ten years. The expected useful life depends on customer loyalty.

Software acquired is recognized at cost, including installation expenses, and amortized according to the straight-line method over the expected useful life of a maximum of five years.

The useful life is reassessed annually. Any changes in amortization as a result of changes in useful life are recognized in future reporting periods as a change in accounting estimates.

Customer relationships and software that are amortized are subjected to an impairment test when there is evidence of impairment. When there is evidence of impairment, they are written down to the value in use.

Land and buildings

Properties are recognized at cost upon acquisition and subsequently measured at fair value. Borrowing costs from general borrowing or loans that are directly attributable to the acquisition and construction of qualifying assets (properties) are attributed to the cost of the specific individual asset.

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, etc. 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 its operation 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, quality, etc. The fair value of the individual property is reassessed annually based on the current market and the interest level.

Corporate properties are properties used by the Group for administrative purposes, as a branch or for other service activities. The carrying amount of corporate properties is systematically depreciated over the expected useful life of 50 years for buildings. Special installations in buildings are depreciated according to the straight-line method over a useful life of 20 years. Allowance is made for the expected residual value when calculating depreciation. The revaluation of corporate properties to fair value is recognized in Other comprehensive income and allocated to a special reserve under equity, Revaluation reserves, while depreciation and impairment are recognized in the income statement under Depreciation, amortization and impairment of intangible assets and property, plant and equipment.

Corporate properties expected to be sold within a 12-month period according to a publicized plan are treated as Temporary assets.

Land is not depreciated.

Investment properties are properties held to obtain rental income and/or capital gains, including properties let under operating leases and properties taken over. Investment properties are not depreciated. Changes in fair values are recognized in the Parent Company under Market-value adjustments, while net fair value changes in the Group are recognized under Other operating income. Rental income is recognized in the income statement under Other operating income.

Other property, plant and equipment

Operating equipment in the form of IT equipment, cars, furniture and fixtures and leasehold improvements are recognized at cost less accumulated depreciation and impairment. Operating lease assets, with Spar Nord as lessor, are also recognized under other property, plant and equipment. The basis of depreciation

for property, plant and equipment is the difference between cost and residual value at the end of its useful life, and the residual value is assessed regularly. Leasehold improvements are depreciated over the term of the lease, however maximum ten years. For other operating equipment, depreciation is made on a straight-line basis over the expected useful life of a maximum of five years.

Impairment

Property, plant and equipment are subjected to an impairment test when there is evidence of impairment, and they are written down to the recoverable amount, which is the higher of the net selling price and the value in use. The impairment losses are recognized in the income statement.

Temporary assets

Temporary assets comprise property, plant and equipment, including assets taken over as a result of the liquidation of customer exposures, the intention being to sell the assets within 12 months. Assets taken over are recognized at the lower of carrying amount and fair value, less any selling costs.

The assets are not depreciated as from the time when they are classified as temporary.

Losses on impairment arising upon initial classification as temporary assets and any gains or losses arising on subsequent measurement at the lower of carrying amount and fair value, less any selling costs, are recognized in the income statement under the items to which they relate. Gains and losses are disclosed in the notes.

Assets and related liabilities are presented in separate lines in the balance sheet.

Payable and deferred taxes

Current tax liabilities and current tax receivables are recognized in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on taxable incomes relating to prior years, and tax paid on account.

Deferred tax is measured in accordance with the balance sheet liability method on all temporary differences between the carrying amount and tax base of assets and liabilities. However, deferred tax is not recognized in respect of temporary differences regarding goodwill that is not amortizable for tax purposes and other items for which temporary differences have arisen at the time of acquisition without this having an impact on the profit/loss or the taxable income. Where the tax base may be calculated according to different taxation rules, deferred tax is measured based on Management's planned use of the assets, or, as the case may be, the planned repayment of the liability.

Deferred tax is recognized in the balance sheet within the balance sheet headings Deferred tax assets and Deferred tax liabilities and is recognized on the basis of the expected tax rate.

Deferred tax assets, including the tax base of losses qualifying for carryforward trade loss relief, are recognized within Deferred tax assets at the amount at which they are expected to be realized, either by set-off against taxes on future earnings, or through set-off against Deferred tax liabilities within the same taxable entity and jurisdiction.

Deferred tax assets and liabilities are offset if the company has a legal right to offset current tax liabilities and tax assets or intends to either settle current tax liabilities and tax assets on a net basis, or realize the assets and the liabilities at the same time.

Deferred tax is adjusted to reflect eliminations of unrealized intercompany gains and losses.

Deferred tax is measured on the basis of the tax rules and tax rates that will apply when the deferred tax is expected to crystallize as current tax, given the legislation prevailing at the reporting date. Any changes in deferred tax resulting from changed tax rates are recognized in the income statement.

Other assets

Other assets include capital contributions to Foreningen Bankernes EDB Central a.m.b.a., interest and commissions receivable as well as the positive fair value of derivative instruments. Fair-value measurement of the positive fair value of derivative instruments is described in more detail in the section Derivative instruments. Other items are measured at amortized cost.

Prepayments and deferred income

Prepayments and deferred income are measured at amortized cost and are recognized under assets (prepayments) and liabilities (deferred income), respectively.

Financial liabilities

Payables to credit institutions and central banks as well as deposits include amounts received in connection with repo transactions, which involve selling securities to be repurchased at a later date. Payables to credit institutions and central banks as well as deposits are recognized initially at fair value net of the transaction costs incurred. Payables to credit institutions and central banks as well as deposits not classified as repo transactions are subsequently measured at amortized cost using the effective interest method. Thus, the difference between net proceeds and nominal value is recognized in the income statement under Interest expenses over the loan term.

Miscellaneous liabilities are measured at net realizable value.

Other liabilities

Other liabilities include interest payable, the negative fair value of derivative instruments and employee benefits payable. Fair-value measurement of the negative fair value of derivative instruments is described in more detail in the section Derivative instruments. Other items are measured at amortized cost.

Provisions for liabilities

Provisions for liabilities include mainly guarantee commitments, provisions for losses on irrevocable credit commitments, legal actions and any restructuring costs, etc.

Restructuring costs are recognized as liabilities, provided that a detailed, formal restructuring plan is available at the reporting date.

A provision is recognized when a legal or constructive obligation exists and when it is probable that the obligation will become effective and can be measured reliably.

Provisions are based on Management's best estimate of the amount of the commitments. In measuring provisions for liabilities, the provisions are discounted to net present value where the impact on the financial statements is material.

Subordinated debt

Subordinated debt consists of liabilities in the form of subordinated loan capital and other capital contributions which, in case of voluntary or compulsory liquidation, whether solvent or insolvent, will not be repaid until the claims of ordinary creditors have been met.

Subordinated debt is recognized at the issue date or the date of borrowing, as the case may be, at fair value less directly

attributable transaction costs. Subsequently subordinated debt is measured at amortized cost, using the effective interest method.

Equity

Revaluation reserves

Revaluation reserves comprise revaluations of the Group's corporate properties after the recognition of deferred tax. The reserve is dissolved when properties are impaired, sold or otherwise disposed of.

Statutory reserves

Statutory reserves comprise value adjustments of equity investments in associates and group enterprises according to the equity method. The reserves are reduced by the dividends distributed to the Parent Company and other movements in the equity of group enterprises and associates, or if the equity investments are realized in whole or in part.

Additional Tier 1 (AT1) capital

Additional Tier 1 (AT1) capital issued with a perpetual term and without a contractual obligation to make repayments of principal and pay interest (additional tier 1 capital under CRR) does not fulfil the conditions for being classified as a financial liability according to IAS 32. Therefore, any such issue of Additional Tier 1 (AT1) capital is considered equity.

The net amount at the time of issue is recognized as an increase in equity. The payment of interest is treated as dividend and recognized directly in equity at the time when the liability arises.

Upon Spar Nord' redemption of the bonds, the equity will be reduced by the redemption amount at the time of redemption. The acquisition cost and selling price on the purchase and sale of Additional Tier 1 (AT1) capital under CRR are recognized directly in equity in the same way as the portfolio of treasury shares.

Proposed dividend

Proposed dividend is recognized as a liability at the time of adoption at the Annual General Meeting (time of declaration). Dividend proposed to be distributed for the year is included under equity until adoption of the dividend proposal. According to the Bank's dividend policy, proposed dividend may be fixed at two-thirds or more of the net profit for the year, provided that the Bank has met its capital targets and that it has no current value-generating investment options.

Treasury shares and own bonds

Treasury shares and own bonds are not recognized as assets. The acquisition cost and selling price for treasury shares as well as dividends on such shares are recognized directly in Retained earnings under equity. A capital reduction effected by the cancellation of treasury shares reduces the equity by an amount equal to the nominal value of the shares at the time when the capital reduction is registered.

The acquisition of own bonds is recognized directly in Subordinated debt. Upon the acquisition of own bonds, any loss or gain is recognized in the income statement as the difference between the acquisition cost and the carrying amount of the liability.

Contingent assets and contingent liabilities

Contingent assets and contingent liabilities comprise potential assets and liabilities that derive from past events, and whose existence is dependent on the occurrence of future, uncertain events that are beyond the Spar Nord Group's full control.

Contingent assets are disclosed where an inflow of economic benefits is probable.

Contingent liabilities are disclosed if they may, but most probably will not, result in an outflow of resources. In addition, the Group discloses information about current liabilities that have not been recognized because they are unlikely to result in an outflow of resources from the Group or cannot be reliably measured.

Cash flow statement

The cash flow statement shows cash flows for the year, broken down by operating, investing and financing activities, the year's movements in cash and cash equivalents and the cash and cash equivalents at the beginning and end of the year. Cash generated from operations is calculated according to the indirect method as the profit/loss before tax, adjusted for non-cash operating items and any changes in working capital.

Cash generated from investments comprises payments associated with the purchase and sale of intangible assets and property, plant and equipment as well as associates and group enterprises, etc. Cash generated from financing activities comprises dividends paid and movements in the equity, subordinated debt and treasury shares.

Cash and cash equivalents comprise cash balances, demand deposits with central banks and receivables from credit institutions and central banks with less than three months to maturity. These assets can be readily converted into cash and carry only minimal risk of change in value.

Segment information

Segment information is reported in accordance with the Spar Nord Group's accounting policies and follows the organizational structure as reflected in its internal management reporting.

Transactions between segments are settled on an arm's length basis. Centrally incurred expenses, such as salaries, rent, depreciation, etc. are allocated to the individual segments based on an assessment of the proportionate share of the overall activity level. Segment assets and liabilities are the operating assets and operating liabilities that are used or have arisen in connection with the operation of a segment and which are directly associated with or can be reasonably allocated to the segment. The individual segment includes a calculated share of equity.

Other income and expenses are charged to Other areas, and this item also includes the activities of the subsidiary Aktieselskabet Skelagervej 15.

Calculation of performance indicators and financial ratios (Core earnings)

The Group's performance indicators and financial ratios (Core earnings) appearing from the Management's review differ from the Consolidated Financial Statements format. The relationship between Core earnings and the Consolidated Financial Statements format is shown in note 3, Business segments.

Ratio definitions appear from note 58.

Disclosures regarding standards that have not yet entered into force

The International Accounting Standards Board (IASB) has published a number of new financial reporting standards (IAS and IFRS) and interpretations (IFRIC), which Spar Nord is not required to observe in preparing the 2016 Annual Report. The standards and interpretations that have been endorsed by the EU and having effective dates that differ from the effective dates required by the standards or interpretations issued by the IASB will be implemented prematurely, if allowed, as of the IASB effective dates for financial years commencing 1 January 2017 or later.

This applies to IFRS 9, 15 and 16 and amendments to IAS 7, 12, IFRS 2 and 4. The EU has approved IFRS 9 and 15, but has not approved any of the remaining future standards and interpretations.

The analysis of the expected impact of the implementation of IFRS 9 has not yet been completed; see below. The remaining new standards and interpretations are not expected to materially affect the Bank's financial reporting.

- IFRS 9 "Financial Instruments", which replaces IAS 39, changes the classification and thus the measurement of financial assets and liabilities.

IFRS 9 introduces a more logical approach to the classification of financial assets that is based on the Bank's business model for managing the assets and their underlying cash flow characteristics. Based on the current business model, IFRS 9 is not expected to materially affect the Bank's financial reporting.

Moreover, the standard introduces a new impairment model for all financial assets. The new impairment model means that impairment losses must be recognized on all the Bank's loans, advances and guarantees based on the losses statistically expected (expected credit loss model). Based on the existing rules, impairment losses are not recognized until there is objective evidence of impairment (incurred loss model). IFRS 9 uses a three-stage impairment approach, meaning that expected credit losses (ECLs) are allocated to either stage 1, 2 or 3, depending on the risk of credit loss. The classification into stages and the calculation of expected credit losses will largely be based on the Bank's existing rating models and credit control. Systems and models for determining impairment in accordance with IFRS 9 are being developed and will be adjusted in step with the Danish Financial Supervisory Authority giving more specific instructions about the interpretation of the standard. The new impairment models are being developed in cooperation with the Bank's data processing centre and support the calculation of expected credit losses according to models based on loss ratios and the concepts of PD (Probability-of-Default), LGD (Loss-Given-Default) and EAD (Exposure-at-Default). Overall, the changed method for determining credit losses is estimated to result in an increase of the Bank's impairment losses. The more precise figures are expected to be published in the Interim Report for the first six months of 2017.

Finally, the standard introduces new rules for hedge accounting. Compared to the existing rules, the new model will provide a better link between an entity's accounting treatment and risk management strategy. The new rules on hedge accounting are not expected to materially affect the Bank's financial reporting.

The standard applies to financial years commencing on 1 January 2018 and beyond.

- IFRS 16 "Leases" was issued in mid-January 2016. The standard, which will enter into force for financial years beginning on 1 January 2019 or later, changes the accounting for leases that are today treated as operating leases.

An analysis of the significance of the new standard for the Spar Nord Group is yet to be made. At end-2016, the Spar Nord Group had operating leases with minimum lease obligations corresponding to not more than 1% of the balance sheet total, which are to be recognized in the balance sheet in future.

NOTE

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

In order to determine the carrying amount of certain assets and liabilities, Management has to make a number of estimates and judgments of future circumstances that significantly affect the carrying amount of assets and liabilities.

Management's estimates and judgments are based on assumptions that Management considers appropriate but which are uncertain and unpredictable by their nature. The assumptions may be incomplete or inaccurate, and unexpected future events or circumstances may arise. Consequently, making estimates and judgments is difficult by nature, and when they also involve customer relationships and other counterparties, they will be subject to uncertainty. It may be necessary to change previous estimates as a result of changes in the circumstances forming the basis of such estimates, or due to new knowledge or subsequent events.

Critical estimates and judgments have the most substantial impact on the financial statements in the following areas:

- impairment of loans
- fair value of financial instruments.

Impairment of loans

Testing the impairment of individual loans and advances requires estimates of factors subject to great uncertainty. The test involves estimates of the most probable future cash flows that the customer can generate. For loan exposures of less than DKK 250,000, credit-quality flagged customers are automatically assessed based on the customer data and characteristics recorded. Loans, advances and receivables that are not individually impaired are divided into groups with uniform characteristics with respect to credit risk and assessed on a portfolio basis.

Loans for which there is no objective evidence of impairment, or for which evidence of impairment has not been individually identified, are included in a group that is subjected to an impairment test at portfolio level.

In connection with testing a group of loans and advances for impairment, it is essential to identify the events that give objective evidence of losses on the group. The measurement of the present value of cash flows generated by customers in the group is subject to uncertainty when historical data and empirical assessments are used to adjust the assumptions and for the purpose of reflecting the current situation.

Loans are assigned to groups having uniform credit risk properties by using the Bank's rating system. Customers are subjected to ongoing rating, and if calculations show that customers have changed credit risk properties, they will be transferred to new rating groups on an ongoing basis. Thus, the downgrading of a customer to a weaker group serves as an indicator of the deterioration.

If circumstances have occurred that have either worsened or improved the expected future payment pattern, and such circumstances are known but have not been taken into account in the models, the appropriate action will be taken to correct this, based on a qualified Management estimate.

Spar Nord operates with a credit system using statistically based rating models for both retail and business customers. In addition, the rating is based on the flagging of customers that show signs of default risk.

Credit-quality flagging is based on important Management

estimates, particularly affected by such factors as property prices, unemployment rates and demand for various products and services. 2016 saw a minor improvement in the credit quality for retail customers. The average credit quality for business customers decreased slightly, counterbalancing the improvement in credit quality in 2015. The agricultural sector is still under heavy pressure, but was helped by improved settlement prices, particularly for milk producers, at the end of 2016.

The impairment account increased from DKK 1.8 billion at end 2015 to DKK 1.9 billion at end-2016.

To reduce the risk attaching to individual exposures, Spar Nord accepts collateral consisting mainly of mortgages and charges over physical assets, securities and vehicles, of which mortgages on real property are the most common type of collateral. The valuation of such collateral is based on significant estimates made by Management.

Loans and advances amounted to DKK 41,346 million, equal to about 53% of the Group's assets at end-2016. Reference is made to note 19, Loans, advances and other receivables at amortized cost, and to note 51, Credit risk, for further details.

Fair value of financial instruments

Spar Nord measures a number of financial instruments at fair value, including all derivative instruments as well as shares and bonds.

Assessments are made in connection with determining the fair value of financial instruments in the following areas:

- choosing valuation method
- determining when available listed prices do not reflect the fair value
- calculating fair-value adjustments to provide for relevant risk factors, such as credit, model and liquidity risks
- assessing which market parameters are to be monitored
- making estimates of future cash flows and return requirements for unlisted shares.

In these situations, the decisions are based on an opinion in accordance with the Group's accounting policies. All such decisions are approved by the relevant group functions.

As part of its day-to-day operations, Spar Nord has acquired strategic equity investments in sector supplier companies.

Strategic equity investments are measured at fair value based on the information available about trading in the relevant company's equity investments or, in the alternative, by using a valuation model based on generally accepted methods and current market data, including an assessment of expected future earnings and cash flows. The valuation will also be affected by co-ownership, trading with the relevant company and shareholders' agreements, etc. If a reliable fair value cannot be determined, the investment will be valued at cost less any write-downs for impairment.

For financial instruments the valuation of which is only to a limited extent based on observable market data, the valuation is subject to estimates. This applies for example to unlisted shares and certain bonds for which no active market exists. More details are provided in the applicable paragraphs of note 1, Accounting policies, and in note 49, Fair-value information, including a sensitivity analysis.

Financial instruments valued on the basis of unobservable inputs amounted to DKK 1,550 million, equal to 2% of the Group's

NOTE

3 **BUSINESS SEGMENTS**

The Group is organized into different business areas and resource and support functions, according to product and service characteristics. The reporting segments correspond to the Group's organizational units based on customer affiliation, and an internal follow-up is carried on in this regard.

Spar Nord's Local Banks cater to all types of retail and business customers. Corporate Banking provides services to large business customers and high-net-worth personal customers. Spar Nord's Local Banks (the retail bank unit) constitute the largest organizational unit in the Spar Nord Group, consisting of 58 local banks throughout the country. Spar Nord Bank's leasing activities form an integral part of Spar Nord's Local Banks.

Trading, Financial Markets & the International Division is composed of Markets, Shares, Interest & Forex, Asset Management and the International Division. The activities of Trading & Financial Markets centre on forex and securities, including hedging and managing the transactions made by the local banks' customers. Moreover, Trading, Financial Markets & the International Division cooperates with a number of the Bank's largest business customers and retail customers, as well as managing some of the Bank's own positions. The International Division offers products and advice associated with export and import.

Other areas comprise central staff and support functions, unallocated and eliminations.

Unallocated consists of other income and expenses, including the subsidiary Aktieselskabet Skelagervej 15.

Reclassifications and areas eliminated in the calculation of core earnings in the Management's review:

Reclassifications comprise the share of the discount, recognized as income, on exposures taken over from Sparbank in connection with the merger in 2012. In its internal follow-up and control, Spar Nord includes this item in Impairment of loans and advances and also presents it as such in the core earnings format in the Management's review.

According to the Group's accounting policies, adjustments of the discount on exposures taken over from Sparbank are included under Interest income in the income statement. The item is included under Other interest income in the note relating to interest income.

Other items after core earnings comprised Contributions to sector-wide solutions and Special merger-related items in previous years.

Contributions to sector-wide solutions consisted of Spar Nord's payments to the Guarantee Fund for Depositors and Investors and the value adjustment of claims.

Other matters

An internal interest rate is calculated for all business segments. The internal interest rate is used to equalize differences between assets and liabilities (surplus/deficit of liquidity) among the business segments. The internal interest rate is calculated per currency on the basis of market rates plus a liquidity premium.

Centrally incurred costs and a few income items are basically allocated internally between the individual business segments on the basis of cost. An allocation is made from the unit paying the costs based on an assessment of each individual unit's proportionate share of the overall activity level.

Other income and costs are allocated to the business segments to whose operation they are directly related or can reasonably be allocated.

The assets and liabilities of the business segments are the operating assets and operating liabilities that are employed by a segment for its operations and that are either directly attributable to the segment or can reasonably be allocated to the segment. The individual business segment includes allocated capital equal to 12% of the average risk-weighted items of the business area. In the business segment Other areas, the difference between allocated capital and equity is presented.

As in previous years, the Group uses core earnings as its profit target.

Information about income broken down by products and services

The Group's business areas are organized according to differences in products and services, and products and services are uniform within the individual business areas.

Income from the business area Spar Nord's Local Banks mainly comprises income from interest, fees, charges and commissions related to products within lending and deposits as well as leasing activities. The customers consist of retail, business and public-sector customers.

Income from the business area Trading, Financial Markets & the International Division comprises interest and market-value adjustments on forex and trading products as well as interest income and market-value adjustments on the Bank's portfolio of securities.

BUSINESS SEGMENTS 2016

DKK m	Spar Nord's Local Banks	Trading, Financial Markets & the Intern. Division	Other areas	Core earnings*)	Reclas. and Other items after core earnings**)	The Group, total
INCOME STATEMENT						
Net interest income	1,474.0	53.2	94.0	1,621.2	49.6	1,670.8
Net income from fees, charges and commissions	1,043.6	98	-0.7	1,052.7	0.0	1,052.7
Market-value adjustments and dividends	135.2	228.7	69.8	433.7	0.0	433.7
Other operating income	17.4	0.6	11.7	29.7	0.0	29.7
Profit/loss on equity investments in associates and group enterprises	0.0	0.0	29.6	29.6	0.0	29.6
Core income/revenue, total	2,670.2	292.3	204.4	3,166.9	49.6	3,216.5
Operating expenses, depreciation and amortization	1,575.5	49.7	271.2	1,896.4	0.0	1,896.4
Core earnings before impairment	1,094.7	242.6	-66.8	1,270.5	49.6	1,320.1
Impairment of loans, advances and receivables, etc.	244.6	3.5	-5.7	242.4	49.6	292.0
Profit/loss before tax	850.1	239.1	-61.1	1,028.1	0.0	1,028.1

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

***) The relation to the Group is specified in the column Reclassifications and Other items after core earnings. Reclassifications have impacted the items Net interest income and Impairment of loans, advances and receivables, etc. with an amount of DKK 496 million.

	Spar Nord's Local Banks	Trading, Financial Markets & the Intern. Division	Other areas	The Group, total
BALANCE SHEET				
Loans, advances and other receivables at amortized cost	34,942.0	6,255.9	147.7	41,345.6
Equity investments in associates and group enterprises	0.0	0.0	118.4	118.4
Intangible assets and property, plant and equipment *)	256.0	0.1	682.9	939.0
Miscellaneous assets **)	15,945.5	18,824.6	1,300.4	36,070.5
Total allocated assets	51,143.5	25,080.6	2,249.4	78,473.5
Deposits and other payables	45,560.9	399.5	503.8	46,464.2
Equity (allocated capital)	4,592.1	664.9	3,370.1	8,627.1
Miscellaneous liabilities	14,908.9	5,198.9	3,274.4	23,382.2
Allocated equity and liabilities, total	65,061.9	6,263.3	7,148.3	78,473.5
Disclosures - total income/revenue				
Internal income/revenue	-121.7	54.1	621.7	554.1
Internal income and eliminations offset against costs	0.0	-45.4	-508.7	-554.1
Income/revenue, external customers	2,791.9	283.6	141.0	3,216.5
Income/revenue, total	2,670.2	292.3	254.0	3,216.5
Disclosures, cash flow statement				
Depreciation, amortization and impairment ***)	18.6	0.3	75.4	94.3
Additions, intangible assets and property, plant & equipment *)	47.4	0.0	31.6	79.0
Non-cash oper. items excl. depr., amort. and imp. of int. assets and prop., plant & equipm.	0.0	0.0	-119.7	-119.7
Impairment and reversal of impairment losses on loans and advances, etc.	54.4	0.0	0.0	54.4
Financial ratios				
Return on equity , % ****)	19.5	37.8	-	-
Cost share of core income	0.59	0.17	-	-
Total risk exposure, end of year	38,266	6,827	2,392	47,485
Number of employees (full-time, end of year)	1,120	64	356	1,540

*) All assets are located in Denmark.

***) Temporary assets amount to DKK 33.9 million, of which DKK 14.1 million relates to leasing activities and DKK 19.8 million relates to Other areas.

****) No significant writedowns for impairment have been made.

*****) The rate of return on equity per annum has been calculated on allocated capital, which amounts to 12% of the average total risk exposure.

