

Spar Nord

Risk Report

2016

Contents

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2. Business Model

Founded in Aalborg, Denmark, in 1824, Spar Nord has historically been rooted in North Jutland, and continues to be a market leader in this region. In the period from 2002 to 2010 Spar Nord established and acquired 27 local banks (branches) outside North Jutland, and in 2012 the Bank merged with Sparbank, which had 23 branches. In tandem with these developments, Spar Nord adjusted the branch network and now has a nationwide distributive network comprising 58 branches.

Spar Nord offers all types of financial services, consultancy and products, focusing its business on retail customers and SMEs in the local areas in which the Bank is represented. The Spar Nord Group consists of two earnings units: Spar Nord's Local Banks and Trading, Financial Markets & the International Division. The Group also has a number of staff and support divisions at its Aalborg headquarters.

2.1 VISION

Spar Nord's vision is to be Denmark's most personal bank.

We have this vision because Management believes that creating Denmark's most personal bank will give employees motivation and a lodestar to follow wherever in the organization they work. Whether they are advisers or service staff at the local banks, staff members working in customer service functions, customer-targeted staff members in the central specialized departments or those engaged in designing the Bank's products and offerings, all will have the vision of creating "Denmark's most personal bank" as a strong and tangible heading to take.

This ambitious vision will also enable them to follow up developments – for instance, by querying customers and other relevant stakeholders.

2.2 STRATEGY PLAN

Spar Nord's strategic pointers for the years from 2017 and onwards are stated in the strategy plan, "The personal bank in a digital world". The strategy, approved by Spar Nord's Board of Directors in November 2016, springs from the fact that new generations seem to attach less importance than previous generations to the local presence that small banks as well as Spar Nord have made a great virtue. At the same time we can see that digital solutions have come a long way in recent years.

Thus, the market seems to be polarizing, with some banks putting more emphasis on being local than on developing their digital offerings. Meanwhile, other banks are focusing more efforts on digitalization than having a physical presence in their local regions. In this new competitive environment Spar Nord believes that the key to success lies in combining the two extremes and utilizing digitalization and data to become even more personal in its approach.

This brings Spar Nord to the strategic ambition of being "The personal bank in a digital world". The all-important and overarching implications of this ambition are that Spar Nord will maintain a relatively high number of branches and focus strongly on providing personal advice and service. Also, Spar Nord will invest in digital initiatives that will make the banking experience even more personal and use data as a means of getting to know our customers better.

2.3 CUSTOMERS

Spar Nord's primary target groups are retail customers and small and medium-sized businesses in the local areas where the Bank has a presence. In special cases we offer asset financing abroad (primarily in Germany). Leasing products are offered to business customers in addition to traditional bank financing options.

As a unit, Trading, Financial Markets & the International Division serves customers from Spar Nord's local banks as well as large retail customers and institutional clients in the field of equities, bonds, interest & forex, asset management and international transactions.

Finally, under the umbrella concept SparXpress the Bank offers consumer financing via retail stores, gift voucher solutions via shopping centres and shopping centre associations and direct loans via the website, sparxpres.dk.

For its retail customers, Spar Nord gives priority to full-service customers in the sense that it wants to be a banker for financially sound customers and their entire families, thus catering to all their banking needs. The Bank focuses its day-to-day operations on retaining existing full-service customers, turning existing non-regular customers into full-service customers and attracting new customers with good potential.

On the business customer side, Spar Nord focuses on sound businesses across business sectors. In other words, the structure of the local business community and the business focus of the local area largely determine the distribution of branches in the individual bank regions.

Spar Nord's credit exposure at Group-level is characterized by a higher-than-average exposure to retail customers and good sector diversification in the business customer portfolio.

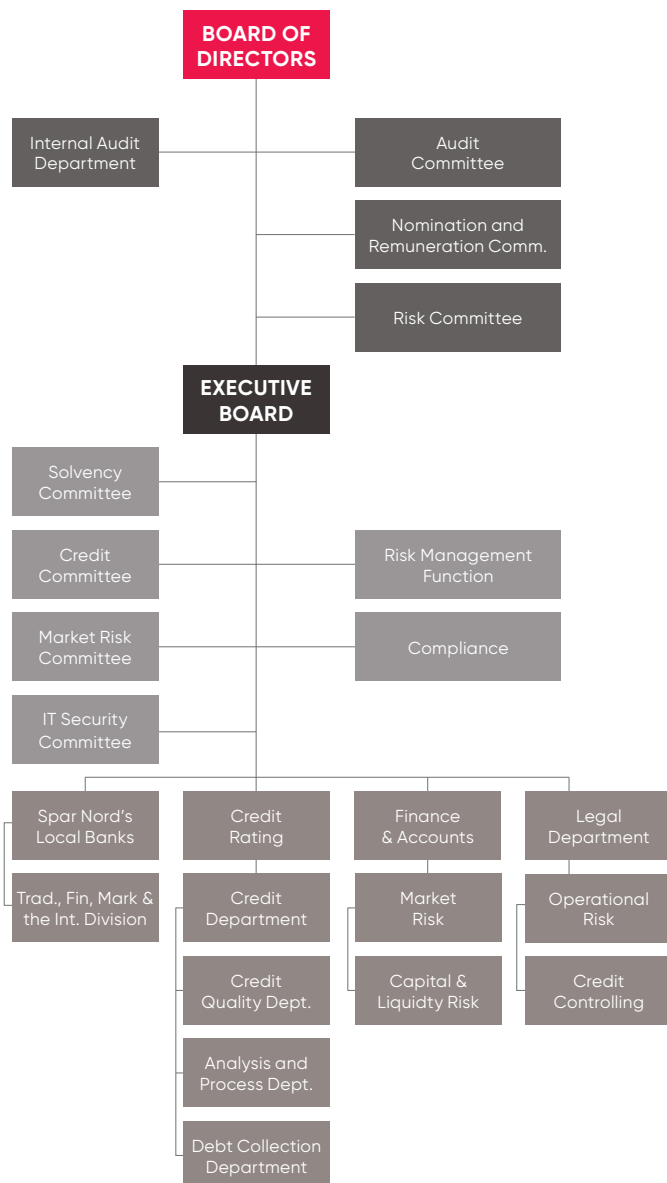
As its point of departure, Spar Nord wants to be the customers' primary bank – the hub of their basic banking business. However, after a concrete assessment Spar Bank may accept that the customer also banks with another one or two institutions, given that we know the extent of credit facilities granted by these institutions.

2.4 DISTRIBUTION

The 58 local banks throughout Denmark constitute the backbone of Spar Nord's distribution network. Spar Nord gives very high priority to personalized advisory services in its physical branches, supplementing them with self-service solutions such as well-functioning online banking and mobile platforms.

A 10x10 grid of 100 small line segments. Each segment is either horizontal, vertical, or diagonal, representing a random sample of the four orientations in the population.

THE RISK MANAGEMENT ORGANIZATION



3.4 COMMITTEES APPOINTED BY THE BOARD OF DIRECTORS

The Board of Directors has appointed three committees, which are responsible within various areas for the preparatory work that will be used by the Board of Directors in making overall decisions.

The objective of appointing committees is to strengthen the Board of Directors' combined expertise and to ensure that the Board of Directors is independent of the day-to-day Management.

The committees have no independent decision-making powers, and consequently they can only make decisions that concern recommendations to be submitted to the Board of Directors.

The Board of Directors has set up an Audit Committee tasked with monitoring and controlling accounting and auditing matters and undertaking the preparatory work concerning the Board of Directors' processing of accounting and auditing issues. The Committee is composed of three Directors, one of whom is a member with special expertise in auditing and accounting matters, as required by statute, and who is also disinterested. In 2016, the Committee held five meetings.

In addition, the Board of Directors has set up a Nomination and Remuneration Committee with three Directors, of whom one has been elected by the employees in compliance with legislation. The Nomination and Remuneration Committee is charged with undertaking the preparatory work concerning the Board of Directors' evaluation and nomination process and the processing of issues regarding remuneration and risks in this connection. In 2016, the Committee held four meetings.

Finally, Spar Nord has also set up a Risk Committee composed of three members of the Board of Directors. The Risk Committee plays an advisory role in determining Spar Nord's risk appetite and assessing the Bank's risk profile on an ongoing basis. In addition, the Risk Committee plays an advisory role in connection with the review and assessment of the appropriateness and efficiency of Spar Nord's policies, guidelines and risk systems. During 2016, the Risk Committee held four meetings.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 DAY-TO-DAY RISK MANAGEMENT

Below follows a review of day-to-day management of Spar Nord's credit risk, market risk, operational risk, liquidity risk and reporting.

3.9.1 CREDIT RISK

Credit risk means the risk of loss that results from borrowers or other counterparties defaulting on their payment obligations, including the risks attaching to customers encountering financial difficulties, large exposures, concentration risks and risks attaching to granted, unutilized exposures. Credit risks also include settlement and counterparty risks.

Customer advisers, in consultation with local managers, handle day-to-day management of Spar Nord's credit risks. The decentralized credit authorization limit is maximized at DKK 10 million and is linked to qualifications and needs. Exposures that exceed the decentralized credit authorization limits are passed on for processing at Credit Rating or the Credit Committee, and all DKK 100+ million exposures and new exposures of DKK 50+ million need to be authorized by the Board of Directors.

The Credit Committee may authorize credit facility extensions of up to DKK 50 million relative to the most recent authorization given by the Board of Directors.

High-level monitoring of Spar Nord's credit risk exposure is managed by the Credit Quality Department. This department oversees changes in the credit quality of all exposures and undertakes systematic credit quality control of customers at local banks. Rating systems have been introduced in all Spar Nord's departments, and this tool is 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 customers in the weaker rating groups.

Risk and settlement lines to financial counterparties are authorized based on a three-tier instruction hierarchy consisting of the Board of Directors, the Credit Committee and the Senior Vice President of Trading, Financial Markets & the International Division, with the facility authorization rights adapted to the individual tier. The follow-up on lines will be performed by Finance & Accounts, which ensures functional separation. All lines are subject to regular review by Trading, Financial Markets & the International Division, among other things based on the financial statements or rating of the financial counterparty. As a minimum, credit lines authorized by the Board of Directors are reviewed every year, and other exposures are reviewed every three years, as a minimum.

3.9.2 MARKET RISK

Market risk is an umbrella term for the risk of loss caused by fluctuations in exchange rates, share prices or prices of financial instruments. Spar Nord's Board of Directors lays down the overall policies, frameworks and principles, and the Finance & Accounts Department is responsible for monitoring and checking that Spar Nord's market risk does not exceed the boundaries of the instruction limits. For its management of market risks, Spar Nord has established a three-tier instruction hierarchy. At the first tier, the Board of Directors defines Spar Nord's market risk framework. At the second tier, the Executive Board delegates limits to the other entities of Spar Nord, with Trading, Financial Markets & the International Division being the distinctly largest entity. At the third and last tier, the executives of Trading, Financial Markets & the International Division are granted the limits within which they may operate.

3.9.4 LIQUIDITY RISK

Liquidity risk is the risk of loss that results because Spar Nord's funding costs increase, Spar Nord is cut off from entering into new transactions on account of unavailable funding, or because Spar Nord ultimately becomes unable to meet its obligations as and when they fall due on account of liquidity shortage.

Liquidity management is divided into short-term and long-term liquidity management. Management of short-term liquidity is placed with Trading, Financial Markets & the International Division, while management of long-term liquidity is the responsibility of the Finance & Accounts Department.

Managing Spar Nord's general liquidity is subject to a number of control mechanisms. Daily LCR follow-up, intraday monitoring of the Bank's liquidity and stress tests are used to monitor short-term liquidity. Long-term liquidity is managed by focusing on strategic liquidity and also by using stress tests.

Substantial resources are deployed to ensure appropriate risk reporting on an ongoing basis, including follow-up on legislative and managerial risk frameworks.

Reporting to Spar Nord's Management and relevant stakeholders is performed according to fixed guidelines. The Board of Directors receives continual reports covering all important risk areas, which appears from the figure below.

OVERVIEW OF SIGNIFICANT RISK REPORTS

| | Report | Frequency | Contents |
|-------------------------------|---|---------------------|---|
| General Risk Reporting | Individual solvency need | Quarterly | Assessment of the risk profile and calculation of adequate own funds. The report contains conclusions reached in Spar Nord's stress test and an assessment of the capital needs in respect of the individual risks. Once a year, an extended version of the report is prepared. |
| | Credit and balance-sheet report | Annually | Review and analysis of Spar Nord's assets, including a specific review of individual exposures and an analysis and assessment of future trends for important lines of business and asset areas. |
| | Follow-up on turn-around indicators | Semi-annually | Follow-up on the indicators set out in the turnaround plan, viewed in relation to the threshold values fixed. |
| | Forecast | Quarterly | The forecast is updated regularly with a view to ensuring ongoing follow-up on the business results and projections for profits, balance sheet, liquidity and capital matters. |
| | Selected audit reports | On an ongoing basis | The Internal Audit Department prepares various reports pertaining to the Bank's risk areas. |
| | Reporting from the Risk Management Function | Semi-annually | The reports form part of the Board of Directors' overall assessment basis. Once a year, an extended version of the report is prepared. |
| | Reporting from the Compliance Function | Semi-annually | Review of the most significant compliance controls and status on ongoing tasks. Once a year, an extended version of the report is prepared. |
| Credit Risk | Credit quality report | Quarterly | Analysis of trends in exposures, impairment and losses, including portfolio analyses broken down by rating groups, volume, geography, etc. Once a year, an extended version of the report is prepared. |
| | Losses on loans, advances and guarantees | Quarterly | Reporting on the heaviest losses during the past quarter. |
| | Weak exposures | Semi-annually | Reporting on all credit-weak exposures larger than DKK 50 million, reviewed individually. |
| | Credit facility extensions in excess of DKK 10 million | Monthly | Reporting on all credit facility extensions in excess of DKK 10 million that have not been considered by the Board of Directors. |
| | Unauthorized overdrafts in excess of DKK 1 million | Monthly | Reporting on all individual unauthorized overdrafts in excess of DKK 1 million. |
| | Statistics on unauthorized overdrafts | Monthly | Reporting on unauthorized overdraft statistics in all banking areas. |
| Market Risk | Market risk report | Monthly | Review and analysis of e.g. Spar Nord's current interest, equity and foreign-exchange risks, including the historical trend in utilization of the frameworks and instructions fixed by the Board of Directors. An extended version of the report is prepared quarterly. |
| Operational Risk | Risk review of operational risk | Annually | Review of Spar Nord's operational risks and measures to counter such risks. |
| | Reporting from the IT Department | Semi-annually | Review and follow-up on Spar Nord's IT security and stability of Spar Nord's IT systems, including follow-up on outsourced development projects. |
| Liquidity Risk | Liquidity risk report | Monthly | Review and analysis of Spar Nord's short- and long-term liquidity risks, including Spar Nord's liquidity stress test and trends in the historical utilization of the frameworks and instructions laid down by legislation and by the Board of Directors. An extended version of the report is prepared quarterly. |
| | Calculation and assessment of liquidity position and liquidity risks – internal liquidity adequacy assessment process (ILAAP) | Annually | Combined calculation and assessment of Spar Nord's liquidity position and liquidity risks. The assessment supports Spar Nord's liquidity management and is an element in the statement of the individual solvency need. |

4. Capital Management and Solvency Need

Spar Nord is subject to Danish and European legislative provisions that lay down the overall capital requirements which govern both the Bank and Spar Nord.

4.1 CAPITAL POLICY

Spar Nord has determined a capital policy that ensures that at all times Spar Nord complies with applicable legislation in respect of the following three key areas:

- Statement of risk exposure and capital requirements
- Individual solvency need and supervision procedures
- Market discipline through a number of disclosure obligations

The Danish Financial Business Act contains provisions regarding the individual solvency need, which consists of any additional capital requirements that are to cover the risks not sufficiently covered by the minimum requirement of 8% pursuant to CRR. This includes, for instance, business risks and special credit risks.

In addition to the targets falling within the scope of applicable legislation, Spar Nord has its own capital targets intended to ensure that Spar Nord has at its disposal capital that supports future activities and growth, having regard to Spar Nord's general risk profile and in accordance with it. At the same time, the capital targets must be a guarantee that Spar Nord will be able to overcome cyclical downturns and to absorb unexpected substantial credit losses and substantial negative changes in the value of market-risk-related positions.

Spar Nord's target is to have a Common Equity Tier 1 (CET1) ratio of at least 12.0% and a total capital ratio of at least 15.5%.

In its endeavours to comply with the described target, Spar Nord has adopted a number of policies and guidelines intended to ensure that the management of Spar Nord's capital matters is appropriate and adequate.

4.2 DEVELOPMENT IN CAPITAL RATIOS

At end-2016, Spar Nord had a Common Equity Tier 1 (CET1) ratio of 14.0%, a core capital (Tier 1) ratio, including Additional Tier 1 (AT1) capital, of 15.6%, a total capital ratio of 17.7% and an individual solvency need ratio of 9.5%.

CAPITAL RATIOS

| % | 2016 | 2015 |
|--|------|------|
| Common Equity Tier 1 (CET1) ratio | 14.0 | 14.4 |
| Core capital (Tier 1) ratio, incl. Additional Tier 1 (AT1) capital | 15.6 | 14.9 |
| Total capital ratio | 17.7 | 17.0 |
| Individual solvency need ratio | 9.5 | 9.5 |

Figure 4.1

4.3 OWN FUNDS

Own funds are composed of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) capital and Tier 2 capital (T2).

Furthermore own funds are characterized by the fact that the claims of shareholders and capital holders are subordinated to those of other creditors.

4.3.1 ISSUED CAPITAL INSTRUMENTS

Spar Nord has two loans issued by way of Additional Tier 1 (AT1) capital with a principal of DKK 400 million and DKK 450 million, respectively. In addition, two loans of DKK 400 million and DKK 700 million, respectively, have been issued as Tier 2 capital (T2).

In 2016, Additional Tier 1 (AT1) capital with a principal of DKK 450 million was issued.

Spar Nord's issued Additional Tier 1 (AT1) capital and Tier 2 capital (T2) has been floated on terms that meet the requirements for inclusion in own funds under CRR.

4.3.2 CALCULATED OWN FUNDS

In 2016, own funds grew by DKK 524.3 million. Own funds are mainly impacted by four areas:

- Profit/loss for the year
- Issuing of new Additional Tier 1 (AT1) capital
- Provision for proposed dividend for 2016
- Repurchase of treasury shares

Profit for the year after tax contributes positively by DKK 838 million, and the issued Additional Tier 1 (AT1) capital contributes with its full principal of DKK 450 million.

On the downside, deductions have been made in own funds for the repurchase of treasury shares in the amount of DKK 150 million.

In addition, a DKK 615 million provision has been made covering proposed dividend for 2016, equal to DKK 5 per share, which has a corresponding negative impact on own funds.

STATEMENT OF OWN FUNDS

| DKK m | 2016 | 2015 |
|---|----------------|----------------|
| Share capital | 1,255.3 | 1,255.3 |
| Other reserves | 22.3 | 23.2 |
| Retained earnings | 6,545.8 | 6,099.9 |
| Revaluation reserves | 91.3 | 96.3 |
| - Repurchase of treasury shares | -150.0 | 0.0 |
| - Proposed dividend, excl. dividend on shares comprised by share repurchase programme | -615.0 | -376.6 |
| - Intangible assets | -159.4 | -175.0 |
| - Goodwill in associates | -37.0 | -37.0 |
| - Deduction for equity investments >10% | 0.0 | 0.0 |
| - Deduction for the sum of equity investments <10% | -240.4 | -161.1 |
| - Deferred tax assets | 0.0 | -6.0 |
| - Prudent valuation | -21.3 | -22.0 |
| - Difference in valuation and change in value of liabilities and hedging instruments | 0.0 | 0.0 |
| - Adjustment, permitted holding of treasury shares | -25.6 | -21.5 |
| - Treasury shares, acquired by customers via loan financing | -1.4 | -2.2 |
| Common Equity Tier 1 (CET1) after regulatory adjustments | 6,664.6 | 6,673.3 |
| Additional Tier 1 (AT1) capital | 843.0 | 393.0 |
| - Deduction for equity investments >10% | 0.0 | 0.0 |
| - Deduction for the sum of equity investments <10% | -80.1 | -120.8 |
| - Difference in valuation and change in value of liabilities and hedging instruments | 0.0 | 0.0 |
| Tier 1 capital (T1) | 7,427.5 | 6,945.5 |
| - Tier 2 capital (T2) | 1,079.6 | 1,078.0 |
| - Deduction for equity investments >10% | 0.0 | 0.0 |
| - Deduction for the sum of equity investments <10% | -80.1 | -120.8 |
| Total capital (TC) | 8,427.0 | 7,902.7 |

Figure 4.2

With respect to figure 4.2, it should be noted that the phasing-in of CRR means that 60% of the financial equity investments is now being deducted from Common Equity Tier 1 (CET1), compared with 40% in 2015.

4.4 TOTAL RISK EXPOSURE

The total risk exposure constitutes an important target used for determining the minimum capital requirement and calculating the key risk indicators, such as Spar Nord's total capital ratio and individual solvency need.

A variety of factors impact the total risk exposure, including the distribution of credit exposures on customer categories and products. Spar Nord calculates the total risk exposure for credit risk and market risk using the standardized approach under CRR (Basel III). The market-value approach is used for calculating counterparty risk, while the exposure to operational risk is calculated using the basic indicator approach. In addition, Spar Nord uses the comprehensive approach for financial collateral.