BUSINESS SEGMENTS 2015

DKK m	Spar Nord's Local Banks	Trading, Financial Markets & the Intern. Division	Other areas	Core earnings*)	Reclas. and Other items after core earnings**)	The Group, total
INCOME STATEMENT						
Net interest income	1,530.0	132.1	65.1	1,727.2	48.1	1,775.3
Net income from fees, charges and commissions	1,000.9	13.4	16.0	1,030.3	0.0	1,030.3
Market-value adjustments and dividends	139.1	94.7	273.1	506.9	0.0	506.9
Other operating income	22.4	0.2	15.5	38.1	9.7	47.8
Profit/loss on equity investments in associates and group enterprises	0.0	0.0	28.3	28.3	0.0	28.3
Core income/revenue, total	2,692.4	240.4	398.0	3,330.8	57.8	3,388.6
Operating expenses, depreciation and amortization	1,540.3	42.2	260.4	1,842.9	98.7	1,941.6
Core earnings before impairment	1,152.1	198.2	137.6	1,487.9	-40.9	1,447.0
Impairment of loans, advances and receivables, etc.	318.5	0.0	-2.9	315.6	57.8	373.4
Core earnings	833.6	198.2	140.5	1,172.3	-98.7	1,073.6
Contributions to sector-wide solutions	-	-	-98.7	-98.7	98.7	0.0
Profit/loss before tax	833.6	198.2	41.8	1,073.6	0.0	1,073.6

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

***) The relation to the Group is specified in the column Reclassifications and Other items after core earnings. Reclassifications and Other items after core earnings of DKK 98.7 million consist of Contributions to sector-wide solutions. Reclassifications have impacted the items Net interest income, Other operating income and Impairment of loans, advances and receivables, etc. with an amount of DKK 57.8 million.

	Spar Nord's Local Banks	Trading, Financial Markets & the Intern. Division	Other areas	The Group, total
BALANCE SHEET				
Loans, advances and other receivables at amortized cost	33,859.6	4,191.2	-11.5	38,039.3
Equity investments in associates and group enterprises	0.0	0.0	82.4	82.4
Intangible assets and property, plant and equipment *)	253.1	0.5	752.1	1,005.7
Miscellaneous assets **)	13,604.0	20,561.0	3,064.8	37,229.8
Total allocated assets	47,716.7	24,752.7	3,887.8	76,357.2
Deposits and other payables	44,700.2	763.9	-727.8	44,736.3
Equity (allocated capital)	4,217.3	735.9	2,933.8	7,887.0
Miscellaneous liabilities	11,996.5	3,664.4	8,073.0	23,733.9
Allocated equity and liabilities, total	60,914.0	5,164.2	10,279.0	76,357.2
Disclosures - total income/revenue				
Internal income/revenue	-125.3	63.4	618.3	556.4
Internal income and eliminations offset against costs	0.0	-56.6	-499.8	-556.4
Income/revenue, external customers	2,817.7	233.6	337.3	3,388.6
Income/revenue, total	2,692.4	240.4	455.8	3,388.6
Disclosures, cash flow statement				
Depreciation, amortization and impairment ***)	20.7	0.4	44.4	65.5
Additions, intangible assets and property, plant & equipment *)	4.9	0.1	51.5	56.5
Non-cash oper. items excl. depr., amort. and imp. of int. assets and prop., plant & equipm.	0.0	0.0	-172.9	-172.9
Impairment and reversal of impairment losses on loans and advances, etc.	-19.0	0.0	0.0	-19.0
Financial ratios				
Return on equity, % ****)	19.1	25.7	-	-
Cost share of core income	0.57	0.18	-	-
Total risk exposure, end of year	35,144	6,133	5,223	46,500
Number of employees (full-time, end of year)	1,100	64	374	1,538

*) All assets are located in Denmark.

**) Temporary assets amount to DKK 274 million, of which DKK 1.7 million relates to leasing activities and DKK 25.7 million relates to Other areas.

***) No significant writedowns for impairment have been made.

****) The rate of return on equity per annum has been calculated on allocated capital, which amounts to 12% of the average total risk exposure.

NOTE

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
4 INTEREST INCOME				
Receivables from credit institutions and central banks	2.8	6.4	2.8	6.4
Loans, advances and other receivables	1,688.3	1,798.4	1,679.9	1,789.7
Bonds	117.9	195.6	117.9	195.6
Foreign-exchange contracts	3.2	-22.9	3.2	-22.9
Interest-rate contracts	-6.9	-51.8	-6.9	-51.8
Derivative instruments, total	-66.7	-74.7	-66.7	-74.7
Other interest income	73.2	50.1	73.2	50.1
Total interest income	1,815.5	1,975.8	1,807.1	1,967.1
<i>Of which, income from genuine purchase and resale transactions booked under</i>				
Receivables from credit institutions and central banks	-9.8	-14.9	-9.8	-14.9
Loans, advances and other receivables	-10.0	-3.7	-10.0	-3.7
5 INTEREST EXPENSES				
Credit institutions and central banks	-4.1	-10.7	-4.1	-10.9
Deposits and other payables	95.7	142.8	115.9	163.6
Subordinated debt	52.4	67.8	52.4	67.8
Other interest expenses	0.7	0.6	0.7	0.6
Total interest expenses	144.7	200.5	164.9	221.1
<i>Of which, interest expenses from genuine sale and repo transactions booked under</i>				
Payables to credit institutions and central banks	-11.0	-16.9	-11.0	-16.9
Deposits and other payables	-0.2	-0.2	-0.2	-0.2
6 DIVIDENDS ON SHARES, ETC.				
Shares, etc. in the trading book	5.6	11.3	5.6	11.3
Shares at fair value (the fair-value option)	42.3	43.6	35.6	22.7
Dividends on shares, etc., total	47.9	54.9	41.2	34.0
7 FEES, CHARGES AND COMMISSIONS RECEIVED				
Securities trading and custody accounts	454.8	450.8	454.8	450.8
Payment services	140.5	90.2	140.5	90.2
Loan transaction fees	458.2	485.1	458.2	485.1
of which, mortgage credit institutions	339.1	310.4	339.1	310.4
Guarantee commissions	35.5	31.9	35.5	31.9
Other fees, charges and commissions	85.8	67.9	85.8	67.9
Total fees, charges and commissions received	1,174.8	1,125.9	1,174.8	1,125.9
Total fees, charges and commissions paid	122.1	95.6	122.1	95.6
Total net fees, charges and commissions received	1,052.7	1,030.3	1,052.7	1,030.3
8 MARKET-VALUE ADJUSTMENTS				
Other loans, advances and receivables at fair value	-2.9	0.1	-2.9	0.1
Bonds	163.3	-68.1	163.3	-68.1
Shares, etc.	131.7	355.1	86.0	355.1
Investment properties	-	-	0.1	-2.4
Currency	51.8	113.9	51.8	113.9
Foreign-exchange, interest, share, commodity and other contracts and derivative instruments	39.5	44.2	39.5	44.2
Assets linked to pooled schemes	380.6	1,107.4	380.6	1,107.4
Deposits in pooled schemes	-380.6	-1,107.4	-380.6	-1,107.4
Miscellaneous assets	0.2	0.0	0.2	0.0
Miscellaneous commitments	2.2	6.8	2.2	6.8
Total market-value adjustments	385.8	452.0	340.2	449.6
Trading book	275.2	136.9	275.3	134.5
Other shares at fair value (the fair-value option)	110.6	315.1	64.9	315.1
Total market-value adjustments	385.8	452.0	340.2	449.6

NOTE

9 NET FINANCIALS, THE SPAR NORD GROUP

2016	Interest income DKK m	Interest expenses DKK m	Net interest DKK m	Market- value adjustments DKK m	Dividend DKK m	Total DKK m
<i>Net financials at amortized cost</i>						
Receivables from and payables to credit institutions and central banks	22.6	7.1	15.5	0.0	0.0	15.5
Lending and deposits, banking activities	1,688.3	95.7	1,592.6	0.0	0.0	1,592.6
Repo and reverse repo transactions	-19.8	-11.2	-8.6	0.0	0.0	-8.6
Subordinated debt	0.0	52.4	-52.4	2.2	0.0	-50.2
Other interest	73.2	0.7	72.5	0.0	0.0	72.5
Total	1,764.3	144.7	1,619.6	2.2	0.0	1,621.8
<i>Net financials at fair value</i>						
Trading book	51.2	0.0	51.2	273.0	5.6	329.8
Other financial investment assets	0.0	0.0	0.0	110.6	42.3	152.9
Total	51.2	0.0	51.2	383.6	47.9	482.7
Total net income from financials	1,815.5	144.7	1,670.8	385.8	47.9	2,104.5

2015	Interest income DKK m	Interest expenses DKK m	Net interest DKK m	Market- value adjustments DKK m	Dividend DKK m	Total DKK m
<i>Net financials at amortized cost</i>						
Receivables from and payables to credit institutions and central banks	25.0	6.4	18.6	0.0	0.0	18.6
Lending and deposits, banking activities	1,798.4	142.8	1,655.6	0.0	0.0	1,655.6
Repo and reverse repo transactions	-18.6	-17.1	-1.5	0.0	0.0	-1.5
Subordinated debt	0.0	67.8	-67.8	6.8	0.0	-61.0
Other interest	50.1	0.6	49.5	0.0	0.0	49.5
Total	1,854.9	200.5	1,654.4	6.8	0.0	1,661.2
<i>Net financials at fair value</i>						
Trading book	120.9	0.0	120.9	130.1	11.3	262.3
Other financial investment assets	0.0	0.0	0.0	315.1	43.6	358.7
Total	120.9	0.0	120.9	445.2	54.9	621.0
Total net income from financials	1,975.8	200.5	1,775.3	452.0	54.9	2,282.2

The Spar Nord Group had no held-to-maturity investments in 2015 and 2016.

NOTE

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
10 OTHER OPERATING INCOME				
Gain on sale of properties	0.5	0.0	0.5	0.0
Gain on sale of other property, plant and equipment	0.2	0.3	0.2	0.3
Payments under operating leases and other rental income	8.7	13.9	8.7	13.9
Other income	17.0	25.9	17.2	26.0
<i>Operation of investment properties</i>				
Rental income	16.6	14.8	7.3	6.7
Operating expenses	2.9	3.1	2.5	2.6
Maintenance	0.4	0.7	0.4	0.6
Changes in value, investment properties	-9.9	-3.3	-	-
Net interest expenses	0.1	0.0	0.1	0.0
Other operating income, total	29.7	47.8	30.9	43.7
11 STAFF COSTS AND ADMINISTRATIVE EXPENSES				
Staff costs	1,141.7	1,098.2	1,141.7	1,098.1
Administrative expenses	647.1	670.0	653.5	677.6
Total staff costs and administrative expenses	1,788.8	1,768.2	1,795.2	1,775.7
<i>Staff costs:</i>				
Salaries	933.3	876.0	933.3	875.9
Share-based payment	-	-	-	-
Pensions	106.9	98.8	106.9	98.8
Social security costs	101.5	123.4	101.5	123.4
Total staff costs	1,141.7	1,098.2	1,141.7	1,098.1
Of which, remuneration to present and previous members of the Executive Board and Board of Directors and material risk takers amounts to:				
<i>The Board of Directors</i>				
Number	9	9	9	9
Fixed pay	3.2	3.1	3.2	3.1
Pension	-	-	-	-
Total remuneration	3.2	3.1	3.2	3.1
<i>Breakdown of remuneration to Board of Directors</i>				
Kjeld Johannesen	0.5	0.3	0.5	0.3
Per Nikolaj Bukh	0.4	0.4	0.4	0.4
Kaj Christiansen	0.4	0.3	0.4	0.3
Torben Fristrup (retired on 20 April 2016)	0.3	0.6	0.3	0.6
Morten B. Gaarboe (took office on 20 April 2016)	0.1	-	0.1	-
Laila Mortensen	0.3	0.3	0.3	0.3
Fritz Dahl Pedersen (retired on 22 April 2015)	-	0.1	-	0.1
Ole Skov	0.3	0.3	0.3	0.3
Jannie Skovsen	0.3	0.2	0.3	0.2
Gitte Holmgaard Sørensen	0.3	0.3	0.3	0.3
John Sørensen (took office on 22 April 2015)	0.3	0.2	0.3	0.2
Hans Østergaard (retired on 22 April 2015)	-	0.1	-	0.1
Total fees earned and paid	3.2	3.1	3.2	3.1
- Of which, committee fees	0.7	0.6	0.7	0.6

The Board of Directors' remuneration in the Parent Company and the Group is identical.

The subsidiary's board of directors is composed of persons employed by Spar Nord Bank, the Parent Company, and none of them have received remuneration as members of the subsidiary's board of directors. The remuneration of the Board of Directors is based on intragroup management agreements.

The members of the Board of Directors receive a fixed fee. In addition, a fixed fee is paid to members of the Audit Committee, the Risk Committee and the Nomination and Remuneration Committee. The Board of Directors receives no variable pay.

The members of the Board of Directors are not covered by any corporate pension schemes.

Material risk takers

Number	16	14	16	14
Fixed pay *)	16.1	15.8	16.1	15.8
Variable pay (lower threshold limit)	0.8	0.8	0.8	0.8
Pension	2.4	2.3	2.4	2.3
Total remuneration earned and paid	19.3	18.9	19.3	18.9

*) The amount includes the value of a company-provided car, etc. The comparative figures have been restated.

In accordance with the Danish Financial Business Act, Spar Nord's remuneration policy defines the group of persons who are material risk takers. No variable remuneration components over and above the statutorily allowed lower threshold limit (DKK 100,000 per year) are paid to material risk takers and internal control functions. The remuneration paid to Group Management (Board of Directors and Executive Board) does not include any variable components or discretionary pension benefits. The remuneration policy was adopted at the Annual General Meeting on 20 April 2016. The remuneration policy is available at the website sparnord.com/om-spar-nord/investor/organisation-ledelse.

According to the remuneration policy, the Board of Directors and the Executive Board are included in the group of material risk takers. The Board of Directors' and Executive Board's remuneration and number of members, etc. are not included in the above specification. The specifications of the Board of Directors' and Executive Board's remuneration, etc. must be included in the total calculation and specification of the Bank's material risk takers.

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
<i>Executive Board</i>				
Number	3	3	3	3
Base salary	11.0	10.8	11.0	10.8
- less fees received from directorships	1.4	1.3	1.4	1.3
The Bank's expense, base salary	9.6	9.5	9.6	9.5
Pension, ordinary contribution	1.6	1.6	1.6	1.6
Total remuneration earned and paid	11.2	11.1	11.2	11.1

Breakdown of remuneration to Executive Board

<i>Lasse Nyby</i>				
Base salary *)	4.1	4.0	4.1	4.0
- less fees received from directorships	0.4	0.5	0.4	0.5
The Bank's expense, base salary	3.7	3.5	3.7	3.5
Pension, ordinary contribution	0.6	0.6	0.6	0.6
Total remuneration earned and paid	4.3	4.1	4.3	4.1

<i>John Lundsgaard</i>				
Base salary	3.5	3.4	3.5	3.4
- less fees received from directorships	0.4	0.2	0.4	0.2
The Bank's expense, base salary	3.1	3.2	3.1	3.2
Pension, ordinary contribution	0.5	0.5	0.5	0.5
Total remuneration earned and paid	3.6	3.7	3.6	3.7

<i>Lars Møller</i>				
Base salary *)	3.4	3.4	3.4	3.4
- less fees received from directorships	0.6	0.6	0.6	0.6
The Bank's expense, base salary	2.8	2.8	2.8	2.8
Pension, ordinary contribution	0.5	0.5	0.5	0.5
Total remuneration earned and paid	3.3	3.3	3.3	3.3

*) The amount includes the value of a company-provided car, etc. The comparative figures have been restated.

The former Executive Board member Bent Jensen stepped down from his position on 20 May 2015. The expense in 2015 amounted to DKK 12.5 million, including remuneration of DKK 11.9 million. Out of the DKK 12.5 million, DKK 8.5 million was provided as a liability at end-2015 for later payment.

The amount of DKK 8.5 million provided at end-2015 was paid in full in 2016, of which remuneration accounted for DKK 8.3 million (end 2015: DKK 4.0 million paid, including remuneration of DKK 3.6 million).

The Executive Board receives no variable pay.

The Executive Board receives remuneration for its Group executive board duties based on the management agreement with the subsidiary.

Termination rules

The members of the Executive Board have a term of notice of 12 months and will receive compensation on termination of employment corresponding to two years' pay.

Pension obligation

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

Incentive schemes

No new share-option schemes were established for any of the Bank's staff groups.

NOTE

The amount of loans, mortgages, pledges, sureties or guarantees and the associated collateral provided on behalf of the below-mentioned board members:

	Interest rates 2016		Interest rates 2015			
<i>Loans, advances and loan commitments, etc.:</i>						
Executive Board	2.25 - 2.50	2.03 - 2.40	11.1	8.7	11.1	8.7
Board of Directors	0.65 - 8.95	0.01 - 8.88	42.8	41.3	42.8	41.3
Of which, unutilized loan commitments and sureties, Executive Board			6.3	7.6	6.3	7.6
Of which, unutilized loan commitments and sureties, Board of Directors			33.3	22.7	33.3	22.7

Employee-elected Directors are eligible for bank staff loans/credits.

Mastercard debit balances are interest free for the Bank's customers, as well as for the Executive Board and Board of Directors.

Deposits:

Executive Board	6.0	4.3	6.0	4.3
Board of Directors	54.6	18.5	54.6	18.5

Collateral provided:

Executive Board	7.5	5.4	7.5	5.4
Board of Directors	20.9	22.6	20.9	22.6

Number of employees:

The average number of employees during the financial year in terms of full-time employees	1,547.8	1,518.0	1,547.8	1,518.0
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Administrative expenses:

IT expenses	332.9	338.6	332.9	338.6
Marketing costs	90.6	95.0	90.6	95.0
Cost of premises	85.8	83.8	92.2	91.5
Staff costs and travelling expenses	55.5	54.2	55.5	54.2
Office expenses	24.2	30.6	24.2	30.6
Other administrative expenses	58.1	67.8	58.1	67.7
Total	647.1	670.0	653.5	677.6

12 **12 AUDIT FEES**

Fees to the audit firm elected at the General Meeting	1.5	1.9	1.4	1.8
Fees to other audit firms for services other than audit	0.7	1.1	0.7	1.1
Total audit fees	2.2	3.0	2.1	2.9

Total fees to the audit firm elected at the General Meeting break down as follows:

Statutory audit	0.9	1.0	0.8	0.9
Other assurance engagements	0.3	0.3	0.3	0.3
Tax and VAT advice	0.0	0.4	0.0	0.4
Other services	0.3	0.2	0.3	0.2
Total fees to the audit firm elected at the General Meeting	1.5	1.9	1.4	1.8

13 **DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

Intangible assets

Customer relations, amortization	6.8	6.8	6.8	6.8
Other intangible assets, amortization	16.8	9.1	16.8	9.1

Property, plant and equipment

Corporate properties, depreciation	15.4	15.1	13.8	13.5
Corporate properties, net impairment	11.5	-3.5	11.5	-2.5
Temporary property portfolio, impairment	2.1	1.0	2.1	1.0
Other property, plant and equipment, depreciation	41.7	37.0	41.7	37.0

Total depreciation, amortization and impairment of intangible assets and property, plant and equipment	94.3	65.5	92.7	64.9
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14 **OTHER OPERATING EXPENSES**

Contributions to sector-wide solutions	8.9	102.3	8.9	102.3
Miscellaneous operating expenses	4.4	5.6	4.4	5.6
Other operating expenses, total	13.3	107.9	13.3	107.9

Contributions to sector-wide solutions comprise payments to the Guarantee Fund and the Resolution Fund, which form part of the national restructuring and resolution scheme. No contributions were paid to the Guarantee Fund, whereas contributions to the Resolution Fund in the amount of DKK 8.9 million were expensed in 2016.

In 2015, this item consisted of contributions to the previous statutory depositors' guarantee fund in Denmark under which the participating institutions pay a fixed annual contribution of 2.5‰ of the guaranteed deposits ("insurance-based model"), as well as contributions to the Resolution Fund in the amount of DKK 3.6 million – equal to six months' contributions.

NOTE

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
15 IMPAIRMENT OF LOANS, ADVANCES AND RECEIVABLES, ETC.				
Receivables from credit institutions	29	0.0	29	0.0
Loans, advances and receivables, etc.	265.0	364.4	265.0	364.4
Guarantees	24.1	9.0	24.1	9.0
Total impairment of loans, advances and receivables, etc.	292.0	373.4	292.0	373.4

The impairment accounts for loans & advances and guarantees, respectively, are shown in note 51.

16 PROFIT/LOSS ON EQUITY INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES				
Profit/loss on equity investments in associates	29.6	28.3	29.6	28.3
Profit/loss on equity investments in group enterprises	0.0	0.0	74.9	50.6
Total profit/loss on equity investments in associates and group enterprises	29.6	28.3	104.5	78.9

17 TAX				
<i>Tax for the year can be broken down as follows:</i>				
Tax on profit/loss for the year	1899	176.8	1795	163.2
Tax on other comprehensive income	0.0	0.0	0.0	0.0
Tax on changes in equity	-6.4	-3.9	-6.4	-3.9
Total tax	183.5	172.9	173.1	159.3

Tax on the profit/loss for the year breaks down as follows:

Current tax	198.5	215.3	194.5	215.3
Deferred tax for the year	-3.3	-39.2	-9.5	-52.9
Deferred tax, effect after reduction of Danish corporate tax rate	0.0	-0.7	0.0	-0.6
Post-adjustment of deferred tax, prior years	-5.0	50.4	-3.8	50.6
Post-adjustment of current tax for prior years	-0.3	-49.0	-1.7	-49.2
Tax on profit/loss for the year	1899	176.8	1795	163.2

The effective tax rate results as follows:

Current Danish tax rate, %	22.0	23.5	22.0	23.5
Reduction of Danish corporate tax rate to 22.0% in the period until 2016, %	0.0	-0.1	0.0	-0.1
Profit/loss on equity investments and market-value adjustment of shares, %	-2.7	-7.1	-3.4	-8.3
Non-deductible costs and non-taxable income, %	-0.3	0.1	-0.5	0.2
Adjustment of taxes relating to prior years, %	-0.5	0.1	-0.5	0.1
Total effective tax rate, %	18.5	16.5	17.6	15.4

<i>Tax on other comprehensive income</i>						
The Spar Nord Group	Before tax	2016 Tax income/ expense	After tax	Before tax	2015 Tax income/ expense	After tax
Adjustment relating to associates	0.0	0.0	0.0	-0.8	0.0	-0.8
Net revaluation of properties	-5.0	0.0	-5.0	6.9	0.0	6.9
Tax on other comprehensive income, total	-5.0	0.0	-5.0	6.1	0.0	6.1

<i>Tax on changes in equity</i>						
The Spar Nord Group	Before tax	2016 Tax income/ expense	After tax	Before tax	2015 Tax income/ expense	After tax
Interest, Additional Tier 1 (AT1) capital	-26.1	5.7	-20.4	-13.5	3.2	-10.3
Expenses for issue of Additional Tier 1 (AT1) capital	-3.0	0.7	-2.3	-2.9	0.7	-2.2
Tax on changes in equity	-29.1	6.4	-22.7	-16.4	3.9	-12.5

NOTE

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
18 RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
Receivables from central banks, subject to notice	0.0	0.0	0.0	0.0
Receivables from credit institutions	2,178.8	2,741.3	2,182.5	2,744.7
Total receivables from credit institutions and central banks	2,178.8	2,741.3	2,182.5	2,744.7
Of which, subordinated receivables	0.0	6.5	0.0	6.5
<i>Shown by term to maturity</i>				
Demand deposits	126.0	303.7	129.7	307.1
Up to 3 months	1,979.8	2,381.1	1,979.8	2,381.1
Over 3 months and up to 1 year	0.0	50.0	0.0	50.0
Over 1 year and up to 5 years	73.0	0.0	73.0	0.0
Over 5 years	0.0	6.5	0.0	6.5
Total	2,178.8	2,741.3	2,182.5	2,744.7
<i>Of which, genuine purchase and resale transactions</i>				
Reverse repo transactions	1,452.8	1,340.6	1,452.8	1,340.6
19 LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTIZED COST				
Loans and advances, banking activities *)	33,130.3	32,630.5	33,003.3	32,503.5
Loans and advances, reverse repo transactions	6,253.4	4,155.1	6,253.4	4,155.1
Loans and advances, leasing activities	1,961.9	1,253.7	1,961.9	1,253.7
Loans, advances and other receivables at amortized cost, total	41,345.6	38,039.3	41,218.6	37,912.3
*) The item "Loans and advances, banking activities" comprises all loans and advances except those classified as reverse repo transactions and leasing activities, and includes loans and advances in the business areas Spar Nord's Local Banks and Trading, Financial Markets & the International Division.				
<i>Broken down by category</i>				
Overdraft facilities	19,833.9	19,908.7	19,833.9	19,908.7
Lease contracts	1,881.4	1,233.8	1,881.4	1,233.8
Mortgage deeds	9.1	25.7	9.1	25.7
Other loans and advances	19,621.2	16,871.1	19,494.2	16,744.1
Total	41,345.6	38,039.3	41,218.6	37,912.3
Of which, subordinated receivables	0.0	0.0	0.0	0.0
<i>Shown by term to maturity</i>				
Demand deposits	5,384.5	3,847.6	5,384.5	3,847.6
Up to 3 months	5,658.5	5,720.8	5,658.5	5,720.8
Over 3 months and up to 1 year	9,621.7	9,786.8	9,494.7	9,659.8
Over 1 year and up to 5 years	7,788.1	7,077.1	7,788.1	7,077.1
Over 5 years	12,892.8	11,607.0	12,892.8	11,607.0
Total	41,345.6	38,039.3	41,218.6	37,912.3
Loans and advances, leasing activities				
Lease contracts, etc.	1,881.4	1,233.8	1,881.4	1,233.8
Sales contracts	80.5	199	80.5	199
Total loans and advances, leasing activities	1,961.9	1,253.7	1,961.9	1,253.7

Finance lease assets, with the Group as lessor, comprise agricultural equipment, passenger cars and trucks, industrial machinery, contractor's equipment, etc. The lease contracts are entered into for a term of 0-8 years, with individually agreed lease payments.

The lease contracts are in Danish and foreign currency.

The contracts can be terminated during the lease term.

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
Lease payments broken down according to contractual term to maturity *)				
Gross investments in finance leases				
Up to 1 year	468.6	430.6	468.6	430.6
1 – 5 years	1,364.4	798.0	1,364.4	798.0
Over 5 years	173.4	92.9	173.4	92.9
Total	2,006.4	1,321.5	2,006.4	1,321.5
Of which, unearned, future financial income	125.0	87.7	125.0	87.7
Net investments in finance leases	1,881.4	1,233.8	1,881.4	1,233.8
Net investments in finance leases				
Up to 1 year	423.5	397.1	423.5	397.1
1 – 5 years	1,289.7	746.0	1,289.7	746.0
Over 5 years	168.2	90.7	168.2	90.7
Total	1,881.4	1,233.8	1,881.4	1,233.8
*) The Group's lease contracts consist mainly of finance leases and are recognized in the balance sheet under lending, leasing activities.				
Accumulated impairment of uncollectible minimum lease payments receivable	17.6	27.6	17.6	27.6
Rental income recognized in the income statement under the item "Interest income"	50.4	47.0	50.4	47.0
Average remaining term of the lease contracts (years)	3.5 years	2.7 years	3.5 years	2.7 years
Gross loans, advances and guarantees broken down by sectors and industries, %				
Public authorities	0.1	0.5	0.1	0.5
<i>Business customers</i>				
Agriculture, hunting, forestry and fisheries	6.3	7.2	6.3	7.2
Industry and raw materials extraction	4.8	5.1	4.8	5.1
Energy supply	3.1	4.0	3.1	4.1
Building and construction	3.5	3.1	3.5	3.1
Trade	6.9	7.2	7.0	7.2
Transport, hotels and restaurants	3.0	3.1	3.0	3.1
Information and communication	0.3	0.2	0.3	0.2
Financing and insurance	16.2	13.4	16.0	13.2
Real estate	10.8	11.1	10.8	11.1
Other business areas	4.8	5.1	4.8	5.1
Business customers, total	59.7	59.5	59.6	59.4
Retail customers	40.2	40.0	40.3	40.1
Total	100.0	100.0	100.0	100.0

NOTE

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
20 BONDS AT FAIR VALUE				
Mortgage-credit bonds	12,989.7	13,683.0	12,989.7	13,683.0
Government bonds	603.3	366.0	603.3	366.0
Other bonds	1,343.1	2,004.6	1,343.1	2,004.6
Bonds at fair value, total	14,936.1	16,053.6	14,936.1	16,053.6

Of which, subordinated receivables	41.8	45.6	41.8	45.6
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All bonds form part of the Bank's trading book.

Other non-derivative financial liabilities at fair value	2,005.9	1,217.4	2,005.9	1,217.4
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21 SHARES, ETC.				
Shares/unit trust certificates listed on Nasdaq OMX Copenhagen A/S	164.9	121.1	164.9	121.1
Shares/unit trust certificates listed on other stock exchanges	39.7	10.7	39.7	10.7
Unlisted shares at fair value	1,352.6	1,526.5	1,352.6	1,469.3
Total shares, etc.	1,557.2	1,658.3	1,557.2	1,601.1

Trading book	211.4	142.3	211.4	142.3
Other shares at fair value using the fair-value option	1,345.8	1,516.0	1,345.8	1,458.8
Total shares	1,557.2	1,658.3	1,557.2	1,601.1

Other non-derivative financial liabilities at fair value	1.9	2.3	1.9	2.3
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Securities that are not included in the Group's trading book are measured at fair value with the ensuing changes in value in the income statement using the fair-value option.

The securities form part of a portfolio that is managed – and on which the returns are measured on the basis of fair value – in accordance with a documented risk management and investment strategy.

22 EQUITY INVESTMENTS IN ASSOCIATES				
Total purchase price, beginning of year	59.2	369.9	59.2	369.9
Reclassified to/from shares, etc.	11.2	0.0	11.2	0.0
Additions	25.8	0.1	25.8	0.1
Disposals	0.1	310.8	0.1	310.8
Total purchase price, end of year	96.1	59.2	96.1	59.2
Revaluations and impairment, beginning of year	23.2	571.4	23.2	571.4
Reclassified to/from shares, etc.	7.1	0.0	7.1	0.0
Profit/loss	29.6	28.3	29.6	28.3
Dividend	37.6	864.3	37.6	864.3
Other capital movements recognized in other comprehensive income	0.0	-0.8	0.0	-0.8
Reversal of revaluations and impairment losses	0.0	-288.6	0.0	-288.6
Revaluations and impairment, end of year	22.3	23.2	22.3	23.2
Carrying amount, end of year	118.4	82.4	118.4	82.4

In 2016 and 2015, Spar Nord had no equity investments in associates that were individually significant for the Spar Nord Group. Spar Nord sold its shares in Nørresundby Bank A/S in 2015.

Financial information for all associates that are not individually significant and are recognized according to the equity method:

DKK m		31.12.16	31.12.15
<i>The Spar Nord Group's share of:</i>			
Profit/loss for the year		29.6	28.3
Other comprehensive income		0.0	-0.8
Comprehensive income, total		29.6	27.5

Reconciliation of carrying amount at 31 December

DKK m		31.12.16	31.12.15
The Spar Nord Group's share of equity in significant associates		0.0	0.0
Goodwill relating to associates		37.0	37.0
Carrying amount of equity investments in individually insignificant associates		81.4	45.4
Total		118.4	82.4

NOTE

23 EQUITY INVESTMENTS IN GROUP ENTERPRISES

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
Total purchase price, beginning of year	-	-	1,219.8	1,337.8
Additions	-	-	0.0	0.0
Disposals	-	-	0.0	118.0
Total purchase price, end of year	-	-	1,219.8	1,219.8
Revaluations and impairment, beginning of year	-	-	289.0	174.6
Profit/loss	-	-	74.9	50.6
Dividend	-	-	0.0	0.0
Other capital movements	-	-	0.0	0.0
Reversal of revaluations and impairment losses	-	-	0.0	-63.8
Revaluations and impairment, end of year	-	-	363.9	289.0
Carrying amount, end of year	-	-	1,583.7	1,508.8

GROUP ENTERPRISES

	Share capital End of year DKK m	Equity End of year DKK m	Profit/loss for the year DKK m
<i>Consolidated companies</i>			
Aktieselskabet Skelagervej 15, Aalborg	27.0	1,583.7	74.9

The company was a wholly owned subsidiary in 2015 and 2016.

NOTE

24

24 INTANGIBLE ASSETS

Goodwill

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
Total purchase price, beginning of year	160.4	160.4	160.4	160.4
Additions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Total purchase price, end of year	160.4	160.4	160.4	160.4
Impairment, beginning of year	1.7	1.7	1.7	1.7
Impairment for the year	0.0	0.0	0.0	0.0
Reversal of impairment on disposals	0.0	0.0	0.0	0.0
Impairment, end of year	1.7	1.7	1.7	1.7
Carrying amount, end of year	158.7	158.7	158.7	158.7

Customer relations

Total purchase price, beginning of year	64.6	64.6	64.6	64.6
Additions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Total purchase price, end of year	64.6	64.6	64.6	64.6
Amortization and impairment, beginning of year	32.0	25.2	32.0	25.2
Amortization for the year	6.8	6.8	6.8	6.8
Amortization and impairment, end of year	38.8	32.0	38.8	32.0
Carrying amount, end of year	25.8	32.6	25.8	32.6

Other intangible assets

Total purchase price, beginning of year	62.8	56.8	62.8	56.8
Additions	5.6	6.0	5.6	6.0
Disposals	7.7	0.0	7.7	0.0
Total purchase price, end of year	60.7	62.8	60.7	62.8
Amortization and impairment, beginning of year	39.6	30.5	39.6	30.5
Amortization for the year	16.8	9.1	16.8	9.1
Reversal of amortization on disposals	5.6	0.0	5.6	0.0
Amortization and impairment, end of year	50.8	39.6	50.8	39.6
Carrying amount, end of year	9.9	23.2	9.9	23.2

Total intangible assets **194.4** **214.5** **194.4** **214.5**

The remaining amortization periods are 2-6 years (2015: 2-7 years) for customer relations and 1-5 years (2015: 1-5 years) for other intangible assets. Goodwill had an indefinite useful life in both 2016 and 2015.

Spar Nord, the Group

Goodwill - 2016

DKK m	Purchase price 01.01.16	Additions/ Disposals 2016	Purchase price 31.12.16	Impairment 01.01.16	Impairment 2016	Impairment on disposals 2016	Impairment 31.12.16	Carrying amount 31.12.16
Banking activities, Roskilde Bank branches	86.8	0.0	86.8	0.0	0.0	0.0	0.0	86.8
Banking activities, Sparbank	35.2	0.0	35.2	0.0	0.0	0.0	0.0	35.2
Banking activities, branches, Other	38.4	0.0	38.4	1.7	0.0	0.0	1.7	36.7
Goodwill, total	160.4	0.0	160.4	1.7	0.0	0.0	1.7	158.7

Goodwill - 2015

DKK m	Purchase price 01.01.15	Additions/ Disposals 2015	Purchase price 31.12.15	Impairment 01.01.15	Impairment 2015	Impairment on disposals 2015	Impairment 31.12.15	Carrying amount 31.12.15
Banking activities, Roskilde Bank branches	86.8	0.0	86.8	0.0	0.0	0.0	0.0	86.8
Banking activities, Sparbank	35.2	0.0	35.2	0.0	0.0	0.0	0.0	35.2
Banking activities, branches, Other	38.4	0.0	38.4	1.7	0.0	0.0	1.7	36.7
Goodwill, total	160.4	0.0	160.4	1.7	0.0	0.0	1.7	158.7

IMPAIRMENT TEST

The impairment test compares the carrying amount with the estimated present value of the anticipated future cash flows (value in use). The special debt structure in financial groups means that the calculation basis for the present value of future cash flows is based on a simplified equity model.

The equity model is based on approved strategies and earnings estimates for the cash-generating business areas for the next five years.

The share of equity has been fixed at 12% (2015: 12%) of total risk exposure.

The impairment test in 2016 did not give rise to any writedowns for impairment of intangible assets.

Goodwill

The Spar Nord Group's goodwill with an indefinite useful life is tested annually for impairment. The activities are tested on the identified cash-generating unit to which the assets have been allocated.

Goodwill is included in the cash-generating business area - Spar Nord's Local Banks - which is the business area comprising the branch network. For a more detailed description of Spar Nord's Local Banks, reference is made to note 3.

PRINCIPAL ASSUMPTIONS**Cash flow during the budget period**

Cash flow during the budget period (five years) is impacted by the expected interest level and the impact on the lending and deposit margins at Spar Nord's Local Banks.

The assumptions used in the impairment test are conservative with respect to the future profit impact from the implementation of Spar Nord's strategy.

Growth during the budget period is projected at 1.0% (2015: 1.0%). The average annual growth reflects the targets incorporated into the Bank's outlook for the future.

Net interest income

The deposit and lending margins reflect the earnings margin, which is calculated as the difference between the interest rate towards the customers of Spar Nord's Local Banks and an internal funding rate based on the Bank's funding costs.

The interest margin is estimated on the basis of current lending rates and Management's expectations for future competition. The interest margin is expected to decline slightly.

The expectations for the development in deposits and lending reflect the Bank's estimate for the next few years. A marginal increase is expected in both lending and deposits.

Net income from fees, charges and commissions

The expectations for income from fees, charges and commissions are based on historical data, adjusted to reflect the current situation. Income from fees, charges and commissions is expected to reach a slightly higher level than in 2016.

Costs and expenses

Expectations as to costs and expenses are based on a projection of the cost base and anticipated changes in activities as well as pay increases according to collective agreements, changes in taxes and duties, etc.

Impairment of loans and advances

Expectations as to the impairment of loans and advances are based on the Bank's estimate for the next few years. These expectations are based on historical data, adjusted to reflect the current situation.

The impairment of loans and advances is expected to reach a lower level than in 2016.

Cash flow during the terminal period

Cash flow during the terminal period represents earnings in the preceding years, growing at a constant rate. Growth is projected at 1.0% (2015: 1.0%).

Growth has been projected on the basis of the expectations for macro-economic growth.

Discount rate

The discount rate used to calculate the discounted value of future cash flows is 11.5% (2015: 11.5%) before tax based on a tax rate of 22%.

After tax, the discount rate is 9.0% (2015: 9.0%).

The discount rate has been fixed on the basis of a CAPM model. The discount rate used in 2016 was unchanged compared to 2015.

Primary assumptions; see above:

	<u>2016</u>	<u>2015</u>
Goodwill acquired, DKK m	158.7	158.7
Budget period	5 years	5 years
Average annual growth during the budget period	1.0 %	1.0 %
Average annual growth during the terminal period	1.0 %	1.0 %
Discount rate before tax	11.5 %	11.5 %
Discount rate after tax	9.0 %	9.0 %
Share of equity in total risk exposure	12.0 %	12.0 %

Sensitivity analyses

Management assesses that probable changes in basic assumptions will not cause the carrying amount of goodwill to exceed its recoverable amount.

Sensitivity analyses show that the goodwill relating to Spar Nord's Local Banks is robust to changes in assumptions.

The following matters do not lead to impairment:

	31.12.16	31.12.15
Increase in the discount rate (pre-tax) up to	18 %	15 %
Reduction in pre-tax profit/loss (change in net interest income, fee income, cost ratio or impairment) up to	37 %	25 %
Negative growth in balance-sheet items possible	Yes	Yes

Projections for the budget period mean that about 68% of the present value of expected cash flows in Spar Nord's Local Banks relates to the terminal period (2015: 69%).

Customer relations

The carrying amount of customer relations recognized in connection with:

- the acquisition of assets and liabilities from FIH Erhvervsbank amounted to DKK 1.5 million (2015: DKK 2.1 million);
- the acquisition of banking activities from Roskilde Bank amounted to DKK 5.4 million (2015: DKK 8.3 million);
- the merger with Sparbank amounted to DKK 18.9 million (2015: DKK 22.2 million).

The assumptions used for recognizing customer relations have been compared with the corresponding realized results – primarily income in excess of net interest income and the cost ratio.

The realized results are in line with expectations, for which reason there is no evidence of impairment.

Other intangible assets

Management has not identified factors showing any need for carrying out an impairment test in respect of other intangible assets. Other intangible assets comprise software used by the Bank and are amortized at the rates stated in the accounting policies.

NOTE	25	LAND AND BUILDINGS	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
		<i>Investment properties</i>				
		Fair value, beginning of year	144.6	147.7	70.6	64.7
		Reclassifications from temporary assets	0.0	7.6	0.0	7.6
		Additions, incl. improvements	1.0	0.6	0.0	0.7
		Disposals	0.7	8.0	0.7	0.0
		Unrealized fair-value adjustment	-9.9	-3.3	0.1	-2.4
		Fair value, end of year	135.0	144.6	70.0	70.6
		Required rate of return used in calculating the fair value, %	5.8 - 8.0	5.8 - 9.0	5.8 - 8.0	5.8 - 9.0
		The unrealized fair-value adjustment is recognized in the item Market-value adjustments in the Parent Company's Financial Statements and in Other operating income in the Consolidated Financial Statements.				
		The fair-value method (Level 3 in the fair-value hierarchy) has been chosen for measuring investment properties. Investment properties consist mainly of business rental units. The periods of non-terminability for Spar Nord in the leases do not exceed 20 years.				
		As concerns information regarding return on investment properties, please refer to note 10.				
		Note 10 includes operating expenses relating to investment properties that did not generate any rental income during the year for:	0.0	0.0	0.0	0.0
		<i>Corporate properties</i>				
		Total purchase price, beginning of year	674.1	659.8	545.6	531.9
		Transferred to temporary assets	-10.1	0.0	-10.1	0.0
		Additions	9.1	14.3	9.1	13.7
		Disposals	0.0	0.0	0.0	0.0
		Total purchase price, end of year	673.1	674.1	544.6	545.6
		Value adjustment, beginning of year	127.1	122.5	102.1	97.4
		Transferred to temporary assets	-5.2	0.0	-5.2	0.0
		Depreciation for the year	15.4	15.1	13.7	13.5
		Net impairment via the income statement	11.5	-3.5	11.5	-2.5
		Changes in value recognized in other comprehensive income	5.8	-6.3	5.8	-6.3
		Depreciation and impairment on disposals	0.0	0.7	0.0	0.0
		Value adjustment, end of year	154.6	127.1	127.9	102.1
		Fair value, end of year	518.5	547.0	416.7	443.5
		Most recent official property valuation	479.6	499.6	375.0	382.6
		Required rate of return used in calculating the fair value, %	5.8 - 10.0	5.8 - 10.0	5.8 - 10.0	5.8 - 10.0
		Carrying amount if corporate properties were measured according to the depreciated cost method	429.9	451.6	328.1	349.1

An amount of DKK 0.0 million was recognized in 2016 (2015: DKK 0.6 million) in the Spar Nord Group under additions, corporate properties, regarding improvements to properties in the subsidiary Aktieselskabet Skelagervej 15.

No borrowing costs were recognized in 2016 and 2015.

The fair value method (Level 3 in the fair-value hierarchy) is used for measuring corporate properties. The fair value has been determined based on observable prices and other valuation methods.

An external valuation of all properties has been obtained from a real estate agent to support the calculation of fair value, including the rental rates and rates of return used. An expected residual value of 20-40% of the purchase price is recognized in the depreciation base of properties acquired.

The annual review of the Bank's investment and corporate properties did not give rise to any significant changes in the required rates of return. The required rates of return remained within the 5.8-10.0% range (2015: 5.8-10.0%) for corporate properties and the 5.8-8.0% range (2015: 5.8-9.0%) for investment properties.

**Breakdown of required rates of return
Spar Nord, the Group**

Required rates of return in %	31.12.16			
	Corporate properties		Investment properties	
	No. of properties	Fair value end of year	No. of properties	Fair value end of year
-> 7.00	8	133.4	2	21.0
7.00 - 8.00	16	260.4	2	85.0
8.00 - 9.00	9	117.8	6	29.0
9.00 ->	3	6.9	0	0.0
Total	36	518.5	10	135.0

**Breakdown of required rates of return
Spar Nord, the Group**

Required rates of return in %	31.12.15			
	Corporate properties		Investment properties	
	No. of properties	Fair value end of year	No. of properties	Fair value end of year
-> 7.00	9	143.3	3	95.7
7.00 - 8.00	17	272.1	1	20.1
8.00 - 9.00	14	129.0	4	28.0
9.00 ->	2	2.6	3	0.8
Total	42	547.0	11	144.6

Required rates of return

-> 7.00

7.00 - 8.00

8.00 - 9.00

9.00 ->

Property characteristics

Properties in major towns and cities with a good location, making the properties attractive to tenants and buyers.

Properties on the outskirts of attractive towns and properties with a good location in smaller towns.

Properties located in small towns and villages.

Properties in towns where they are expected to be difficult to sell.

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
Security furnished to mortgage-credit institutions in the form of mortgages on land and properties has a carrying amount of	83.2	89.9	18.3	24.4

Sensitivity analyses

The most important assumptions used in calculating the fair value of corporate and investment properties are the required rate of return and the rental level.

All other things being equal, an 0.5 percentage point increase in the required rate of return will reduce the fair value by DKK 42.8 million (2015: DKK 45.4 million).

Everything else being equal, a decrease of the rental level of 5% will reduce the fair value by DKK 29.4 million (2015: DKK 30.8 million).

NOTE

26 OTHER PROPERTY, PLANT AND EQUIPMENT	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
Total purchase price, beginning of year	387.5	419.0	387.5	419.0
Transferred from/to finance leases	0.0	-4.9	0.0	-4.9
Additions	41.4	22.9	41.4	22.9
Disposals	34.0	49.5	34.0	49.5
Total purchase price, end of year	394.9	387.5	394.9	387.5
Depreciation and impairment, beginning of year	287.9	299.0	287.9	299.0
Transferred from/to finance leases	0.0	-3.7	0.0	-3.7
Depreciation and impairment for the year	41.7	37.0	41.7	37.0
Reversal of depreciation and impairment for the year	25.8	44.4	25.8	44.4
Depreciation and impairment, end of year	303.8	287.9	303.8	287.9
Carrying amount, end of year	91.1	99.6	91.1	99.6

The figures at end-2016 include various fully written-off assets used for the Spar Nord Group's and Parent Company's operations. The original purchase price of these assets amounts to DKK 233.6 million (2015: DKK 147.7 million).

Lease contracts

Operating lease assets are recognized at	19.9	6.5	19.9	6.5
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The lease contracts were entered into for a term of 0-8 years, with individually agreed lease payments.

The contracts can be terminated during the lease term.

Operating leases

Up to 1 year	6.4	5.8	6.4	5.8
1 - 5 years	13.0	0.7	13.0	0.7
Over 5 years	0.5	0.0	0.5	0.0
Total	19.9	6.5	19.9	6.5

Lease payments relating to operating lease assets recognized in the income statement under Other operating income	4.9	4.0	4.9	4.0
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Average remaining term of the lease contracts (years)	4.3	0.7	4.3	0.7
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27 TEMPORARY ASSETS

Total purchase price, beginning of year	64.6	87.6	64.6	87.6
Transferred from corporate properties	10.1	0.0	10.1	0.0
Transferred from investment properties	0.0	-10.7	0.0	-10.7
Additions	21.9	12.7	21.9	12.7
Disposals	23.5	25.0	23.5	25.0
Total purchase price, end of year	73.1	64.6	73.1	64.6
Depreciation and impairment, beginning of year	37.2	46.4	37.2	46.4
Transferred from corporate properties	5.2	0.0	5.2	0.0
Transferred from investment properties	0.0	-3.1	0.0	-3.1
Movements for the year	-3.2	-6.1	-3.2	-6.1
Depreciation and impairment, end of year	39.2	37.2	39.2	37.2
Carrying amount, end of year	33.9	27.4	33.9	27.4

Temporary assets comprise properties taken over and leased assets in connection with non-performing loans held by Spar Nord. Properties expected to be sold within a 12-month period according to a publicized plan are treated as Temporary assets.

Leased assets include trucks, agricultural machinery and heavy construction machinery.

Both properties and leased assets are expected to be disposed of within 12 months.

Properties are sold through estate agents, while leased assets are sold on the usual marketplace for the individual types of assets - primarily by auction or through dealers.

If, contrary to expectation, the assets are not sold within 12 months, they are reclassified to investment properties or, as the case may be, other property, plant and equipment.