TOTAL RISK EXPOSURE

| DKK m | Capital requirement *) | | Risk exposure | |
|--|------------------------|----------------|-----------------|-----------------|
| | 2016 | 2015 | 2016 | 2015 |
| Credit risk | | | | |
| - Central gov. or central banks | 0.1 | 0.0 | 1.5 | 0.0 |
| - Regional or local authorities | 0.0 | 0.0 | 0.1 | 0.0 |
| - Public-sector entities | 1.1 | 0.5 | 13.9 | 5.9 |
| - Institutions | 24.1 | 55.2 | 301.6 | 690.4 |
| - Corporates | 1,203.6 | 1,036.7 | 15,045.1 | 12,958.7 |
| - Retail | 1,115.1 | 1,098.6 | 13,938.8 | 13,732.2 |
| - Exp. secured by mortg. on imm. prop. | 155.7 | 129.9 | 1,946.0 | 1,623.9 |
| - Exp. in default | 71.0 | 153.0 | 887.8 | 1,912.3 |
| - High-risk exposures | 100.7 | 67.3 | 1,258.3 | 840.8 |
| - Exp. with short-term rating | 0.0 | 0.1 | 0.0 | 1.5 |
| - Exp. in units or CIU | 0.2 | 0.5 | 2.6 | 6.4 |
| - Equity exposure | 129.9 | 143.6 | 1,623.7 | 1,795.3 |
| - Other exposures | 120.7 | 99.4 | 1,509.0 | 1,243.1 |
| - Counterparty risk | 135.0 | 139.2 | 1,687.0 | 1,739.6 |
| Credit risk, total | 3,057.2 | 2,924.0 | 38,215.4 | 36,550.1 |
| Market risk | | | | |
| - Debt. instruments | 231.3 | 292.0 | 2,891.1 | 3,649.5 |
| - Shares etc. | 32.4 | 21.9 | 405.1 | 274.2 |
| - Foreign-exchange risk | 19.2 | 18.9 | 240.6 | 236.1 |
| - Commodity risk | 0.1 | 0.2 | 1.0 | 2.8 |
| Market risk, total | 283.0 | 333.0 | 3,537.8 | 4,162.6 |
| Operational risk, total | 458.6 | 463.0 | 5,732.3 | 5,787.2 |
| Total | 3,798.8 | 3,720.0 | 47,485.5 | 46,499.9 |

*) The capital requirement is calculated as 8% of the risk exposure

Figure 4.3

As appears from figure 4.3, the bulk of the combined capital requirement (80%) is attributable to credit risk.

In 2016, the total risk exposure rose by DKK 1.0 billion; thus, at end-2016 it amounted to DKK 47.5 billion. In 2016, the total risk exposure for credit risk rose by DKK 1.7 billion, corresponding to a DKK 0.1 billion increase of the capital requirement.

The increase in the total risk exposure for credit risk is attributable primarily to an increase in the exposure category, corporates, regarding which there was an increase in credit exposure.

Exposures in default and high-risk exposures have dropped by DKK 0.6 billion from 2015 to 2016.

The increased capital requirement related to OTC transactions with financial counterparties (CVA) has been accorded the calculated counterparty risk and amounts to a risk exposure of DKK 0.2 billion.

In 2016, the total risk exposure for market risk dropped to DKK 3.5 billion. The reduction is due primarily to a fall in the risk exposure to debt instruments, which declined by DKK 0.8 billion as a result of both a drop in Spar Nord's bond portfolio and Spar Nord's gross interest risk.

Overall, the equity risk and the foreign-exchange risk rose by a total of DKK 0.1 billion, which is attributable to an increase in the share portfolio in 2016.

In 2016, the total risk exposure for operational risk fell by DKK 0.1 billion to a total of DKK 5.7 billion.

The figure below shows the changes in the total risk exposure from 2015 to 2016.

CHANGE IN TOTAL RISK EXPOSURE (DKK m)

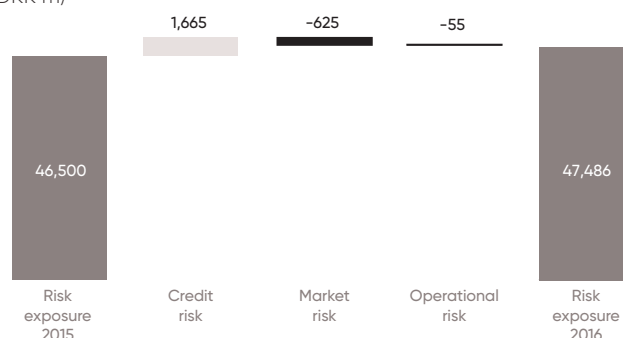


Figure 4.4

4.5 INDIVIDUAL SOLVENCY NEED

Spar Nord uses the so-called 8+ model that the Danish Financial Supervisory Authority designates in its guidelines. The 8+ method is based on the statutory minimum capital requirement of 8.0% of the total risk exposure (Pillar 1) plus add-ons for risks and matters not fully reflected in the calculation of the total risk exposure. In other words, ordinary risks are assumed to be covered by the 8% requirement, and, consequently a position has to be taken on the extent to which an institution has additional risks that necessitate an add-on to the internally calculated solvency need (Pillar 2).

In the guidelines issued by the Danish Financial Supervisory Authority, benchmarks have been introduced within a number of risk areas determining when the Authority basically finds that Pillar 1 is insufficient, and that an add-on to the individual solvency need is required. In addition, to the extent possible methods have been introduced for calculating the amount of the add-on within the individual risk areas.

Based on the guidelines issued by the Danish Financial Supervisory Authority, the Board of Directors determines Spar Nord's adequate own funds and individual solvency need on the recommendation of the Solvency Committee.

Spar Nord's calculation method follows the guidelines issued by the Danish Financial Supervisory Authority and is based on an assessment of risks within the following nine key areas, of which the first eight are directly addressed in the guidelines:

1. Earnings
2. Lending growth
3. Credit risks
 - Credit risk attaching to large customers having financial difficulties
 - Concentration risk: Individual customers
 - Concentration risks: Lines of business

- Concentration, collateral
 - Concentration, geography
 - Concentration, retail/business
 - Other credit risks
4. Market risks
 - Interest-rate risk
 - Equity risk
 - Foreign-exchange risk
 5. Liquidity risks
 6. Operational risks
 7. Leverage
 8. Regulatory maturity of capital instruments
 9. Other risks
 - The Bank's business profile
 - Strategic risks
 - Reputation risks
 - Properties
 - Other

The impact of the individual areas on the solvency need has been calculated directly using the methods designated by the Danish Financial Supervisory Authority in its guidelines, and by making supplementary calculations. Management has made an estimate in a few risk areas.

In Spar Nord's opinion, the risk factors included in the model cover all the risk areas required by legislation to be taken into consideration by Spar Nord's Management in determining the solvency need and the risks that Management finds Spar Nord has assumed. At end-2016, the adequate own funds amounted to DKK 4.5 billion, which is DKK 0.1 billion up on end-2015.

Spar Nord's total risk exposure rose from DKK 46.5 billion at end-2015 to DKK 47.5 billion at end-2016, while the solvency need stood at 9.5% at end-2016.

SOLVENCY NEED BROKEN DOWN BY RISK AREA 2016

| DKK m / % | Spar Nord Adequate own funds | Spar Nord Solvency need ratio | The Bank Adequate own funds | The Bank Solvency need ratio |
|--------------------------------------|------------------------------------|-------------------------------------|-----------------------------------|------------------------------------|
| Credit risk | 3,558.2 | 7.5 | 3,660.5 | 7.5 |
| Market risk | 384.0 | 0.8 | 384.0 | 0.8 |
| Operational risk | 458.6 | 1.0 | 453.0 | 0.9 |
| Other risk | 117.0 | 0.2 | 117.0 | 0.3 |
| Supplement, if required by law | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 4,517.8 | 9.5 | 4,614.5 | 9.5 |

SOLVENCY NEED BROKEN BY RISK AREA 2015

| DKK m / % | Spar Nord Adequate own funds | Spar Nord Solvency need ratio | The Bank Adequate own funds | The Bank Solvency need ratio |
|--------------------------------------|------------------------------------|-------------------------------------|-----------------------------------|------------------------------------|
| Credit risk | 3,453.0 | 7.4 | 3,550.6 | 7.5 |
| Market risk | 422.0 | 0.9 | 423.1 | 0.9 |
| Operational risk | 463.0 | 1.0 | 435.6 | 0.9 |
| Other risk | 100.0 | 0.2 | 100.0 | 0.2 |
| Supplement, if required by law | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 4,438.0 | 9.5 | 4,509.3 | 9.5 |

Figure 4.5

4.6 CAPITAL BUFFER

By virtue of the implementation of the Capital Requirements Directive, CRD IV, into the Danish Financial Business Act, Danish financial institutions are obligated to comply with several buffer requirements. A common feature of all buffer requirements is that only Common Equity Tier 1 (CET1) may be used for meeting the capital requirement.

If a financial institution fails to meet the capital requirements as to buffers, the financial institution would be restricted from the option of making dividend payments and other distributions.

The combined capital buffer requirement is the sum of total Common Equity Tier 1 (CET1) that is necessary for complying with the requirement as to a capital conservation buffer, an institution-specific counter-cyclical capital buffer and a systemic buffer.

PHASE-IN OF BUFFER REQUIREMENTS 2015-2019

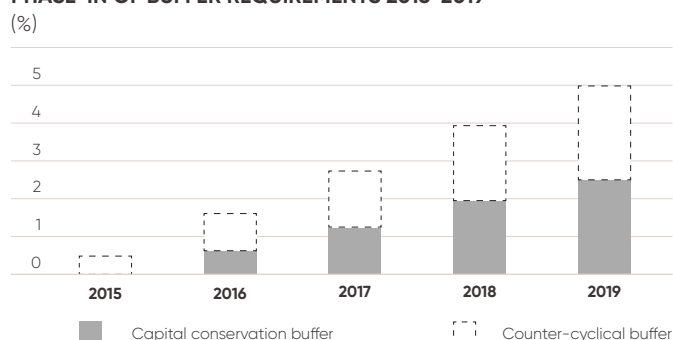


Figure 4.6

In 2016, the capital conservation buffer in Denmark was 0.625%. At 1 January 2017, the capital conservation buffer rose to 1.25% of the total risk exposure. When the capital conservation buffer has been fully phased in on 1 January 2019, the requirement as to a capital conservation buffer will amount to 2.5% of the total risk exposure.

The Danish Minister for Business and Growth and other regulatory bodies in the EU/EEA area may fix the institution-specific counter-cyclical capital buffer if the credit growth results in a society-wide build-up of risks. Basically, the institution-specific counter-cyclical capital buffer may amount to somewhere between 0% and 2.5% of the total risk exposure when the rules have been fully phased in by 2019.

The Danish Minister for Business and Growth may fix a systemic buffer to counteract and limit long-term non-cyclical systemic or macro-prudential risks that are not comprised by CRR. Initially, the rules have been used to fix systemic buffers for SIFI institutions. Spar Nord is not a SIFI institution.

4.6.1. THE COMBINED BUFFER REQUIREMENT

Based on the geographical distribution of Spar Nord's credit risks, the capital requirement for the counter-cyclical buffer at end-2016 has been calculated. The geographical spread of credit exposures that are relevant for calculating the counter-cyclical buffer is shown below.

CREDIT EXPOSURE, GEOGRAPHICAL

| % | Spar Nord | The Bank |
|-----------------|-----------|----------|
| Denmark | 96.7 | 96.8 |
| Great Britain | 0.5 | 0.5 |
| Germany | 0.6 | 0.6 |
| Sweden | 0.6 | 0.6 |
| Finland | 0.2 | 0.2 |
| Luxembourg | 0.3 | 0.3 |
| Norway | 0.2 | 0.2 |
| Spain | 0.2 | 0.1 |
| Switzerland | 0.1 | 0.1 |
| France | 0.0 | 0.0 |
| USA | 0.1 | 0.1 |
| Other countries | 0.5 | 0.5 |

Figure 4.7

In addition to the institution-specific counter-cyclical buffer requirement, Spar Nord also needs to reserve capital in relation to the requirement as to the capital conservation buffer, which amounted to 0.625% at end-2016. Consequently, at end-2016 Spar Nord's combined capital buffer consisted of the institution-specific counter-cyclical buffer requirement and the capital conservation buffer. The calculated combined buffer requirement is shown below.

COMBINED BUFFER REQUIREMENT 2016

| | Spar Nord | The Bank |
|--|--------------|--------------|
| Total risk exposure (DKK m) | 47,485.5 | 48,694.0 |
| Institution-specific counter-cyclical buffer rate (%) | 0.0 | 0.0 |
| Capital conservation buffer rate (%) | 0.6 | 0.6 |
| Institution-specific counter-cyclical buffer requirement (DKK m) | 5.5 | 5.5 |
| Capital conservation buffer requirement (DKK m) | 296.8 | 304.3 |
| Combined buffer requirement (DKK m) | 302.3 | 309.8 |

Figure 4.8

In 2016, Spar Nord's combined buffer requirement increased as a result of a rise in the capital conservation buffer rate from 0.0% to 0.625%.

In 2017, Spar Nord expects that the institution-specific counter-cyclical buffer requirement will still amount to less than 0.1%, while the capital conservation buffer will be 1.25% as from 1 January 2017.

The standard layout to be used for publishing information regarding the requirement as to compliance with the requirement as to a counter-cyclical capital buffer appears from Appendix E.

4.7. EXCESS COVERAGE RELATIVE TO STATUTORY REQUIREMENT

At end-2016, Spar Nord's total capital ratio stood at 17.7%, corresponding to an excess coverage of 7.6 percentage points relative to the total capital requirement.

EXCESS COVERAGE RELATIVE TO OWN FUNDS

| | Spar Nord 2016 | The Bank 2016 | Spar Nord 2015 | The Bank 2015 |
|--|----------------|----------------|----------------|----------------|
| Total capital (CT) (DKK m) | 8,427.0 | 8,427.1 | 7,902.7 | 7,966.5 |
| Adequate own funds (DKK m) | 4,517.8 | 4,614.5 | 4,438.0 | 4,509.3 |
| Combined buffer requirement (DKK m) | 302.3 | 309.8 | 2.2 | 2.2 |
| Total capital requirement (DKK m) | 4,820.1 | 4,924.3 | 4,440.2 | 4,511.5 |
| Excess coverage (DKK m) | 3,606.9 | 3,502.8 | 3,462.5 | 3,455.0 |
| Total capital ratio (%) | 17.7 | 17.3 | 17.0 | 16.8 |
| Individual solvency need ratio (%) | 9.5 | 9.5 | 9.5 | 9.5 |
| Combined buffer requirement (%) | 0.6 | 0.6 | 0.0 | 0.0 |
| Total capital requirement (%) | 10.2 | 10.1 | 9.5 | 9.5 |
| Excess coverage (percentage points) | 7.6 | 7.2 | 7.5 | 7.3 |

Figure 4.9

CAPITAL REQUIREMENT AND EXCESS COVERAGE (DKK m)

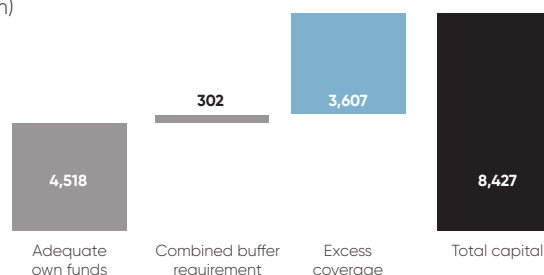


Figure 4.10

The figure below shows that Spar Nord's excess coverage relative to Common Equity Tier 1 (CET1) at end-2016 stood at DKK 3.6 billion, which is equal to an excess coverage of 7.6 percentage points.

EXCESS COVERAGE RELATIVE TO COMMON EQUITY TIER 1 (CET1)

| | Spar Nord 2016 | The Bank 2016 | Spar Nord 2015 | The Bank 2015 |
|--|----------------|----------------|----------------|----------------|
| Common Equity Tier 1 (CET1) after regulatory adjustments (DKK m) | 6,664.6 | 6,664.7 | 6,673.3 | 6,702.4 |
| Total requirement for Common Equity Tier 1 (CET1) (DKK m) | 3,057.7 | 3,161.9 | 3,210.8 | 3,247.4 |
| Excess coverage (DKK m) | 3,606.9 | 3,502.8 | 3,462.5 | 3,455.0 |
| Common Equity Tier 1 (CET1) ratio | 14.0 | 13.7 | 14.4 | 14.1 |
| Total requirement for Common Equity Tier 1 (CET1) ratio (%) | 6.4 | 6.5 | 6.9 | 6.8 |
| Excess coverage (percentage points) | 7.6 | 7.2 | 7.5 | 7.3 |

Figure 4.11

The requirement as to Common Equity Tier 1 (CET 1) has been calculated according to the rules and regulations applying as at end-2016, for which reason the two calculated values are comparable.

4.8 LEVERAGE RATIO

The leverage ratio is calculated based on an institution's capital measure (core capital) divided by Spar Nord's total exposure. Spar Nord has put in place procedures that are intended to counter the risk of excess leverage and to ensure identification, management and monitoring of the institution's leverage risk. In addition, methodologies have been developed to measure risks connected with excess leverage and methodologies designed for assessing significant changes in leverage ratio. Risk of excessive leverage means the risk resulting from an institution's vulnerability due to leverage or contingent leverage that may require unintended corrective measures in its business plan, including distressed sale of assets which might result in losses or in valuation adjustments to its remaining assets.

As is the case for the total capital ratio, Spar Nord also has an internal target for its leverage ratio. It has been assessed that based on the overall risk profile Spar Nord should have a leverage ratio of at least 6%. Spar Nord has defined guidelines as to which initiatives to take if the leverage ratio drops to a level that is contrary to the applicable target.

As yet, a final percentage for how low the leverage ratio may be has not been introduced by legislation. The expectation is that the target will be fixed at 3.0%, equal to a maximum leverage of about 33 times the equity. Spar Nord complied with this target with a solid margin, as Spar Nord's leverage ratio was calculated at 8.1% at end-2016. This calculation was made based on the calculated own funds in section 4.3.2, which complies with the rules for a transitional scheme pursuant to CRR. Using a core capital that is calculated relative to a fully phased-in set of rules, the leverage ratio would be calculated at 8.0%.

LEVERAGE RATIO IN %

| | 2016 | 2015 |
|---|------|------|
| Leverage ratio under transitional scheme | 8.1 | 8.0 |
| Leverage ratio when the rules are fully phased in | 8.0 | 7.9 |

Figure 4.12

The calculated leverage ratio for 2015 is stated according to the set of rules that applied at end-2016, and, consequently, the two calculated values are comparable.

4.9 THE IMPORTANCE OF FUTURE RULES ON CAPITAL REQUIREMENTS

The CRD IV/CRR package is the cornerstone of the European regulation of credit institutions and investment firms, and in 2014 it superseded the existing directives regarding the pursuit of business as a credit institution or investment firm and the national implementation thereof by the Member States.

As a result of the implementation of transitional rules, the full impact of CRR/CRD IV has not yet been achieved. Spar Nord's calculation shows that Common Equity Tier 1 (CET1) ratio would have been 13.7% at 31 December 2016 if the CRR regulation had been fully phased in. This corresponds to a reduction of 0.3 percentage point compared with the 14.0% stated in section 4.2 that has been calculated based on the transitional rules to CRR. In 2017, the transitional rules will once more be tightened in respect of deductions for equity investments. Accordingly, Spar Nord's Common Equity Tier 1 (CET1) ratio will be reduced by 0.1 percentage point in 2017, given an unchanged risk exposure.

Pursuant to the Danish Financial Business Act, the Danish Financial Supervisory Authority and Finansiell Stabilitet (the Winding-up Company) prepare plans for winding up distressed banks. In connection with these plans, minimum requirements for eligible liabilities (MREL) must be set up. These requirements are intended to ensure that a distressed bank has sufficient liabilities eligible for impairment to absorb both the institution's losses and recapitalize the institution so that critical functions can be carried on without use of public means. Consequently, the new requirements are divided into a loss-absorbing amount and a recapitalization amount.

The precise figures for the individual institution, including Spar Nord, are expected to depend on a number of factors, including balance-sheet composition, impairment, solvency need and the credit quality of loans. As yet, it is too early to estimate the effect that the MREL requirements will have for each financial institution.

The Danish Financial Supervisory Authority expects to be able to approve winding-up plans and fix individual MREL requirements in respect of financial institutions before the end of 2017.

5. Liquidity Risk

Spar Nord Bank 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.

5.1 LIQUIDITY POLICY

The policy determines Spar Nord's overall risk profile for liquidity risks and financing structure, as well as the overall organizational delegation of responsibilities in the liquidity area with a view to profitably supporting Spar Nord's business model.

The aim of the liquidity policy is to ensure that Spar Nord has a liquidity risk that at all times bears a natural relation to Spar Nord's overall risk profile. In addition, the liquidity policy is intended to ensure that Spar Nord continuously handles and manages its liquidity appropriately and is capable of meeting its payment obligations as and when due while complying with applicable legislation and supporting future activities and growth. Finally, the policy is intended to ensure a financing structure that is optimized in relation to risk and price.

5.2 MANAGEMENT, MONITORING AND REPORTING

On the basis of the policies and objectives 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 Spar Nord's short-term liquidity, and for the Finance & Accounts Department, which is responsible for managing Spar Nord's long-term funding.

Spar Nord calculates strategic liquidity as deposits excl. repo transactions, senior loans, issued bonds, subordinated debt and equity, less lending excl. reverse repo transactions. On the other hand, subordinated debt, senior loans and issued bonds due within 12 months are not included in the calculation of strategic liquidity.

Spar Nord's liquidity policy objective is for the LCR to amount to at least 100% in compliance with the LCR Regulation. In its liquidity policy, Spar Nord also aims to have excess liquidity coverage pursuant to the statutory requirement in section 152 of the Danish Financial Business Act of minimum 50% calculated in relation to own liquidity. This means that Spar Nord's objective in terms of excess coverage is exclusive of pooled assets. In addition, Spar Nord has as its objective to stay below the threshold value for Funding Ratio in the Diamond Test Model.

The Finance & Accounts Department is responsible for calculating, monitoring and checking that Spar Nord's liquidity risk does not exceed the instruction limits. It regularly reports to the Board of Directors, the Executive Board and the Danish Financial Supervisory Authority.

5.3 DEVELOPMENTS IN 2016

Spar Nord's liquidity situation improved throughout 2016. Thus, Spar Nord's strategic liquidity increased by DKK 1.2 billion to DKK 20.7 billion compared with end-2015. Correspondingly, Spar Nord's LCR ratio was calculated at 171% at end-2016 compared with 145% at end-2015. The excess liquidity coverage pursuant to section 152 of the Danish Financial Business Act has been calculated at 308% at end-2016 compared with 296% at end-2015. The development was driven primarily by an increase in net deposits and net lending within banking activities of DKK 1.6 billion in 2016.

| Liquidity management at Spar Nord | | | | | |
|-----------------------------------|---|--|---|---|--|
| | Short-term liquidity management | | Liquidity stress test | Management of funding sources and needs | Long-term liquidity management |
| Objective | Ensuring that in the short operational term, Spar Nord will be capable of meeting its obligations at all times. Ensuring compliance with appropriate liquidity requirements, see section 152 of the Danish Financial Business Act. | Ensuring that in the short term (30 days), Spar Nord has appropriate high-quality liquid assets to withstand a tough stress scenario. Ensuring compliance with the Liquidity Coverage Ratio (LCR), see CRR. | Ensuring that Spar Nord becomes aware in due time of future liquidity and refinancing risks. Stress test are prepared for a 12-month term. | Ensuring that Spar Nord has a diversified and balanced funding structure. Ensuring that Spar Nord maintains control of future funding needs, broken down on funding sources. | Ensuring that Spar Nord has hedged any long-term mismatch between deposits and lending. Ensuring compliance with the Funding Ratio set up by the Danish Financial Supervisory Authority and NSFR. |
| Management tool | Decentralized instruction target | Decentralized instruction target | Central instruction target | Central instruction target | Central instruction target |
| Monitoring/control | Markets | Markets | Funding | Funding | Funding |
| Recipient | Executive Board/ Board of Directors | Executive Board/ Board of Directors | Executive Board/ Board of Directors | Executive Board/ Board of Directors | Executive Board/ Board of Directors |
| Model | GAP analysis | GAP analysis/ Simulation tool | GAP analysis/ Projection | GAP analysis/ Projection | GAP analysis |
| Ratios/model for follow-up | Liquidity reserve 5 week-rule | Liquidity Coverage Ratio 30 day-rule | Liquidity stress test | Liquidity projection | Strategic liquidity |

Figure 5.1

5.4 SHORT-TERM LIQUIDITY

For several years, Spar Nord has been deploying a fixed model to manage short-term liquidity. The model is used to calculate developments in Spar Nord's liquidity on the assumption that all money market funding falls due according to the terms of the appropriate contract and is not renewed. This is done on a daily basis over a period of eight weeks. The Board of Directors determines the time window in which Spar Nord's liquidity is to remain positive according to the model.