NOTE

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
28 OTHER ASSETS				
Positive fair value of derivative instruments, etc.	1,284.2	1,423.6	1,284.2	1,423.6
Miscellaneous receivables	194.0	420.7	186.0	419.7
Interest and commissions receivable	229.0	250.3	225.0	246.3
Capital contribution to Bankernes EDB Central a.m.ba.	316.0	316.0	316.0	316.0
Miscellaneous assets	63.1	73.1	63.1	73.1
Other assets, total	2,086.3	2,483.7	2,074.3	2,478.7
29 PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
Payables to central banks	36.5	50.5	36.5	50.5
Payables to credit institutions	2,393.3	3,689.0	2,362.7	3,658.0
Total payables to credit institutions and central banks	2,429.8	3,739.5	2,399.2	3,708.5
<i>Shown by term to maturity</i>				
On demand	231.2	685.9	231.2	685.9
Up to 3 months	2,104.8	2,990.0	2,104.9	2,990.0
Over 3 months and up to 1 year	45.0	0.0	45.0	0.0
Over 1 year and up to 5 years	4.5	7.5	4.5	7.5
Over 5 years	44.3	56.1	13.6	25.1
Total	2,429.8	3,739.5	2,399.2	3,708.5
<i>Of which, genuine sale and repo transactions</i>				
Repo transactions	1,399.7	2,197.5	1,399.7	2,197.5
Mortgage debt on real property	44.2	47.3	13.6	16.3
The carrying amount of the mortgaged properties amounts to	83.2	89.9	18.3	24.4
30 DEPOSITS AND OTHER PAYABLES				
On demand	39,798.2	36,807.4	41,121.0	36,983.2
Subject to notice	1,410.2	2,111.8	1,410.2	2,111.8
Time deposits	1,714.1	2,104.0	1,714.1	3,104.0
Special types of deposit	3,541.7	3,713.1	3,541.7	3,713.1
Deposits and other payables, total	46,464.2	44,736.3	47,787.0	45,912.1
<i>Shown by term to maturity</i>				
On demand	39,798.2	36,807.4	41,121.0	36,983.2
Up to 3 months	2,133.5	2,268.3	2,133.5	2,268.3
Over 3 months and up to 1 year	349.5	1,242.9	349.5	2,242.9
Over 1 year and up to 5 years	545.6	1,628.3	545.6	1,628.3
Over 5 years	3,637.4	2,789.4	3,637.4	2,789.4
Total	46,464.2	44,736.3	47,787.0	45,912.1
<i>Of which, genuine sale and repo transactions</i>				
Repo transactions	0.0	36.6	0.0	36.6

NOTE

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
31 OTHER LIABILITIES				
Miscellaneous payables	1,856.8	2,234.5	1,854.3	2,231.3
Negative fair value of derivative instruments, etc.	865.5	1,476.5	865.5	1,476.5
Interest and commissions payable	18.8	45.1	18.8	45.1
Miscellaneous liabilities	343.0	325.3	342.2	324.7
Other liabilities, total	3,084.1	4,081.4	3,080.8	4,077.6
32 PROVISIONS FOR LIABILITIES				
Provisions for deferred tax (see separate note 33)	108.5	122.8	109.5	122.8
Provisions for losses on guarantees	67.0	42.9	67.0	42.9
Provisions for losses in connection with legal proceedings	0.8	2.9	0.8	2.9
Other provisions for liabilities	10.7	18.1	10.7	18.1
Provisions for unutilized credit lines	14.8	12.1	14.8	12.1
Total provisions for liabilities	201.8	198.8	202.8	198.8
<i>Provisions for losses on guarantees</i>				
Beginning of year	42.9	43.7	42.9	43.7
New provisions	45.8	22.6	45.8	22.6
Reversal of provisions	21.7	13.6	21.7	13.6
Reversal of provisions taken over in connection with the merger with Sparbank	0.0	9.8	0.0	9.8
Provisions for losses on guarantees, end of year	67.0	42.9	67.0	42.9
<i>Losses on guarantees recognized in the income statement</i>				
New provisions	45.8	22.6	45.8	22.6
Reversal of provisions	21.7	13.6	21.7	13.6
Recognized in the income statement	24.1	9.0	24.1	9.0
<i>Provisions for losses in connection with legal proceedings</i>				
Beginning of year	2.9	0.9	2.9	0.9
New provisions	1.5	2.4	1.5	2.4
Reversal of provisions	1.4	0.3	1.4	0.3
Definitively lost	2.2	0.1	2.2	0.1
End of year	0.8	2.9	0.8	2.9
<i>Provisions for losses in connection with legal proceedings recognized in the income statement</i>				
New provisions	1.5	2.4	1.5	2.4
Reversal of provisions	1.4	0.3	1.4	0.3
Recognized in the income statement	0.1	2.1	0.1	2.1
<i>Other provisions for liabilities</i>				
Beginning of year	18.1	15.2	18.1	15.2
New provisions	4.8	6.5	4.8	6.5
Reversal of provisions	6.8	2.2	6.8	2.2
Applied to cover liabilities	5.4	1.4	5.4	1.4
End of year	10.7	18.1	10.7	18.1
<i>Other provisions for liabilities recognized in the income statement</i>				
New provisions	4.8	6.5	4.8	6.5
Reversal of provisions	6.8	2.2	6.8	2.2
Recognized in the income statement	-2.0	4.3	-2.0	4.3
<i>Provisions for unutilized credit lines</i>				
Beginning of year	12.1	11.2	12.1	11.2
New provisions	14.8	12.1	14.8	12.1
Reversal of provisions	12.1	11.2	12.1	11.2
End of year	14.8	12.1	14.8	12.1
<i>Provisions for unutilized credit lines recognized in the income statement</i>				
New provisions	14.8	12.1	14.8	12.1
Reversal of provisions	12.1	11.2	12.1	11.2
Recognized in the income statement	2.7	0.9	2.7	0.9
<i>Provisions for liabilities recognized in the income statement</i>				
New provisions	66.9	43.6	66.9	43.6
Reversal of provisions	42.0	27.3	42.0	27.3
Provisions for liabilities recognized in the income statement	24.9	16.3	24.9	16.3

Broken down by term to maturity, shown by category for the Spar Nord Group	Up to 3 months DKK m	3 months and up to 1 year DKK m	Over 1 year and up to 5 years DKK m	Over 5 years DKK m	Total DKK m
31.12.16					
Provisions for deferred tax	0.0	3.4	-4.8	1099	108.5
Provisions for losses on guarantees	11.8	2.5	38.7	14.0	67.0
Provisions for losses in connection with legal proceedings	0.0	0.8	0.0	0.0	0.8
Other provisions for liabilities	0.7	1.3	6.0	2.7	10.7
Provisions for unutilized credit lines	14.8	0.0	0.0	0.0	14.8
Total provisions for liabilities	27.3	8.0	39.9	126.6	201.8

	Up to 3 months DKK m	3 months and up to 1 year DKK m	Over 1 year and up to 5 years DKK m	Over 5 years DKK m	Total DKK m
31.12.15					
Provisions for deferred tax	0.0	6.8	2.7	113.3	122.8
Provisions for losses on guarantees	6.1	0.6	22.5	13.7	42.9
Provisions for losses in connection with legal proceedings	0.0	2.9	0.0	0.0	2.9
Other provisions for liabilities	6.5	1.9	7.0	2.7	18.1
Provisions for unutilized credit lines	12.1	0.0	0.0	0.0	12.1
Total provisions for liabilities	24.7	12.2	32.2	129.7	198.8

Uncertainty attaches to the due dates of liabilities for which provision has been made.

Provisions for deferred tax are specified in note 33.

Provisions for losses on guarantees have been made based on an individual assessment.

Provisions for losses in connection with legal proceedings have been made based on an individual assessment.

Other provisions for liabilities include provisions for rent commitments and anniversary lump sums.

Provisions for unutilized credit lines relate to provisions for losses on unutilized credit lines.

NOTE

33 PROVISIONS FOR DEFERRED TAX	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
Beginning of year	116.8	106.3	122.8	125.7
Deferred tax for the year recognized in the profit/loss for the year	-8.3	10.5	-13.3	-2.9
Deferred tax for the year recognized in other comprehensive income	0.0	0.0	0.0	0.0
End of year	108.5	116.8	109.5	122.8
Deferred tax assets	0.0	-6.0	0.0	0.0
Provisions for deferred tax	108.5	122.8	109.5	122.8
Deferred tax, net (liability)	108.5	116.8	109.5	122.8

SPAR NORD, THE GROUP	Beginning of year	Recognized in the profit/loss for the year	Recognized in other compre- hensive income, etc.	End of year
Changes in deferred tax in 2016				
Intangible assets	31.2	-2.3	0.0	28.9
Property, plant and equipment, incl. leased assets	97.5	5.1	0.0	102.6
Loans, advances and other receivables at amortized cost	-18.5	-0.9	0.0	-19.4
Receivables from credit institutions and central banks	0.0	0.0	0.0	0.0
Miscellaneous assets	66.5	-66.5	0.0	0.0
Payables and subordinated debt	14.3	-0.2	0.0	14.1
Provisions for liabilities	-86.2	68.4	0.0	-17.8
Retaxation balance	2.9	1.2	0.0	4.1
Tax loss *)	-6.0	6.0	0.0	0.0
Miscellaneous	15.1	-19.1	0.0	-4.0
Total	116.8	-8.3	0.0	108.5

Changes in deferred tax in 2015				
Intangible assets	35.3	-4.1	0.0	31.2
Property, plant and equipment, incl. leased assets	115.4	-17.9	0.0	97.5
Loans, advances and other receivables at amortized cost	-42.1	23.6	0.0	-18.5
Receivables from credit institutions and central banks	3.3	-3.3	0.0	0.0
Miscellaneous assets	74.1	-7.6	0.0	66.5
Payables and subordinated debt	0.0	14.3	0.0	14.3
Provisions for liabilities	-95.6	9.4	0.0	-86.2
Retaxation balance	3.2	-0.3	0.0	2.9
Tax loss *)	-19.4	13.4	0.0	-6.0
Miscellaneous	32.1	-17.0	0.0	15.1
Total	106.3	10.5	0.0	116.8

SPAR NORD, PARENT COMPANY	Beginning of year	Recognized in the profit/loss for the year	Recognized in other compre- hensive income, etc.	End of year
Changes in deferred tax in 2016				
Intangible assets	31.2	-2.3	0.0	28.9
Property, plant and equipment, incl. leased assets	97.5	6.1	0.0	103.6
Loans, advances and other receivables at amortized cost	-18.5	-0.9	0.0	-19.4
Receivables from credit institutions and central banks	0.0	0.0	0.0	0.0
Miscellaneous assets	66.5	-66.5	0.0	0.0
Payables and subordinated debt	14.3	-0.2	0.0	14.1
Provisions for liabilities	-86.2	68.4	0.0	-17.8
Retaxation balance	2.9	1.2	0.0	4.1
Miscellaneous	15.1	-19.1	0.0	-4.0
Total	122.8	-13.3	0.0	109.5

Changes in deferred tax in 2015				
Intangible assets	35.3	-4.1	0.0	31.2
Property, plant and equipment, incl. leased assets	115.4	-17.9	0.0	97.5
Loans, advances and other receivables at amortized cost	-42.1	23.6	0.0	-18.5
Receivables from credit institutions and central banks	3.3	-3.3	0.0	0.0
Miscellaneous assets	74.1	-7.6	0.0	66.5
Payables and subordinated debt	0.0	14.3	0.0	14.3
Provisions for liabilities	-95.6	9.4	0.0	-86.2
Retaxation balance	3.2	-0.3	0.0	2.9
Miscellaneous	32.1	-17.0	0.0	15.1
Total	125.7	-2.9	0.0	122.8

*) The tax loss in the Spar Nord Group in 2015 of DKK 6.0 million related to the joint taxation loss expected to be utilized by the subsidiary Aktieselskabet Skelogervej 15 within the next three years. At 31 December 2016, the tax loss had been utilized in full.

NOTE

Deferred tax assets not recognized in the balance sheet in 2016					
		Beginning of year	Recognized in the profit/loss for the year	Additions and disposals	End of year
Deferred tax assets not recognized relate to:					
Ring fence losses on properties		2.3	0.0	1.1	3.4
Tax loss abroad		2.9	0.0	0.6	3.5
Deferred tax assets not recognized, total		5.2	0.0	1.7	6.9

Deferred tax assets not recognized in the balance sheet in 2015					
		Beginning of year	Recognized in the profit/loss for the year	Additions and disposals	End of year
Deferred tax assets not recognized relate to:					
Ring fence losses on properties		4.0	0.0	-1.7	2.3
Tax loss abroad		2.8	0.0	0.1	2.9
Deferred tax assets not recognized, total		6.8	0.0	-1.6	5.2

All deferred tax liabilities are recognized in the balance sheet.

The temporary differences in 2016 and 2015 relating to ring fence losses on properties arose on the realization of properties.

34 SUBORDINATED DEBT

Subordinated debt consists of liabilities in the form of subordinated debt and Additional Tier 1 (AT1) capital which, in case of the Bank's voluntary or compulsory liquidation, whether solvent or insolvent, will not be repaid until the claims of the ordinary creditors have been met. Additional Tier 1 (AT1) capital ranks junior to subordinated debt. Premature redemption of subordinated debt is subject to the approval of the Danish Financial Supervisory Authority. Subordinated debt is included in own funds, etc. pursuant to the Danish Financial Business Act.

In 2015 and 2016, Spar Nord issued Additional Tier 1 (AT1) capital under CRR with a perpetual term and with voluntary payment of interest and repayments of principal, for which reason it is treated as equity for accounting purposes.

For further details, please see the statement of changes in equity.

Spar Nord is the borrower with respect to all loans.

					Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
	Principal							
Currency	Note	DKK m	Interest rate	Received	Maturity			
DKK	a	400.0	6.043 %	2012	28.11.2022	403.1	404.5	403.1
DKK	b	700.0	3.695 %	2013	18.12.2023	698.4	697.6	698.4
Tier 2 capital (T2) contributions, total						1,101.5	1,102.1	1,101.5
Portfolio of own bonds relating to subordinated debt						-8.3	-13.3	-8.3
Subordinated debt, total						1,093.2	1,088.8	1,093.2
Interest on subordinated debt						50.8	66.0	50.8
Costs of raising subordinated debt						1.6	1.8	1.6

a Redeemable as from 28.11.2017, after which date interest is fixed at CIBOR3 + a 5.00% margin.

b Redeemable as from 18.12.2018.

NOTE	35	TRANSFER OF FINANCIAL ASSETS	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
		Spar Nord has transferred the following financial assets that continue to be recognized in the balance sheet				
		<i>Carrying amount of transferred financial assets</i>				
		Bonds in repo transactions	1,403.3	2,609.8	1,403.3	2,609.8
		<i>Carrying amount of transferred financial liabilities</i>				
		Payables to credit institutions, repo transactions	1,399.7	2,567.1	1,399.7	2,567.1
		Interest payable	0.0	-10.9	0.0	-10.9
		Total	1,399.7	2,556.2	1,399.7	2,556.2
		Net position	-3.6	-53.6	-3.6	-53.6

Spar Nord has entered into agreements regarding the sale of securities as genuine sale and repo transactions. When it lends or sells securities subject to a repurchase agreement, Spar Nord receives cash or other financial assets upon the transfer of the securities to the counterparty. The counterparty is entitled to sell or repledge the securities lent or sold according to the repurchase agreements, but the counterparty is obliged to return the securities upon expiry of the contract. If the value of the securities increases or decreases, Spar Nord may make or receive a demand for payment of additional cash collateral in specific circumstances. Spar Nord has decided that it will essentially retain all the risks and benefits attaching to these securities, and therefore it has not ceased recognizing them. In addition, Spar Nord recognizes a financial liability for the cash received as collateral.

Spar Nord has not entered into agreements regarding the sale of assets where such assets cease to be recognized in the balance sheet, but where the seller has continued involvement after the sale.

36 COLLATERAL ACCEPTED

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
In connection with reverse repo transactions and agreements regarding securities-based loans, collateral that can be sold or repledged pursuant to the terms of the appropriate agreement is accepted.				
<i>Reverse repo transactions</i>				
Collateral accepted that can be repledged or sold	7,732.5	5,488.2	7,732.5	5,488.2
Of which, repledged or sold	2,096.1	1,348.7	2,096.1	1,348.7
<i>Agreements regarding securities-based loans</i>				
Collateral accepted that can be repledged or sold	6.3	19.9	6.3	19.9
Of which, repledged or sold	1.8	2.3	1.8	2.3

37 COLLATERAL PROVIDED AND ENCUMBERED ASSETS

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
Collateral provided through clearing systems, with central counterparties and other infrastructure institutions:				
Bonds	0.0	0.0	0.0	0.0
Deposits, clearing	122.3	91.1	122.3	91.1
Collateral provided for the market value of derivatives transactions	523.2	990.0	523.2	990.0
Positive market value of derivative contracts subject to netting	249.8	387.9	249.8	387.9
Collateral provided as part of sale and repo transactions	1,403.3	2,609.8	1,403.3	2,609.8
Other collateral provided	44.3	47.3	13.6	16.3
Total	2,342.9	4,126.1	2,312.2	4,095.1

Assets are treated as encumbered if they have been provided as collateral or if they are subject to any agreement to secure, act as collateral for or improve the credit quality of any on- or off-balance-sheet transaction from which they cannot be freely withdrawn. Assets that have been provided as collateral and are subject to restrictions as concerns withdrawal, e.g. assets for which prior approval is required to withdraw or replace them with other assets, are considered to be encumbered.

Assets placed in unutilized facilities and which can be freely withdrawn are not considered to be encumbered.

Securities sold as an element in sale and repurchase agreements (repo transactions) remain on the balance sheet. The counterparty is entitled to sell the securities or deposit them as collateral for other loans.

Assets deposited as collateral for own liabilities towards Danmarks Nationalbank (the central bank), Danish and foreign clearing centres and banks with which the Bank has concluded CSA agreements are all based on standard agreements customarily used by financial market participants.

NOTE

38 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Spar Nord Group

Assets and liabilities are offset when Spar Nord and the counterparty have a legal right to offset, while at the same time having agreed to make a net settlement or realize the asset and redeem the liability at the same time. Positive and negative fair values of derivatives with the same counterparty are offset if it has been agreed to make a net settlement of the contractual payments, and if cash payment or provision of collateral for changes in the fair value takes place on a daily basis. Master netting agreements and corresponding agreements provide a further right to offset when a counterparty is in default, which additionally reduces the exposure to a counterparty in default, but this does not meet the criteria for offsetting for accounting purposes according to IFRS.

31.12.16

	Gross recognized assets	Liabilities offset in the balance sheet	Related amounts not offset in the balance sheet			
			Net amount of financial liabilities presented in the balance sheet	Financial collateral	Cash collateral	Net amount
Financial assets						
Derivative instruments	1,399.6	115.4	1,284.2	249.8	13.3	1,021.1
Reverse repo transactions	7,706.2	0.0	7,706.2	7,732.5	-	-26.3
Total	9,105.8	115.4	8,990.4	7,982.3	13.3	994.8

	Gross recognized liabilities	Assets offset in the balance sheet	Related amounts not offset in the balance sheet			
			Net amount of financial liabilities presented in the balance sheet	Financial collateral	Cash collateral	Net amount
Financial liabilities						
Derivative instruments	1,421.6	556.1	865.5	249.8	438.3	177.4
Repo transactions	1,399.7	0.0	1,399.7	1,403.3	-	-3.6
Total	2,821.3	556.1	2,265.2	1,653.1	438.3	173.8

31.12.15

	Gross recognized assets	Liabilities offset in the balance sheet	Related amounts not offset in the balance sheet			
			Net amount of financial liabilities presented in the balance sheet	Financial collateral	Cash collateral	Net amount
Financial assets						
Derivative instruments	1,433.0	9.4	1,423.6	387.9	0.0	1,035.7
Reverse repo transactions	5,495.7	0.0	5,495.7	5,484.7	-	11.0
Total	6,928.7	9.4	6,919.3	5,872.6	0.0	1,046.7

	Gross recognized liabilities	Assets offset in the balance sheet	Related amounts not offset in the balance sheet			
			Net amount of financial liabilities presented in the balance sheet	Financial collateral	Cash collateral	Net amount
Financial liabilities						
Derivative instruments	1,682.6	206.1	1,476.5	387.9	880.6	208.0
Repo transactions	2,567.1	0.0	2,567.1	2,565.8	-	1.3
Total	4,249.7	206.1	4,043.6	2,953.7	880.6	209.3

Reverse repo transactions are classified as Receivables from credit institutions and central banks or as Loans, advances and other receivables at amortized cost in the balance sheet.

Repo transactions are classified as Payables to credit institutions and central banks or as Deposits and other payables in the balance sheet.

Repo transactions and reverse repo transactions are recognized in the balance sheet on a gross basis; see notes 35 and 36.

NOTE

39 **HEDGE ACCOUNTING**
The Spar Nord Group

	Carrying amount DKK m	Fair value DKK m	Nominal value DKK m
31.12.16			
<i>Assets</i>			
Loans and advances	80.3	80.3	75.0
Interest-risk-hedged financial instruments			
Derivatives (swap contracts)	-5.3	-5.3	75.0
<i>Liabilities</i>			
Subordinated debt	401.0	403.8	400.0
Interest-risk-hedged financial instruments			
Derivatives (swap contracts)	3.8	3.8	400.0
31.12.15			
<i>Assets</i>			
Loans and advances	83.2	83.2	75.0
Interest-risk-hedged financial instruments			
Derivatives (swap contracts)	-8.3	-8.3	75.0
<i>Liabilities</i>			
Subordinated debt	394.5	406.0	400.0
Interest-risk-hedged financial instruments			
Derivatives (swap contracts)	6.2	6.2	400.0

The Spar Nord Group hedges the interest-rate risk attaching to selected fixed-interest assets and liabilities.
The effectiveness of such hedging is measured on a continuing basis.

The table below shows the value adjustment of hedged assets and liabilities as well as hedging derivatives recognized under market-value adjustments.

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
<i>Hedging of fixed-interest assets</i>				
Hedged loans and advances	-2.9	-2.5	-2.9	-2.5
Hedging derivatives	2.9	2.5	2.9	2.5
Impact on profit/loss	0.0	0.0	0.0	0.0
<i>Hedging of fixed-interest liabilities</i>				
Hedged deposits	2.2	6.9	2.2	6.9
Hedging derivatives	-2.3	-6.5	-2.3	-6.5
Impact on profit/loss	-0.1	0.4	-0.1	0.4

40 **CONTINGENT ASSETS**

Unrecognized deferred tax assets	6.9	5.2	5.1	3.4
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For more details, please see note 33.

Spar Nord is party to pending legal proceedings regarding tax and duties. If Spar Nord is successful in these proceedings, it will have a positive profit impact.

NOTE

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
41 CONTINGENT LIABILITIES				
Financial guarantees	3,999.8	3,243.7	3,999.8	3,243.7
Loss guarantees for mortgage-credit loans	4,568.5	3,978.4	4,568.5	3,978.4
Registration and refinancing guarantees	2,885.3	1,514.8	2,885.3	1,514.8
Other contingent liabilities	880.5	848.3	880.5	848.3
Total contingent liabilities	12,334.1	9,585.2	12,334.1	9,585.2

Financial guarantees largely consist of payment guarantees.

Loss guarantees for mortgage-credit loans have been granted for the highest-risk portion of mortgage-credit loans to personal customers and on business properties. The guarantee lies within 80% of the property value for personal customers, and within 60-80% of the value of business properties.

Registration and refinancing guarantees are furnished in connection with Land Registry processing upon the arrangement and refinancing of mortgage-credit loans.

Other contingent liabilities relate mainly to performance bonds and letters of credit. This item also includes the liabilities set out below. Reference is made to note 11 regarding the Executive Board's notice of termination and the associated compensation.

Spar Nord is taxed jointly with its Danish subsidiary in the Spar Nord Group. As the management company, Spar Nord has unlimited, joint and several liability together with its subsidiary for the Danish corporate income tax payable. Due to the payment of tax on account, no tax was payable at 31 December 2016 and 31 December 2015. The corporate income tax receivable within the group of jointly taxed companies amounted to DKK 17.9 million at 31 December 2016 (2015: DKK 91.0 million). Any adjustments to the taxable income subject to joint taxation might entail an increase in the Parent Company's liability.

Spar Nord has made provisions for a deferred tax liability in respect of the retaxation balance related to international joint taxation.

The Bank participates in the national restructuring and resolution scheme, with separate contributions being paid to the Guarantee Fund and the Resolution Fund.

The Guarantee Fund covers depositors' eligible deposits in the Bank under EUR 100,000 (see section 9(1) of the Danish Act on a Depositor and Investor Guarantee Scheme). The Bank made no contributions to the Guarantee Fund in 2016, as the Guarantee Fund's assets exceed its target level of 0.8% of the covered deposits in the sector. The Bank may be required to pay contributions in future if the Guarantee Fund's assets fall below 0.8% of the covered deposits in the sector.

The Resolution Fund covers the costs associated with the possible winding-up of financial institutions under the auspices of Finansielt Stabilitet (the Winding-Up Company). The Bank's contributions to the Resolution Fund are calculated based on the Bank's pro-rata share of the sector's total equity and liabilities less own funds and the deposits covered by the Guarantee Fund, adjusted by a risk factor.

The Bank's contributions to the Resolution Fund for 2016 amounted to DKK 8.9 million, of which DKK 0.2 million represents an adjustment of the contributions for 2015 (2015: DKK 3.6 million – equal to 6 months' contributions).

Uncertainty attaches to the amount of the contingent liabilities and the possible due dates, for which reason this information has not been disclosed.

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
42 OTHER OBLIGATING AGREEMENTS				
Irrevocable credit commitments	0.0	0.0	0.0	0.0
Miscellaneous	500.9	540.5	529.6	576.8
Other obligating agreements, total	500.9	540.5	529.6	576.8

Miscellaneous is composed of:

Lease obligations, with the Group as lessee

Spar Nord is the lessee under a number of operating leases. Operating leases are lease agreements under which Spar Nord has the right to use an asset for an agreed term against the payment of rental, without taking over the most significant risks and gains associated with the asset. The lease agreements concern the rental of properties and operating equipment. The lease agreements are not recognized in the balance sheet. The minimum lease payments are broken down by lease term below:

Operating lease obligations

Up to 1 year	26.4	24.2	34.6	32.2
1 – 5 years	57.5	45.1	78.0	73.5
Over 5 years	31.0	14.2	31.0	14.1
Total	114.9	83.5	143.6	119.8

Lease payments of DKK 27.1 million (2015: DKK 25.6 million) are recognized for the Group under Staff costs and administrative expenses. The Group has not entered into finance leases as a lessee.

Data-processing centre

Spar Nord has entered into an agreement with BEC a.m.b.a. regarding the provision of IT services.

Spar Nord's membership of BEC a.m.b.a. means that in case of termination of the Bank's membership, it is liable to pay an exit fee. This liability is included under Miscellaneous above. In addition, a capital contribution to BEC a.m.b.a. has been included under Other assets.

The Spar Nord Group has no other significant obligating agreements.

NOTE

43 **LEGAL PROCEEDINGS, ETC.**

Spar Nord is party to several legal proceedings. The cases are assessed continuously and the necessary provisions are made based on the estimated risk of loss. The pending legal proceedings are not expected to materially affect the Group's financial position.

44 **EARNINGS PER SHARE FOR THE YEAR**

	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m
The profit/loss of shareholders of the Parent Company, Spar Nord Bank A/S	812.1	883.3
Tax effect of interest on Additional Tier 1 (AT1) capital (see note 17)	5.7	3.2
Total	817.8	886.5
Average number of shares	125,529,918	125,529,918
Average number of treasury shares	1,365,368	151,594
Average number of shares in circulation	124,164,550	125,378,324
Average dilutive effect of outstanding share options	0	0
Average number of outstanding shares (diluted)	124,164,550	125,378,324
Earnings per share for the year (DKK)	6.6	7.1
Diluted earnings per share for the year (DKK)	6.6	7.1

The issued share capital is divided into shares in the denomination of DKK 10. The Bank has only one share class.

Earnings per share for the year have been calculated as if the Additional Tier 1 (AT1) capital were treated as a liability, which means that the calculation of the financial ratio has been based on the shareholders' share of profit and equity. The shareholders' share of profit and equity appears from the statement of changes in equity. The comparative figures have been restated.

45 **BUSINESS COMBINATIONS****Acquisition of businesses and customer portfolios**

No business combinations were completed in 2016.

FIH Erhvervsbank

In January 2016, Spar Nord entered into an agreement with FIH Erhvervsbank A/S regarding the acquisition of 34 business customer facilities with total loans of DKK 526 million, gross guarantees amounting to DKK 319 million, equal to net guarantees of DKK 64 million, and derivatives of DKK 30 million.

The acquisition of the portfolio has been recognized in accordance with the rules stipulated in IAS 39, according to which the loans acquired have been recognized at the agreed acquisition cost, equal to the fair value, which corresponds to an average price of the assets taken over of 100% of face value.