Simultaneously with the above, Spar Nord has a model for monitoring and managing intraday liquidity.

5.5 LIQUIDITY RESERVE

Section 152 of the Danish Financial Business Act was phased out at the end of 2016, and the last statement pursuant to that provision was made at end-2016. Thus, at end-2016 there were still two statutory requirements for the liquidity reserve, viz. section 152 and LCR.

5.5.1 LIQUIDITY RESERVE ACCORDING TO LCR

After the entry into force of LCR at 1 October 2015, LCR has become an integral part of the short-term liquidity management forming part of Spar Nord's liquidity management function.

At end-2016, LCR was calculated at 171%, which is comfortably above Spar Nord's target LCR of at least 100%. The excess coverage of 71 percentage points corresponds to DKK 6.8 billion in excess liquidity. The excess coverage is 101 percentage points compared to the statutory requirement of 70%. At end 2015, LCR was calculated at 145%.

LIQUIDITY COVERAGE RATIO (LCR)

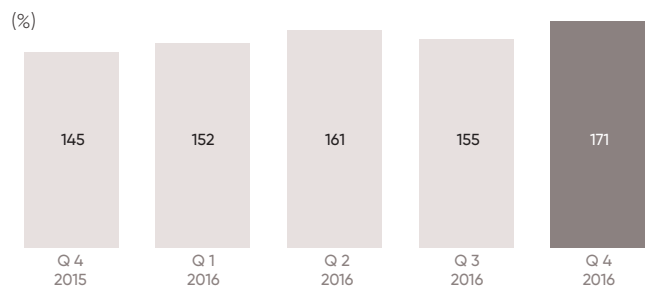


Figure 5.2

The liquidity reserve according to LCR basically consists of Level 1A assets and Level 1B assets.

LIQUIDITY COVERAGE RATIO

| DKK bn | 2016 | 2015 |
|-----------------------|------------|------------|
| Liquidity reserve | 16.3 | 15.9 |
| Liquidity requirement | 9.5 | 10.9 |
| LCR (%) | 171 | 145 |

Figure 5.3

5.5.2 LIQUIDITY RESERVE ACCORDING TO SECTION 152

Spar Nord's management of short-term liquidity is intended to ensure adequate, free liquidity to make sure 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.

The excess liquidity coverage pursuant to the minimum requirement laid down in section 152 amounted to DKK 25.1 billion at end-2016 versus DKK 22.8 billion at end-2015. If the excess coverage is converted to a percentage ratio, this corresponds to an excess coverage of 308% in 2016, whereas it amounted to 296% in 2015.

LIQUIDITY RELATIVE TO STATUTORY LIQUIDITY REQUIREMENT (SECTION 152)

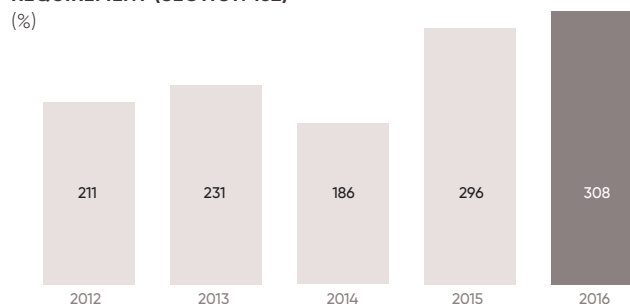


Figure 5.4

5.6 STRESS TESTS

In addition to Spar Nord's 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 below, Spar Nord has positive liquidity for the full 12-month period.

MOODY'S 12-MTH SCENARIO WITH NO ACCESS TO FUNDING

(DKK bn)

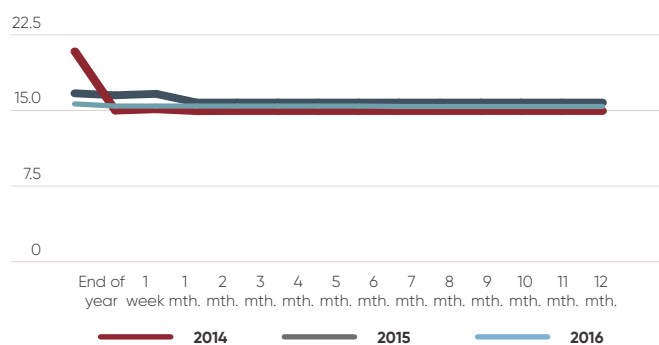


Figure 5.5

In addition to Spar Nord's internal stress tests and Moody's 12-month scenario with no access to funding, monthly liquidity stress tests are prepared and submitted to the Danish Financial Supervisory Authority. Spar Nord's own stress test is based on section 152 of the Danish Financial Business Act, which was phased out at the end of 2016. In future, Spar Nord will use a stress test based on LCR. As both section 152 and LCR were applicable statutory requirements at the end of 2016, Spar Nord prepared stress tests according to section 152 and LCR.

Both stress tests have been prepared over a term of 12 months and have both lived up to statutory requirements and internal targets during the period under review.

5.7 STRATEGIC LIQUIDITY

Spar Nord's strategic liquidity is used to measure the long-term liquidity position. 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 attributable mainly to a DKK 2.1 billion growth in bank deposits, to some extent offset by an increase in lending to bank and leasing activities of DKK 1.2 billion. In December 2016, Spar Nord raised Additional Tier 1 (AT1) capital in the amount of DKK 0.45 billion, which – together with consolidation – contributed positively by DKK 0.7 billion to the strategic liquidity. On the other hand, DKK 0.4 billion of the subordinated debt falling due within 12 months had a downward impact on strategic liquidity.

DEVELOPMENT IN STRATEGIC LIQUIDITY (DKK bn)

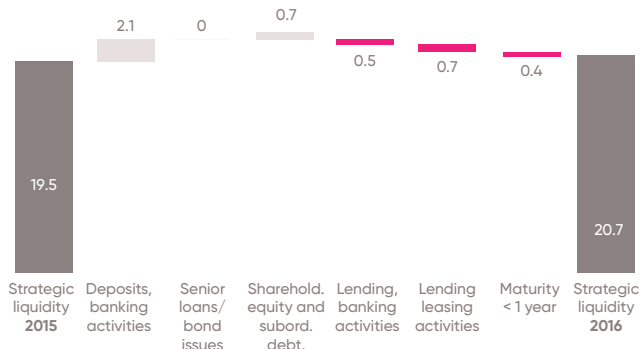


Figure 5.6

STRATEGIC LIQUIDITY (DKK bn)

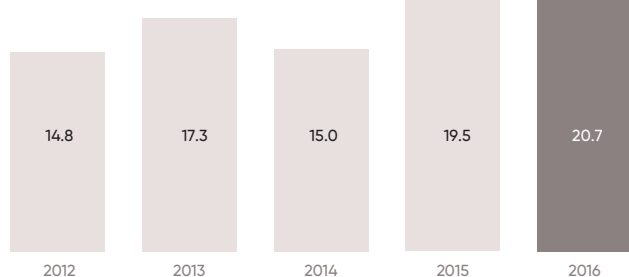


Figure 5.7

5.8 FUNDING AND MATURITY 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

From an overall perspective, Spar Nord's funding at end-2016 increased by DKK 1.2 billion to DKK 58.6 billion compared with end-2015. The most important change in Spar Nord's funding structure is an increase in deposits of DKK 1.7 billion. In addition, the floating of new Additional Tier 1 (AT1) capital in December 2016 in the amount of DKK 0.45 billion contributed to the improved funding. A decline in the deployment of repos and repurchases and debt to central banks and credit institutions somewhat slowed down the increase in funding at the end of 2016. Deposits remain Spar Nord's largest funding source, and at end-2016 it represented 79.2% of Spar Nord's total funding.

In total, Spar Nord's long-term funding (funding with a term to maturity of more than 12 months) 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 institutions | 981.3 | 1,478.4 | 1.7 | 2.6 |
| Repos & repurchases with central banks and credit inst. | 1,399.7 | 2,197.5 | 2.4 | 3.8 |
| Senior loans < 1 year | 0.0 | 0.0 | 0.0 | 0.0 |
| Issued bonds < 1 year | 0.0 | 0.0 | 0.0 | 0.0 |
| Deposits < 1 year | 2,483.0 | 3,511.2 | 4.2 | 6.1 |
| Deposits > 1 year | 43,981.2 | 41,225.1 | 75.0 | 71.8 |
| Senior loans > 1 year | 48.8 | 63.6 | 0.1 | 0.1 |
| Issued bonds > 1 year | 0.0 | 0.0 | 0.0 | 0.0 |
| Sum of AT1 and T2 capital | 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 5.8

FUNDING STRUCTURE (DKK bn)

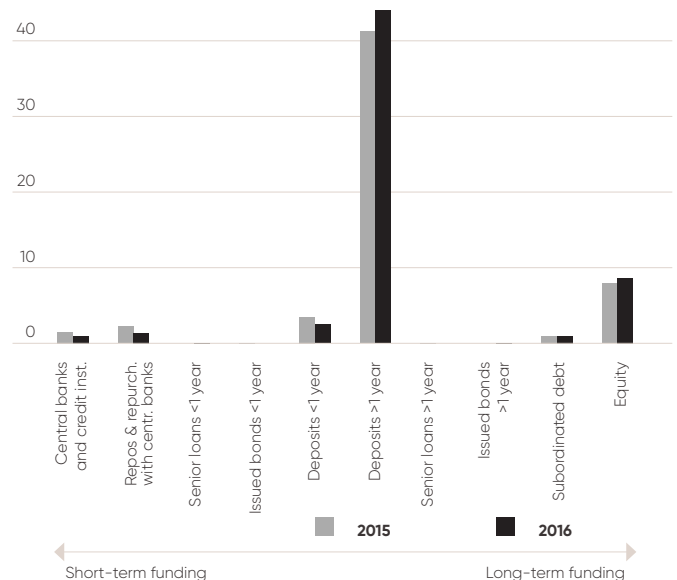


Figure 5.9

6. Credit Risk

Credit risk is the risk of loss as a result of borrowers or other counterparty defaulting on their payment obligations, including the risks attaching to customers having financial difficulties, risks relating to large exposures, concentration risks and risks attaching to granted, unutilized credit lines. Credit risks also include settlement and counterparty risks. Settlement risk is the risk arising when payments are settled, for instance payments for currency transactions and trading in financial instruments, including derivatives. The risk arises when Spar Nord transfers payments before it has attained full assurance that the counterparty has met all its obligations. Counterparty risk is the risk of loss as a result of a customer's default of OTC derivatives and securities financing instruments.

6.1 CREDIT POLICY

Spar Nord's overall credit risk is controlled on the basis of Spar Nord's credit policy, which the Board of Directors determines in conjunction with the overarching policies and frameworks for risk assumption. The pivotal objective of Spar Nord's credit policy is to ensure that earnings and risks are balanced, and that the assumption of risk is always quantified.

It is Spar Nord's policy that all credit must be granted on the basis of insight into the customer's financial position and that credit quality – the customer's ability and will to meet current and future obligations – is a key parameter in all customer relations.

Spar Nord aims to develop long-term relationships with customers and does not want to use risk appetite as a competitive parameter. Spar Nord only wants to conclude transactions that conform to good banking practice and do not jeopardize Spar Nord's reputation and professional profile.

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

In its endeavours to ensure sound risk diversification of its credit exposure, Spar Nord has introduced a number of internal targets. Spar Nord does not want to be exposed to individual customers or lines of business that might solely and separately jeopardize Spar Nord's independence. Consequently, Spar Nord has introduced a cap on individual exposures at DKK 500 million, of which basically the unsecured share of credit exposure may not exceed DKK 175 million in respect of any facility.

Exposures to financial institutions under supervision and repo and reverse repo transactions are not comprised by this restriction.

In determining the amount of exposure, generally accepted credit risk adjustments are made, as appears from the section regarding Large exposures in the CRR Regulation. The statutory limitations apply to trading partners in the financial sector with an external credit rating at investment grade level, and a DKK 700 million cap has been fixed internally for other trading partners in the financial sector.

Spar Nord has set targets for the industry diversification of loans, advances and guarantees, which means that brackets have been fixed for the desired share of total exposure that significant industries may represent.

TARGETS FOR INDUSTRY DIVERSIFICATION

| % | Share of total exposure *) |
|--|----------------------------|
| Agricultural customers | 5 - 10 |
| Real estate | 10 - 15 |
| Financing and insurance | 5 - 10 |
| Industry and raw materials development | 5 - 10 |
| Trade | 5 - 15 |
| Energy supply | 4 - 8 |
| Retail customers | 30 - 40 |

*) Excl. reverse repo transactions

Figure 6.1

Finally, in its credit policy Spar Nord has decided that it wants insight into any commitments that its customers may have towards other financial institutions.

6.2 MANAGEMENT, MONITORING AND REPORTING

The credit facility process at Spar Nord is centrally managed. Decentralized facility authorization rights are maximized at DKK 10 million for existing customers.

As concerns new customers, the facility authorization right is typically half of that for existing customers. The powers of authority in the credit area are governed by two factors: The individual local managers' ability and requirements and the wish that a certain share of authorizations from the local banks is to be dealt with by Credit Rating.

Customer advisers, in consultation with local managers, handle day-to-day management of Spar Nord's credit risks. If a credit facility exceeds the local loan approval limits, it will be passed on and dealt with by Credit Rating, the Credit Committee or the Board of Directors. Credit Rating may authorize credit lines up to DKK 50 million for existing customers and DKK 25 million for new customers. The Credit Committee may authorize all exposures up to DKK 100 million, and up to DKK 50 million for new facilities. All exposures exceeding DKK 100 million and all new exposures exceeding DKK 50 million are subject to approval by the Board of Directors. However, the Credit Committee may authorize credit facility extensions of up to DKK 50 million relative to the most recent authorization given by the Board of Directors.

Overall monitoring of Spar Nord's credit risk exposure is managed by the Credit Quality Department and the Analysis & Process Department. These departments oversee changes in the credit quality of all exposures and undertake systematic credit quality control of the entire credit portfolio.

The Credit Quality Department reviews all new exposures to retail customers above DKK 100,000 and to business customers above DKK 300,000. New customers with weak credit quality are registered on an ongoing basis.

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

Every month a statistically-based rating of both retail and business customers is performed. 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 Spar Nord'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.

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.

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 component exclusively.

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.

If a retail customer is flagged as having a weak credit quality and is not in default, the customer 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 (1 and 2).

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.

6.3 DEVELOPMENTS IN 2016

In 2016, Spar Nord generally saw a satisfactory growth of the lending portfolio. In the last three years, the credit quality for both retail customers and business customers has been stable and satisfactory. The risk level for agricultural customers remains high, which is due to a higher default rate, one reason being poor earnings.

In 2016, both the retail and business customer segment grew. This growth, representing DKK 1.2 billion and occurring after the trend had been negative for a few years, is attributable to a gratifying intake of new customers, among other factors.

Mortgage-credit loans arranged for retail and business customers also increased in 2016.

6.4 CREDIT EXPOSURE

Spar Nord's total credit exposure is attributable to lending activities and to trading activities involving bonds and financial instruments, etc.

The figure below shows Spar Nord's total credit exposure (carrying amount) as at end-2016 and end-2015.

SPAR NORD'S CREDIT EXPOSURE (CARRYING AMOUNT), INCL. DISCOUNT ON EXPOSURES TAKEN OVER, PROVISIONS AND FAIR-VALUE ADJUSTMENTS

| DKK m | 2016 | 2015 |
|--|-----------------|-----------------|
| Reverse repo transactions with customers | 6,253.4 | 4,155.1 |
| Loans and advances at amortized cost | 35,092.2 | 33,884.2 |
| Loans and advances, total | 41,345.6 | 38,039.3 |
| Guarantee commitments | 12,334.1 | 9,585.2 |
| Credit exposure to loans, advances and guarantees, net | 53,679.7 | 47,624.5 |
| Impairment of loans, advances and guarantees | 1,876.9 | 1,826.0 |
| Discount on exposures taken over | 103.3 | 161.5 |
| Credit exposure to loans, advances and guarantees, gross | 55,659.9 | 49,612.0 |
| Demand deposits with central banks | 595.3 | 610.4 |
| Reverse repo transactions with credit institutions and central banks | 1,452.8 | 1,340.6 |
| Receivables from credit institutions and central banks | 726.0 | 1,400.7 |
| Demand deposits and receivables from credit inst. and central banks | 2,774.1 | 3,351.7 |
| Credit exposure (carrying amount) on lending activities | 56,453.8 | 50,976.2 |
| Positive market values | 1,284.2 | 1,423.6 |
| Credit exposure, assets in the trading book | 15,147.5 | 16,195.9 |
| Credit exposure, other financial investment assets | 1,345.8 | 1,516.0 |
| Equity investments in associates | 118.4 | 82.4 |
| Credit exposure (carrying amount) | 74,349.7 | 70,194.1 |

Figure 6.2

Spar Nord's impairment account and discount on exposures taken over amounted to a total of DKK 1,980.2 million at 31 December 2016.

IMPAIRMENT ACCOUNT AND DISCOUNT ON LOANS, ADVANCES AND GUARANTEES

| | Impairment account | | Discount on exposures taken over | | Impairment account/discount | |
|-----------|--------------------|---------|----------------------------------|-------|-----------------------------|---------|
| DKK m | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Spar Nord | 1,876.9 | 1,826.0 | 103.3 | 161.5 | 1,980.2 | 1,987.5 |

Figure 6.3

6.5 LOANS, ADVANCES AND GUARANTEES

Spar Nord's total loans, advances and guarantees before offsetting of impairment losses and discount on exposures taken over amounted to DKK 55.7 billion at end-2016 compared with DKK 49.6 billion at end-2015, equal to a 12% growth. The DKK 6.1 billion rise is attributable to a DKK 3.4 billion increase in lending and a DKK 2.7 billion increase in guarantees.

Customers are categorized into five groups as part of the ongoing risk monitoring: Retail customers – banking activities, Business customers – banking activities, Public-sector customers, financial customers and Spar Nord Leasing.

The development in these customer groups appears from the figure below.

SPAR NORD'S EXPOSURE BY CATEGORY (DKK bn)

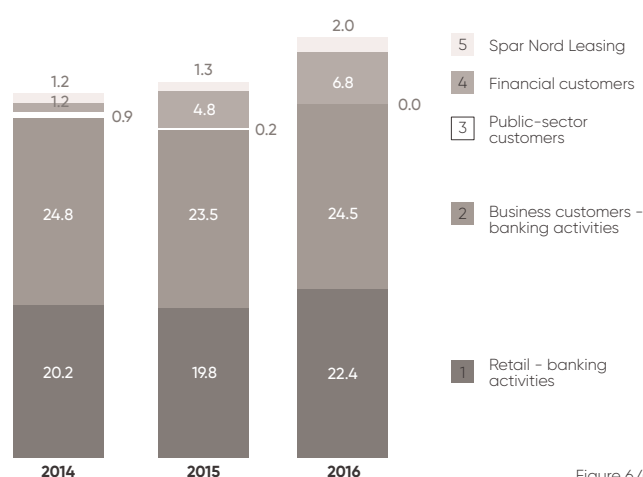


Figure 6.4

The credit exposure to retail customers at Spar Nord's Local Banks rose DKK 2.6 billion during 2016, equal to 13%. The increase breaks down into DKK 2.3 billion on guarantees and DKK 0.3 billion on lending.

The credit exposure of Spar Nord's Local Banks to business customers increased by DKK 1.0 billion during 2016, equal to 4%. The increase amounts to DKK 0.5 billion in loans and advances and DKK 0.5 billion in guarantees.

Credit exposure to public-sector customers fell from DKK 0.2 billion at end-2015 to DKK 0.0 billion at end-2016.

Credit exposure to financial customers climbed DKK 2.0 billion to DKK 6.8 billion. This increase is primarily attributable to growth in reverse repo transactions.

Finally, the credit exposure to leasing customers increased DKK 0.7 billion.

6.5.1 BREAKDOWN BY INDUSTRY

The figure below shows the breakdown of Spar Nord's loans, advances and guarantees by industry at end-2016 and end-2015, and the most recent available figures for the average industry breakdown at sector level.

SPAR NORD'S CUSTOMERS BY INDUSTRY

| Line of business DKK m / % | Loans, advances and guar. 2016 | Loans, advances and guar. 2016 | Loans, advances and guar. 2015 | Loans and advances 2016 | Loans and advances The Sector 2015 |
|-----------------------------------|---|---|---|----------------------------------|---|
| Public authorities | 36.9 | 0.1 | 0.5 | 0.1 | 2.8 |
| Agriculture, hunting and forestry | 3,394.0 | 6.1 | 7.0 | 7.5 | 4.3 |
| Fisheries | 106.8 | 0.2 | 0.2 | 0.2 | |
| Industry and raw materials extr. | 2,650.3 | 4.8 | 5.1 | 5.2 | 6.3 |
| Energy supply | 1,746.3 | 3.1 | 4.0 | 3.6 | 1.8 |
| Building and construction | 1,927.9 | 3.5 | 3.1 | 3.5 | 1.8 |
| Trade | 3,858.0 | 6.9 | 7.1 | 7.8 | 5.0 |
| Transport, hotels and restaurants | 1,673.7 | 3.0 | 3.1 | 3.6 | 3.3 |
| Information and communication | 196.4 | 0.3 | 0.2 | 0.3 | 0.8 |
| Financing and insurance | 9,011.4 | 16.2 | 13.4 | 19.1 | 24.9 |
| Real estate | 6,066.0 | 10.9 | 11.3 | 11.0 | 10.6 |
| Other business areas | 2,651.3 | 4.8 | 5.1 | 5.4 | 5.7 |
| Business customers, total | 33,319.0 | 59.9 | 60.1 | 67.3 | 67.3 |
| Retail customers, total | 22,340.9 | 40.1 | 39.9 | 32.7 | 32.7 |
| Total | 55,659.9 | 100.0 | 100.0 | 100.0 | 100.0 |

Figure 6.5

As appears from the figure, retail customers account for a relatively large share of Spar Nord's loans, advances and guarantees, with the guarantees at end-2016 still being at a high level. In the business customer area, Spar Nord's 16% exposure to financing and insurance is distinctly lower than the sector average, while Spar Nord's 6% exposure to agriculture is above the average figure.

SPAR NORD'S IMPAIRMENT AND DISCOUNT ON EXPOSURES TAKEN OVER – BY INDUSTRY

| Line of business DKK m / % | DKK m 2016 | DKK m 2015 | % 2016 | % 2015 | The Sector % 2015 |
|---------------------------------------|----------------|----------------|--------------|--------------|----------------------------|
| Public authorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Agriculture, hunting and forestry | 755.1 | 832.6 | 38.1 | 41.9 | 21.4 |
| Fisheries | 2.0 | 2.1 | 0.1 | 0.1 | |
| Industry and raw materials extraction | 50.9 | 57.2 | 2.6 | 2.9 | 5.8 |
| Energy supply | 28.2 | 13.7 | 1.4 | 0.7 | 1.1 |
| Building and construction | 59.2 | 59.6 | 3.0 | 3.0 | 4.4 |
| Trade | 84.4 | 92.1 | 4.3 | 4.6 | 5.7 |
| Transport, hotels and restaurants | 63.5 | 45.3 | 3.2 | 2.3 | 4.0 |
| Information and communication | 7.0 | 0.9 | 0.3 | 0.0 | 0.4 |
| Financing and insurance | 113.4 | 63.2 | 5.7 | 3.1 | 7.5 |
| Real estate | 336.0 | 321.3 | 17.0 | 16.2 | 14.8 |
| Other business areas | 91.3 | 72.9 | 4.6 | 3.7 | 5.6 |
| Business customers, total | 1,591.0 | 1,560.9 | 80.3 | 78.5 | 70.7 |
| Retail customers, total | 389.2 | 426.6 | 19.7 | 21.5 | 29.3 |
| Total | 1,980.2 | 1,987.5 | 100.0 | 100.0 | 100.0 |

Figure 6.6

Spar Nord's impairment balance amounted to DKK 2.0 billion, equal to 3.6% of Spar Nord's total loans, advances and guarantees at end-2016. The impairment balance was unchanged at end-2016 compared with end-2015. Impairment of exposures to customers in the agricultural sector declined by DKK 78 million in 2016, ending at DKK 755 million, equal to 38% of total impairment losses compared with 42% at end-2015. At end-2016, total impairment losses on agricultural customers represented 22% of the aggregate loans, advances and guarantees granted to such customers.

LOANS, ADVANCES AND GUARANTEES BROKEN DOWN BY SIZE OF 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 |

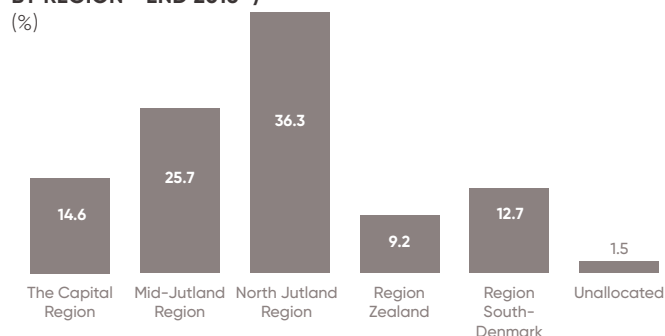
*) Excl. reverse repo transactions and SparXpres

Figure 6.7

As concerns size of exposures, Spar Nord's credit portfolio is considered to be well-diversified, for one thing because 60.3% of the total exposure is attributable to exposures that are less than DKK 10 million each, and because Spar Nord only has 47 exposures that exceed DKK 100 million.

In relation to the new benchmark for large exposures in the Financial Supervisory Authority's Diamond Test Model, 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 REGION - END 2016 *)



LOANS, ADVANCES AND GUARANTEES BROKEN DOWN BY REGION - END 2015 *)



*) Excl. reverse repo transactions and SparXpres.

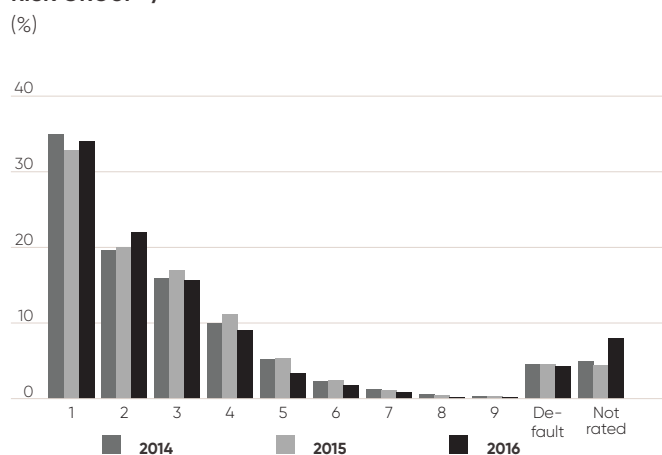
Figure 6.8

Spar Nord's credit portfolio is also considered to have an excellent geographical spread. At end-2016, the traditional core area, North Jutland, accounted for 36.3% of Spar Nord's total loans, advances and guarantees, while the balance is spread over the other regions in the country.

6.5.2 RETAIL CUSTOMERS AT SPAR NORD'S LOCAL BANKS

The total credit exposure to retail customers at Spar Nord's Local Banks amounted to DKK 22.4 billion at end-2016 compared with DKK 19.8 billion at end-2015. The credit exposure to retail customers amounts to 40% of Spar Nord's total credit exposure. As appears from the figure below, the average credit quality of retail customers' facilities has remained at an unchanged level in the past three years.

EXPOSURES TO RETAIL CUSTOMERS BY RISK GROUP *)



*) Excl. SparXpres.

Figure 6.9

AVERAGE RISK GROUP *)

| | 2014 | 2015 | 2016 |
|--------------------|------|------|------|
| Average risk group | 2.7 | 2.8 | 2.7 |

*) Exposure after impairment.

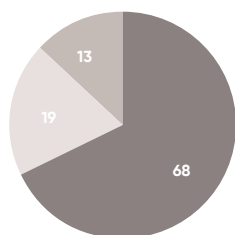
Figure 6.10

In 2016 there was an increase in Not rated customers, which is due to the transition to a new data-processing centre, which meant that the rating models were not operational for a few months. All rating models are now up and running normally.

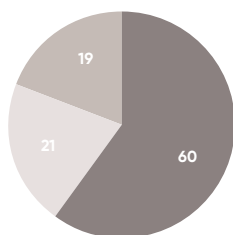
The figures below show the share of retail customers who migrated into better rating groups, the share of retail customers with unchanged credit quality and the share of retail customers who migrated into higher-risk rating groups during 2016 and 2015.

As appears from the figures, 2016 saw a positive development in the migration towards better rating groups in terms of both customer numbers and exposures.

MIGRATION - NUMBER RETAIL CUSTOMERS 2015-2016



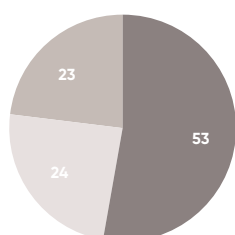
MIGRATION - NUMBER RETAIL CUSTOMERS 2014-2015



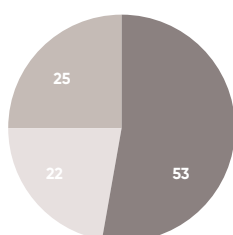
Upgraded Downgraded Unchanged

Figure 6.11

MIGRATION - EXPOSURES RETAIL CUSTOMERS 2015-2016



MIGRATION - EXPOSURES RETAIL CUSTOMERS 2014-2015



Upgraded Downgraded Unchanged

Figure 6.12

The stable development in the retail customer portfolio is corroborated by the trend in retail customers' unauthorized overdrafts. Retail customers' unauthorized overdrafts have remained at a stable, low level in recent years, averaging less than 0.6%.

RETAIL CUSTOMERS - LOCAL BANKS - DEVELOPMENT IN UNAUTHORIZED OVERDRAFTS/EXP. PAST DUE (%)

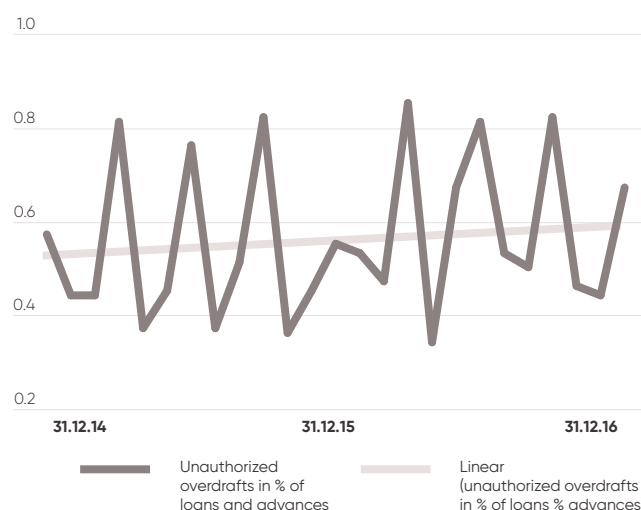


Figure 6.13

6.5.3 BUSINESS CUSTOMERS AT SPAR NORD'S LOCAL BANKS

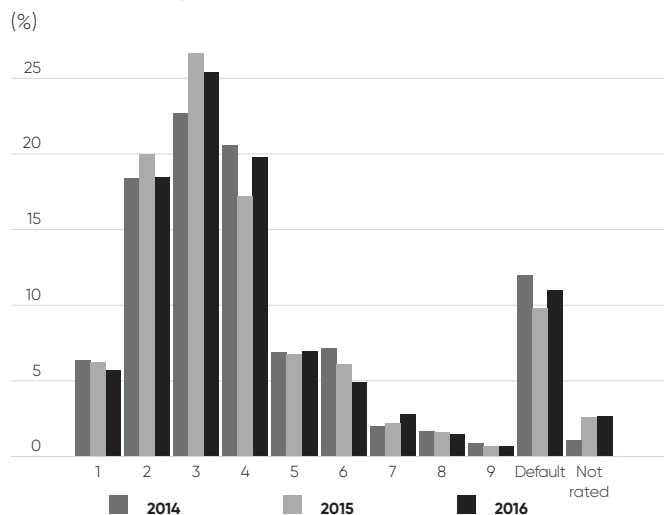
The total credit exposure to business customers at Spar Nord's Local Banks amounted to DKK 24.5 billion at end-2016 compared with DKK 23.5 billion at end-2015.

In 2016, Spar Nord's total exposure to public-sector customers declined by DKK 0.2 billion to DKK 0.0 billion.

The credit exposure to business customers amounted to 44% of Spar Nord's total credit exposure.

As appears from the figure below, the average credit quality of business customers remained at a stable and satisfactory level. However, in 2016 the average credit quality for business customers declined marginally, due primarily to a slight rise in customers in default.

EXPOSURES TO BUSINESS CUSTOMERS BY RATING GROUP *)



*) Excl. public-sector customers

Figure 6.14

AVERAGE RISK GROUP *)

| | 2014 | 2015 | 2016 |
|--------------------|------|------|------|
| Average risk group | 4.1 | 4.0 | 4.1 |

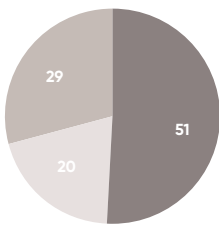
*) Exposure after impairment and excl. public-sector customers and leasing.

Figure 6.15

The figures below show the share of business customers who migrated into better rating groups during 2016 and 2015, as well as the share of business customers with unchanged credit quality and the share of business customers who migrated into higher-risk rating groups.

As appears from the figures, development was negative during the year, as migration towards better rating groups was smaller than migration the opposite way, both in terms of customer number and size of exposure.

MIGRATION - NUMBER BUSINESS CUSTOMERS 2015-2016



Upgraded Downgraded Unchanged

MIGRATION - NUMBER BUSINESS CUSTOMERS 2014-2015

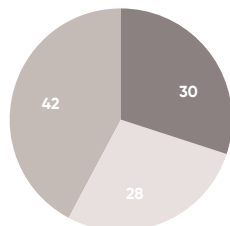
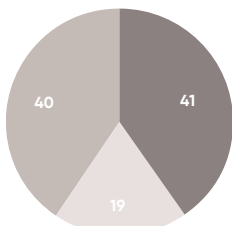


Figure 6.16

MIGRATION - EXPOSURES BUSINESS CUSTOMERS 2015-2016



Upgraded Downgraded Unchanged

MIGRATION - EXPOSURES BUSINESS CUSTOMERS 2014-2015

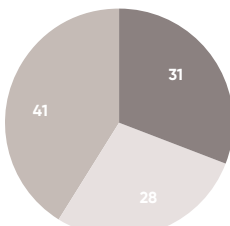


Figure 6.17

As was the case for retail customers, business customers' unauthorized overdrafts and past due exposures remained at a stable, low level during 2015 and 2016.

BUSINESS CUSTOMERS - LOCAL BANKS - DEVELOPMENT IN UNAUTHORIZED OVERDRAFTS / EXP. PAST DUE

(%)

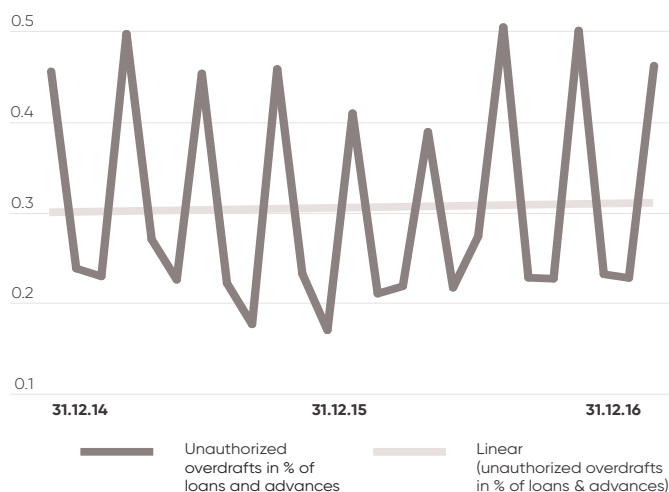


Figure 6.18

6.5.4 MORTGAGE-CREDIT LOANS ARRANGED

In addition to bank lending on Spar Nord's own books, a major part of Spar Nord's business consists of arranging mortgage-credit loans on behalf of Totalkredit and DLR Kredit.

At end-2016, Spar Nord had arranged mortgage-credit loans for a total of DKK 73.6 billion to its customers. Of this amount, mortgage-credit loans to retail customers from Totalkredit amounted to DKK 62.2 billion, and mortgage-credit loans to business customers via DLR Kredit amounted to DKK 11.4 billion.

The cooperation with Totalkredit and DLR Kredit is based on the principle that in case of losses on the loans arranged by Spar Nord, a setoff will be made against the commission paid to Spar Nord for its loan-arranging services, or that - for some exposure categories - Spar Nord will be asked to provide a direct guarantee.

The figure below shows the breakdown on rating groups for the Spar Nord customers who have taken out mortgage-credit loans with Totalkredit and DLR Kredit. As appears, it is predominantly a case of mortgage-credit loans arranged for customers in the best rating groups.

MORTGAGE CREDIT - DLR AND TOTALKREDIT, BANKING ACTIVITIES RETAIL AND BUSINESS CUSTOMERS

(%)

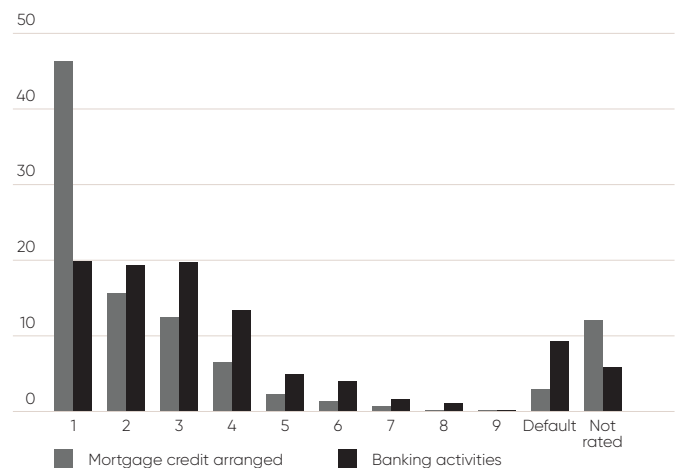


Figure 6.19

6.5.5 LEASING ACTIVITIES

Spar Nord's total credit exposure in the leasing area amounted to DKK 2.0 billion at end-2016, equal to 4% of total loans, advances and guarantees.

The figure below shows the breakdown by industry of Spar Nord's leasing loans.

LEASE CONTRACTS

| Line of business % | Loans, advances and guarantees | | Impairm. acc./discount | |
|---------------------------------------|--------------------------------|--------------|------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Public authorities | 0.0 | 0.1 | 0.0 | 0.0 |
| Agriculture, hunting and forestry | 18.3 | 21.8 | 12.0 | 18.0 |
| Fisheries | 0.0 | 0.0 | 0.0 | 0.0 |
| Industry and raw materials extraction | 17.3 | 17.8 | 44.9 | 29.5 |
| Energy supply | 4.1 | 1.4 | 1.0 | 4.9 |
| Building and construction | 11.9 | 11.0 | 7.5 | 3.3 |
| Trade | 7.5 | 6.5 | 5.1 | 13.1 |
| Transport, hotels and restaurants | 18.2 | 16.8 | 17.4 | 13.4 |
| Information and communication | 1.4 | 1.7 | 0.0 | 0.0 |
| Financing and insurance | 2.6 | 8.4 | 0.0 | 0.4 |
| Real estate | 1.0 | 0.7 | 0.7 | 0.5 |
| Other business areas | 17.5 | 10.9 | 9.8 | 10.9 |
| Business customers, total | 99.8 | 97.1 | 98.4 | 94.0 |
| Retail customers, total | 0.2 | 2.9 | 1.6 | 6.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

Figure 6.20

REPOSSESSED EQUIPMENT

| DKK m | 2016 | 2015 |
|------------------------------|------|------|
| Repossessed equipment, total | 14.1 | 1.7 |

Figure 6.21

The figure above shows developments in the volume of repossessed leasing equipment, which remains at a very low level.

In the context of risks, it is important to note that leasing lending is always backed by security in the assets, either through charges or ownership.

6.5.6 FINANCIAL CUSTOMERS

Spar Nord's credit exposure to financial customers was DKK 6.8 billion at end-2016, equivalent to 12% of Spar Nord's total loans, advances and guarantees. The exposure consists primarily of reverse repo transactions of DKK 6.3 billion and own liabilities, etc.

The figure below shows Spar Nord's credit exposure to financial customers.

SPAR NORDS CREDIT EXPOSURE TO FINANCIAL CUSTOMERES

| DKK m. | 2016 | 2015 |
|--|----------------|----------------|
| Reverse repo transactions | 6,253.4 | 4,155.1 |
| Customers of other financial institutions | 0.0 | 12.2 |
| Spar Nord's own exposures and central customers etc. | 543.5 | 596.2 |
| Financial customers, total | 6,796.9 | 4,763.5 |

Figure 6.22

6.6 CREDIT QUALITY

The figure below shows a breakdown of Spar Nord's customers by the credit quality categories used by the Danish Financial Supervisory Authority. Categories 2a and 3 comprise low-risk customers, categories 2c and 2b comprise heightened-risk customers while customers having financial difficulties are placed in category 1 (OEI).

CREDIT QUALITY 2016

| Line of business % | Credit quality categories | | | | |
|---------------------------------------|---------------------------|------------|------------|-------------|--------------|
| | 1 | 2c | 2b | 2a/3 | Exposure |
| Public authorities | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| Agriculture, hunting and forestry | 3.3 | 0.1 | 0.2 | 2.5 | 6.1 |
| Fisheries | 0.0 | 0.0 | 0.0 | 0.2 | 0.2 |
| Industry and raw materials extraction | 0.3 | 0.1 | 0.7 | 3.7 | 4.8 |
| Energy supply | 0.1 | 0.0 | 0.6 | 2.4 | 3.1 |
| Building and construction | 0.4 | 0.4 | 0.3 | 2.4 | 3.5 |
| Trade | 0.6 | 0.1 | 0.5 | 5.7 | 6.9 |
| Transport, hotels and restaurants | 0.4 | 0.0 | 0.2 | 2.4 | 3.0 |
| Information and communication | 0.0 | 0.0 | 0.1 | 0.2 | 0.3 |
| Financing and insurance | 0.5 | 0.0 | 0.1 | 15.6 | 16.2 |
| Real estate | 2.3 | 0.3 | 0.7 | 7.6 | 10.9 |
| Other business areas | 0.4 | 0.0 | 0.4 | 4.0 | 4.8 |
| Business customers, total | 8.4 | 1.1 | 3.8 | 46.6 | 59.9 |
| Retail customers, total | 1.9 | 0.1 | 2.4 | 35.7 | 40.1 |
| Total | 10.3 | 1.2 | 6.2 | 82.3 | 100.0 |

CREDIT QUALITY 2015

| Line of business % | Credit quality categories | | | | |
|---------------------------------------|---------------------------|------------|------------|-------------|--------------|
| | 1 | 2c | 2b | 2a/3 | Exposure |
| Public authorities | 0.0 | 0.0 | 0.0 | 0.5 | 0.5 |
| Agriculture, hunting and forestry | 4.3 | 0.2 | 0.2 | 2.3 | 7.0 |
| Fisheries | 0.0 | 0.0 | 0.1 | 0.1 | 0.2 |
| Industry and raw materials extraction | 0.7 | 0.0 | 0.4 | 4.0 | 5.1 |
| Energy supply | 0.1 | 0.0 | 0.3 | 3.6 | 4.0 |
| Building and construction | 0.6 | 0.1 | 0.2 | 2.2 | 3.1 |
| Trade | 0.9 | 0.1 | 0.6 | 5.5 | 7.1 |
| Transport, hotels and restaurants | 0.5 | 0.0 | 0.2 | 2.4 | 3.1 |
| Information and communication | 0.0 | 0.0 | 0.0 | 0.2 | 0.2 |
| Financing and insurance | 0.6 | 0.0 | 0.2 | 12.6 | 13.4 |
| Real estate | 2.7 | 0.2 | 0.7 | 7.7 | 11.3 |
| Other business areas | 0.4 | 0.1 | 0.3 | 4.3 | 5.1 |
| Business customers, total | 10.8 | 0.7 | 3.2 | 45.4 | 60.1 |
| Retail customers, total | 2.1 | 0.1 | 3.1 | 34.6 | 39.9 |
| Total | 12.9 | 0.8 | 6.3 | 80.0 | 100.0 |

Figure 6.23

6.7 COLLATERAL

An important element in Spar Nord's management of credit risks is to reduce the risk attaching to individual exposures by accepting collateral, such as mortgages and charges over physical assets, securities and guarantees, etc. Mortgages and charges on real property, securities and vehicles make up the most common type of collateral. Mortgages on property are by far the most important collateral type provided to Spar Nord. Mortgages on real property consist mainly of mortgages on private housing.