NOTE

46	RELATED PARTIES Spar Nord, the Group	Parties with significant influence		Associates		Group enterprises		Board of Directors		Executive Board	
		2016 DKK m	2015 DKK m	2016 DKK m	2015 DKK m	2016 DKK m	2015 DKK m	2016 DKK m	2015 DKK m	2016 DKK m	2015 DKK m
	Loans, advances and loan commitments	-	-	10.1	10.6	-	-	31.3	34.0	8.0	7.5
	Deposits	28.7	23.8	105.3	76.9	-	-	54.6	18.5	6.0	4.3
	Guarantees issued	-	-	-	-	-	-	3.4	0.1	3.0	1.1
	Other obligating agreements	-	-	-	-	-	-	8.1	7.2	0.1	0.1
	Collateral accepted	-	-	-	-	-	-	20.9	22.6	7.5	5.4
	Interest income	-	-	0.5	0.5	-	-	0.4	0.5	-	-
	Interest expenses	-	-	0.1	0.1	-	-	0.0	0.1	-	-
	Fees, charges & commissions received	-	-	-	-	-	-	0.1	0.3	-	-
	Dividends received recognized under associates	-	-	37.6	864.3	-	-	-	-	-	-
	Other income	3.4	3.4	0.0	0.1	-	-	-	-	-	-
	Other expenses	-	-	-	-	-	-	-	-	-	-

Spar Nord, Parent Company

	Loans, advances and loan commitments	-	-	10.1	10.6	-	-	31.3	34.0	8.0	7.5
	Deposits	28.7	23.8	105.3	76.9	1,322.8	1,175.8	54.6	18.5	6.0	4.3
	Guarantees issued	-	-	-	-	-	-	3.4	0.1	3.0	1.1
	Other obligating agreements	-	-	-	-	-	-	8.1	7.2	0.1	0.1
	Collateral accepted	-	-	-	-	-	-	20.9	22.6	7.5	5.4
	Interest income	-	-	0.5	0.5	-	-	0.4	0.5	-	-
	Interest expenses	-	-	0.1	0.1	20.1	20.8	0.0	0.1	-	-
	Fees, charges & commissions received	-	-	-	-	-	-	0.1	0.3	-	-
	Dividends received recognized under associates	-	-	37.6	864.3	-	-	-	-	-	-
	Other income	3.4	3.4	0.0	0.1	-	-	-	-	-	-
	Other expenses	-	-	-	-	6.6	6.5	-	-	-	-

Related parties with significant influence are shareholders with holdings exceeding 20% of Spar Nord Bank A/S, or where significant influence is considered to exist due to other factors. Note 23 contains a list of group enterprises.

The Danish companies in the Group are jointly taxed, which means that the Parent Company is liable for the payment of Danish corporate income tax. In 2016, joint tax contributions in the amount of DKK 3.3 million (2015: DKK 3.3 million) were transferred between the companies.

In 2016, the interest rate for loans and advances to associates ranged from 4.35–5.13% (2015: 4.13–5.86%).

A demand balance exists, and a fixed-term deposit previously existed, between Aktieselskabet Skelagervej 15 and the Spar Nord Parent Company, both carrying interest at the market rate.

Commitments and transactions with members of the Board of Directors and Executive Board comprise personal commitments of such parties and of their related parties. Commitments and transactions with retired and new members of the Board of Directors and Executive Board have been recognized up to and including the date of retirement and as from the date of appointment, as the case may be.

The interest rate for loans and advances to the Board of Directors ranged from 0.65–8.95% in 2016 (2015: 0.01–8.88%) and from 2.25–2.50% (2015: 2.03–2.40%) for loans and advances to the Executive Board.

The Group and the Parent Company	Executive Board		Board of Directors	
	2016	2015	2016	2015
Loans and advances	1.8	0.0	6.1	18.5
Unutilized loan and surety commitments	6.3	7.6	33.3	22.7
Guarantees issued	3.0	1.1	3.4	0.1
Total loans and advances, loan commitments and guarantees	11.1	8.7	42.8	41.3

No transactions were concluded during the year with members of the Board of Directors, the Executive Board or executive staff members, other than transactions involving salary, emoluments, etc., securities trading and loans and provision of collateral. More details regarding the remuneration of the Board of Directors, the Executive Board and executive staff members appear from note 11.

The respective shareholdings of the Executive Board and the Board of Directors appear from note 47.

Transactions between related parties, including credit facilities, are concluded on an arm's length basis.

Related parties holding at least 5% of the Bank's share capital at end-2016 comprised the Spar Nord Foundation, Aalborg, with a holding of 18.5% (2015: 18.5%) and Nykredit Realkredit A/S, Copenhagen, with a holding of 11.1% (2015: 11.1%).

The figures above do not include any bonds issued by Spar Nord that rank as debt, subordinated debt or Additional Tier 1 (AT1) capital, as such bonds are bearer securities. In such cases, Spar Nord Bank does not know the identity of the holders. Spar Nord Bank shares may be registered in the name of the holder.

NOTE

47	MANAGEMENT'S HOLDINGS OF SPAR NORD SHARES *)	31.12.16	31.12.15
		Number of shares	Number of shares
	Board of Directors		
	Kjeld Johannesen	50,000	30,000
	Per Nikolaj Bukh	27,200	27,200
	Kaj Christiansen	21,100	7,800
	Torben Fristrup (retired on 20 April 2016)	-	38,300
	Morten Bach Gaardboe (took office on 20 April 2016)	3,620	-
	Laila Mortensen	0	0
	Ole Skov	7,054	7,054
	Jannie Skovsen	7,404	7,404
	Gitte Holmgaard Sørensen	2,486	2,486
	John Sørensen	5,160	5,160
	Executive Board		
	Lasse Nyby	47,784	47,784
	John Lundsgaard	71,113	69,133
	Lars Møller	65,460	65,460

*) The holdings include all shares held by all members of the household.

48 POST-BALANCE-SHEET EVENTS

No significant events have occurred after 31 December 2016.

49 FAIR-VALUE INFORMATION FOR FINANCIAL INSTRUMENTS

The Group

Financial instruments are recognized in the balance sheet either at fair value or amortized cost. The table below breaks down the individual financial instruments by valuation method.

	31.12.16	31.12.16	31.12.15	31.12.15
	Fair value	Amortized	Fair value	Amortized
	DKK m	cost	DKK m	cost
		DKK m		DKK m
<i>Financial assets</i>				
Cash balances and demand deposits with central banks	-	595.3	-	610.4
Receivables from credit institutions and central banks	-	2,178.8	-	2,741.3
Loans, advances and other receivables at amortized cost	-	41,345.6	-	38,039.3
Bonds at fair value	14,936.1	-	16,053.6	-
Shares, etc.	1,557.2	-	1,658.3	-
Assets linked to pooled schemes	14,541.5	-	13,380.0	-
Positive fair value of derivative instruments	1,284.2	-	1,423.6	-
Total	32,319.0	44,119.7	32,515.5	41,391.0
<i>Financial liabilities</i>				
Payables to credit institutions and central banks	-	2,429.8	-	3,739.5
Deposits and other payables	-	46,464.2	-	44,736.3
Deposits in pooled schemes	14,541.5	-	13,380.0	-
Other non-derivative financial liabilities at fair value	2,007.8	-	1,219.7	-
Subordinated debt	-	1,093.2	-	1,088.8
Negative fair value of derivative instruments	865.5	-	1,476.5	-
Total	17,414.8	49,987.2	16,076.2	49,564.6

Financial instruments recognized at fair value

The fair value is the amount at which a financial asset may be traded between knowledgeable, willing parties in an arm's length transaction. If there is an active market, the market price is used by way of a listed price or price quotation. If a financial instrument is quoted in a market that is not active, the Bank bases its valuation on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance, by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations. For a number of financial assets and liabilities, no effective market exists. In this case, the Group uses an estimated value, taking into account recent transactions in similar instruments and using discounted cash flows or generally accepted estimation and valuation techniques based on market conditions at the reporting date.

The most frequently used valuation models and estimation and valuation techniques include the pricing of transactions with future settlement and swap models that apply present value calculations, credit pricing models as well as options models, such as Black & Scholes models. In most cases, valuation is based substantially on observable inputs.

Unlisted shares recorded at fair value, see note 21, comprise unlisted shares that are not included in the Group's trading book. These unlisted shares are recognized at fair value, using the Fair-Value Option (FVO), and are measured in accordance with provisions in shareholders' agreements and generally accepted valuation methods, etc.

As regards derivative instruments with a positive fair value, the Bank makes a credit valuation adjustment (CVA) to allow for changes in the associated credit risk. The calculation of CVA is based on the customer's PD (Probability-of-Default), LGD (Loss-Given-Default) and EPE (Expected Positive Exposure). In the event that the customer has no external rating, the customer's PD is based on the Bank's own credit models.

The CVA amounted to DKK 9.9 million at end-2016 against DKK 18.6 million at end-2015.

When valuing unlisted derivative instruments, the initial customer margin, etc. is amortized over the remaining term to maturity. At the end of 2016, the customer margin, etc. not yet amortized amounted to DKK 68.8 million (2015: DKK 61.2 million).

Day-1 gains or losses	2016	2015
	DKK m	DKK m
Unamortized customer margin at 1 January	61.2	63.1
Net development in amortization of customer margin	7.6	-1.9
Unamortized customer margin at 31 December	68.8	61.2

Breakdown of financial instruments relative to the fair-value hierarchy classification and the carrying amount	Listed prices Level 1 DKK m	Observable prices Level 2 DKK m	Unobservable prices Level 3 DKK m	Total DKK m
31.12.16				
<i>Financial assets</i>				
Bonds at fair value	12,321.0	2,615.1	0.0	14,936.1
Shares, etc.	204.6	1.1	1,351.5	1,557.2
Assets linked to pooled schemes	10,663.3	3,679.6	198.6	14,541.5
Positive fair value of derivative instruments	0.0	1,284.2	0.0	1,284.2
Financial assets, total	23,188.9	7,580.0	1,550.1	32,319.0
<i>Financial liabilities</i>				
Deposits in pooled schemes	0.0	14,541.5	0.0	14,541.5
Other non-derivative financial liabilities at fair value	1,327.0	680.8	0.0	2,007.8
Negative fair value of derivative instruments	0.0	865.5	0.0	865.5
Financial liabilities, total	1,327.0	16,087.8	0.0	17,414.8

31.12.15				
<i>Financial assets</i>				
Bonds at fair value	11,234.8	4,818.8	0.0	16,053.6
Shares, etc.	131.8	0.3	1,526.2	1,658.3
Assets linked to pooled schemes	10,685.7	2,694.3	0.0	13,380.0
Positive fair value of derivative instruments	0.0	1,423.6	0.0	1,423.6
Financial assets, total	22,052.3	8,937.0	1,526.2	32,515.5
<i>Financial liabilities</i>				
Deposits in pooled schemes	0.0	13,380.0	0.0	13,380.0
Other non-derivative financial liabilities at fair value	1,055.6	164.1	0.0	1,219.7
Negative fair value of derivative instruments	0.0	1,476.5	0.0	1,476.5
Financial liabilities, total	1,055.6	15,020.6	0.0	16,076.2

Bonds, assets linked to pooled schemes, derivative instruments and other non-derivative financial liabilities are valued according to the following principles:

- In case of listed prices, the fair value is fixed at the listed price or the price quoted by a recognized exchange or another external party.
- In case of pricing based on observable inputs, the fair value is calculated by means of a market-based yield curve plus/minus a credit spread, which is also calculated based on market prices.
- In case of pricing based on unobservable inputs, the calculation includes inputs based on the Bank's own valuations of individual elements, and also market data in some cases.

Shares are valued according to the following principles:

- In case of listed prices, the fair value is fixed at the price quoted by a recognized exchange or another external party.
- In case of pricing based on observable inputs, the fair value is calculated based on available prices for shares that are not listed.
- In case of pricing based on unobservable inputs, the calculation includes shares valued according to generally accepted valuation principles, e.g., the discounting of future expected cash flows and market expectations as to the required rate of return on equity. Shares that are priced on the basis of the prices recommended by Lokale Pengeinstitutter (the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark) are included as unobservable inputs.

The fair value has been determined reliably for all shares, and accordingly no shares have been recognized at cost.

A transfer is made between the categories in the valuation hierarchy if an instrument is classified differently on the reporting date as compared to the beginning of the financial year. Any reclassification is considered to have been made as of the reporting date. In 2016, shares recognized under assets linked to pooled schemes were transferred from a valuation category based on listed prices (Level 1) to a valuation category based on unobservable inputs (Level 3). In 2015, some types of bonds were transferred from a valuation category based on yield curves (Level 2) to a valuation category based on price quotation (Level 1). The adjustment to fair value is included in market-value adjustments.

The fair values recommended by Lokale Pengeinstitutter (Lopi) (the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark) are based on shareholders' agreements for the individual companies and share trades completed. The fair value is often based on the companies' book equity (net asset value), which is used as a basis for the transaction price between shareholders. Spar Nord makes an independent assessment of the prices recommended, and verifies their consistency with the transactions made and financial statements as presented.

Level 3	31.12.16 DKK m			31.12.15 DKK m		
	Fair value based on net asset value from Lopi	Fair value based on other value from Lopi	Other	Fair value based on net asset value from Lopi	Fair value based on other value from Lopi	Other
Shares	981.5	6.2	363.8	1,182.5	5.8	337.9
Assets linked to pooled schemes	0.0	0.0	198.6	0.0	0.0	0.0
Sensitivities						
Change in the fair value of shares if the results of the companies change by 10%	8.7	-	-	5.7	-	-

A substantial portion of the shares included under "Other" are valued based on the discounting of selling prices and future expected cash flows from dividends or market expectations as to the required rate of return on equity.

NOTE

Financial instruments measured at fair value based on unobservable prices (Level 3)

In 2016, the Bank recognized unrealized market-value adjustments of DKK 64.9 million (2015: DKK 69.4 million) in respect of unlisted shares valued on the basis of unobservable inputs.

	2016 DKK m	2015 DKK m
Carrying amount at 1 January	1,526.2	1,304.9
Market-value adjustments in the income statement	107.6	88.1
Market-value adjustments in other comprehensive income	0.0	0.0
Purchase	37.8	211.6
Sale	320.1	83.2
Transferred to/from Level 3	198.6	4.8
Carrying amount at 31 December	1,550.1	1,526.2
Market-value adjustments in the income statement of assets held at the reporting date	64.9	69.4

Market-value adjustments in the income statement are recognized under the item Market-value adjustments.

Dividends on shares are recognized in the income statement under Dividends on shares, etc. and are not included in the above statement.

Financial instruments recognized at amortized cost – fair value information

	31.12.16 Carrying amount DKK m	31.12.16 Fair value DKK m	31.12.15 Carrying amount DKK m	31.12.15 Fair value DKK m
<i>Financial assets</i>				
Cash balances and demand deposits with central banks *)	595.3	595.3	610.4	610.4
Receivables from credit institutions and central banks *)	2,178.8	2,178.8	2,741.3	2,741.3
Loans, advances and other receivables at amortized cost *)	41,345.6	41,446.0	38,039.3	38,157.9
Total	44,119.7	44,220.1	41,391.0	41,509.6
<i>Financial liabilities</i>				
Payables to credit institutions and central banks *)	2,429.8	2,430.0	3,739.5	3,740.7
Deposits and other payables *)	46,464.2	46,480.4	44,736.3	44,738.3
Subordinated debt **)	1,093.2	1,138.5	1,088.8	1,152.9
Total	49,987.2	50,048.9	49,564.6	49,631.9

*) Level 3 in the fair-value hierarchy

**) Level 1 in the fair-value hierarchy amounts to DKK 721.5 million (2015: DKK 719.9 million), and Level 3 in the fair-value hierarchy amounts to DKK 417.0 million (2015: DKK 433.0 million).

The vast majority of amounts due to the Group, loans and advances, and deposits may not be assigned without the prior consent of customers, and an active market does not exist for such financial instruments. Consequently, the Group bases its fair-value estimates on data showing changes in market conditions after the initial recognition of the individual instrument that affects the price that would have been fixed if the terms had been agreed at the reporting date. Other parties may make other estimates.

The Group discloses information about the fair value of financial instruments recognized at amortized cost on the basis of the following assumptions:

- For a number of the Group's deposits, loans and advances, the interest rate depends on interest developments.
- The fair value of loans and advances is calculated on the basis of a qualified estimate, taking into account that the Bank continuously adapts its loan terms to existing market conditions.
- The fair value of fixed-rate deposits is calculated by using the interest rate for similar deposits, based on an estimated yield curve.
- The fair value of subordinated debt is adjusted for listed debt at the most recent transaction price, while unlisted debt is recorded at an estimated transaction price.

50 **RISK MANAGEMENT**

Spar Nord is exposed to a number of risks in various categories.

The most important categories of risks are as follows:

- Credit risk: The risk of loss due to the fact that counterparties are in full or partial breach of their payment obligations.
- Market risk: The risk of loss because the fair value of Spar Nord's assets and liabilities varies with changes in market conditions.
- Liquidity risk: The risk of loss because Spar Nord cannot meet its payment obligations via the ordinary liquidity reserves.
- Operational risk: The risk of financial loss owing to deficient or erroneous internal procedures and processes, human or system errors, or losses as a result of external events.

The following notes to the Annual Report contain the quantitative information regarding Spar Nord's credit, market, liquidity and operational risks. For more details, please refer to the unaudited Risk Report at www.sparnord.com/risk.

Spar Nord
The Group
31.12.16
DKK m

Spar Nord
The Group
31.12.15
DKK m

CREDIT EXPOSURE (CARRYING AMOUNT)

The Group's credit exposure (carrying amount) is composed of the following balance-sheet items and off-balance-sheet items

Credit risk, loans, advances and guarantees

Balance-sheet items

Loans, advances and other receivables at amortized cost	41,345.6	38,039.3
Impairment account for loans, advances and other receivables	1,809.9	1,783.1

Off-balance-sheet items

Guarantees, etc.	12,334.1	9,585.2
Impairment account for guarantees	67.0	42.9

Credit exposure (carrying amount), loans, advances and guarantees, total **55,556.6** **49,450.5**

Financial credit risk

Bonds at fair value 14,936.1 **16,053.6**

Receivables from credit institutions and central banks 2,178.8 **2,741.3**

Positive fair value of derivative instruments, financial institutions 285.3 **427.3**

Credit exposure (carrying amount), financial credit risk, total **17,400.2** **19,222.2**

Breakdown of Spar Nord's exposures by business area

The customer portfolio is divided into five groups as part of the ongoing risk monitoring:

- 1) Retail customers – Local banks
- 2) Business customers – Local banks
- 3) Public-sector customers
- 4) Financial customers
- 5) Leasing activities

The Group's total loans, advances and guarantees before offsetting of impairment amounted to DKK 55.6 billion (2015: DKK 49.5 billion). The development appears from figure 1.

As appears from figure 1, retail customers' exposures increased by DKK 2.6 billion in 2016, or 13.2%. During the same period, the amount of mortgage-credit loans arranged through Totalkredit increased by DKK 2.9 billion. Thus, the overall growth in exposures to retail customers amounted to DKK 5.5 billion in 2016, equal to 70%.

Exposures to business customers rose by DKK 1.0 billion in 2016, breaking down into a DKK 0.5 billion increase in lending and a DKK 0.5 billion increase in guarantees.

The total realized increase in exposures to business customers, incl. leasing and mortgage-credit loans arranged, amounted to DKK 2.2 billion, equal to 6.1%.

Lending to public-sector customers decreased by DKK 0.2 billion in 2016.

SPAR NORD'S EXPOSURE BY CATEGORY

(DKK bn)

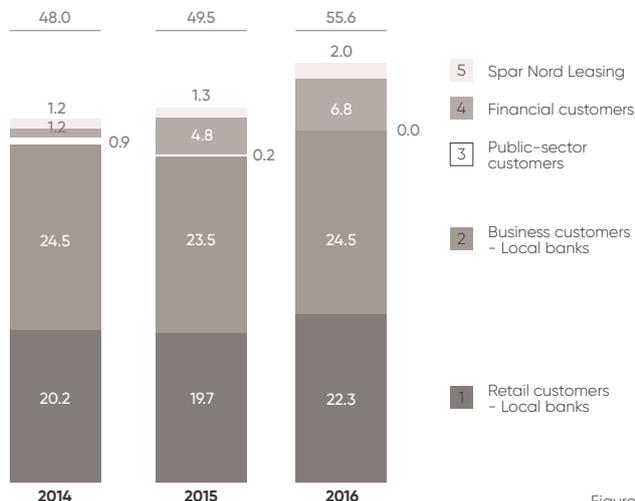


Figure 1

CLASSIFICATION OF CUSTOMERS

Spar Nord has developed methods and IT tools for controlling and monitoring credit risks. One tool used for monitoring purposes is the Bank's credit analysis system, in which key data regarding credit exposures and customers' financial affairs is recorded. The aim is to detect danger signals from individual exposures at an early stage, while also monitoring portfolios and organizational units.

Rating systems are used at the local level to grant credit facilities. Thus, customers in the rating groups accorded the least risk exposure are likelier to be given higher credit limits or extensions than those with the greatest risk exposure. In addition, the systems are used for managing overdrafts and for pricing purposes.

As an element in Spar Nord's credit processing, all non-defaulting customers are risk-classified according to the probability that the individual customer defaults within the next 12 months. Customers are divided into groups 1 to 9, with group 9 containing customers subject to the highest risk. The probability of default is estimated statistically by means of the Bank's rating systems which are based on various models for the different customer segments.

The model applied to business customers employs three components: An accounting component used to risk classify the customer based on his most recent financial statements. A behavioural component that classifies the customer based on his account behaviour and credit authorization history. The third component is a cyclical element that is used to adjust the classification based on cyclical trends.

For retail customers, the model is exclusively based on a behavioural component and a cyclical component.

New retail customers are risk-classified according to an application scoring model that is based on classical credit performance indicators, such as assets, pay, disposable income, etc. This model is based on a combination of a statistical and an expert model. After six months, customers are subjected to a behavioural scoring scrutiny, and the results obtained using the two models are co-weighted in the transitional period until the twelfth month, after which the rating is based on the behavioural model exclusively.

New business customers are classified based on the accounting component and the cyclical component until the sixth month, at which time the behavioural component is also applied.

Moreover, Spar Nord applies a qualitative risk classification, in which the Spar Nord adviser flags the credit quality as weak if a customer shows signs of default risk. For retail customers, these signs of default risk may for instance be divorce, unemployment, etc., and for business customers they could be marketing difficulties, the loss of key employees or suppliers, etc.

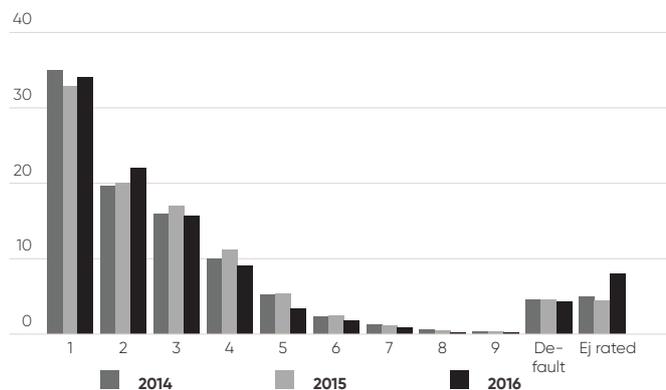
Retail customers flagged as having a weak credit quality and not being in default will be downgraded by one rating group; it should be noted that a customer flagged as having a weak credit quality does not qualify for rating in the best rating groups (one and two). Business customers are rated based on two categories, customers flagged as having a weak credit quality and customers not flagged, using two different models. However, both models are based on the same components.

Public-sector customers and financial customers are not subject to risk classification.

New business customers with no available financial statements (primarily newly established companies) are not rated for the first six months. Likewise, some new retail customers will not be subjected to application scoring, and thus not rated, for the first six months.

EXPOSURES TO RETAIL CUSTOMERS BY RISK GROUP *)

(%)



*) Ekskl. SparXpres.

Figure 2

AVERAGE RISK GROUP *)

	2014	2015	2016
Average risk group	2.7	2.8	2.7

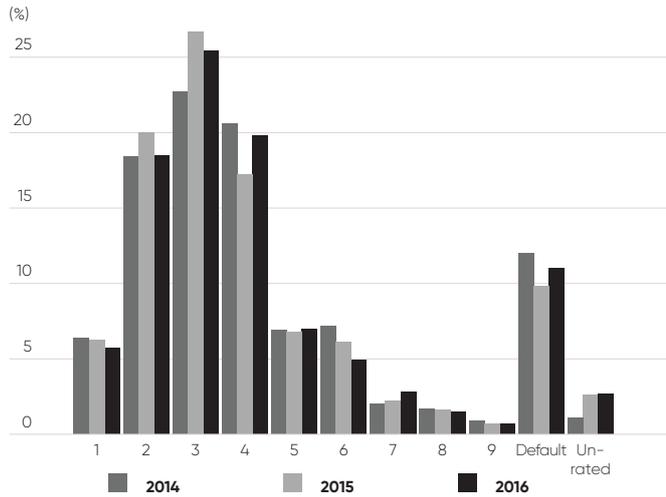
*) Exposure after impairment

Figure 3

As appears from figure 3, the average credit quality of retail customers improved slightly from 2015 to 2016. The average rating has been calculated at 2.7, a minor decline on 2015.

2016 saw an increase in retail customers not rated, which is due to the Group's migration to the platform of a new data-processing centre. After the migration, the credit models could not operate for a few months, but are now back to normal operation.

EXPOSURES TO BUSINESS CUSTOMERS BY RATING GROUP *)



*) Excl. public-sector customers

Figure 4

AVERAGE RISK GROUP *)

	2014	2015	2016
Average risk group	4.1	4.0	4.1

*) Exposure after impairment and excl. public-sector customers

Figure 5

Figure 4 shows the development in the rating of business customers, from which it appears that the average credit quality declined slightly. The average rating group was calculated at 4.1 at end-2016. The deterioration is mainly attributable to a minor increase in customers in default.