A growth of DKK 2.1 billion in reverse repo transactions in 2016 reduced the average unsecured share by 1.4 percentage points.

GEOGRAPHICAL BREAKDOWN OF MORTGAGES - END-2016 (%)



Figure 6.24

MORTGAGES BROKEN DOWN BY PROPERTY TYPE

| | 2016 DKK m | 2016 % | 2015 DKK m | 2015 % |
|------------------------|-----------------|--------------|-----------------|--------------|
| 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 | 3,757.3 | 16.1 | 3,498.1 | 15.6 |
| Agriculture | 2,434.3 | 10.4 | 2,874.1 | 12.9 |
| Other | 3,253.3 | 14.0 | 2,934.6 | 13.1 |
| Total | 23,311.3 | 100.0 | 22,395.5 | 100.0 |

Figure 6.25

SPAR NORD'S UNSECURED SHARE OF CREDIT EXPOSURE

| Unsecured shares in % | 2016 | 2015 |
|---|-------------|-------------|
| <10 | 43.5 | 38.7 |
| 10-50 | 20.9 | 21.5 |
| 50-75 | 9.4 | 10.7 |
| >75 | 26.2 | 29.1 |
| Average unsecured share of credit exposure | 37.3 | 41.3 |

Figure 6.26

SPAR NORD'S UNSECURED SHARE OF CREDIT EXPOSURE

| Line of business | 2016 DKK m | 2016 % | 2015 DKK m | 2015 % |
|---------------------------------------|-----------------|-------------|-----------------|-------------|
| Public authorities | 36.8 | 99.6 | 259.9 | 99.7 |
| Agriculture, hunting and forestry | 1,141.6 | 33.6 | 1,130.6 | 32.7 |
| Fisheries | 46.3 | 43.3 | 53.8 | 52.9 |
| Industry and raw materials extraction | 912.9 | 34.4 | 882.4 | 35.1 |
| Energy supply | 536.2 | 30.7 | 636.7 | 31.8 |
| Building and construction | 711.3 | 36.9 | 629.9 | 41.2 |
| Trade | 1,848.1 | 47.9 | 1,766.7 | 49.9 |
| Transport, hotels and restaurants | 488.4 | 29.2 | 486.9 | 31.9 |
| Information and communication | 93.2 | 47.4 | 61.5 | 49.9 |
| Financing and insurance | 1,779.6 | 19.7 | 1,671.4 | 26.6 |
| Real estate | 2,443.9 | 40.3 | 2,634.9 | 47.2 |
| Other business areas | 1,192.5 | 45.0 | 1,389.4 | 54.2 |
| Business customers, total | 11,230.8 | 33.7 | 11,604.1 | 38.9 |
| Retail customers, total | 9,518.7 | 42.6 | 8,900.4 | 44.9 |
| Total | 20,749.5 | 37.3 | 20,504.5 | 41.3 |

Figure 6.27

The property value under mortgages broken down by property type is calculated at DKK 23.3 billion, while only DKK 14.2 billion is recorded as security on properties in the figure below. This is because the former amount represents the amount mortgaged to Spar Nord and is recorded as collateral received, while the latter amount is the share actually used for calculating collateral regarding a specific exposure. Some exposures are smaller than the collateral value, and collateral has also been provided by customers who do not currently have any facilities.

SPAR NORD'S CREDIT RISK MITIGATION BY VIRTUE OF COLLATERAL

| Type of collateral DKK m | 2016 | 2015 |
|---|-----------------|-----------------|
| Properties | 14,246.4 | 13,779.5 |
| Custody accounts /securities | 7,319.0 | 5,043.5 |
| Guarantees /sureties | 486.7 | 370.7 |
| Vehicles | 655.8 | 708.8 |
| Cash | 507.8 | 511.1 |
| Other collateral | 4,092.7 | 3,690.0 |
| Other collateral, total | 27,308.4 | 24,103.6 |
| Spec. secured trans. (mortgage-credit inst. guarantees) | 5,926.9 | 3,785.9 |
| Total collateral accepted, excl. Spar Nord Leasing | 33,235.3 | 27,889.5 |
| Collateral accepted, Spar Nord Leasing | 1,675.1 | 1,218.0 |
| Total | 34,910.4 | 29,107.5 |

Figure 6.28

6.8 IMPAIRMENT OF LOANS AND ADVANCES

Based on the provisions of IAS 39, Spar Nord has defined an array of risk events that are considered objective evidence of impairment. Some risk events are automatically recorded in Spar Nord's systems, while others are registered manually by customer advisers and credit staff members.

All significant loans and advances and credit-flagged exposures are evaluated individually. Credit-flagged loan exposures of less than DKK 250,000 are automatically reviewed using an algorithm based on the customer's financial key figures and Spar Nord's rating systems. All loans and advances that have not been impaired on an individual basis are assigned to groups having uniform credit risk exposure. If the review discloses objective evidence of impairment, an impairment loss is recognized. Impairment is calculated as the difference between the expected loan loss at the time of establishment and the present value of expected future losses on the loan. An exposure need not be in default before impairment is recognized and approval procedures regarding any new extension of credit are tightened.

Impairment losses are calculated individually as concerns all customers suffering from financial imbalances (objective evidence of impairment (OEI)). The expected cash flow is calculated, comprising conservatively assessed values and realizable costs for any assets that might have to be sold to cover the outstanding debt.

IMPAIRED CLAIMS

| 2016 DKK m | Exposure | Individually value-adjusted |
|---|----------------|--------------------------------|
| Insolvent liquidation and bankruptcy | 199.3 | 142.2 |
| Debt collection and restructuring, etc. | 188.9 | 125.5 |
| Other financial difficulties | 3,827.3 | 1,588.9 |
| Individual impairment, total | 4,215.5 | 1,856.6 |

| | |
|--|----------------|
| Groups of impairment losses in Spar Nord | 123.6 |
| Imp. account and discount on exposures taken over | 1,980.2 |

IMPAIRED CLAIMS

| 2015 DKK m | Exposure | Individually value-adjusted |
|---|----------------|--------------------------------|
| Insolvent liquidation and bankruptcy | 101.4 | 72.7 |
| Debt collection and restructuring, etc. | 255.8 | 156.9 |
| Other financial difficulties | 3,641.5 | 1,620.4 |
| Individual impairment, total | 3,998.7 | 1,850.0 |

| | |
|--|----------------|
| Groups of impairment losses in Spar Nord | 137.5 |
| Imp. account and discount on exposures taken over | 1,987.5 |

Figure 6.29

In 2016, Spar Nord recorded an increase in credit exposure to customers with individual impairment of DKK 216.8 million.

At end-2016, the impaired claims represented 7.6% of total credit exposure compared with 8.1% in 2015.

In 2016, the total impairment account/discount account fell by DKK 7.3 million. This development breaks down into a decline of DKK 58.2 million on the discount balance, and an increase on the impairment balance of DKK 50.9 million.

SPAR NORD'S MOVEMENTS IN LOSSES AND INDIVIDUAL IMPAIRMENT 2016

| DKK m | Loans, advances and guarantees Past due and impaired | Impairment account/ discount *) | Recognized losses |
|---------------------------------------|--|---------------------------------|-------------------|
| Public authorities | 0.0 | 0.0 | 0.0 |
| Agriculture, hunting and forestry | 1,280.4 | 694.6 | 226.1 |
| Fisheries | 4.4 | 1.8 | 0.2 |
| Industry and raw materials extraction | 102.8 | 44.4 | 4.3 |
| Energy supply | 52.4 | 25.3 | 1.0 |
| Building and construction | 197.1 | 56.4 | 13.1 |
| Trade | 205.4 | 77.2 | 12.1 |
| Transport, hotels and restaurants | 158.3 | 60.6 | 2.8 |
| Information and communication | 17.1 | 6.6 | 0.0 |
| Financing and insurance | 225.4 | 110.4 | 7.1 |
| Real estate | 994.4 | 325.3 | 50.8 |
| Other business areas | 171.2 | 86.9 | 18.5 |
| Business customers, total | 3,408.9 | 1,489.5 | 336.0 |
| Retail customers, total | 806.6 | 367.1 | 85.1 |
| Total | 4,215.5 | 1,856.6 | 421.1 |

SPAR NORD'S MOVEMENTS IN LOSSES AND INDIVIDUAL IMPAIRMENT 2015

| DKK m | Loans, advances and guarantees Past due and impaired | Impairment account/ discount *) | Recognized losses |
|---------------------------------------|--|---------------------------------|-------------------|
| Public authorities | 0.0 | 0.0 | 0.0 |
| Agriculture, hunting and forestry | 1,482.0 | 755.0 | 130.9 |
| Fisheries | 4.4 | 1.7 | 0.0 |
| Industry and raw materials extraction | 163.3 | 54.4 | 24.5 |
| Energy supply | 18.3 | 11.3 | 6.9 |
| Building and construction | 168.3 | 56.6 | 20.8 |
| Trade | 220.0 | 86.7 | 17.1 |
| Transport, hotels and restaurants | 137.8 | 42.8 | 23.6 |
| Information and communication | 0.7 | 0.7 | 1.9 |
| Financing and insurance | 106.3 | 60.8 | 31.4 |
| Real estate | 819.9 | 313.0 | 150.0 |
| Other business areas | 123.7 | 70.0 | 42.7 |
| Business customers, total | 3,244.7 | 1,453.0 | 449.8 |
| Retail customers, total | 754.0 | 397.0 | 162.4 |
| Total | 3,998.7 | 1,850.0 | 612.2 |

*) Spar Nords total value adjustments should be suppl. by groups of impairment losses in the amount of DKK 123.6 million (2015: DKK 137.5 million. Including portfolio impairment of small retail customers with exposures of less than DKK 250,000 and SparExpres.

Figure 6.30

DIFFERENCE BETWEEN IMPAIRMENT FOR ACCOUNTING PURPOSES AND TOTAL IMPAIRMENT IN THE RISK REPORT

| Spar Nord – 2016 Line of business – DKK m | Impairment account/ discount | Discount on exposures taken over | Impairment account |
|---|------------------------------|----------------------------------|--------------------|
| Public authorities | 0.0 | 0.0 | 0.0 |
| Agriculture, hunting and forestry | 755.1 | 0.0 | 755.1 |
| Fisheries | 2.0 | 0.0 | 2.0 |
| Industry and raw materials extraction | 50.9 | 4.5 | 46.4 |
| Energy supply | 28.2 | 0.0 | 28.2 |
| Building and construction | 59.2 | 2.5 | 56.7 |
| Trade | 84.4 | 1.4 | 83.0 |
| Transport, hotels and restaurants | 63.5 | 0.8 | 62.7 |
| Information and communication | 7.0 | 1.2 | 5.8 |
| Financing and insurance | 113.4 | 15.6 | 97.8 |
| Real estate | 336.0 | 57.9 | 278.1 |
| Other business areas | 91.3 | 8.7 | 82.6 |
| Business customers, total | 1,591.0 | 92.6 | 1,498.4 |
| Retail customers, total | 389.2 | 10.7 | 378.5 |
| Total | 1,980.2 | 103.3 | 1,876.9 |

Figure 6.31a

Groups of impairment losses are recognized when objective evidence shows that expected future losses exceed the loss expected upon loan establishment. Accordingly, in addition to objective evidence for a group, group impairment losses are basically recognized when customers are transferred to groups with a higher credit risk exposure.

Total group impairment losses of DKK 123.6 million break down into losses of DKK 22.1 million on retail customers and DKK 101.5 million on business customers, of which DKK 60.7 million is attributable to agricultural customers.

DIFFERENCE BETWEEN IMPAIRMENT FOR ACCOUNTING PURPOSES AND TOTAL IMPAIRMENT IN THE RISK REPORT

| Spar Nord – 2015 Line of business – DKK m | Impairment account/ discount | Discount on exposures taken over | Impairment account |
|---|------------------------------|----------------------------------|--------------------|
| Public authorities | 0.0 | 0.0 | 0.0 |
| Agriculture, hunting and forestry | 832.6 | 1.1 | 831.5 |
| Fisheries | 2.1 | 0.0 | 2.1 |
| Industry and raw materials extraction | 57.2 | 6.5 | 50.7 |
| Energy supply | 13.7 | 0.0 | 13.7 |
| Building and construction | 59.6 | 2.7 | 56.9 |
| Trade | 92.1 | 1.0 | 91.1 |
| Transport, hotels and restaurants | 45.3 | 1.1 | 44.2 |
| Information and communication | 0.9 | 0.0 | 0.9 |
| Financing and insurance | 63.2 | 14.7 | 48.5 |
| Real estate | 321.3 | 92.5 | 228.8 |
| Other business areas | 72.9 | 17.0 | 55.9 |
| Business customers, total | 1,560.9 | 136.6 | 1,424.3 |
| Retail customers, total | 426.6 | 24.9 | 401.7 |
| Total | 1,987.5 | 161.5 | 1,826.0 |

Figure 6.31b

DEVELOPMENT IN PROFIT IMPACT FROM LOSSES AND IMPAIRMENT OF LOANS, ADVANCES AND GUARANTEES – BY INDUSTRY

| DKK m | 2016 | 2015 |
|---------------------------------------|--------------|--------------|
| Public authorities | 0.0 | 0.0 |
| Agriculture, hunting and forestry | 121.2 | 310.4 |
| Fisheries | -0.1 | 0.3 |
| Industry and raw materials extraction | -6.0 | 4.3 |
| Energy supply | 15.0 | 8.7 |
| Building and construction | 9.0 | -25.6 |
| Trade | 12.0 | -5.2 |
| Transport, hotels and restaurants | 18.1 | -31.0 |
| Information and communication | 2.5 | 0.4 |
| Financing and insurance | 12.3 | -13.8 |
| Real estate | 42.6 | 37.8 |
| Other business areas | 20.3 | -13.9 |
| Business customers, total | 246.9 | 272.4 |
| Retail customers, total | -4.5 | 43.2 |
| Total | 242.4 | 315.6 |

Figure 6.32

The impact on Spar Nord's profits from impairment amounted to an expense of DKK 242.4 million in 2016, equal to 0.4% of total loans, advances and guarantees.

The impact on profits breaks down into DKK -4.5 million attributable to retail customers, equal to a profit impact ratio of 0.0%, and DKK 121.1 million in respect of agricultural customers, equal to a profit impact ratio of 3.6%. The profit impact attributable to business customers, excluding the agricultural sector, amounted to DKK 125.8 million, equal to a profit impact ratio of 0.4%.

Spar Nord's rating systems constitute the primary source of the breakdown into groups and the recognition of OEI by group. Exposures such as doubtful loans – loans for which interest accruals have been suspended because full collection of the principal is unlikely or because no interest has been paid for an extensive period of time – are subject to special scrutiny, and if repayment is considered doubtful and loss unavoidable, the exposure is categorized as partially or fully impaired and uncollectible. No interest is recognized on the part of exposures that has been written down for impairment.

Exposures for which interest accrual has been suspended dropped from DKK 514.2 million at end-2015 to DKK 443.4 million at end-2016.

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) 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.

The figure below shows a breakdown of loans and advances for which the terms have been relaxed.

LOANS AND ADVANCES SUBJECT TO FORBEARANCE 2016

| DKK m | 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 |

LOANS AND ADVANCES SUBJECT TO FORBEARANCE 2015

| DKK m | 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 6.33

SPAR NORD'S LOSSES AND IMPAIRMENT ON LOANS, ADVANCES AND GUARANTEES

| DKK m | 2016 | 2015 |
|--|---------------|--------------|
| Losses, incl. losses covered by provisions/impairment and impairment losses taken over | 423.8 | 614.2 |
| Covered by provisions/impairment and impairment losses taken over | -312.8 | -448.8 |
| Losses not covered by provisions/impairment | 111.0 | 165.4 |
| New provisions/impairment, excl. sector-wide solutions | 650.0 | 655.2 |
| Reversal of provisions/impairment | -291.3 | -299.5 |
| Interest on impaired loans and advances taken to income | -65.0 | -83.4 |
| Provisions/impairment, net | 293.6 | 272.3 |
| Recoveries of loans written off as uncollectible | -115.9 | -67.2 |
| Losses and provisions/impairment for the year | 288.7 | 370.5 |
| Other losses | 3.3 | 2.9 |
| Losses and provisions/impairment for the year, total | 292.0 | 373.4 |
| Total amount recognized in the income statement | 292.0 | 373.4 |
| Adjustment of discount on exposures taken over from Sparbank | 49.6 | 57.8 |
| Impact on income statement | 242.4 | 315.6 |

Figure 6.34

SPAR NORD'S MOVEMENTS IN LOSSES AND VALUE ADJUSTMENTS AND NON-ACCRAAL LOANS

| DKK m | 2016 | 2015 |
|--|----------------|----------------|
| Loans, advances and guarantees, gross, year-end | 55,659.9 | 49,612.0 |
| Losses and impairment for the year, total | 242.4 | 315.6 |
| - in % of loans, advances and guarantees | 0.4 | 0.6 |
| Impairment account and discount on exposures taken over | 1,980.2 | 1,987.5 |
| - in % of loans, advances and guarantees | 3.6 | 4.0 |
| Contractual non-accrual loans, year-end | 443.4 | 514.2 |
| - in % of loans, advances and guarantees | 0.8 | 1.0 |
| Impairment account and discount on exposures taken over in % of non-accrual loans | 446.6 | 386.5 |

Figure 6.35

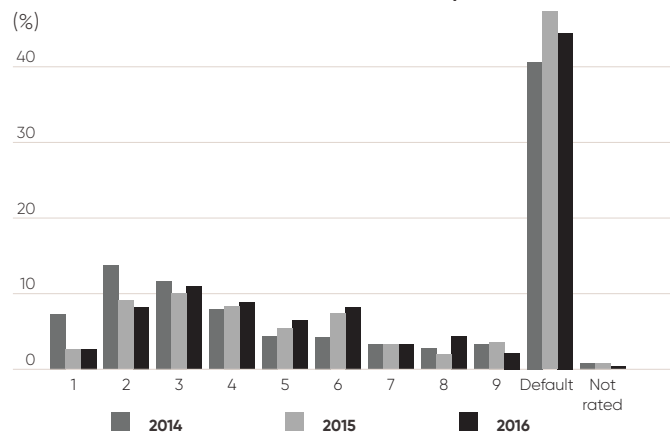
At end-2016, the impairment and discount account amounted to DKK 1,980.2 million, equal to 3.6% of loans, advances and guarantees, compared with 4.0% at end-2015.

6.8.1 AGRICULTURE

Loans, advances and guarantees to agricultural customers amounted to DKK 3.4 billion, equal to 6% of Spar Nord's total loans, advances and guarantees. Of this amount, leasing loans account for DKK 0.4 billion and guarantees for DKK 0.1 billion.

The figure below shows developments in credit quality among agricultural customers at Spar Nord's local banks in the period from 2014 to 2016.

AGRICULTURAL EXPOSURE BY RATING GROUP *)



*) Excl. leasing

Figure 6.36

AVERAGE RISK LEVEL - AGRICULTURE *)

| | 2014 | 2015 | 2016 |
|--------------------|------|------|------|
| Average risk group | 6.0 | 6.6 | 6.3 |

*) Exposure after impairment

Figure 6.37

As appears from the figures, the average credit quality improved during 2016. The improvement in 2016 is primarily attributable to a reduction in exposures in default.

The impact on profits from impairment of agricultural loans amounted to DKK 121.2 million in 2016 compared with DKK 310.4 million in 2015.

The impairment losses stemmed primarily from cattle producers in 2016. Cattle producers are still affected by low settlement prices on milk, which did however rise during 2016.

Spar Nord's total impairment of agricultural loans amounted to DKK 755.1 million at end-2016, equal to 22.2% of Spar Nord's total loans, advances and guarantees to the industry.

The figures below show Spar Nord's agricultural loans and impairment related to agricultural exposures, broken down by production lines.

AGRICULTURAL EXPOSURE BY PRODUCTION LINE

| 2016 DKK m/% | Loans, advances and guarantees | Of which impaired | Share impaired |
|------------------------|--------------------------------------|----------------------|-------------------|
| Cattle producers | 1,112.7 | 685.0 | 61.6 |
| Pig producers | 798.8 | 414.0 | 51.8 |
| Plant cultivation | 685.3 | 102.6 | 15.0 |
| Mink farmers | 114.1 | 41.4 | 36.3 |
| Leasing | 361.3 | 16.6 | 4.6 |
| Other production lines | 321.8 | 20.7 | 6.4 |
| Total | 3,394.0 | 1,280.3 | 37.7 |

Figure 6.38

AGRICULTURAL IMPAIRMENT BY PRODUCTION LINE

| 2016 DKK m / % | Impair- ment balance | Impair- ment for the year | Impairment ratio on exposure | Share impaired |
|------------------------|----------------------------|---------------------------------|------------------------------------|-------------------|
| Cattle producers | 425.2 | 102.5 | 38.2 | 62.1 |
| Pig producers | 247.9 | -0.3 | 31.0 | 59.9 |
| Plant cultivation | 49.9 | 6.5 | 7.3 | 48.6 |
| Mink farmers | 16.0 | 10.8 | 14.0 | 38.6 |
| Leasing | 1.9 | -0.1 | 0.5 | 11.4 |
| Other production lines | 14.2 | 1.8 | 4.4 | 68.6 |
| Total | 755.1 | 121.2 | 22.2 | 59.0 |

Figure 6.39

Spar Nord pursues the principle that if agricultural customers fail to deliver positive returns at the breakeven prices fixed by Spar Nord of DKK 950/kg (without supplementary payment) for pork, and DKK 2.20/kg for milk (without supplementary payment), this is defined as OEI. Breakeven prices are calculated based on financing at a 4% average interest rate for all the interest-bearing debt, regardless of the concrete financing chosen. If realistic budgets cannot be drawn up on these conditions, the exposure will be subjected to an impairment calculation.

Spar Nord anticipates that in 2017 the settlement prices for milk will increase compared with the average prices for 2016, and that pork settlement prices will 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, which means that the land values in Spar Nord's 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.

6.9 CREDIT RISK EXPOSURE TO FINANCIAL COUNTERPARTIES

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, size and solvency. The risks and lines of financial instruments are monitored on a day-to-day basis.

A major source of financial credit risk is Spar Nord's balances with credit institutions. The credit risk relates to international credit institutions, for which Spar Nord has provided cash collateral for financial transactions, or Danish credit institutions with which Spar Nord's Trading, Financial Markets & the International Division has customer relations.

RECEIVABLES FROM CREDIT INSTITUTIONS BY PRODUCT TYPE

| DKK m/% | 2016 | 2015 | 2016 | 2015 |
|---|----------------|----------------|--------------|--------------|
| Certificates of deposit | 0.0 | 0.0 | 0.0 | 0.0 |
| Reverse repo transactions | 1,452.8 | 1,340.6 | 58.9 | 42.3 |
| Deposits and unlisted bonds | 73.0 | 50.0 | 3.0 | 1.6 |
| Subordinated loans | 0.0 | 6.5 | 0.0 | 0.2 |
| Current accounts | 125.9 | 303.7 | 5.1 | 9.6 |
| CSA accounts, etc. | 527.1 | 1,020.2 | 21.4 | 32.2 |
| Commercial foreign business | 0.0 | 20.3 | 0.0 | 0.6 |
| Market value, derivatives | 285.3 | 427.3 | 11.6 | 13.5 |
| Receivables from credit institutions | 2,464.1 | 3,168.6 | 100.0 | 100.0 |

Figure 6.40

87.5% of Spar Nord's receivables from credit institutions concerns banks with an A rating or higher. Of the total receivables from credit institutions in the amount of DKK 2.5 billion, 58.9% is attributable to exposures with an AAA rating. Balances with unrated credit institutions are attributable primarily to Danish credit institutions.

RECEIVABLES FROM CREDIT INSTITUTIONS BY RATING

| DKK m / % | 2016 | 2015 | 2016 | 2015 |
|---|----------------|----------------|--------------|--------------|
| AAA | 1,452.7 | 1,340.6 | 58.9 | 42.3 |
| AA | 192.0 | 628.7 | 7.8 | 19.9 |
| A | 511.7 | 909.4 | 20.8 | 28.7 |
| BBB | 203.7 | 173.8 | 8.3 | 5.5 |
| BB | 1.9 | 1.5 | 0.1 | 0.0 |
| B | 0.0 | 0.0 | 0.0 | 0.0 |
| CCC | 0.0 | 0.0 | 0.0 | 0.0 |
| CC | 0.0 | 0.0 | 0.0 | 0.0 |
| C | 0.0 | 0.0 | 0.0 | 0.0 |
| Unrated | 102.1 | 114.2 | 4.1 | 3.6 |
| Unallocated | 0.0 | 0.4 | 0.0 | 0.0 |
| Receivables from credit institutions | 2,464.1 | 3,168.6 | 100.0 | 100.0 |

Figure 6.41

6.10 COUNTERPARTY RISK

Counterparty risk is the risk of loss because a financial counterparty or an institutional customer defaults on its obligations under a financial contract. In addition, settlement risks may arise when financial contracts are concluded and settled, as principals in different currencies are not necessarily exchanged at the same time or securities are not received simultaneously with the appropriate payment.

Utilization of lines with respect to financial contracts is calculated on a gross basis as weighted principals of all transactions concluded, to which is added the sum of all positive market values, whereas negative market values are not offset. The size of principal weighting for the individual financial transactions is calculated based on the volatility of the interest rate and the currency, and due consideration is paid to the term to maturity of the specific financial transaction.

Spar Nord's business procedures specify the maximum term to maturity for the individual financial transactions, and compliance is followed up on a daily basis, as is compliance with the authorized lines. In connection with authorizing and coding lines, a check is performed to verify whether the coded lines accord with the authorization details, and additionally Spar Nord has a controller department that conducts random sampling of compliance as concerns authorization of lines, procedures and business routines.

COUNTERPARTY RISK – ACCOUNTING EXPOSURE

| DKK m | 2016 | 2015 |
|--|----------------|----------------|
| Derivates with positive market value | 1,284.2 | 1,423.6 |
| Netting | 249.8 | 387.9 |
| Exposure after netting | 1,034.4 | 1,035.7 |
| Collateral received | 13.3 | 0.0 |
| Exposure after netting and collateral | 1,021.1 | 1,035.7 |

Figure 6.42

In regulatory terms, counterparty risk is calculated according to the market-value approach without netting. The difference between the value for accounting purposes and the regulatory value is attributable to the add-on of potential future credit exposure that is included in the regulatory calculation.

COUNTERPARTY RISK – REGULATORY EXPOSURE

| DKK m | 2016 | 2015 |
|--|----------------|----------------|
| Public-sector entities | 7.3 | 0.0 |
| Exp. secured by mortgages on imm. property | 45.4 | 0.0 |
| Retail | 279.2 | 447.8 |
| Corporates | 951.5 | 849.4 |
| Institutions | 1,159.3 | 964.4 |
| Regional or local authorities | 47.2 | 43.8 |
| High-risk exposures | 6.1 | 11.8 |
| Exp. in default | 16.7 | 30.6 |
| Total | 2,512.8 | 2,347.8 |

Figure 6.43

6.10.1 COUNTERPARTY RISK AGAINST CUSTOMERS

Customers' trading in financial instruments forms part of the authorization of credit for the individual customer. The credit responsibility for such transactions is decentralized in accordance with the credit authorization powers of the respective customer advisers, and the day-to-day follow-up on/monitoring of the granted lines is performed decentrally by the relevant customer advisers on an equal footing with the follow-up on/monitoring of other granted credits/

lines. The establishment procedures in connection with transactions are executed centrally.

6.10.2 COUNTERPARTY RISK AGAINST FINANCIAL AND INSTITUTIONAL CUSTOMERS

Before lines are granted to financial counterparties and institutional customers, a thorough credit assessment is made of the financial counterparties/institutional customers based on the financial statements of the individual credit institution/institutional customer. As concerns foreign and major Danish credit institutions, attention is also paid to how the credit institutions are rated by international rating bureaus, such as Standard & Poor's, Fitch or Moody's.

6.10.3 FRAMEWORK AND COLLATERAL AGREEMENTS

To mitigate counterparty risk, Spar Nord concludes framework, netting and collateral agreements to the extent possible. As concerns small Danish credit institutions, such agreements will be based on the framework agreement prepared by Finans Danmark for forex and securities transactions, and when assessed to be necessary, also a collateral agreement, according to which it is agreed that if the net market value of the concluded financial contracts exceeds an individually fixed maximum for each credit institution, then appropriate collateral must be furnished, in most cases by way of cash deposits.

For foreign and large Danish credit institutions and institutional customers, netting and framework agreements will be based on the international ISDA Master Agreements, often with associated agreements, viz. Credit Support Annexes (CSA), according to which it is agreed that if the net market value of the concluded financial contracts exceeds an individually fixed maximum for each agreement, then collateral will have to be exchanged, most frequently by way of cash deposits in EUR or DKK.

In addition, Global Master Repurchase Agreements (GMRA) and Global Master Securities Lending Agreements (GMSLA) will be concluded to secure repo and reverse repo transactions and share loan transactions.

Both Danish and foreign collateral agreements are followed up on a daily basis, as are exchanges of collateral in step with fluctuations in the market values of the transactions concluded. In addition, to the widest extent possible, Spar Nord settles transactions via CLS, VP or Euroclear, which serves to minimize settlement risks as much as possible.

Spar Nord is an indirect member of London Clearing House via selected clearing brokers, and expects to regularly clear a large share of the clearing-approved transactions.

In conclusion, it should be noted that efforts are ongoing at Spar Nord to be ready to implement new margin rules. As part of these efforts, Spar Nord expects to conclude new agreements with counterparties, with whom we do business in non-cleared OTC derivatives.

6.11 ECAI

Spar Nord has appointed Standard & Poor's Ratings Services as the supplier of credit rating information for countries, counterparties and issuances.

Rating information is used as an integral part of the dataflow at Spar Nord's data processing centre, which receives external credit ratings from Standard & Poor's Ratings Services via SIX Financial. An IT update of credit rating from Standard & Poor's Ratings Services is undertaken on an ongoing basis.

The conversion of credit rating classes to credit quality steps is based on the conversion table issued by the Committee of European Banking Supervisors (CEBS). The individual credit quality steps are accorded a weighting to be used for the exposures on the individual credit quality steps when calculating the total risk exposure according to the standardized approach for credit risks pursuant to Articles 111-134 of the CRR.

The figure below shows the mapping used by Standard & Poor's Ratings Services for credit quality steps.

CREDIT QUALITY STEPS AND RATING

| Credit quality steps | S&P's *) | Institutions % | Business and CIU % | Central gov. % |
|----------------------|--------------|----------------|--------------------|----------------|
| 1 | AAA to AA- | 20 | 20 | 0 |
| 2 | A+ to A- | 50 | 50 | 20 |
| 3 | BBB+ to BBB- | 50 | 100 | 50 |
| 4 | BB+ to BB- | 100 | 100 | 100 |
| 5 | B+ to B- | 100 | 150 | 100 |
| 6 | CCC+ under | 150 | 150 | 150 |

*) Credit Classes (Long-term)

Figure 6.44

| Credit quality steps | S&P's **) | Institutions % | Business % |
|----------------------|-------------|----------------|------------|
| 1 | A-1+ to A-1 | 20 | 20 |
| 2 | A-2 | 50 | 50 |
| 3 | A-3 | 100 | 100 |
| 4 | Under A-3 | 150 | 150 |

**) Credit Classes (Short-term)

Figure 6.45

ECAI EXPOSURE BEFORE AND AFTER DEDUCTIONS - 2016

| DKK m | Exposure | Exposure after ECAI risk weighting |
|-----------------------------|----------------|------------------------------------|
| Institutions | 2,567.8 | 541.8 |
| Exp. with short-term rating | 67.6 | 13.5 |
| Exposure in units or CIU | 0.0 | 0.0 |
| Other exposures | 0.0 | 0.0 |
| Total | 2,635.4 | 555.3 |

Figure 6.46

EXPOSURE CATEGORIES BY COUNTRY

| | 2016 | | | | | 2015 | | | | |
|--------------------------------------|-----------------|----------------|----------------|-------------------|-----------------|-----------------|----------------|----------------|-------------------|-----------------|
| | Denmark | EU | Rest of Europe | Rest of the world | Total | Denmark | EU | Rest of Europe | Rest of the world | Total |
| Central gov. or central banks | 325.4 | 0.0 | 0.0 | 0.0 | 325.4 | 288.9 | 0.0 | 0.0 | 0.0 | 288.9 |
| Regional or local authorities | 1,290.0 | 0.0 | 0.0 | 0.0 | 1,290.0 | 1,287.7 | 0.0 | 0.0 | 0.0 | 1,287.7 |
| Public-sector entities | 189.2 | 0.0 | 0.0 | 0.0 | 189.2 | 94.0 | 0.0 | 0.0 | 0.0 | 94.0 |
| Institutions | 4,426.1 | 1,000.9 | 19.0 | 15.1 | 5,461.1 | 4,337.6 | 2,357.2 | 0.0 | 221.4 | 6,916.2 |
| Corporates | 25,426.7 | 2,278.8 | 496.6 | 1,870.8 | 30,072.9 | 21,229.3 | 180.3 | 439.6 | 2,293.8 | 24,143.0 |
| Retail | 38,810.1 | 146.4 | 50.0 | 121.4 | 39,127.9 | 34,980.7 | 235.9 | 0.0 | 194.3 | 35,410.9 |
| Exp. secured by mortg. on imm. prop. | 5,799.1 | 16.2 | 8.4 | 14.6 | 5,838.3 | 4,830.7 | 16.3 | 0.0 | 23.9 | 4,870.9 |
| Exp. in default | 725.6 | 15.3 | 6.2 | 2.7 | 749.8 | 1,618.7 | 16.6 | 0.0 | 6.2 | 1,641.5 |
| High-risk exposures | 1,086.0 | 4.1 | 0.0 | 0.2 | 1,090.3 | 886.3 | 0.0 | 0.0 | 0.0 | 886.3 |
| Exp. with short-term rating | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 | 0.0 | 0.0 | 7.1 | 7.7 |
| Exp. in units or CIU | 0.0 | 2.6 | 0.0 | 0.0 | 2.6 | 4.8 | 0.0 | 0.0 | 0.0 | 4.8 |
| Equity exposure | 1,063.6 | 7.8 | 0.0 | 0.1 | 1,071.5 | 1,193.3 | 71.0 | 0.0 | 0.0 | 1,264.3 |
| Other exposures | 1,776.3 | 0.0 | 0.0 | 0.1 | 1,776.4 | 1,657.6 | 0.0 | 0.0 | 0.0 | 1,657.6 |
| Total | 80,918.1 | 3,472.1 | 580.2 | 2,025.0 | 86,995.4 | 72,410.2 | 2,877.3 | 439.6 | 2,746.7 | 78,473.8 |

Figure 6.48

6.12 SPAR NORD'S TOTAL CREDIT EXPOSURE IN RELATION TO SOLVENCY RATIO

The total credit exposure is the sum total of:

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

A total statement of Spar Nord's credit exposure shows an exposure of DKK 87.0 billion. This calculation corresponds to Spar Nord's credit risk, which is treated according to the standardized approach.

In general, exposures rose by DKK 8.5 billion in 2016, equal to an 11% increase. Measured on the basis of average figures, this amounts to an increase of DKK 4.1 billion, equal to 5%.

TOTAL CREDIT EXPOSURE

| DKK m | Year-end 2016 | Year-end 2015 | Average 2016 | Average 2015 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Central gov. or central banks | 325.4 | 288.9 | 749.5 | 2,941.3 |
| Regional or local authorities | 1,290.0 | 1,287.7 | 1,737.7 | 1,496.3 |
| Public-sector entities | 189.2 | 94.0 | 159.2 | 79.7 |
| Institutions | 5,461.1 | 6,916.2 | 8,476.4 | 10,778.3 |
| Corporates | 30,072.9 | 24,143.0 | 27,602.7 | 22,288.9 |
| Retail | 39,127.9 | 35,410.9 | 37,895.4 | 35,667.4 |
| Exp. secured by mortg. on imm. prop. | 5,838.3 | 4,870.9 | 5,624.5 | 4,298.1 |
| Exp. in default | 749.8 | 1,641.5 | 938.9 | 1,601.1 |
| High-risk exposures | 1,090.3 | 886.3 | 782.0 | 1,015.7 |
| Exp. with short-term rating | 0.0 | 7.7 | 25.2 | 126.1 |
| Exp. in units or CIU | 2.6 | 4.8 | 2.5 | 6.5 |
| Equity exposure | 1,071.5 | 1,264.3 | 1,525.2 | 1,205.8 |
| Other exposures | 1,776.4 | 1,657.6 | 1,791.5 | 1,711.5 |
| Total | 86,995.4 | 78,473.8 | 87,310.5 | 83,216.5 |

Figure 6.47

Spar Nord's credit exposure is predominantly limited to Denmark. In 2016, debtors based in Denmark accounted for more than 93% of Spar Nord's credit exposure.

The geographical spread is shown in the figure below.

CREDIT RISK MITIGATION OF COLLATERAL

| CREDIT RISK MITIGATION BY VIRTUE OF COLLATERAL | | | | |
|--|---------------------------|----------------------------|---------------------------|----------------------------|
| DKK m | 2016 | | 2015 | |
| | Exp. covered by guarantee | Other financial collateral | Exp. covered by guarantee | Other financial collateral |
| Central gov. or central banks | 0.0 | 0.0 | 0.0 | 0.0 |
| Regional or local authorities | 0.0 | 0.0 | 0.0 | 0.0 |
| Public-sector entities | 0.0 | 0.0 | 0.0 | 0.0 |
| Institutions | 0.0 | 2,732.2 | 0.0 | 3,461.7 |
| Corporates | 108.2 | 6,910.8 | 427.3 | 5,274.8 |
| Retail | 60.0 | 546.8 | 114.6 | 842.0 |
| Exp. secured by mortg. on imm. prop. | 4.4 | 12.1 | 0.0 | 0.0 |
| Exp. in default | 13.9 | 17.7 | 9.1 | 18.0 |
| High-risk exposures | 0.4 | 70.7 | 4.2 | 22.2 |
| Exp. with short-term rating | 0.0 | 0.0 | 0.0 | 0.0 |
| Exp. in units or CIU | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity exposure | 0.0 | 0.0 | 0.0 | 0.0 |
| Other exposures | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 186.9 | 10,290.3 | 555.2 | 9,618.7 |

Figure 6.49

A major share of Spar Nord's business exposure is towards small and medium-sized enterprises (SMEs). At end-2016, the exposure to SMEs represented 39% of the total exposure.

In addition, the sharp rise in SME exposures may be explained by a new approach to flagging SMEs after the migration to the BEC data processing centre. The change has no major impact on the risk exposure.

EXPOSURES TO SMEs

| DKK m | 2016 | 2015 |
|-------------------------------------|-----------------|-----------------|
| Corporates | 17,920.8 | 13,066.9 |
| Retail | 14,478.2 | 11,733.5 |
| Exp. secured by morg. on imm. prop. | 1,332.5 | 977.3 |
| Exp. in default | 0.0 | 102.3 |
| Equity exposure | 0.0 | 1.5 |
| Total | 33,731.5 | 25,881.5 |

Figure 6.50

A 10x10 grid of 100 small line segments, each rotated at a different angle, illustrating the concept of a vector field.

7. 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 can be broken down into:

- Interest-rate risk
- Foreign-exchange risk
- Equity risk
- Commodity risk
- Option risk
- Risks relating to own properties

Spar Nord deals and takes positions in products that hold a number of market-based risks. Most of Spar Nord's activities regarding trading and position-taking comprise relatively simple products, of which interest-based products are the most traded ones. Spar Nord also deals and takes positions in listed shares and foreign-exchange instruments, whereas trading in commodities is very limited.

7.1 MARKET RISK POLICY

As discussed in section 3. Risk Management, Spar Nord's Board of Directors determines the overarching policies, frameworks and principles for risk governance. Some of the policies are concerned with identifying and estimating various types of market risk. The frameworks support the general proclivity to assume risks and indicate specific limits on the extent of risk Spar Nord is ready to assume. The principles establish the methods 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.

For its management of market risks, Spar Nord has established a three-tier instruction hierarchy. At the first tier, the Board of Directors issues the definition of the limits for Spar Nord, which are delegated to the Executive Board. At the second tier, the Executive Board delegates limits to the other entities of Spar Nord, with Trading, Financial Markets & the International Division being the distinctly largest entity. At the third and last tier, the executives of Trading, Financial Markets & the International Division are granted the limits within which they may operate.

7.2 MANAGEMENT, MONITORING AND REPORTING

The Finance & Accounts Department is responsible for estimating, monitoring, controlling and reporting market risks. Market risk is calculated for the following purposes:

- Daily follow-up on individual business units
- Regular reporting to the Executive Board and the Board of Directors
- Reporting of regulatory capital

Market risks are controlled and monitored through an integrated risk management system, with day-to-day follow-up action taken with respect to all market risk categories for all units subject to instructions, and any failure to comply with instructions is reported upstream in the hierarchy.

7.3 DEVELOPMENTS IN 2016

In 2016, the net interest-rate risk was positive with an average of around DKK 80 to 85 million, which is slightly higher than in 2015. Compared with end-2015, the net interest-rate risk dropped by DKK 27.9 million to DKK 81.2 million at end-2016, which was primarily caused by a reduction of the positive interest-rate risk in the trading book. The interest-rate risk in the banking book changed from DKK -16.3 million to DKK -3.5 million in 2016.

The net portfolio of bonds was reduced by DKK 2.5 billion in 2016. The reduction of bonds with financial issuers and the increase in the portfolio of government bonds in 2016 stem from adjustments to the asset distribution as a result of LCR. Moreover, there was a decrease in the portfolio of mortgage-credit bonds.

In addition, there was a decrease in the foreign-exchange risk in 2016 compared with 2015.

Shares in the banking book were reduced by DKK 134.2 million in 2016, which is due primarily to the sale of Spar Nord's shareholding in SDC.

The shares held in the trading book increased by DKK 69.1 million to DKK 211.4 million in 2016.

7.4 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 trading and position-taking in interest-related products. Most of these activities incorporate simple interest-rate products such as interest swaps, bonds, futures and standard interest-rate options.

Spar Nord's interest-rate risk both in the trading and banking books is calculated on the basis of the duration and agreed cash flow. For managing Spar Nord's portfolio of convertible Danish mortgage-credit bonds, Spar Nord uses model-based key risk indicators that provide for the inherent option element. As concerns interest-rate options, the above-mentioned key indicators are supplemented by the most important risk factors expressing sensitivity of the option premium upon changes in 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 cyclical trends. 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.

7.4.1 DEVELOPMENTS IN INTEREST-RATE RISK

The figure below shows the total net interest-rate risk that Spar Nord will encounter if the interest rate rises 1 percentage point. This means that all yield curves are displaced parallel to each other.

DEVELOPMENT IN SPAR NORD'S NET INTEREST-RATE RISK

(DKK m)

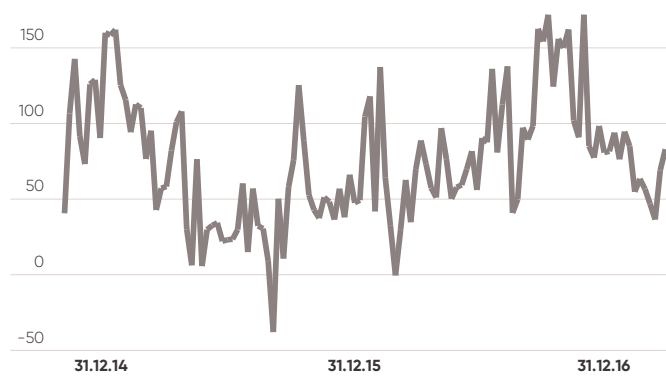


Figure 7.1

Spar Nord's net interest-rate risk was positive throughout 2016, which means that Spar Nord was exposed to an interest-rate drop in the market.

The figure below shows the impact of Spar Nord's interest-rate risk on the equity in % when the yield curves are displaced upwards in parallel by 1 percentage point. A positive interest-rate risk will have a negative impact on equity.