Agriculture

Loans, advances and guarantees to the agricultural sector totalled DKK 3.4 billion at end-2016, equal to 6.1%. At end-2015, the exposure to the sector was DKK 3.5 billion, equal to 7.0%. Thus, the overall exposure to the agricultural sector diminished by DKK 0.1 billion from end-2015 to end-2016. This development reflects a minor decline in lending and a slight increase in guarantees.

Leasing loans amounted to DKK 0.4 billion at end-2016 against DKK 0.3 billion at end-2015.

AGRICULTURAL EXPOSURE EXCL. LEASING BY RATING GROUP

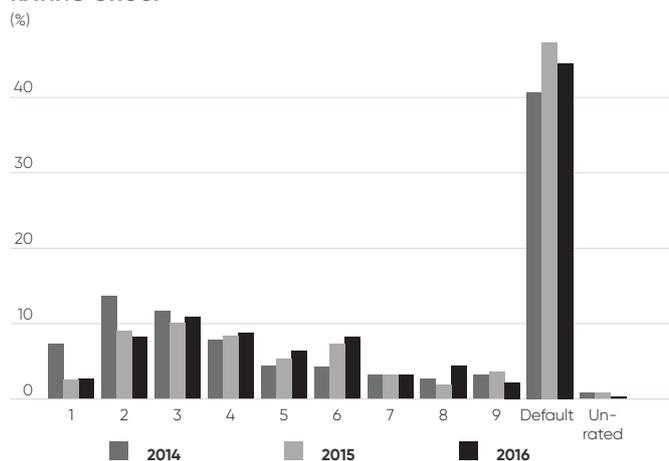


Figure 6

AVERAGE RISK LEVEL – AGRICULTURE *)

	2014	2015	2016
Average risk group	6.0	6.6	6.3

*) Exposure after impairment

Figure 7

As appears from figure 7, the average credit quality improved in 2016, primarily because the default group shrank.

Spar Nord pursues the principle that if agricultural customers fail to deliver positive returns at the breakeven prices of DKK 950/kg (without supplementary payment) fixed by the Bank for pork, and DKK 2.20/kg (without supplementary payment) for milk, this is defined as OEI. Breakeven prices are calculated based on financing at a 4% fixed interest rate for all the interest-bearing debt, regardless of the concrete financing chosen for a specific exposure. If realistic results cannot be obtained on these conditions, the exposure will be subjected to an impairment calculation. Spar Nord anticipates that in 2017 the settlement prices for milk will improve slightly compared to the average for 2016. Spar Nord expects the settlement prices for pork in 2017 to be on a par with the prices fetched in 2016.

Spar Nord's calculation of collateral values of agricultural properties is in accordance with the Danish Financial Supervisory Authority's most recent guidelines, i.e. that the land values in Spar Nord's primary market area range between DKK 125,000 and DKK 160,000 per hectare. Farm buildings are assessed in relation to their age, condition, etc. Farm buildings are measured at their fair value, which means that obsolete buildings are measured at DKK 0. Other agricultural assets such as livestock, stocks, equipment, etc. are recognized at 80% of their carrying amount. A 5% haircut is applied to all of the above-mentioned values.

Spar Nord's total impairment of agricultural loans amounted to DKK 755.1 million, compared to DKK 831.5 million at end-2015, equal to 22.2% for 2016 and 24.1% for 2015.

In 2016, the profit impact from loan impairment amounted to DKK 121.2 million in 2016 (2015: DKK 310.4 million), and losses of DKK 226.1 million (2015: DKK 130.9 million) were recognized.

The agricultural sector has been operating under harsh conditions in recent years, which has necessitated major writedowns for impairment. The sector was still considered to face major debt repayment problems at end 2016. However, the higher settlement prices currently fetched will lessen the liquidity challenges faced by this business sector.

Despite the respectable increase in settlement prices, it will still be necessary to wind up a number of agricultural holdings that have severe problems in coping with either low efficiency or high debt. Overall, the portfolio of agricultural customers is still considered to be spread satisfactorily across production lines.

Concentration risk

Exposure to individual customers or a group of related customers, after adjusting for the impact of credit risk reduction and exceptions, etc., may not exceed 25% of the adjusted own funds according to CRR. Based on the Danish Financial Supervisory Authority's Diamond Test Model, the sum total of exposures amounting to 10% or more of the adjusted own funds may not exceed 125% of own funds. However, this calculation may exclude exposures to financial institutions that do not exceed EUR 150 million after adjustments.

Spar Nord reports Large exposures to the Danish Financial Supervisory Authority and the EBA on a quarterly basis to comply with these rules.

Spar Nord has internally introduced a more conservative cap on exposures of DKK 500 million. Exposures to trading partners in the financial sector and repo transactions and reverse repo transactions are not included for the purpose of calculating the Group's cap of DKK 500 million.

The Spar Nord Group has not had exposures to non-financial businesses or groups that exceed these limits.

The table below shows credit exposures to groups totalling 10% or more of adjusted own funds calculated according to CRR, adjusted for the impact of credit reduction and exceptions, etc.

Credit exposure *)	2016 No.	2016 DKK m	2016 %	2015 No.	2015 DKK m	2015 %
The Spar Nord Group	Number of Groups	Exposure	Exposure	Number of Groups	Exposure	Exposure
DKK m						
Exposures > 10 % of adjusted own funds calculated according to CRR	1	1,220.7	14.5	1	1,273.1	16.1

*) Total exposure has been calculated in accordance with the Danish Financial Supervisory Authority's guidelines on the reporting of financial statements.

Exposures > 10% consist of exposures to trading partners in the financial sector.

In relation to the Danish Financial Supervisory Authority's benchmark for large exposures, which may not exceed 175% of the institution's Common Equity Tier 1 (CET1), Spar Nord's large exposures amounted to 73.5% at end-2016.

**LOANS, ADVANCES AND GUARANTEES
BROKEN DOWN BY EXPOSURE *)**

DKK m	Number 2016	Number 2015	Share in % 2016	Share in % 2015
0 - 0.1	50,124	51,827	1.3	1.5
0.1 - 0.5	34,992	34,920	11.2	12.3
0.5 - 1.0	12,445	11,490	11.9	11.9
1.0 - 5.0	8,017	6,985	26.4	23.7
5.0 - 10.0	891	851	9.5	8.9
10.0 - 20.0	388	406	8.7	8.9
20.0 - 50.0	248	233	12.1	11.5
50.0 - 100.0	66	73	7.2	8.3
100.0 -	47	46	11.7	13.0
Total	107,218	106,831	100.0	100.0

*) Excl. reverse repo transactions and SparXpres

Figure 8

A breakdown by exposure size shows that Spar Nord's portfolio of loans, advances and guarantees is well-diversified, as 60.3% (2015: 58.3%) is attributable to exposures of less than DKK 10 million, and as Spar Nord only has 47 exposures (2015: 46) of more than DKK 100 million.

COLLATERAL ACCEPTED

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. whenever possible. Mortgages on real property and charges over securities and vehicles make up the most common type of collateral, of which mortgages on real property are by far the most important collateral type provided to Spar Nord. Mortgages on real property consist mainly of mortgages on private housing.

MORTGAGES BROKEN DOWN BY PROPERTY TYPE

	2016		2015	
	DKK m	Share in %	DKK m	Share in %
Private housing	12,913.2	55.4	12,166.2	54.3
Summer cottages	953.2	4.1	922.5	4.1
Offices and businesses	2,434.3	10.4	2,874.1	12.9
Agriculture	3,757.3	16.1	3,498.1	15.6
Other	3,253.3	14.0	2,934.6	13.1
Total	23,311.3	100.0	22,395.5	100.0

Figure 9

GEOGRAPHICAL BREAKDOWN OF MORTGAGES

	%	
	2016	2015
The Capital Region	14.4	14.0
Mid-Jutland Region	20.5	20.3
North Jutland Region	40.1	42.0
Region Zealand	9.5	9.2
Region South Denmark	11.9	11.6
International activities	3.6	2.9
Total	100.0	100.0

Figure 10

Spar Nord monitors the value of the collateral furnished on an ongoing basis. If the risk attaching to a counterparty increases, the collateral is subjected to 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.

Spar Nord's evaluation of mortgages on rental properties is based on the capacity of the properties to generate a return. Various requirements are made with regard to the rate of return, depending on the use of the property, the condition of the buildings and the physical location in Denmark. Residential rental property is valued on the basis of a required rate of return in the 4.5-10.0% range (2015: 4.5-10.0%).

THE GROUP'S UNSECURED SHARE OF CREDIT EXPOSURE

	Spar Nord The Group 2016	Spar Nord The Group 2015
Unsecured share of credit exposure, %		
< 10	43.8	38.7
10 - 50	20.8	21.5
50 - 75	9.4	10.7
> 75	26.0	29.1
Average unsecured share of credit exposure	37.2	41.2

The decline in the unsecured share of credit exposure is primarily attributable to a major increase in reverse repo transactions (lending) of DKK 2.1 billion, which singly reduces the unsecured share by 1.4 percentage points.

THE GROUP'S UNSECURED SHARE OF CREDIT EXPOSURE

Line of business	2016		2015	
	DKK m	%	DKK m	%
Public authorities	36.8	99.6	259.9	99.8
Agriculture, hunting and forestry	1,141.6	33.6	1,130.6	32.8
Fisheries	46.3	43.3	53.8	52.9
Industry and raw mat. extraction	908.4	34.3	878.3	35.0
Energy supply	536.2	30.7	636.7	31.8
Building and construction	708.8	36.8	627.6	41.0
Trade	1,846.7	47.9	1,766.2	49.9
Transport, hotels and restaurants	487.6	29.1	485.9	31.8
Information and communication	91.9	47.1	61.4	49.8
Financing and insurance	1,764.1	19.6	1,656.7	25.1
Real estate	2,386.2	39.7	2,548.1	46.4
Other business areas	1,184.2	44.8	1,374.2	54.5
Business customers, total	11,138.8	33.5	11,479.4	38.7
Retail customers, total	9,508.0	42.6	8,877.2	44.9
Total	20,646.8	37.2	20,356.6	41.2

Figure 11

In the event that Spar Nord calls up collateral that cannot easily be converted to cash, Spar Nord pursues the policy of attempting to dispose of such assets as soon as possible.

In 2016, the Group repossessed equipment and took over properties worth DKK 23.7 million (2015: DKK 15.9 million) in connection with non-performing loans.

The leased assets are valued and depreciated on an ongoing basis. Thus, in periods of declining prices for leased assets, the collateral calculated for the Bank's leasing activities is reduced.

**THE SPAR NORD GROUP
COLLATERAL AND CATEGORY**

	2016 DKK m	2015 DKK m
Collateral accepted		
Credit exposure, carrying amount	55,556.6	49,450.5
Value of collateral	34,909.8	29,093.9
Unsecured, total	20,646.8	20,356.6
Type of collateral		
Properties	14,246.4	13,771.2
Custody accounts / securities	7,318.6	5,042.2
Guarantees / suretyships	486.5	370.7
Vehicles	655.8	708.8
Cash	507.8	511.1
Other collateral	4,092.7	3,687.0
Collateral used, total	27,307.8	24,091.0
Spec. secured trans. (mortgage-credit inst. guarantees)	5,926.9	3,785.9
Total collateral accepted, excl. Spar Nord Leasing	33,234.7	27,876.9
Collateral accepted, leasing activities	1,675.1	1,217.0
Total	34,909.8	29,093.9

Figure 12

The reason that the property value under mortgages broken down by property type is calculated at DKK 23.3 billion (2015: DKK 22.4 billion) and that only DKK 14.2 billion (2015: DKK 13.8 billion) is recorded as collateral on the properties in the table above is that DKK 23.3 billion (2015: DKK 22.4 billion) is the amount mortgaged to Spar Nord and recorded as collateral, while DKK 14.2 billion (2015: DKK 13.8 billion) is the share actually used for calculating collateral regarding an exposure. Some exposures are smaller than the collateral value, and collateral has also been provided by customers who do not currently have any loans and credit facilities.

Impairment account	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
<i>Individual impairment of loans and advances</i>				
Individual impairment, beginning of year	1,645.6	1,648.5	1,645.6	1,648.5
New individual impairment	600.7	623.0	600.7	623.0
Reversal of individual impairment losses	318.9	334.6	318.9	334.6
Previously written down, now definitively lost	304.2	374.7	304.2	374.7
Other movements	63.1	83.4	63.1	83.4
Individual impairment, end of year	1,686.3	1,645.6	1,686.3	1,645.6
<i>Groups of impairment losses, loans and advances</i>				
Groups of impairment losses, beginning of year	137.5	162.6	137.5	162.6
New groups of impairment losses	0.0	9.6	0.0	9.6
Reversal of groups of impairment losses	15.2	34.7	15.2	34.7
Other movements	1.3	0.0	1.3	0.0
Groups of impairment losses, end of year	123.6	137.5	123.6	137.5
<i>Total impairment of loans and advances</i>				
Impairment, beginning of year	1,783.1	1,811.1	1,783.1	1,811.1
New impairment	600.7	632.6	600.7	632.6
Reversal of impairment losses	334.1	369.3	334.1	369.3
Previously written down, now definitively lost	304.2	374.7	304.2	374.7
Other movements	64.4	83.4	64.4	83.4
Impairment, end of year	1,809.9	1,783.1	1,809.9	1,783.1
<i>Impairment recognized in the income statement</i>				
New impairment	600.7	632.6	600.7	632.6
Reversal of impairment losses	334.1	369.3	334.1	369.3
Losses without prior impairment	114.3	168.3	114.3	168.3
Carried to income, previously written off	115.9	67.2	115.9	67.2
Recognized in the income statement	265.0	364.4	265.0	364.4
<i>Provisions for losses on guarantees</i>				
Provisions, beginning of year	42.9	33.9	42.9	33.9
New provisions	45.8	22.6	45.8	22.6
Reversal of provisions	21.7	13.6	21.7	13.6
Provisions for losses on guarantees, end of year	67.0	42.9	67.0	42.9
<i>Provisions for losses on guarantees recognized in the income statement</i>				
New provisions	45.8	22.6	45.8	22.6
Reversal of provisions	21.7	13.6	21.7	13.6
Recognized in the income statement	24.1	9.0	24.1	9.0
Impairment account for loans, advances and provisions for guarantees, total	1,876.9	1,826.0	1,876.9	1,826.0
<i>Impairment, other credit risks</i>				
Impairment, other credit risks, beginning of year	10.5	10.5	10.5	10.5
New impairment	3.5	0.0	3.5	0.0
Reversal of impairment losses	0.6	0.0	0.6	0.0
Other movements	0.6	0.0	0.6	0.0
Impairment, other credit risks, total	14.0	10.5	14.0	10.5
Impairment account for loans, advances, provisions for guarantees and other credit risks, total	1,890.9	1,836.5	1,890.9	1,836.5
Impairment of loans, advances and receivables, etc.				
<i>The total recognition in the income statement under impairment of loans, advances and receivables, etc. can be broken down as follows:</i>				
Impairment of loans, advances and receivables	265.0	364.4	265.0	364.4
Provisions for losses on guarantees	24.1	9.0	24.1	9.0
Impairment, credit institutions	2.9	0.0	2.9	0.0
Total impairment of loans, advances and receivables, etc.	292.0	373.4	292.0	373.4
Non-performing loans	176.9	281.3	176.9	281.3
<i>Interest on impaired receivables is calculated on the impaired balance only</i>				
Interest on impaired loans and advances taken to income	65.0	83.4	65.0	83.4

Exposures and impairment by industry	2016				2015			
	Loans, advances and guarantees		Total impairment		Loans, advances and guarantees		Total impairment	
	DKK m	%	DKK m	%	DKK m	%	DKK m	%
<i>Business customers</i>								
Public authorities	36.9	0.1	0.0	0.0	260.5	0.5	0.0	0.0
Agriculture, hunting, forestry and fisheries	3,500.8	6.3	757.1	40.3	3,551.9	7.2	833.6	45.6
Industry and raw materials extraction	2,645.8	4.8	46.4	2.5	2,506.0	5.1	50.8	2.8
Energy supply	1,746.3	3.1	28.2	1.5	1,999.7	4.0	13.7	0.8
Building and construction	1,925.4	3.5	56.7	3.0	1,527.3	3.1	57.1	3.1
Trade	3,856.6	6.9	83.0	4.4	3,539.3	7.2	90.8	5.0
Transport, hotels and restaurants	1,672.9	3.0	62.7	3.4	1,524.1	3.1	44.2	2.4
Information and communication	195.2	0.3	5.7	0.3	123.2	0.2	0.9	0.0
Financing and insurance	8,995.8	16.2	97.9	5.2	6,617.7	13.4	48.5	2.7
Real estate	6,008.1	10.8	278.1	14.8	5,496.0	11.1	228.8	12.5
Other business areas	2,642.5	4.8	82.6	4.4	2,523.8	5.1	55.9	3.1
Business customers, total	33,226.3	59.8	1,498.4	79.8	29,669.5	60.0	1,424.3	78.0
Retail customers, total	22,330.3	40.2	378.5	20.2	19,781.0	40.0	401.7	22.0
Loans, advances and guarantees, total	55,556.6	100.0	1,876.9	100.0	49,450.5	100.0	1,826.0	100.0
<i>Of which groups of impairment losses</i>								
Retail customers			22.1	17.2			29.5	21.5
Business customers			101.5	82.8			108.0	78.5
Groups of impairment losses			123.6	100.0			137.5	100.0

In connection with Spar Nord's ongoing credit risk management, groups of impairment losses are not allocated to various industries but instead recognized as a combined item, broken down by retail and business customers, as groups of impairment losses have been calculated based on rating models.

Individually impaired loans, etc.

The Spar Nord Group/Spar Nord Parent Company

	2016 DKK m	2015 DKK m
<i>Loans, advances and receivables</i>		
Sum total of loans, advances and receivables for which individual impairment has been recognized	3,740.2	3,567.3
Impairment of loans, advances and receivables	1,686.3	1,645.6
Carrying amount of loans, advances and receivables	2,053.9	1,921.7
<i>Guarantees</i>		
Sum total of guarantees for which individual provisions have been made	247.8	152.4
Provisions for guarantees	67.0	42.9
Carrying amount of guarantees	180.8	109.5

The impairment account for individual impairment shown by cause of impairment

	2016		2015	
	Credit exposure before impairment DKK m	Impairment DKK m	Credit exposure before impairment DKK m	Impairment DKK m
Individual impairment of loans, advances, receivables and guarantees				
Insolvent liquidation and bankruptcy	199.1	141.9	100.7	72.5
Collection or suspension of payments	186.6	123.3	255.0	156.6
Other financial difficulties	3,602.3	1,488.1	3,364.0	1,459.4
Individual impairment of loans, advances, receivables and guarantees, total	3,988.0	1,753.3	3,719.7	1,688.5

Virtually all cases of insolvent liquidation and bankruptcy are attributable to business facilities.

The collateral for individually impaired loans and for loans in default that have not been individually impaired does not differ significantly from Spar Nord's other collateral.

FORBEARANCE

A loan facility is defined as being subject to forbearance if the conditions regarding interest payments and/or repayments have been relaxed on account of the borrower's financial difficulties, or if the loan has been refinanced on more lenient terms.

At Spar Nord, forbearance is considered objective evidence of impairment (OEI), and the terms are deemed to have been relaxed if business customers with OEI are granted an interest rate of less than 3%. For retail customers, the terms are considered to have been relaxed if they are granted an interest rate of less than 3.5%. Moreover, repayment terms are considered to be relaxed for retail customers if the term to maturity exceeds 20 years. The terms of a home loan will typically have been fixed prior to any OEI and will therefore not be included for the purpose of identifying facilities with relaxed terms, regardless of whether the above criteria have been met.

Non-performing loans (NPL)

Non-performing loans (NPL) are defined as the category of exposures that are in default (in terms of the Basel criteria) and/or impaired, i.e. exposures towards customers whose balances have been written off, written down or are past due by 90 days.

Figure 13 below shows a breakdown of loans and advances for which the terms have been relaxed.

Loand and advances subject to forbearance (DKK m)	2016			
	Business customers	Agricultural customers	Retail customers	Total
Non-Performing	591.3	616.6	186.5	1,394.4
Performing	84.7	5.4	22.1	112.2
Total	676.0	622.0	208.6	1,506.6

Loand and advances subject to forbearance (DKK m)	2015			
	Business customers	Agricultural customers	Retail customers	Total
Non-Performing	582.2	524.8	244.2	1,351.2
Performing	123.2	26.6	22.8	172.6
Total	705.4	551.4	267.0	1,523.8

Figure 13

Claims due, but not impaired

The Group DKK m	Total			
	In default 31.12.16	Collateral 31.12.16	In default 31.12.15	Collateral 31.12.15
0 - 30 days	120.7	116.0	126.4	117.0
31 - 60 days	5.8	5.7	10.5	10.3
61 - 90 days	2.3	2.3	1.4	1.4
> 90 days	8.5	8.2	5.5	5.4
Total	137.3	132.2	143.8	134.1

Figure 14

UNAUTHORIZED OVERDRAFTS

Developments in unauthorized overdrafts are monitored on an ongoing basis at the Bank. The development can be seen from figures 15 and 16 below, which include a trendline for developments from month to month in the past two years. Retail customers' unauthorized overdrafts remained at a stable low level of less than 0.6% during the year. The unauthorized overdrafts of business customers, excl. agricultural customers, also remained at a low level throughout the period, averaging about 0.3% of the loans and advances granted by Spar Nord's Local Banks. This is considered satisfactory.

BUSINESS CUSTOMERS – LOCAL BANKS – DEVELOPMENT IN UNAUTHORIZED OVERDRAFTS/EXP. IN DEFAULT (%)

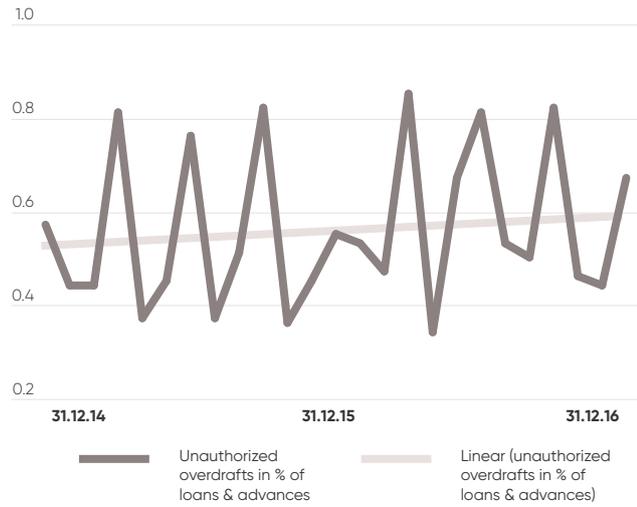


Figure 15

BUSINESS CUSTOMERS – LOCAL BANKS – DEVELOPMENT IN UNAUTHORIZED OVERDRAFTS/EXP. IN DEFAULT (%)

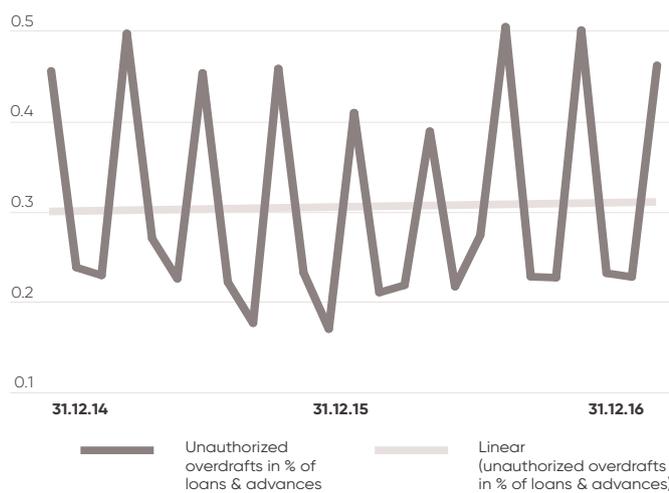


Figure 16

FINANCIAL CREDIT RISK

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

Spar Nord's Management allocates lines for 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 monitored constantly.

FINANCIAL CREDIT RISK	31.12.16	31.12.15	31.12.16	31.12.15
THE GROUP	Carrying amount	Carrying amount	Risk portfolio	Risk portfolio
	DKK m	DKK m	DKK m	DKK m
AAA	14,786.9	15,244.8	14,036.7	15,843.5
AA	350.0	944.8	350.0	944.8
A	1,336.3	1,534.3	1,335.9	1,534.3
BBB	591.8	1,190.8	591.8	1,190.8
BB	75.1	61.7	75.1	61.8
B	14.8	16.9	14.8	16.9
CCC	0.8	0.8	0.8	0.8
Unrated	244.5	227.7	239.8	226.1
Unallocated	0.0	0.4	0.0	0.4
Total	17,400.2	19,222.2	16,644.9	19,819.4

Overall, Management's assessment is that Spar Nord's credit risk exposure to financial counterparties remains at a moderate level, as 94.5% (2015: 92.4%) of the financial credit risk is attributable to counterparties with a rating of A or higher.

BOND PORTFOLIO

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

BOND PORTFOLIO BY ISSUER TYPE	31.12.16	31.12.15	31.12.16	31.12.15
THE GROUP	Carrying amount	Carrying amount	Risk portfolio	Risk portfolio
	DKK m	DKK m	DKK m	DKK m
Mortgage-credit bonds	12,989.7	13,683.0	12,299.4	14,319.4
Financial issuers	1,072.6	1,700.0	1,068.2	1,700.0
Corporate bonds	270.5	304.6	270.5	303.1
Government bonds	603.3	366.0	542.7	328.3
Total	14,936.1	16,053.6	14,180.8	16,650.8

Calculated as risk portfolio, Spar Nord's bond portfolio is composed of 86.8% mortgage-credit bonds (2015: 86.0%), 7.5% bonds from financial issuers (2015: 10.2%) and 5.7% from corporate bonds (2015: 3.8%).