IMPACT OF THE INTEREST-RATE RISK ON EQUITY

(%)

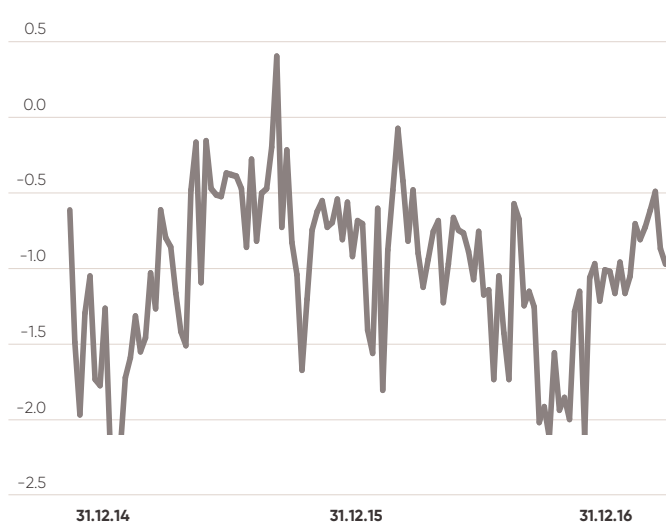


Figure 7.2

In addition, Spar Nord calculates the interest-rate risk relative to duration and currency. This shows the risk of changes in a delimited time interval in the yield curve. The figure below shows the interest-rate risk broken down on the individual time intervals, given an increase in the interest rate of 1 percentage point.

INTEREST-RATE RISK BY DURATION AND CURRENCY

| 2016 Currency, DKK m | Less than 3 mths | 3 mths - 1 year | 1 year - 3 years | 3 years - 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 |
| Other | 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 Currency, DKK m | Less than 3 mths | 3 mths - 1 year | 1 year - 3 years | 3 years - 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 |
| Other | 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 |

Figure 7.3

As appears from the figure, at end-2016 Spar Nord was primarily exposed to interest-rate risks in DKK, as was the case at end-2015.

7.4.2 INTEREST-RATE RISK IN THE TRADING BOOK

The interest-rate risk attaching to positions in the trading book derives primarily from bonds, swaps and futures.

INTEREST-RATE RISK IN THE TRADING BOOK

| 2016 Currency, DKK m | Less than 3 mths | 3 mths - 1 year | 1 year - 3 years | 3 years - 7 years | Over 7 years | Total |
|-------------------------|---------------------|--------------------|---------------------|----------------------|-----------------|-------------|
| DKK | 11.1 | -3.3 | 8.4 | 12.9 | 53.6 | 82.7 |
| EUR | 2.6 | 4.3 | -12.9 | -1.5 | 7.2 | -0.3 |
| USD | 1.4 | 0.1 | 0.4 | 0.3 | 0.0 | 2.2 |
| Other | 0.9 | -0.2 | -0.8 | 0.2 | 0.0 | 0.1 |
| Total | 16.0 | 0.9 | -4.9 | 11.9 | 60.8 | 84.7 |

| 2015 Currency, DKK m | Less than 3 mths | 3 mths - 1 year | 1 year - 3 years | 3 years - 7 years | Over 7 years | Total |
|-------------------------|---------------------|--------------------|---------------------|----------------------|-----------------|--------------|
| DKK | 11.3 | 28.5 | 17.4 | 15.1 | 41.8 | 114.1 |
| EUR | 1.5 | 6.0 | -6.7 | -5.2 | 10.5 | 6.1 |
| USD | -0.3 | 0.1 | 0.3 | 4.1 | 0.6 | 4.8 |
| Other | 0.2 | -0.3 | 0.5 | 0.0 | 0.0 | 0.4 |
| Total | 12.7 | 34.3 | 11.5 | 14.0 | 52.9 | 125.4 |

Figure 7.4

As appears from figure 7.4, the interest-rate risk attaching to the trading book amounted to DKK 84.7 million at end-2016, which is a DKK 40.7 million reduction of the positive net interest-rate risk compared with end-2015.

7.4.3 INTEREST-RATE RISK IN THE BANKING BOOK

The interest-rate risk attaching to positions in the banking book derives from fixed-interest deposits and lending from ordinary banking transactions and interest-rate risk related to Spar Nord's funding, incl. subordinated debt.

INTEREST-RATE RISK IN THE BANKING BOOK

| 2016 Currency, DKK m | Less than 3 mths | 3 mths - 1 year | 1 year - 3 years | 3 years - 7 years | Over 7 years | Total |
|-------------------------|---------------------|--------------------|---------------------|----------------------|-----------------|-------------|
| DKK | 1.7 | -4.4 | -3.0 | 0.5 | 1.4 | -3.8 |
| EUR | 0.0 | 0.0 | 0.1 | 0.2 | 0.0 | 0.3 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 1.7 | -4.4 | -2.9 | 0.7 | 1.4 | -3.5 |

| 2015 Currency, DKK m | Less than 3 mths | 3 mths - 1 year | 1 year - 3 years | 3 years - 7 years | Over 7 years | Total |
|-------------------------|---------------------|--------------------|---------------------|----------------------|-----------------|--------------|
| DKK | -4.3 | -7.3 | -11.8 | 3.9 | 5.0 | -14.5 |
| EUR | -0.9 | 0.0 | 0.1 | 0.3 | 0.0 | -0.5 |
| Other | 0.1 | -1.1 | -0.3 | 0.0 | 0.0 | -1.3 |
| Total | -5.1 | -8.4 | -12.0 | 4.2 | 5.0 | -16.3 |

Figure 7.5

The figure shows the net interest-rate risk in the banking book, given an increase in the interest rate of 1 percentage point broken down by duration and currency. The negative interest-rate risk in Spar Nord's banking book had decreased to DKK -3.5 million at end-2016, compared to DKK -16.3 million at end-2015.

7.4.4 BOND PORTFOLIO

Spar Nord's bond portfolio is composed of 86.8% mortgage-credit bonds, 7.5% bonds from financial issuers, 1.9% from corporate bonds and 3.8% government bonds.

The overall reduction in the bond portfolio of about DKK 2.5 billion is composed of proceeds from the sale of mortgage-credit bonds worth a total of DKK 2.0 billion, and bonds from financial issuers dropped by DKK 0.6 billion, whereas government bonds increased by a total of DKK 0.2 billion.

BOND PORTFOLIO BY ISSUER TYPE *)

| DKK m/% | 2016 | 2015 | 2016 | 2015 |
|-----------------------|-----------------|-----------------|--------------|--------------|
| Mortgage-credit bonds | 12,299.4 | 14,319.4 | 86.8 | 86.0 |
| Financial issuers | 1,068.2 | 1,700.0 | 7.5 | 10.2 |
| Corporate bonds | 270.5 | 303.1 | 1.9 | 1.8 |
| Government bonds | 542.7 | 328.3 | 3.8 | 2.0 |
| Bonds | 14,180.8 | 16,650.8 | 100.0 | 100.0 |

*) The bond portfolio plus spot and forward transactions (purchase + sale) Figure 7.6

BOND PORTFOLIO BY RATING *)

| DKK m/% | 2016 | 2015 | 2016 | 2015 |
|--------------|-----------------|-----------------|--------------|--------------|
| AAA | 12,584.0 | 14,502.9 | 88.8 | 87.1 |
| AA | 158.0 | 316.1 | 1.1 | 1.9 |
| A | 824.2 | 624.9 | 5.8 | 3.7 |
| BBB | 388.1 | 1,017.0 | 2.7 | 6.1 |
| BB | 73.2 | 60.3 | 0.5 | 0.4 |
| B | 14.8 | 16.9 | 0.1 | 0.1 |
| CCC | 0.8 | 0.8 | 0.0 | 0.0 |
| CC | 0.0 | 0.0 | 0.0 | 0.0 |
| C | 0.0 | 0.0 | 0.0 | 0.0 |
| Unrated | 137.7 | 111.9 | 1.0 | 0.7 |
| Unallocated | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 14,180.8 | 16,650.8 | 100.0 | 100.0 |

*) The bond portfolio plus spot and forward transactions (purchase + sale) Figure 7.7

At end-2016, 89.9% of the Spar Nord's bond portfolio had an AA rating or better.

BREAKDOWN OF BONDS

| 2016 DKK m | Origin/ underlying | Rating category | Amount | % |
|-----------------------|-----------------------|--------------------|----------|-------|
| Mortgage-credit bonds | Denmark | AAA | 11,984.3 | 84.6 |
| | | A | 103.8 | 0.7 |
| | | Unrated | 6.5 | 0.0 |
| | Sweden | AAA | 204.8 | 1.5 |
| | | | 12,299.4 | 86.8 |
| Financial issuers | | | | |
| | Denmark | AA-A | 579.1 | 4.1 |
| | | BBB-Unrated | 309.4 | 2.2 |
| | Sweden | AA-BBB | 11.3 | 0.1 |
| | Norway | BBB | 3.4 | 0.0 |
| | Finland | A-BBB | 155.8 | 1.1 |
| | Luxembourg | A | 5.7 | 0.0 |
| | Germany | A | 1.4 | 0.0 |
| | Others | BBB-Unrated | 2.1 | 0.0 |
| | | 1,068.2 | 7.5 | |
| | Corporate bonds | | | |
| | Denmark | BBB-Unrated | 113.3 | 0.8 |
| | Others | BBB-Unrated | 157.2 | 1.1 |
| | | 270.5 | 1.9 | |
| Government bonds | | | | |
| | Denmark | AAA-AA | 514.6 | 3.6 |
| | Europe | AAA | 28.1 | 0.2 |
| | | 542.7 | 3.8 | |
| | Total | | 14,180.8 | 100.0 |
| Own bonds | | | | |
| | Denmark | Unrated | 11.4 | |

BREAKDOWN OF BONDS

| 2015 DKK m | Origin/ underlying | Rating category | Amount | % |
|-----------------------|-----------------------|--------------------|-------------|-------|
| Mortgage-credit bonds | Denmark | AAA | 14,134.5 | 84.9 |
| | | BBB | 175.7 | 1.0 |
| | | Unrated | 9.2 | 0.1 |
| | | | 14,319.4 | 86.0 |
| Financial issuers | Denmark | AAA-A | 835.6 | 5.0 |
| | | BBB | 728.8 | 4.4 |
| | Sweden | AA-BBB | 13.1 | 0.1 |
| | Norway | AA-BB | 7.5 | 0.0 |
| | Finland | A | 86.0 | 0.5 |
| | Luxembourg | AAA | 26.2 | 0.2 |
| | Germany | AAA | 2.3 | 0.0 |
| | Others | AA-Unrated | 0.5 | 0.0 |
| | | | 1,700.0 | 10.2 |
| | Corporate bonds | Denmark | BBB-Unrated | 114.9 |
| Others | | AAA-Unrated | 188.2 | 1.1 |
| | | | 303.1 | 1.8 |
| Government bonds | Denmark | AAA-AA | 328.1 | 2.0 |
| | Europe | AAA | 0.2 | 0.0 |
| | | | 328.3 | 2.0 |
| Total | | | 16,650.8 | 100.0 |
| Own bonds | Denmark | Unrated | 14.6 | |

Figure 7.8

7.5 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 with 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

| DKK m | 2016 | 2015 |
|------------------|-------------|-------------|
| EUR | -0.8 | -2.3 |
| SEK | 0.0 | -0.5 |
| USD | -0.6 | -1.9 |
| GBP | -0.1 | -0.5 |
| CHF | -0.1 | -0.2 |
| NOK | -0.2 | -0.3 |
| JPY | 0.0 | -0.2 |
| Other currencies | -0.4 | -0.3 |
| Total | -2.2 | -6.2 |

Figure 7.9

It appears from figure 7.9 that the foreign-exchange risk was reduced by DKK 4.0 million compared to end-2015, thus amounting to DKK -2.2 million at end-2016. This is due to a reduction of the foreign-exchange position for all currencies mentioned in the figure, combined with an increase for Other currencies.

7.6 EQUITY RISK

The equity risk is the risk of loss due to fluctuating equity prices. Equity positions are the calculated net value of long and short equity positions and equity-related instruments.

The calculation of equity positions is broken down by positions in the trading and banking books.

7.6.1 SHARES IN THE TRADING BOOK

The shares and equities in the trading book have been acquired with a view to trading.

It appears from the figure below that the holding of shares in the trading book increased from DKK 142.3 million at end-2015 to DKK 211.4 million at end-2016.

EQUITY RISK IN THE TRADING BOOK

| DKK m | 2016 | 2015 |
|-------------------------------------|--------------|--------------|
| Listed shares in the trading book | 204.6 | 131.8 |
| Unlisted shares in the trading book | 6.8 | 10.5 |
| Total | 211.4 | 142.3 |

Figure 7.10

7.6.2 SHARES IN THE BANKING BOOK

A salient feature of shares in the banking book is that they have not been acquired with a view to trading. In addition, Spar Nord makes a distinction between shares and equities in associates and equity investments in strategic partners.

Shares in strategic partners in the financial sector are shares in companies whose purpose is to support financial institutions' 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 respective institution will reflect its business volume 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 fair value measurement. In other sector companies, the shares are not reallocated, but are measured based on a fair value corresponding to the net asset value or another recognized valuation method (such as discounting of cash flows and market expectations with respect to equity return requirements). The adjustments to the values of the shares in these companies are also recognized in the income statement.

Shares in associates dropped substantially in 2015 as a result of Spar Nord's sale of its shareholding in Nørresundby Bank. In 2016, the holding of shares in strategic business partners was reduced as a result of the sale of the shareholding in SDC A/S.

EQUITY RISK IN THE BANKING BOOK

| DKK m | 2016 | 2015 |
|---|----------------|----------------|
| Shares in credit and financing institutions | 1,135.4 | 1,109.2 |
| Shares in unit trust man. 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 | 1,464.2 | 1,598.4 |

*) Of which the gain on the sale of the shareholding in Nørresundby Bank in 2015 represents DKK 225.6 million, which is recognized under market-value adjustments.

Figure 7.11

The total holding of shares in the banking book dropped by DKK 134.2 million to DKK 1,464.2 million at end-2016.

7.7 COMMODITY RISK

Spar Nord only accepts commodity risks to a very limited extent. The commodity exposure is calculated as a gross exposure, with setoffs only being made with respect to contracts having the same underlying commodity, the same maturity date, etc.

7.8 OPTION RISK

Spar Nord uses derivatives to hedge and manage Spar Nord's risks. These include options and products that contain an integral option. Spar Nord's option risks stem primarily from interest and currency options and positions in convertible mortgage-credit bonds.

Option risks are calculated by computing the positions' Delta, Gamma, Vega and Theta risks.

7.9 SENSITIVITY ANALYSIS

The figure below shows how Spar Nord's income statement will be impacted if the interest rate changes, if share prices drop or if all exchange rates move adversely.

SENSITIVITY ANALYSIS *)

| | Impact on equity | | Impact on operating profit | |
|--|------------------|--------|----------------------------|------------|
| | 2016 % | 2015 % | 2016 DKK m | 2015 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 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 in both the trading book and the banking book. The impact on the operating profit and the impact on equity have been calculated after tax.

Figure 7.12

It appears from the figure that the impact of an interest increase will be a loss equal to 0.8% of equity. In addition, if share prices were to drop 10% this would result in a loss corresponding to 0.2% of equity.

7.10 SPAR NORD'S OWN PROPERTIES

Properties are recognized at cost upon acquisition and subsequently measured at fair value. The fair value is calculated on the basis of current market data according to an asset return model that includes the property's rental income and operating expenses, including property management services and maintenance.

Operating expenses and maintenance costs are calculated based on 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, etc.

The fair value of the individual property is reassessed at least once a year based on the current letting market and the interest level. An external valuation is obtained from a real estate agent to support the calculation of fair value, including the rental rates and rates of return used.

In 2016, negative value adjustments totalling DKK 5.0 million were made on corporate properties, such adjustments being recognized directly in equity under other comprehensive income. Impairment losses totalling DKK 11.5 million (net) have been recognized under depreciation and impairment in the income statement. Reference is made to Spar Nord's Annual Report for a more detailed description of the accounting treatment of properties.

The figure below shows Spar Nord's properties broken down by the rates of return.

YIELD/RETURN

| | 2016 | | 2015 | |
|--------------|-------------------|----------------|-------------------|----------------|
| | No. of properties | Year-end value | No. of properties | Year-end value |
| 5.75-7 % | 10 | 154.4 | 12 | 239.0 |
| 7-8 % | 18 | 345.4 | 18 | 292.2 |
| 8-9 % | 15 | 146.8 | 18 | 157.0 |
| 9-14.5 % | 3 | 6.9 | 5 | 3.4 |
| Total | 46 | 653.5 | 53 | 691.6 |

Figure 7.13

The most important assumptions when calculating the fair value of investment and corporate properties are the required rate of return and rent level.

Everything else being equal, an increase of the required rate of return of 0.5 percentage point will reduce the fair value by DKK 42.8 million at end-2016 against DKK 45.4 million at end-2015.

Everything else being equal, a reduction of the rental level by 5% will reduce the fair value by DKK 29.4 million at end-2016 against DKK 30.8 million at end-2015.

8. 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 Spar Nord's activities are subject to operational risk. 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.

8.1 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.

To ensure that operational risk is kept at an acceptable level, Spar Nord's Board of Directors has defined the Group's risk appetite. If risks are identified that exceed the defined risk appetite, scenario analyses are conducted and used to draw up risk mitigation proposals.

8.2 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 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.

8.3 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% in 2016; 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 (%)

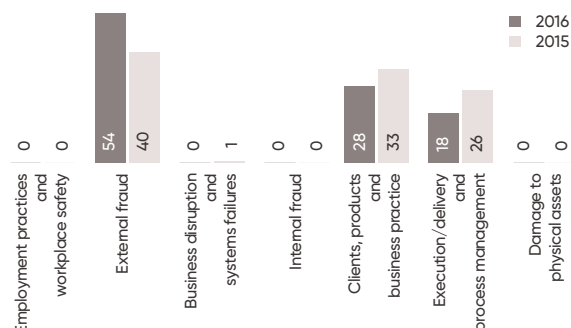


Figure 8.1

The total loss in 2016 amounted to DKK 6.9 million of which external fraud accounts for DKK 2.6 million. The total losses in 2015 amounted to DKK 23.1 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 bulwark of measures to counter the risk of being exposed to fraud.

8.4 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.

8.5 CAPITAL REQUIREMENTS

The capital required to cover Spar Nord's operational risks is calculated using the basic indicator approach.

At end-2016, the operational risk amounted to 12% of total risk exposure, ending at DKK 5.7 billion at 31 December 2016, which results in a capital requirement of DKK 0.5 billion.

9. Appendix

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APPENDIX

A Spar Nord's disclosure obligations

| Topic | Location of information |
|--|--|
| Announcement of information regarding management systems | Annual Report 2016, pp. 24 - 26. https://www.sparnord.com/regnskaber |
| Risk management, including strategy, risk appetite, responsibility and processes | Annual Report 2016, pp. 22 - 23. https://www.sparnord.com/regnskaber |
| Remuneration policy | https://www.sparnord.com/vederlagspolitik |

APPENDIX

B Balance Sheet Reconciliation Methodology

| Capital base | 31 December |
|--|--------------|
| DKK m | 2016 |
| Equity according to balance sheet | 8,612 |
| Regulation according to limit for holdings own capital instruments | -26 |
| Provision for dividend | -615 |
| Deduction Tier 1 capital included in equity | -847 |
| Indirect holdings of own capital instruments | -1 |
| Additional value adjustments | -21 |
| Goodwill | -196 |
| Tax - Goodwill | 27 |
| Deferred tax assets | 0 |
| Intangible assets | -36 |
| Tax - Intangible assets | 8 |
| Deduction insignificant capital shares - CET1 | -240 |
| Common Equity Tier 1 capital | 6,665 |
| Tier 1 capital | 843 |
| Deduction insignificant capital shares - Tier 1 | -80 |
| Total Tier 1 capital | 7,428 |
| Tier 2 instruments | 1,080 |
| Deduction insignificant capital shares - Tier 2 | -80 |
| Total Tier 2 capital | 1,000 |
| Total capital base | 8,428 |

APPENDIX

C Capital instruments

| Capital instruments' main features template (1) | | | | | |
|---|---|---|--|--|--|
| 1 | Issuer | Spar Nord Bank A/S | Spar Nord Bank A/S | Spar Nord Bank A/S | Spar Nord Bank A/S |
| 2 | Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement) | DK0030362512 | DK0030330311 | DK0030307681 | DK0030386297 |
| 3 | Governing law(s) of the instrument | Danish | Danish | Danish | Danish |
| | Regulatory treatment | | | | |
| 4 | Transitional CRR rules | Additional Tier 1 | Tier 2 | Tier 2 | Additional Tier 1 |
| 5 | Post-transitional CRR rules | Additional Tier 1 | Tier 2 | Tier 2 | Additional Tier 1 |
| 6 | Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated | Solo & Consolidated | Solo & Consolidated | Solo & Consolidated | Solo & Consolidated |
| 7 | Instrument type (types to be specified by each jurisdiction) | Additional Tier 1 as published in Regulation (EU) No 575/2013 articles 51, 52 | Tier 2 as published in Regulation (EU) No 575/2013 article 63 | Tier 2 as published in Regulation (EU) No 575/2013 article 63 | Additional Tier 1 as published in Regulation (EU) No 575/2013 articles 51, 52 |
| 8 | Amount recognised in regulatory capital (currency in million, as of most recent reporting date) | DKK 397m | DKK 688m | DKK 392m | DKK 446m |
| 9 | Nominal amount of instrument | DKK 400m | DKK 700m | DKK 400m | DKK 450m |
| 9a | Issue price | 100 % | 100 % | 100 % | 100 % |
| 9b | Redemption price | 100 % of Nominal amount | 100 % of Nominal amount | 100 % of Nominal amount | 100 % of Nominal amount |
| 10 | Accounting classification | Liability - amortised cost | Liability - amortised cost | Liability - fair value option | Liability - amortised cost |
| 11 | Original date of issuance | 10/Jun/15 | 18/Dec/13 | 28/Nov/12 | 06/Dec/16 |
| 12 | Perpetual or dated | Perpetual | Dated | Dated | Perpetual |
| 13 | Original maturity date | No maturity | 18/Dec/23 | 28/Nov/22 | No maturity |
| 14 | Issuer call subject to prior supervisory approval | Yes | Yes | Yes | Yes |
| 15 | Optional call date, contingent call dates, and redemption amount | 10-Jun-20 100 % of Nominal amount In addition Tax/Regulatory call | 18-Dec-18 100 % of Nominal amount In addition Tax/Regulatory call | 28-Nov-17 100 % of Nominal amount In addition Tax/Regulatory call | 6-Dec-21 100 % of Nominal amount In addition Tax/Regulatory call |
| 16 | Subsequent call dates, if applicable | 10-Jun and 10-Dec each year after first call date | 18-Mar, 18-Jun, 18-Sep and 18-Dec each year after first call date | 28-Nov each year after first call date | 6-Jun and 6-Dec each year after first call date |
| | Coupons / dividends | | | | |
| 17 | Fixed or floating dividend/coupon | Fixed to floating | Floating | Fixed to floating | Fixed to floating |
| 18 | Coupon rate and any related index | Fixed 6.052 % per annum, until first call date, thereafter Floating Cibur 6-month +5.40 % per annum | Floating Cibur 3-month +3.90 % per annum | Fixed 6.0425 % per annum to call date (equivalent to DKK 5Y-Swap Rate +5 % per annum), thereafter floating CIBOR 3-month + 5.0 % per annum | Fixed 5.5 % per annum, until first call date, thereafter Floating Cibur 6-month +5.166 % per annum |
| 19 | Existence of a dividend stopper | No | No | No | No |
| 20a | Fully discretionary, partially discretionary or mandatory (in terms of timing) | Fully discretionary | Mandatory | Partially discretionary | Fully discretionary |
| 20b | Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionary | Mandatory | Partially discretionary | Fully discretionary |
| 21 | Existence of step-up or other incentive to redeem | No | No | No | No |
| 22 | Non-cumulative or cumulative | Non-cumulative | Non-cumulative | Cumulative | Non-cumulative |
| 23 | Convertible or non-convertible | Non-convertible | Non-convertible | Non-convertible | Non-convertible |
| 24 | If convertible, conversion trigger (s) | N/A | N/A | N/A | N/A |
| 25 | If convertible, fully or partially | N/A | N/A | N/A | N/A |
| 26 | If convertible, conversion rate | N/A | N/A | N/A | N/A |
| 27 | If convertible, mandatory or optional conversion | N/A | N/A | N/A | N/A |
| 28 | If convertible, specify instrument type convertible into | N/A | N/A | N/A | N/A |
| 29 | If convertible, specify issuer of instrument it converts into | N/A | N/A | N/A | N/A |
| 30 | Write-down features | Yes | Yes | Yes | Yes |