BOND PORTFOLIO BY RATING	31.12.16	31.12.15	31.12.16	31.12.15
THE GROUP	Carrying amount	Carrying amount	Risk portfolio	Risk portfolio
	DKK m	DKK m	DKK m	DKK m
AAA	13,334.2	13,904.2	12,584.0	14,502.9
AA	158.0	316.1	158.0	316.1
A	824.6	624.9	824.2	624.9
BBB	388.1	1,017.0	388.1	1,017.0
BB	73.2	60.2	73.2	60.3
B	14.8	16.9	14.8	16.9
CCC	0.8	0.8	0.8	0.8
Unrated	142.4	113.5	137.7	111.9
Total	14,936.1	16,053.6	14,180.8	16,650.8

Receivables from credit institutions

The other major source of financial credit risk is receivables from 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.

RECEIVABLES FROM CREDIT INSTITUTIONS BY PRODUCT TYPE

THE GROUP	31.12.16 Carrying amount DKK m	31.12.15 Carrying amount DKK m	31.12.16 Risk portfolio DKK m	31.12.15 Risk portfolio DKK m
Reverse repo transactions	1,452.8	1,340.6	1,452.8	1,340.6
Deposits and unlisted bonds	73.0	50.0	73.0	50.0
Subordinated loans	0.0	6.5	0.0	6.5
Current accounts	125.9	303.7	125.9	303.7
CSA accounts, etc.	527.1	1,020.2	527.1	1,020.2
Commercial foreign business	0.0	20.3	0.0	20.3
Total	2,178.8	2,741.3	2,178.8	2,741.3
Positive fair value of derivative instruments, financial institutions	285.3	427.3	285.3	427.3
Total	2,464.1	3,168.6	2,464.1	3,168.6

RECEIVABLES FROM CREDIT INSTITUTIONS BY RATING

THE GROUP	31.12.16 Carrying amount DKK m	31.12.15 Carrying amount DKK m	31.12.16 Risk portfolio DKK m	31.12.15 Risk portfolio DKK m
AAA	1,452.7	1,340.6	1,452.7	1,340.6
AA	192.0	628.7	192.0	628.7
A	511.7	909.4	511.7	909.4
BBB	203.7	173.8	203.7	173.8
BB	1.9	1.5	1.9	1.5
Unrated	102.1	114.2	102.1	114.2
Unallocated	0.0	0.4	0.0	0.4
Total	2,464.1	3,168.6	2,464.1	3,168.6

87.5% (2015: 90.9%) of Spar Nord's receivables from credit institutions concerns institutions with an A rating or higher. Of the total receivables from credit institutions of DKK 2.5 billion (2015: DKK 3.2 billion), 58.9% (2015: 42.3%) is attributable to institutions with an AAA rating, 7.8% (2015: 19.9%) to institutions with an AA rating, and 20.8% (2015: 28.7%) to institutions with an A rating.

Receivables from credit institutions with no rating are mainly attributable to Danish financial institutions.

NOTE

52 **MARKET RISK**

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

In 2016, Spar Nord made no major changes in assumptions, objectives, policies, exposures and calculation methods, etc. as compared to the year before.

Spar Nord's Board of Directors 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 methodology to be used in calculating the various risk targets. The Board of Directors receives continuous reporting on risk developments and the utilization of allocated risk limits.

The aim of Spar Nord's market risk policy is to ensure that Spar Nord has a market risk that at all times bears an appropriate relation to its capital base. Moreover, the market risk policy must ensure that Spar Nord continuously handles and manages its market risks on the basis of appropriate and updated procedures.

For its management of market risks, Spar Nord has established a three-tier instruction hierarchy. At the first tier, the Board of Directors defines the limits for Spar Nord to the Executive Board. At the second tier, the Executive Board delegates limits to the entities of Spar Nord, with the Trading, Financial Markets & the International Division being the distinctly largest entity. At the third and last tier, 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, controlling and reporting market risks to the Board of Directors and the Executive Board. Market risks are controlled and 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.

As part of the instruction hierarchy, a number of limits have been set that are used to manage risks. In the long term, these limits are influenced by Spar Nord's business development.

The most important limits applicable at the end of 2016 allow Spar Nord to:

- have a net interest-rate risk of 2.7% measured in relation to Spar Nord's core capital (T1) in case of a 1 percentage point increase in the interest rate;
- acquire bonds, measured in terms of the risk portfolio, for DKK 22 billion;
- acquire listed shares for DKK 400 million.

Interest-rate risk

The interest-rate risk is the risk of loss due to fluctuating interest rates. The majority of Spar Nord's interest-rate risks derive from activities involving ordinary banking transactions, such as deposits and lending, as well as trade and position-taking in a number of interest-related products. Most of these activities incorporate simple interest-rate products such as interest swaps, bonds, futures and standard interest-rate options.

The interest-rate risk is calculated on the basis of the target duration and agreed cash flow. For managing the portfolio of Danish mortgage-credit bonds, the Bank uses model-based key risk indicators that provide for the inherent option element. For interest-rate options, the above-mentioned key indicators are supplemented by the most important risk factors expressing the sensitivity of the option premium based on the underlying parameters.

The interest-rate risk is assessed on a daily basis and decisions are made in light of expectations for the macroeconomic situation and market developments. Spar Nord converts the interest-rate risk in foreign currencies into Danish kroner and offsets the negative interest-rate risk against the positive one to calculate the net interest-rate risk.

The interest-rate risk broken down by currency and duration is shown below, where the interest-rate risk denotes the expected loss on interest-rate positions due to a change in the interest rate of one percentage point.

INTEREST-RATE RISK SHOWN BY DURATION AND CURRENCY (DKK M)

2016	Less than 3 mths	3 mths - 1 year	1 - 3 years	3 - 7 years	Over 7 years	Total
DKK	12.8	-7.8	5.5	13.5	55.0	79.0
EUR	2.7	4.3	-12.9	-1.4	7.2	-0.1
USD	1.4	0.1	0.4	0.3	0.0	2.2
GBP	0.0	0.0	0.0	0.1	0.0	0.1
NOK	-0.1	0.0	0.0	0.0	0.0	-0.1
CHF	0.4	-0.1	0.0	0.0	0.0	0.3
JPY	0.0	0.0	0.0	0.0	0.0	0.0
SEK	0.5	-0.1	-0.7	0.1	0.0	-0.2
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
Total	17.7	-3.6	-7.7	12.6	62.2	81.2

2015	Less than 3 mths	3 mths - 1 year	1 - 3 years	3 - 7 years	Over 7 years	Total
DKK	7.0	21.2	5.5	19.0	46.8	99.5
EUR	0.6	6.1	-6.7	-5.0	10.5	5.5
USD	-0.2	-1.0	0.1	4.1	0.6	3.6
GBP	0.0	0.1	0.1	0.3	0.0	0.5
NOK	-0.1	0.0	0.0	0.1	0.0	0.0
CHF	0.1	-0.4	-0.3	0.0	0.0	-0.6
JPY	0.0	0.0	0.0	0.0	0.0	0.0
SEK	0.3	-0.1	0.7	-0.3	0.0	0.6
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
Total	7.7	25.9	-0.6	18.2	57.9	109.1

As appears from the table, Spar Nord is mainly exposed to DKK (2015: DKK). It also appears that since end-2015, the interest-rate risk has gone from being positive in the amount of DKK 109.1 million to being positive in the amount of DKK 81.2 million at end-2016.

If the yield curves are displaced parallel to each other upwards by one percentage point, a positive interest-rate risk would impact the equity negatively. In 2016, the interest-rate risk would, as a maximum, have impacted the equity negatively by 2.1% (2015: positively by 0.4% and negatively by 2.1%) if interest rates had increased by one percentage point.

FOREIGN-EXCHANGE RISK

The foreign-exchange risk is the risk of loss on positions in currencies due to exchange-rate fluctuations. Foreign-exchange options are included in the calculation of the Delta-adjusted position.

The foreign-exchange risk is illustrated by the table below. The calculation is based on the assumption that all exchange rates develop unfavourably for Spar Nord by 2%.

FOREIGN-EXCHANGE RISK	Spar Nord The Group 31.12.16 DKK m	Spar Nord The Group 31.12.15 DKK m	Spar Nord Parent Company 31.12.16 DKK m	Spar Nord Parent Company 31.12.15 DKK m
Assets denominated in foreign currencies, total	8,601.8	5,495.9	8,601.8	5,495.9
Liabilities denominated in foreign currencies, total	997.1	2,536.1	997.1	2,536.1

Foreign-exchange risk broken down by currency:

EUR	-0.8	-2.3	-0.8	-2.3
SEK	0.0	-0.5	0.0	-0.5
USD	-0.6	-1.9	-0.6	-1.9
GBP	-0.1	-0.5	-0.1	-0.5
CHF	-0.1	-0.2	-0.1	-0.2
NOK	-0.2	-0.3	-0.2	-0.3
JPY	0.0	-0.2	0.0	-0.2
Other currencies	-0.4	-0.3	-0.4	-0.3
Foreign-exchange risk regarding financial instruments, etc., total	-2.2	-6.2	-2.2	-6.2

As appears from the table, the overall foreign-exchange risk for Spar Nord was DKK -2.2 million at end-2016, which is DKK 4.0 million less than at end-2015.

This development was caused by a reduced foreign-exchange exposure to all the currencies mentioned in the table above, while the exposure to Other currencies increased.

EQUITY RISK

The equity risk is the risk of loss due to fluctuating share prices, calculated as the net value of long and short positions in shares and share-related instruments.

The equity positions have been determined depending on whether they are included in the trading book or not.

	Spar Nord The Group 31.12.16 DKK m	Spar Nord The Group 31.12.15 DKK m
<i>Equity risk in the trading book:</i>		
Listed shares in the trading book	204.6	131.8
Unlisted shares in the trading book	6.8	10.5
Total shares in the trading book	211.4	142.3

The shares in the trading book are shares acquired with a view to trading.

Equity risk in the banking book:

Shares in credit and financing institutions	1,135.4	1,109.2
Shares in unit trust management companies	78.0	82.1
Shares in pension institutions	2.1	2.1
Shares in data supplier	42.0	233.9
Shares in payment services business	0.0	5.1
Other shares	88.3	83.6
Shares in strategic partners, total	1,345.8	1,516.0
Realized gains *)	45.8	245.8
Unrealized gains	64.8	69.3
Total associates	118.4	82.4
Total shares in the banking book	1,464.2	1,598.4

*) Of which the gain on the sale of shares in Nørresundby Bank in 2015 amounted to DKK 225.6 million, which has been included in market-value adjustments.

NOTE

Shares in the banking book are characterized in that they have not been acquired with a view to trading. In addition, a distinction is made between shares in associates and shares in strategic partners.

Spar Nord's most important shareholding included under associates at end-2016 was Valueinvest Asset Management SA (2015: Valueinvest Asset Management SA).

Shares in strategic partners in the financial sector are shares in companies whose purpose is to support bank transactions in the fields of mortgage credit, payment services, unit trusts, etc. Participation in the companies in question is considered a prerequisite for Spar Nord's operations.

In several of the sector companies, the shares are reallocated such that the ownership interest of the banks will reflect the business volume of the relevant institution with the sector company. 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 warrants a change of valuation. The shares in other sector companies are not reallocated, but are measured based on a fair value, which is equal to the net asset value, or another recognized valuation method (such as discounting of cash flows and market expectations as to the required rate of return on equity). The adjustments of the values of the shares in these companies are also recognized in the income statement.

	Spar Nord The Group 31.12.16 DKK m	Spar Nord The Group 31.12.15 DKK m	Spar Nord Parent Company 31.12.16 DKK m	Spar Nord Parent Company 31.12.15 DKK m
Shares included in the trading book:				
Long positions	211.4	142.3	211.4	142.3
Short positions	1.9	2.3	1.9	2.3
Gross portfolio	213.3	144.6	213.3	144.6

Reference is made to note 21 regarding the amount of shares recognized according to the fair-value option.

SENSITIVITY ANALYSIS

The sensitivity information shows the impact of isolated changes in interest rates and prices of shares in the trading book, while the impact of changes in exchange rates is shown for positions both in the trading and banking books.

	Impact on equity		Impact on the income statement	
	31.12.16 %	31.12.15 %	31.12.16 DKK m	31.12.15 DKK m
- Interest increase of 1 percentage point	-0.8	-1.3	-66.1	-95.9
- Interest decrease of 1 percentage point	0.8	1.3	66.1	95.9
- Share price decrease of 10%	-0.2	-0.1	-16.5	-10.9
- Exchange-rate fluctuation of 2% in unfavourable direction	0.0	-0.1	-1.7	-4.7

The impact on the income statement has been calculated after tax.

The impact on equity is equal to the impact on profit or loss, calculated after tax. There is no direct impact on the equity, as there are no held-to-maturity investments.

The percentage changes in interest rate, share prices and foreign-exchange rates shown in the sensitivity analysis have been calculated in relation to the equity at the end of the year.

The sensitivity to interest-rate changes has been calculated based on changes in the net interest-rate risk relative to equity.

The sensitivity to share price decreases has been calculated based on the Bank's equity portfolio.

53 LIQUIDITY RISK

In 2016, Spar Nord made no major changes in calculation methods, policies and exposures, etc. as compared to the year before.

Spar Nord is generally exposed to liquidity risks when lending, investment and funding activities result in a cash flow mismatch.

Liquidity risk means that Spar Nord cannot meet its payment obligations, while also meeting the statutory liquidity requirements. Moreover, a liquidity risk exists if the lack of financing/funding prevents Spar Nord from adhering to the adopted business model, or if Spar Nord's costs for procurement of liquidity rise disproportionately.

Spar Nord performs cash management by currently monitoring and controlling short-term and long-term liquidity risks, based on four elements:

- Strategic liquidity
- Liquidity reserve
- Contingency liquidity plan
- Stress test

Other elements are:

- Funding structure
- Moody's "12-month scenario with no access to funding"

On the basis of the policies, objectives and contingency plans set up by the Board of Directors, the Executive Board has defined operational frameworks and specific limits for Trading, Financial Markets & the International Division, which is responsible for managing the Group's short-term liquidity, and for the Finance & Accounts Department, which is responsible for managing Spar Nord's long-term funding.

STRATEGIC LIQUIDITY

Spar Nord calculates strategic liquidity as deposits excl. repo transactions, senior loans, issued bonds, subordinated debt and equity, less lending excl. reverse repo transactions. However, subordinated debt, senior loans and issued bonds due within 12 months are not included in the calculation of strategic liquidity.

Spar Nord's strategic liquidity is used to measure the long-term liquidity position.

STRATEGIC LIQUIDITY

(DKK bn)

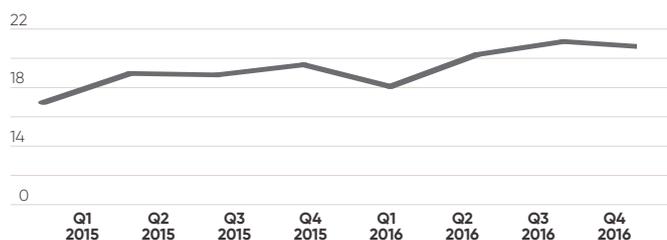


Figure 17

At end-2016, Spar Nord had strategic liquidity of DKK 20.7 billion, a DKK 1.2 billion increase on end-2015 when strategic liquidity was determined at DKK 19.5 billion.

The increase in strategic liquidity is mainly attributable to a DKK 2.1 billion growth in bank deposits, to some extent counterbalanced by a DKK 1.2 billion increase in lending to banking and leasing activities. In December 2016, Spar Nord floated Additional Tier 1 (AT1) capital of DKK 0.45 billion, which – together with consolidation – contributes positively to strategic liquidity in the amount of DKK 0.7 billion. However, DKK 0.4 billion of the subordinated debt that falls due within 12 months has impacted strategic liquidity negatively.

Subsequently, the strategic liquidity has been specified for the individual constituent parts for end-2016 and -2015, respectively.

	Spar Nord The Group 31.12.16 DKK m	Spar Nord The Group 31.12.15 DKK m
STRATEGIC LIQUIDITY		
Deposits, banking activities	46,464.2	44,366.7
Senior loans	48.8	63.6
Subordinated debt	1,093.2	1,088.8
Equity	8,627.1	7,887.0
Generation of cash	56,233.3	53,406.1
Loans and advances, banking activities	33,130.3	32,630.5
Loans and advances, leasing activities	1,961.9	1,253.7
Loans and advances (banking and leasing activities)	35,092.2	33,884.2
Senior loans and subordinated debt having a term to maturity of less than 12 months	401.0	0.0
Strategic liquidity	20,740.1	19,521.9

Figure 18

Liquidity reserve

Section 152 of the Danish Financial Business Act was phased out at end-2016, and the last statement pursuant to that section was made as of 31 December 2016. At end-2016, there were thus two statutory requirements for calculating the liquidity reserve, section 152 and LCR.

Liquidity reserve pursuant to section 152

Spar Nord's management of short-term liquidity is intended to ensure adequate, free liquidity in order that Spar Nord can at all times live up to the minimum excess liquidity coverage pursuant to section 152 of the Danish Financial Business Act and observe the 50% threshold value determined in the Diamond Test Model. Free liquidity is defined as uncollateralized highly liquid investment securities, deposits on demand with credit institutions, certificates of deposit, and cash balances.

Pursuant to section 152 of the Danish Financial Business Act, a bank's free liquidity must amount to at least 15% of its on-demand payables and at least 10% of the reduced liabilities (other than provisions) and guarantee commitments. As concerns Spar Nord, the excess coverage relative to the requirement that the free liquidity must at least amount to 15% of the Bank's on-demand payables has always been somewhat larger than the excess coverage relative to the 10% requirement. The compliance ratio relative to the requirement that the free liquidity must amount to at least 10% of the reduced liabilities (other than provisions) and guarantee commitments constituted 40.8% at end-2016 (2015: 39.6%).

COMPLIANCE RATIO RELATIVE TO THE 10% REQUIREMENT (SECTION 152 (2))

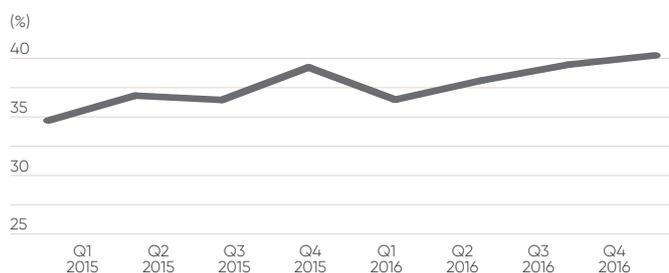


Figure 19

Liquidity reserve pursuant to the LCR Regulation

Following the introduction of LCR at 1 October 2015, LCR has become an integral part of short-term liquidity management in Spar Nord's liquidity management function.

At end-2016, LCR was calculated at 171% (2015: 145%), which is comfortably above Spar Nord's target LCR of at least 100%. The excess coverage of 71 percentage points corresponds to surplus liquidity of DKK 6.6 billion. The excess coverage is 101 percentage points relative to the statutory requirement of 70%.

LIQUIDITY COVERAGE RATIO (LCR)



Figure 20

The liquidity reserve buffer pursuant to LCR basically consists of sovereign claims (Level 1A assets) and high-liquidity mortgage-credit bonds with a particularly high credit quality (Level 1B assets).

LIQUIDITY COVERAGE RATIO

DKK bn	2016	2015
Liquidity reserve	16.3	15.9
Liquidity requirements	9.5	10.9
LCR, %	171	145

Figure 21

Contingency liquidity plan

Spar Nord has prepared an emergency liquidity plan pursuant to the Danish Executive Order on Management and Control with Financial Institutions. This plan contains a catalogue of possible courses of action to strengthen Spar Nord’s liquidity in a critical situation. The catalogue contains a more detailed description of the expected impact and time span of the individual actions.

The emergency liquidity plan enters into force if Spar Nord can only meet the predetermined liquidity instructions with difficulty and with resulting sharply increased funding costs.

MOODY’S 12-MTH SCENARIO WITH NO ACCESS TO FUNDING

(DKK bn)

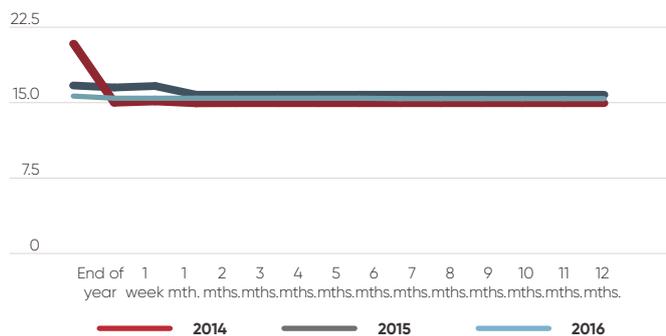


Figure 22

Stress test

In addition to liquidity management models, Spar Nord prepares internal stress tests. The stress tests span a 12-month period and are calculated using three permanently defined scenarios: A business-specific, a market-specific and a mixed scenario.

In addition, Spar Nord performs a stress test corresponding to Moody’s “12-month scenario with no access to funding”. This scenario operates on the assumption that Spar Nord has no access to capital markets during the period of calculation, for which reason senior loans, issued bonds and subordinated debt cannot be refinanced on maturity. On the other hand, the stable deposits base remains an accessible financing source, while only a moderate reduction in Spar Nord’s assets is assumed.

As appears from the figure, Spar Nord has positive liquidity for the full 12-month period.

Funding structure

Spar Nord's operations are predominantly funded through four funding sources:

- Customer deposits
- Loans or repo transactions from other credit institutions and Danmarks Nationalbank (the central bank)
- Issued bonds and senior loans
- Subordinated debt and equity

Overall, Spar Nord's funding at end-2016 increased by DKK 1.2 billion compared with 2015. The most significant change in Spar Nord's funding is a DKK 1.7 billion increase in deposits, which includes repurchase transactions with customers. Moreover, the floating of new Additional Tier 1 (AT1) capital of DKK 0.45 billion in December 2016 contributed to the strengthened funding. A drop in the use of repos and repurchases and the debt owing to central banks and credit institutions slightly reduced the growth in funding at the end of 2016. Deposits remain Spar Nord's largest funding source, at end-2016 amounting to 79.2% (2015: 77.9%) of total funding, which is 1.3 percentage points up on end-2015.

In total, long-term funding (funding with a term to maturity of more than one year) amounts to 91.7%, which is 4.2 percentage points up on end-2015.

FUNDING

DKK m/%	2016	2015	2016	2015
Central banks and credit inst.	981.3	1,478.4	1.7	2.6
Repos & repurch. with centr. banks' and credit inst.	1,399.7	2,197.5	2.4	3.8
Senior loans <1 yr	0.0	0.0	0.0	0.0
Issued bonds <1 yr	0.0	0.0	0.0	0.0
Deposits <1 yr	2,483.0	3,511.2	4.2	6.1
Deposits >1 yr	43,981.2	41,225.1	75.0	71.8
Senior loans >1 yr	48.8	63.6	0.1	0.1
Issued bonds >1 yr	0.0	0.0	0.0	0.0
Subordinated debt	1,093.2	1,088.8	1.9	1.9
Equity	8,627.1	7,887.0	14.7	13.7
Total	58,614.3	57,451.6	100.0	100.0

Figure 23

FUNDING STRUCTURE
(DKK bn)

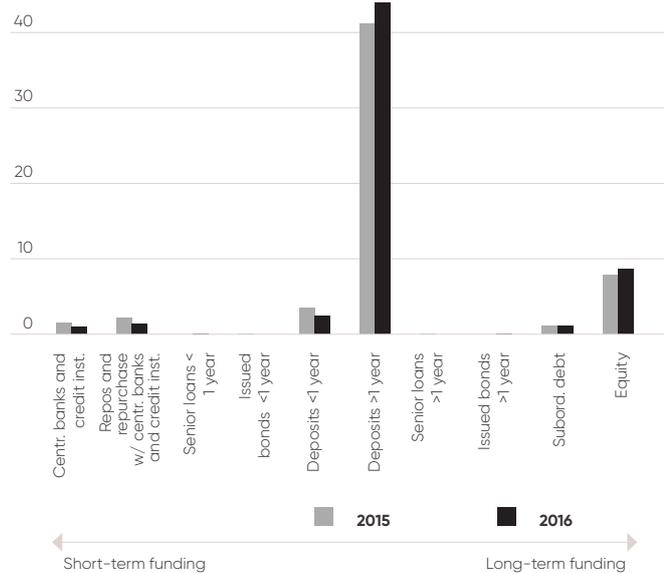


Figure 24

Balance-sheet items broken down by expected time to maturity	31.12.16	31.12.16	31.12.15	31.12.15
	<1 year DKK m	>1 year DKK m	<1 year DKK m	>1 year DKK m
Assets				
Cash balances and demand deposits with central banks	595.3	0.0	610.4	0.0
Receivables from credit institutions and central banks	2,105.8	73.0	2,734.8	6.5
Loans, advances and other receivables at amortized cost	20,664.7	20,680.7	19,355.2	18,684.1
Bonds at fair value	532.1	14,404.0	3,167.2	12,886.4
Shares, etc.	204.6	1,352.6	131.8	1,526.5
Equity investments in associates	0.0	118.4	0.0	82.4
Assets linked to pooled schemes	1,889.5	12,652.0	1,643.6	11,736.4
Intangible assets	13.6	180.8	15.9	198.6
- Investment properties	0.0	135.0	0.0	144.6
- Corporate properties	15.4	503.1	15.1	531.9
Land and buildings, total	15.4	638.1	15.1	676.5
Other property, plant and equipment	48.0	43.1	42.8	56.8
Current tax assets	179	0.0	91.0	0.0
Deferred tax assets	0.0	0.0	6.0	0.0
Temporary assets	339	0.0	274	0.0
Other assets	790.7	1,295.6	1,034.7	1,449.0
Prepayments	123.5	0.0	178.1	0.0
Total	27,035.0	51,438.3	29,054.0	47,303.2
Liabilities				
Payables to credit institutions and central banks	2,381.0	48.8	3,675.9	63.6
Deposits and other payables	2,483.0	43,981.2	3,511.2	41,225.1
Deposits in pooled schemes	1,889.5	12,652.0	1,643.6	11,736.4
Other non-derivative financial liabilities at fair value	2,007.8	0.0	1,219.7	0.0
Other liabilities	2,332.9	751.2	3,058.4	1,023.0
Deferred income	24.0	0.0	25.7	0.0
Total liabilities other than provisions	11,118.2	57,433.2	13,134.5	54,048.1
Provisions for deferred tax	3.4	105.1	6.8	116.0
Provisions for losses on guarantees	14.3	52.7	6.7	36.2
Other provisions	17.6	8.7	23.4	9.7
Subordinated debt	401.0	692.2	0.0	1,088.8
Total	11,554.5	58,291.9	13,171.4	55,298.8

Deposits comprise fixed-term deposits and demand deposits, etc. Fixed-term deposits are recognized at the maturity date. Contractually, demand deposits have ultra-short maturity, but are considered a stable funding source with an expected time to maturity of more than one year.

Bonds are broken down by duration.

Contractual term to maturity of financial liabilities**31.12.16**

	Carrying amount DKK m	Contractual cash flows DKK m	Within 1 year DKK m	1 - 5 years DKK m	More than 5 years DKK m
Non-derivative instruments					
Payables to credit institutions and central banks	2,429.8	2,432.7	2,381.5	5.7	45.5
Deposits and other payables	46,464.2	46,814.9	42,308.0	650.2	3,856.7
Deposits in pooled schemes	14,541.5	14,541.5	1,889.5	3,581.0	9,071.0
Other non-derivative financial instruments	2,007.8	2,007.8	2,007.8	0.0	0.0
Other liabilities, excl. derivative instruments	2,218.6	2,218.6	2,157.8	60.8	0.0
Subordinated debt	1,093.2	1,164.0	445.5	718.5	0.0
Irrevocable credit commitments and contingent liabilities	12,334.1	12,334.1	4,954.3	3,826.1	3,553.7
Derivative instruments					
Fair value of derivative instruments	865.5	781.2	173.2	216.1	391.9
Total	81,954.7	82,294.8	56,317.6	9,058.4	16,918.8

31.12.15

	Carrying amount DKK m	Contractual cash flows DKK m	Within 1 year DKK m	1 - 5 years DKK m	More than 5 years DKK m
Non-derivative instruments					
Payables to credit institutions and central banks	3,739.5	3,744.5	3,676.7	10.1	57.7
Deposits and other payables	44,736.3	45,171.0	40,373.6	1,755.3	3,042.1
Deposits in pooled schemes	13,380.0	13,380.0	1,643.6	3,255.9	8,480.5
Other non-derivative financial instruments	1,219.7	1,219.7	1,219.7	0.0	0.0
Other liabilities, excl. derivative instruments	2,604.9	2,604.9	2,604.9	0.0	0.0
Subordinated debt	1,088.8	1,211.8	50.8	1,161.0	0.0
Irrevocable credit commitments and contingent liabilities	9,585.2	9,585.2	3,381.0	3,129.1	3,075.1
Derivative instruments					
Fair value of derivative instruments	1,476.5	1,415.3	440.1	495.4	479.8
Total	77,830.9	78,332.4	53,390.4	9,806.8	15,135.2

The maturity analysis shows the contractual, undiscounted cash flows and comprises agreed payments, including principal and interest.

As concerns liabilities with variable cash flow, such as floating-rate financial liabilities, the information is based on the conditions existing on the reporting date.

Subordinated debt is deemed to fall due at the time when the Spar Nord Group may choose between redeeming the debt or paying an increased interest rate/increased redemption price. If Spar Nord instead chooses to extend the loans, interest of DKK 49.8 million (2015: DKK 50.8 million) falls due for payment within 1 year, DKK 199.4 million (2015: DKK 203.4 million) within 1-5 years, and DKK 1,163.9 million including repayments of DKK 1,091.7 million (2015: DKK 1,211.7 million including repayments of DKK 1,086.7 million) after 5 years. Spar Nord has no subordinated debt with a perpetual term.

As regards deposits in pension pools, only the customers' deposits in the pension pools are allocated, as future yields for pension pool participants depend on the return on pooled assets. The dates when the obligations fall due are correlated to the assets in the pension pools.

Payments regarding irrevocable credit commitments and guarantees fall due if a number of predetermined conditions have been met. Such payment obligations have been recognized at the time when the agreements expire.

Under the agreements made, customers can usually demand repayment of their deposits at short notice. However, in practice they are considered a stable funding source, as amounts disbursed largely equal deposits received.

The above-mentioned breakdown by term to maturity has been based on the earliest date when a demand for payment can be made.

NOTE

54 **OPERATIONAL RISK**

Operational risk is understood as the risk of loss that results from inefficient or deficient internal procedures, from human or systemic errors or from external events, including legal risks.

Model risk, which is the risk of loss as a consequence of decisions based mainly on output from internal models and occurring due to errors in the development, implementation or use of such models, is also defined as operational risk.

All activities in the organization are subject to operational risks. The Bank strives to limit the operational risk level to the extent possible. Operational risks are categorized on the basis of the seven event types defined by Basel III: employment practices and workplace safety; external fraud; business disruption and systems failures; internal fraud; clients, products and business practice; execution/delivery and process management; and damage to physical assets.

Operational risk policy

Spar Nord's Board of Directors has introduced a policy for operational risk, the aim of which is to provide an overview of Spar Nord's operational risks, minimize the number of errors and thus reduce Spar Nord's losses incurred from operational errors.

Management, monitoring and reporting

Operational risk is managed across Spar Nord through a comprehensive system of business procedures and control measures developed to ensure an optimum process environment. Efforts to minimize operational risks include separating the execution and the control of activities.

The Group's Legal Department is charged with handling operational risks, a responsibility that includes the role as risk facilitator.

Responsibility for dealing with risks lies with the unit responsible for the relevant business activities, the risk owners.

Throughout Spar Nord, events that result in a loss of more than DKK 10,000 are recorded and categorized, and identified risks are recorded on an ongoing basis, followed up by reporting to the Risk Review Officer, the Executive Board and the Board of Directors.

Reports are submitted quarterly to the Executive Board and risk owners, and one annual risk report is submitted to the Board of Directors. Actual and potential loss events exceeding DKK 1 million are reported on an ongoing basis to both the Executive Board and the Board of Directors.

In the quarterly reports, the risk owners are informed about the loss events and new risks identified for the relevant business area during the period under review. Scenarios are created for risks that may result in potential losses of more than DKK 10 million.

The systematic registration and categorization of loss events provide an overview of loss sources and the experience base which the Bank uses proactively in its management of operational risks.

Loss events and fraud

Spar Nord's operational loss events are primarily caused by external fraud; clients, products and business practice; and execution/delivery and process management.

External fraud accounted for 54%; clients, products and business practice represented 28%; and execution/delivery and process management made up 18% of the Bank's loss events. The breakdown on these loss events was 40%, 33% and 26%, respectively, in 2015. The majority of loss events consist of events with a minor financial impact.

External fraud is defined as such events as the misuse of cards and Internet bank fraud.

BREAKDOWN OF LOSS EVENTS

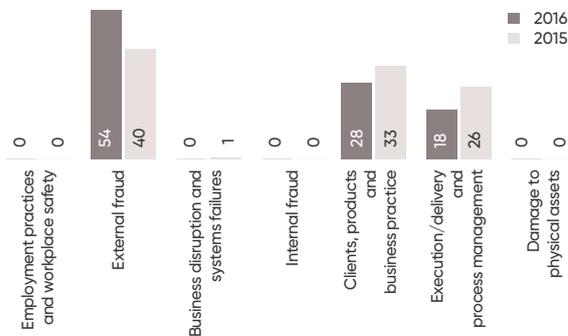


Figure 25

The total loss in 2016 amounted to DKK 6.9 million (2015: DKK 23.1 million), of which external fraud accounts for DKK 2.6 million.

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

NOTE

Developments in operational risk

In 2016, Spar Nord migrated to BEC's data platform, which has increased the operational risk level on account of several systems and work procedures being changed.

The change of data processing centre was effected gradually, but involved a decrease in efficiency and skills among the employees.

In step with experience in the new systems and work procedures being accumulated, the operational risk level will be reduced.

Spar Nord is experiencing an increase in external fraud, which includes card misuse and Internet bank fraud, primarily in the form of phishing of information from customers by means of false emails and text messages.

For Spar Nord, digitalization means a steady increase in the use of electronic information, which contributes to a heightened risk of external fraud.

The majority of attempts at fraud are countered by the Bank's control environment and the employees' watchfulness.

Capital requirements

The capital required to cover Spar Nord's operational risks is calculated using the basic indicator approach.

In 2016, the operational risk amounted to 12.1% (2015: 12.4%) of total risk exposure, ending at DKK 5,732.3 million at end-2016 (2015: DKK 5,787.2 million), which results in a capital requirement of DKK 458.6 million (2015: DKK 463.0 million).

55 **CAPITAL MANAGEMENT**

Spar Nord's objectives of capital management are:

- to comply with the statutory requirements regarding Spar Nord's capital adequacy;
- to ensure that Spar Nord will at all times have adequate capital to support future activities and growth;
- to maintain a relatively high Common Equity Tier 1 (CET1) ratio and thus keep the dependency on subordinated debt at a moderate level.

In 2016, Spar Nord made no major changes in assumptions, objectives and policies compared to the year before.

During the year under review, Spar Nord met all statutory capital adequacy ratios.

Spar Nord's internal targets are:

- to have a minimum Common Equity Tier 1 (CET1) ratio of 12.0%;
- to have a minimum total capital ratio of 15.5%.

Among other things, the capital targets have been fixed to ensure that any deep cyclical recession, unexpectedly heavy credit losses or major interest-rate fluctuations will not cause the total capital ratio to drop below the statutory minimum requirement.

During the year under review, Spar Nord's Common Equity Tier 1 (CET1) ratio ranged from 13.8-14.0% (2015: 13.5-14.4%) and thus exceeded Spar Nord's current internal target of 12.0%. Correspondingly, the internal target of a total capital ratio of 15.5% has been met, as it remained within the 16.6-17.7% band during the year (2015: 15.6-17.0%).

Capital management is based on the methods of accounting and financial ratios developed by the Basel Committee, which have been incorporated into Danish legislation. Management currently monitors the Bank's capital adequacy. The figures calculated at the end of each quarter for Spar Nord's own funds, total risk exposure and capital adequacy ratios, including the calculation of the Bank's solvency need ratio, are reported to the Danish Financial Supervisory Authority in accordance with existing rules.

Spar Nord's individual solvency need is an expression of its own assessment as to how high the total capital ratio should be to safeguard depositors against losses. Since the end of 2012, Spar Nord has based the calculation of its individual solvency need on the so-called 8+ method. This method is based on the statutory minimum requirement of 8.0% of the total risk exposure (Pillar I) plus add-ons for risks and matters not fully reflected in the calculation of total risk exposure. Thus, it is assumed that ordinary risks are covered by the 8% requirement, and that it must therefore be determined which additional risks Spar Nord may have that warrant an add-on to the capital requirement (Pillar II); see the guidelines from the Danish Financial Supervisory Authority in this respect.

Spar Nord's Common Equity Tier 1 (CET1) consists of its share capital, proposed dividend and retained earnings. Additional Tier 1 (AT1) capital and Tier 2 capital (T2) in the form of subordinated debt are included in the calculation of Spar Nord's own funds. A number of deductions are made in connection with calculating Spar Nord's Common Equity Tier 1 (CET1), core capital (Tier 1) and own funds. A number of deductions are made in connection with calculating Spar Nord's Common Equity Tier 1 (CET1), core capital (Tier 1) and own funds. Such deductions consist primarily of proposed dividend, share repurchase programme, intangible assets and equity investments in other credit institutions as well as subordinated loan capital provided to other credit institutions.

The total risk exposure is the calculated risk associated with Spar Nord's business areas. Total risk exposure is calculated as follows: assets, items subject to a market risk, and exposures in the form of guarantees are weighted on the basis of standard weights that depend on the type of the individual items and counterparty, with due provision being made for any collateral provided. To this should be added a supplement to cover Spar Nord's operational risks.

Own funds are specified in the statement of changes in equity.

The maturity profile for Spar Nord's subordinated debt appears from note 34.

Spar Nord continuously assesses the need for adapting the capital structure, including its goals, policies and processes.

For more details, please refer to the unaudited Risk Report at www.sparnord.com/risk.

NOTE

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POOLED SCHEMES

	Pension pools 2016 DKK m	Other pools 2016 DKK m	Spar Nord The Group 2016 DKK m	Spar Nord The Group 2015 DKK m	Spar Nord Parent Company 2016 DKK m	Spar Nord Parent Company 2015 DKK m
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INCOME STATEMENT DISCLOSURES*Interest income/premium on forward transactions:*

Cash deposits	1.6	0.1	1.7	2.5	1.7	2.5
Other bonds	82.6	1.0	83.6	93.6	83.6	93.6
Total interest income	84.2	1.1	85.3	96.1	85.3	96.1

Dividends on:

Shares, etc.	106.2	1.2	107.4	92.9	107.4	92.9
Unit trust certificates	5.3	0.1	5.4	12.3	5.4	12.3
Total dividends	111.5	1.3	112.8	105.2	112.8	105.2

Market-value adjustments of:

Other bonds, etc.	34.0	0.5	34.5	-156.6	34.5	-156.6
Shares, etc.	88.9	1.0	89.9	978.2	89.9	978.2
Unit trust certificates	51.4	0.7	52.1	-51.4	52.1	-51.4
Currency	140.2	1.5	141.7	278.1	141.7	278.1
Derivative instruments	31.6	0.3	31.9	0.0	31.9	0.0
Total market-value adjustments	346.1	4.0	350.1	1,048.3	350.1	1,048.3

Fees, charges and commissions paid

	165.7	1.9	167.6	142.2	167.6	142.2
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Profit/loss for the pools

	376.1	4.5	380.6	1,107.4	380.6	1,107.4
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BALANCE SHEET DISCLOSURES**Assets**

Cash deposits	941.0	12.3	953.3	1,103.6	953.3	1,103.6
Other bonds	6,392.7	81.4	6,474.1	4,636.9	6,474.1	4,636.9
Other shares, etc.	5,967.6	66.0	6,033.6	6,661.3	6,033.6	6,661.3
Unit trust certificates	1,025.7	13.9	1,039.6	940.8	1,039.6	940.8
Other assets	40.4	0.5	40.9	37.4	40.9	37.4
Total assets	14,367.4	174.1	14,541.5	13,380.0	14,541.5	13,380.0

Liabilities

Total deposits	13,906.3	168.6	14,074.9	12,256.6	14,074.9	12,256.6
Other liabilities	461.1	5.5	466.6	1,123.4	466.6	1,123.4
Total liabilities	14,367.4	174.1	14,541.5	13,380.0	14,541.5	13,380.0

NOTE

57 **PERFORMANCE INDICATORS AND FINANCIAL RATIOS***The Danish Financial Supervisory Authority's layout and ratio system***THE SPAR NORD GROUP****PERFORMANCE INDICATORS**

DKK m

INCOME STATEMENT

	2016	2015	2014	2013	2012
Net income from interest, fees, charges and commissions	2,771.4	2,860.5	2,809.9	2,902.7	2,259.3
Market-value adjustments	385.8	452.0	363.1	192.8	232.8
Staff costs and administrative expenses	1,788.8	1,768.2	1,837.9	1,667.2	1,573.8
Impairment of loans, advances and receivables, etc.	292.0	373.4	602.9	726.4	667.2
Profit/loss on equity investments in associates and group enterprises	29.6	28.3	104.1	77.6	86.7
Profit/loss for the year	838.2	896.8	613.6	536.1	223.8

BALANCE SHEET

Loans and advances	41,346	38,039	35,948	37,648	39,058
Equity	8,627	7,887	7,033	6,533	5,975
Total assets	78,473	76,357	78,825	74,605	79,146

FINANCIAL RATIOS**Own funds**

Total capital ratio, %	17.7	17.0	15.0	19.4	15.5
Core capital (Tier 1) ratio, %	15.6	14.9	13.3	17.4	15.1

Earnings

Return on equity before tax	%	12.5	14.4	10.4	10.7	5.5
Return on equity after tax	%	10.2	12.0	9.0	8.6	4.2
Income/cost ratio		1.47	1.46	1.27	1.26	1.12
Return on assets	%	1.1	1.2	0.8	0.7	0.3

Market risk and liquidity

Interest-rate risk	%	1.2	1.8	0.6	-0.3	-1.1
Foreign-exchange position	%	3.2	3.4	2.6	3.7	1.4
Foreign-exchange risk	%	0.1	0.1	0.0	0.0	0.0
Excess coverage rel. to statutory cash ratio requirement	%	308.3	296.1	186.0	230.7	211.5

Credit risk

Loans and advances relative to deposits	%	67.8	65.5	67.7	74.0	79.8
Loans and advances plus impairment rel. to deposits	%	70.7	68.5	71.1	77.1	82.5
Loans and advances rel. to equity		4.8	4.8	5.1	5.8	6.5
Increase in loans and advances for the year	%	3.6	-4.5	-1.1	-7.9	1.7
Large exposures as % of own funds	%	14.5	16.1	0.0	26.2	16.5
Impairment ratio for the year	%	0.5	0.8	1.3	1.6	1.4

THE SPAR NORD BANK - SHARE

DKK per share of DKK 10

Earnings for the year	6.8	7.2	4.9	4.3	2.5
Net asset value (NAV)	63	60	56	52	48
Dividend	5.0	5.0	1.6	1.0	0.0
Share price/earnings for the year	11.9	8.5	11.8	11.4	10.4
Share price/NAV	1.3	1.0	1.0	0.9	0.5

Ratio definitions appear from note 58.

PERFORMANCE INDICATORS AND FINANCIAL RATIOS*The Danish Financial Supervisory Authority's layout and ratio system***SPAR NORD BANK, THE PARENT COMPANY****PERFORMANCE INDICATORS**

DKK m

INCOME STATEMENT

	2016	2015	2014	2013	2012
Net income from interest, fees, charges and commissions	2,736.1	2,810.3	2,769.6	2,877.6	2,259.8
Market-value adjustments	340.2	449.6	183.4	176.5	232.9
Staff costs and administrative expenses	1,795.2	1,775.7	1,844.1	1,673.0	1,576.3
Impairment of loans, advances and receivables, etc.	292.0	373.4	602.9	726.4	667.1
Profit/loss on equity investments in associates and group enterprises	104.5	78.9	332.1	108.7	86.9
Profit/loss for the year	839.0	897.4	613.3	537.5	224.1

BALANCE SHEET

Loans and advances	41,219	37,912	35,821	37,648	39,058
Equity	8,627	7,887	7,033	6,533	5,975
Total assets	79,758	77,498	79,950	75,453	80,188

FINANCIAL RATIOS**Own funds**

Total capital ratio, %	17.3	16.8	14.8	19.1	15.5
Core capital (Tier 1) ratio, %	15.3	14.8	13.1	17.2	15.0

Earnings

Return on equity before tax	%	12.3	14.2	10.3	10.6	5.5
Return on equity after tax	%	10.2	12.0	9.0	8.6	4.2
Income/cost ratio		1.46	1.46	1.27	1.25	1.12
Return on assets	%	1.1	1.2	0.8	0.7	0.3

Market risk and liquidity

Interest-rate risk	%	1.1	1.6	0.3	-0.4	-1.1
Foreign-exchange position	%	3.2	3.4	2.6	3.7	1.3
Foreign-exchange risk	%	0.1	0.1	0.1	0.0	0.0
Excess coverage rel. to statutory cash ratio requirement	%	301.9	290.4	182.1	226.7	207.3

Credit risk

Loans and advances relative to deposits	%	66.1	63.9	66.0	72.7	78.2
Loans and advances plus impairment rel. to deposits	%	69.0	66.9	69.4	75.8	80.9
Loans and advances rel. to equity		4.8	4.8	5.1	5.8	6.5
Increase in loans and advances for the year	%	3.6	-4.5	-1.4	-7.9	1.6
Large exposures as % of own funds	%	0.0	14.8	0.0	26.1	16.1
Impairment ratio for the year	%	0.5	0.8	1.3	1.6	1.4

THE SPAR NORD BANK - SHARE**DKK per share of DKK 10**

Earnings for the year	6.8	7.2	4.9	4.3	2.5
Net asset value (NAV)	63	60	56	52	48
Dividend	5.0	5.0	1.6	1.0	0.0
Share price/earnings for the year	11.9	8.5	11.8	11.4	10.4
Share price/NAV	1.3	1.0	1.0	0.9	0.5

Ratio definitions appear from note 58.

NOTE

58

RATIO DEFINITIONS**Total capital ratio *)**

Own funds in per cent of total risk exposure.

Core capital (Tier 1) ratio *)

Core capital (Tier 1) in per cent of total risk exposure.

Common Equity Tier 1 (CET1) ratio *)

Common Equity Tier 1 (CET1) in per cent of total risk exposure.

Return on equity before tax *)

Profit/loss before tax in per cent of average equity. The average equity is calculated as a simple average of the equity at the beginning of the year and at the end of the year.

Return on equity after tax *)

Profit/loss after tax in per cent of average equity. The average equity is calculated as a simple average of the equity at the beginning of the year and at the end of the year.

Income/cost ratio (the Danish Financial Supervisory Authority's definition) *)

Net income from interest, fees, charges and commissions, Market-value adjustments, Other operating income and Profit/loss on equity investments in associates and group enterprises in per cent of Staff costs and administrative expenses, Depreciation, amortization and impairment of intangible assets and property, plant and equipment, Other operating expenses and Impairment of loans, advances and receivables.

Return on assets *)

Profit/loss after tax in per cent of total assets.

Interest-rate risk *)

Interest-rate risk in per cent of core capital (Tier 1) after deductions.

Foreign-exchange position *)

Foreign-exchange indicator 1 in per cent of core capital (Tier 1) after deductions.

Foreign-exchange risk *)

Foreign-exchange indicator 2 in per cent of core capital (Tier 1) after deductions.

Loans and advances plus impairment rel. to deposits *)

Loans and advances + impairment in per cent of deposits.

Loans and advances relative to deposits *)

Loans and advances in per cent of deposits.

Excess coverage rel. to statutory cash ratio requirement *)

Cash balances, Demand deposits with Danmarks Nationalbank (the central bank), Absolutely secure and liquid demand deposits with credit institutions and insurance companies, Uncollateralized certificates of deposit issued by Danmarks Nationalbank and Secure and liquid (listed) uncollateralized securities in per cent of 10% of Reduced liabilities (other than provisions) and guarantee commitments.

Liquidity Cover Ratio (LCR)

Liquid assets in per cent of the net value of cash inflows and cash outflows viewed over a 30-day period of heightened corporate financial stress.

Large exposures as per cent of own funds *)

Sum total of large exposures in per cent of own funds, adjusted for exposures to credit institutions, etc. below EUR 150 million after making allowance for credit risk reduction and exceptions, etc.

Impairment ratio for the year *)

Impairment for the year in per cent of loans and advances + guarantees + impairment.

Increase in loans and advances for the year *)

Increase in loans and advances from the beginning of the year to the end of the year, excl. repos, in per cent.

Loans and advances rel. to equity *)

Loans and advances/equity.

Earnings per share for the year *)

The profit/loss for the year after tax/average number of shares. The average number of shares is calculated as a simple average of the shares at the beginning of the year and at the end of the year.

Net asset value (NAV) per share *)

Shareholders' equity/number of shares, excl. treasury shares. Shareholders' equity is calculated as if the Additional Tier 1 (AT1) capital were treated as a liability.

Dividend per share *)

Proposed dividend/number of shares.

Share price relative to earnings per share for the year *)

Share price/earnings per share for the year.

Share price relative to net asset value (NAV) *)

Share price/NAV per share.

Return on equity before tax, excl. Additional Tier 1 (AT1) capital

Profit/loss before tax in per cent of average shareholders' equity. The average shareholders' equity is calculated as a simple average of the shareholders' equity at the beginning of the year and at the end of the year.

The profit/loss before tax and shareholders' equity are calculated as if the Additional Tier 1 (AT1) capital were treated as a liability.

Return on equity after tax, excl. Additional Tier 1 (AT1) capital

Profit/loss after tax in per cent of average shareholders' equity. The average shareholders' equity is calculated as a simple average of the shareholders' equity at the beginning of the year and at the end of the year.

The profit/loss after tax and shareholders' equity are calculated as if the Additional Tier 1 (AT1) capital were treated as a liability.

Cost share of core income

Operating expenses, depreciation and amortization/Core income.

Cost share of core income, incl. impairment of loans and advances

Operating expenses, depreciation and amortization + Impairment of loans and advances, etc./Core income.

Rate of return, %

Year-end price – year-end price the year before + dividend the year before + extraordinary dividend for the year in per cent of the year-end price the year before.

Price/earnings

Year-end price/Earnings per share for the year (calculated as if the Additional Tier 1 (AT1) capital were treated as a liability).

Earnings per share for the year/period

The profit/loss for the year/period after tax/average number of shares in circulation, excl. treasury shares. The average number of shares is calculated as a simple average of the shares at the beginning of the year and at the end of the year.

The profit/loss after tax for the year/period is calculated as if the Additional Tier 1 (AT1) capital were treated as a liability.

Diluted earnings per share for the year

Profit/loss for the year after tax/average number of shares in circulation, incl. dilutive effect of share options and contingently issuable shares.

*) The Danish Financial Supervisory Authority's ratio system.

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