APPENDIX

C Capital instruments

| | | | | | |
|--|--|--|--|---|--|
| 31 | If write-down, write-down trigger (s) | When core tier 1 ratio ti below 5 1/8 percent. | When the point of non-viability is reached. The national reslution authority determines if the institution meets the condition: a. i The institution has incurred/is likely to incur in a near future losses depleting all or substantially all its own funds; and/or ii. the asset are/will be in a near future less than its liabilities; and/or iii. The institution is/will be unable to pay its obligations; and/or iv. the institution requires public financial support; b. there is no reasonable prospect that a private action would prevent the failure; and c. a resolution action is necessary in the public interest. | When equity is less than half of the registered share capital | When core tier 1 ratio ti below 5 1/8 percent. |
| 32 | If write-down, full or partial | Full or Partially | Full | Full or Partially | Full or Partially |
| 33 | If write-down, permanent or temporary | Temporary | Permanent | Temporary | Temporary |
| 34 | If temporary write-down, description of write-up mechanism | N/A | N/A | When the legislation permits a write-up and the company shows continued viability | N/A |
| 35 | Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument) | Tier 2 | Senior debt | Senior debt | Tier 2 |
| 36 | Non-compliant transitioned features | No | No | No | No |
| 37 | If yes, specify non-compliant features | N/A | N/A | N/A | N/A |
| (1) 'N/A' inserted if the question is not applicable | | | | | |

APPENDIX

D Transitional own funds

| Common Equity Tier 1 capital: Instruments and reserves (1) | | 31 December 2016 DKKm | (B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE | (C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013 |
|--|--|-----------------------|---|--|
| 1 | Capital instruments and the related share premium accounts | 1.255 | 26 (1), 27, 28, 29, EBA list 26 (3) | |
| | of which: Instrument type 1 | | EBA list 26 (3) | |
| | of which: Instrument type 2 | | EBA list 26 (3) | |
| | of which: Instrument type 3 | | EBA list 26 (3) | |
| 2 | Retained earnings | 5.723 | 26 (1) (c) | |
| 3 | Accumulated other comprehensive income (and any other reserves) | 114 | 26 (1) | |
| 3a | Funds for general banking risk | | 26 (1) (f) | |
| 4 | Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1 | | 486 (2) | |
| | Public sector capital injections grandfathered until 1 January 2018 | | 483 (2) | |
| 5 | Minority interests (amount allowed in consolidated CET1) | | 84, 479, 480 | |
| 5a | Independently reviewed interim profits net of any foreseeable charge or dividend | 212 | 26 (2) | |
| 6 | Common Equity Tier 1 (CET1) capital before regulatory adjustments | 7.304 | | |
| | | | | |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | | | | |
| 7 | Additional value adjustments (negative amount) | -21 | 34, 105 | |
| 8 | Intangible assets (net of related tax liability) (negative amount) | -196 | 36 (1) (b), 37, 472 (4) | |
| 9 | Empty set in the EU | | | |
| 10 | Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount) | 0 | 36 (1) (c), 38, 472 (5) | |
| 11 | Fair value reserves related to gains or losses on cash flow hedges | | 33 (a) | |
| 12 | Negative amounts resulting from the calculation of expected loss amounts | | 36 (1) (d), 40, 159, 472 (6) | |
| 13 | Any increase in equity that results from securitised assets (negative amount) | | 32 (1) | |
| 14 | Gains or losses on liabilities valued at fair value resulting from changes in own credit standing | | 33 (1) (b) (c) | |
| 15 | Defined-benefit pension fund assets (negative amount) | | 36 (1) (e), 41, 472 (7) | |
| 16 | Direct and indirect holdings by an institution of own CET1 instruments (negative amount) | -181 | 36 (1) (f), 42, 472 (8) | |
| 17 | Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | | 36 (1) (g), 44, 472 (9) | |
| 18 | Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | -241 | 36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10) | |

APPENDIX

D Transitional own funds

| | | | | |
|---|--|-------|--|--|
| 19 | Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | | 36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11) | |
| 20 | Empty set in the EU | | | |
| 20a | Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative | | 36 (1) (k) | |
| 20b | of which: qualifying holdings outside the financial sector (negative amount) | | 36 (1) (k) (i), 89 to 91 | |
| 20c | of which: securitisation positions (negative amount) | | 36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258 | |
| 20d | of which: free deliveries (negative amount) | | 36 (1) (k) (iii), 379 (3) | |
| 21 | Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount) | | 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) | |
| 22 | Amount exceeding the 15% threshold (negative amount) | | 48 (1) | |
| 23 | of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities | | 36 (1) (i), 48 (1) (b), 470, 472 (11) | |
| 24 | Empty set in the EU | | | |
| 25 | of which: deferred tax assets arising from temporary difference | | 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) | |
| 25a | Losses for the current financial year (negative amount) | | 36 (1) (a), 472 (3) | |
| 25b | Forseeable tax charges relating to CET1 items (negative amount) | | 36 (1) (l) | |
| 26 | Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre CRR treatment | | | |
| 26a | Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468 | | | |
| 26b | Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR | | 481 | |
| 27 | Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount) | | 36 (1) (j) | |
| 28 | Total regulatory adjustments to Common Equity Tier 1 (CET1) | -639 | | |
| 29 | Common Equity Tier 1 (CET1) capital | 6.665 | | |
| Additional Tier 1 (AT1) capital: instruments | | | | |
| 30 | Capital instruments and the related share premium accounts | 850 | 51, 52 | |
| 31 | of which: classified as equity under applicable accounting standards | | | |
| 32 | of which: classified as liabilities under applicable accounting standards | | | |
| 33 | Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 | | 486 (3) | |
| | Public sector capital injections grandfathered until 1 January 2018 | | 483 (3) | |
| 34 | Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties | | 85, 86, 480 | |

APPENDIX

D Transitional own funds

| | | | | |
|--|---|-------|--|--|
| 35 | of which: instruments issued by subsidiaries subject to phase-out | | 486 (3) | |
| 36 | Additional Tier 1 (AT1) capital before regulatory adjustments | 850 | | |
| Additional Tier 1 (AT1) capital: regulatory adjustments | | | | |
| 37 | Direct and indirect holdings by an institution of own AT1 instruments (negative amount) | -7 | 52 (1) (b), 56 (a), 57, 475 (2) | |
| 38 | Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) | 0 | 56 (b), 58, 475 (3) | |
| 39 | Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | -81 | 56 (c), 59, 60, 79, 475 (4) | |
| 40 | Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | | 56 (d), 59, 79, 475 (4) | |
| 41 | Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts) | | | |
| 41a | Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013 | | 472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a) | |
| 41b | Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013 | | 477, 477 (3), 477 (4) (a) | |
| 41c | Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR | | 467, 468, 481 | |
| 42 | Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount) | | 56 (e) | |
| 43 | Total regulatory adjustments to Additional Tier 1 (AT1) capital | -88 | | |
| 44 | Additional Tier 1 (AT1) capital | 762 | | |
| 45 | Tier 1 capital (T1 = CET1 + AT1) | 7.427 | | |
| Tier 2 (T2) capital: instruments and provisions | | | | |
| 46 | Capital instruments and the related share premium accounts | 1.099 | 62, 63 | |
| 47 | Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 | | 486 (4) | |
| | Public sector capital injections grandfathered until 1 January 2018 | | 483 (4) | |
| 48 | Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party | | 87, 88, 480 | |
| 49 | of which: instruments issued by subsidiaries subject to phase-out | | 486 (4) | |
| 50 | Credit risk adjustments | | 62 (c) & (d) | |

APPENDIX

D Transitional own funds

| | | | | |
|--|--|--------|--|--|
| 51 | Tier 2 (T2) capital before regulatory adjustment | 1,099 | | |
| Tier 2 (T2) capital: regulatory adjustments | | | | |
| 52 | Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount) | -18 | 63 (b) (i), 66 (a), 67, 477 (2) | |
| 53 | Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount) | | 66 (b), 68, 477 (3) | |
| 54 | Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount) | -81 | 66 (c), 69, 70, 79, 477 (4) | |
| 55 | Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts) | | 66 (d), 69, 79, 477 (4) | |
| 56 | Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts) | | | |
| 56a | Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013 | | 472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a) | |
| 56b | Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013 | | 475, 475 (2) (a), 475 (3), 475 (4) (a) | |
| 56c | Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR | | 467, 468, 481 | |
| 57 | Total regulatory adjustments to Tier 2 (T2) capital | -99 | | |
| 58 | Tier 2 (T2) capital | 1,000 | | |
| 59 | Total capital (TC = T1 + T2) | 8,427 | | |
| 60 | Total risk-weighted assets | 47,485 | | |
| Capital ratios and buffers | | | | |
| 61 | Common Equity Tier 1 (as a percentage of total risk exposure amount) | 14.0% | 92 (2) (a), 465 | |
| 62 | Tier 1 (as a percentage of total risk exposure amount) | 15.6% | 92 (2) (b), 465 | |
| 63 | Total capital (as a percentage of total risk exposure amount) | 17.7% | 92 (2) (c) | |
| 64 | Institution-specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount) | 0.6% | CRD 128, 129, 140 | |
| 65 | of which: capital conservation buffer requirement | 0.6% | | |
| 66 | of which: countercyclical buffer requirement | 0.0% | | |
| 67 | of which: systemic risk buffer requirement | 0.0% | | |

APPENDIX

D Transitional own funds

| | | | | |
|--|--|------|---|--|
| 67a | of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer | | CRD 131 | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) | 9,5% | CRD 128 | |
| 69 | [non-relevant in EU regulation] | | | |
| 70 | [non-relevant in EU regulation] | | | |
| 71 | [non-relevant in EU regulation] | | | |
| Amounts below the thresholds for deduction (before risk-weighting) | | | | |
| 72 | Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 690 | 36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4) | |
| 73 | Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions) | 368 | 36 (1) (i), 45, 48, 470, 472 (11) | |
| 74 | Empty set in the EU | | | |
| 75 | Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) | | 36 (1) (c), 38, 48, 470, 472 (5) | |
| Applicable caps on the inclusion of provisions in Tier 2 | | | | |
| 76 | Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap) | | 62 | |
| 77 | Cap on inclusion of credit risk adjustments in T2 under standardised approach | | 62 | |
| 78 | Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap) | | 62 | |
| 79 | Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach | | 62 | |
| Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022) | | | | |
| 80 | - Current cap on CET1 instruments subject to phase-out arrangements | | 484 (3), 486 (2) & (5) | |
| 81 | - Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities) | | 484 (3), 486 (2) & (5) | |
| 82 | - Current cap on AT1 instruments subject to phase-out arrangements | | 484 (4), 486 (3) & (5) | |
| 83 | - Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | | 484 (4), 486 (3) & (5) | |
| 84 | - Current cap on T2 instruments subject to phase-out arrangements | | 484 (5), 486 (4) & (5) | |
| 85 | - Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | | 484 (5), 486 (4) & (5) | |
| (1) 'N/A' inserted if the question is not applicable | | | | |

Institution-specific countercyclical capital buffer 2016

| Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer | | | | | | | | | | | | | |
|--|--------------------------|--------------------|--|--|-----------------------|--------------------|-------------------------|------------------------------------|----------------------------------|------------------------------------|----------------------|-------------------------------|--------------------------------------|
| Breakdown by country: | General credit exposures | | | Trading book exposure | | | Securitisation exposure | | | Own funds requirements | | | Counter-cyclical capital buffer rate |
| | Exposure value for SA | Exposure value IRB | Sum of long and short position of trading book | Value of trading book exposure for internal models | Exposure value for SA | Exposure value IRB | Exposure value for | Of which: General credit exposures | Of which: Trading book exposures | Of which: Securitisation exposures | Total | Own funds requirement weights | |
| | 010 | 020 | 030 | 040 | 050 | 060 | | 070 | 080 | 090 | 100 | 110 | 120 |
| 010 | | | | | | | | | | | | | |
| Denmark | 49,763,741,016 | | 17,102,275,879 | | | | | 2,967,181,460 | 145,281,698 | | 3,112,463,159 | 0.967 | 0.0% |
| United Kingdom | 358,042,201 | | 256,487,691 | | | | | 8,984,204 | 8,149,433 | | 17,133,636 | 0.005 | 0.0% |
| Germany | 425,429,215 | | 305,997,619 | | | | | 8,605,934 | 9,472,791 | | 18,078,726 | 0.006 | 0.0% |
| Sweden | 232,550,696 | | 221,968,784 | | | | | 16,811,620 | 2,939,634 | | 19,751,254 | 0.006 | 1.5% |
| Finland | 295,061,883 | | 8,096,927 | | | | | 4,814,564 | 647,754 | | 5,462,318 | 0.002 | 0.0% |
| Luxembourg | 109,122,006 | | 16,239,271 | | | | | 8,569,712 | 1,220,838 | | 9,790,550 | 0.003 | 0.0% |
| Norway | 38,517,679 | | 38,316,572 | | | | | 2,131,190 | 3,014,078 | | 5,145,268 | 0.002 | 1.5% |
| Spain | 77,082,324 | | 0 | | | | | 5,069,222 | 0 | | 5,069,222 | 0.002 | 0.0% |
| Switzerland | 36,601,431 | | 8,261,425 | | | | | 1,963,345 | 596,844 | | 2,560,189 | 0.001 | 0.0% |
| France | 2,530,387 | | 5,625,246 | | | | | 112,349 | 450,020 | | 562,369 | 0.000 | 0.0% |
| USA | 17,976,179 | | 35,870,978 | | | | | 1,012,977 | 2,885,148 | | 3,898,124 | 0.001 | 0.0% |
| Other countries | 260,297,076 | | 6,849,644 | | | | | 17,808,271 | 547,971 | | 18,356,243 | 0.006 | 0.0% |
| 020 | 51,616,952,094 | | 18,005,990,036 | | | | | 3,043,064,847 | 175,206,210 | | 3,218,271,057 | 1.00 | |

| Amount of institution-specific countercyclical capital buffer | | |
|---|---|----------------|
| 010 | Total risk exposure amount | 48,694,025,111 |
| 020 | Institution specific countercyclical buffer rate | 0.01% |
| 030 | Institution specific countercyclical buffer requirement | 5,655,395 |

APPENDIX

F CRR Leverage Ratio

| Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures | | |
|---|---|------------------------------|
| | | Applicable Amounts |
| 1 | Total assets as per published financial statements | 78,473,488,837 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | 0 |
| 3 | (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR") | 0 |
| 4 | Adjustments for derivative financial instruments | 754,699,633 |
| 5 | Adjustments for securities financing transactions "SFTs" | 7,098,909 |
| 6 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 12,399,974,050 |
| EU-6a | (Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013) | 0 |
| EU-6b | (Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013) | 0 |
| 7 | Other adjustments | 719,609,205 |
| 8 | Total leverage ratio exposure | 90,915,652,224 |
| Table LRCom: Leverage ratio common disclosure | | |
| | | CRR leverage ratio exposures |
| On-balance sheet exposures (excluding derivatives and SFTs) | | |
| 1 | On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 68,127,774,877 |
| 2 | (Asset amounts deducted in determining Tier 1 capital) | 719,609,205 |
| 3 | Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2) | 67,408,165,672 |
| Derivative exposures | | |
| 4 | Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin) | 1,284,232,840 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method) | 754,699,633 |
| EU-5a | Exposure determined under Original Exposure Method | 0 |
| 6 | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | 540,939,236 |
| 7 | (Deductions of receivables assets for cash variation margin provided in derivatives transactions) | 0 |
| 8 | (Exempted CCP leg of client-cleared trade exposures) | 0 |
| 9 | Adjusted effective notional amount of written credit derivatives | 0 |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | 0 |
| 11 | Total derivative exposures (sum of lines 4 to 10) | 2,579,871,709 |
| Securities financing transaction exposures | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | 9,061,481,119 |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | 0 |
| 14 | Counterparty credit risk exposure for SFT assets | 7,098,909 |
| EU-14a | Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013 | 0 |
| 15 | Agent transaction exposures | 0 |
| EU-15a | (Exempted CCP leg of client-cleared SFT exposure) | 0 |
| 16 | Total securities financing transaction exposures (sum of lines 12 to 15a) | 9,068,580,029 |
| Other off-balance sheet exposures | | |
| 17 | Off-balance sheet exposures at gross notional amount | 36,463,082,913 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | 24,063,108,863 |
| 19 | Other off-balance sheet exposures (sum of lines 17 to 18) | 12,399,974,050 |
| Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet) | | |
| EU-19a | (Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)) | 0 |
| EU-19b | (Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on- and off-balance sheet)) | 0 |

APPENDIX

F CRR Leverage Ratio

| Capital and total exposures | | |
|--|--|--|
| 20 | Tier 1 capital | 7,427,425,199 |
| 21 | Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b) | 91,456,591,460 |
| Leverage ratio | | |
| 22 | Leverage ratio | 8,1% |
| Choice on transitional arrangements and amount of derecognised fiduciary items | | |
| EU-23 | Choice on transitional arrangements for the definition of the capital measure | |
| EU-24 | Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013 | |
| Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) | | CRR leverage ratio exposures |
| EU-1 | Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which: | 77,752,452,549 |
| EU-2 | Trading book exposures | 29,605,190,785 |
| EU-3 | Banking book exposures, of which: | 48,147,261,764 |
| EU-4 | Covered bonds | 0 |
| EU-5 | Exposures treated as sovereigns | 361,896,699 |
| EU-6 | Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns | 68,176,989 |
| EU-7 | Institutions | 2,379,994,650 |
| EU-8 | Secured by mortgages of immovable properties | 3,119,694,970 |
| EU-9 | Retail exposures | 16,058,503,625 |
| EU-10 | Corporate | 22,617,123,126 |
| EU-11 | Exposures in default | 694,369,843 |
| EU-12 | Other exposures (eg equity, securitisations, and other non-credit obligation assets) | 2,847,501,862 |
| Table LRQua: Free format text boxes for disclosure on qualitative items | | Column |
| | | Free format |
| Row | | |
| 1 | Description of the processes used to manage the risk of excessive leverage | Spar Nord has made several initiatives to avoid excessive leverage risk. Besides having a threshold value and procedures for calculating the leverage ratio, there are defined guidelines for the actions that will be taken, if the leverage ratio drops to a level below the threshold. In addition, there are methods to measure the risks of excessive leverage and methods to evaluate significant changes to the leverage ratio. Excessive leverage is the risk resulting from an institution's vulnerability due to leverage or potential leverage, that may require unforeseen changes. This includes sale of assets which could result in losses or adjustments in the value of its remaining assets. |
| 2 | Description of the factors that had an impact on the Leverage Ratio during the period to which the disclosed Leverage Ratio refers | The balance is considered stable through 2016. The Leverage Ratio has been positively affected by increased core capital, which has also been increased by a new issue of Tier 1 capital in 2016, |

APPENDIX

G **Asset encumbrance**

| | | Carrying amount of encumbered assets | Fair value of encumbered assets | Carrying amount of non-encum- bered assets | Fair value of non-encumbered assets |
|------------|--|--|---------------------------------------|---|--|
| | | 010 | 040 | 060 | 090 |
| 010 | Assets of the reporting institution | 4,249 | | 74,327 | |
| 030 | Equity instruments | 0 | 0 | 1,644 | 1,644 |
| 040 | Debt securities | 3,130 | 3,130 | 13,251 | 13,251 |
| 120 | Other assets | 1,119 | | 59,432 | |

| | | Fair value of encumbered collateral received or own debt securities issued | Fair value of collateral received or own debt securities issued available for encumbrance |
|-----|--|---|--|
| | | 010 | 040 |
| 130 | Collateral received by the reporting institution | 90 | 6,633 |
| 150 | Equity instruments | 0 | 23 |
| 160 | Debt securities | 90 | 6,600 |
| 230 | Other collateral received | 0 | 10 |
| 240 | Own debt securities issued other than own covered bonds or ABSs | 0 | 0 |
| | | Matching liabilities, contingent liabilities or securities lent | Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered |
| | | 010 | 030 |
| 010 | Carrying amount of selected financial liabilities | 4,190 | 4,339 |

APPENDIX

H

Credit exposure

| CREDIT EXPOSURE | 2016 | | | | | | 2015 | | | | | | Total |
|--|-----------|------------|-----------------|-------------|--------------|----------|-----------|------------|-----------------|-------------|--------------|----------|-------|
| | On demand | 0 - 3 mths | 3 mths - 1 year | 1 - 5 years | over 5 years | | On demand | 0 - 3 mths | 3 mths - 1 year | 1 - 5 years | over 5 years | | |
| Central gov. or central banks | 325.4 | 0.0 | 0.0 | 0.0 | 0.0 | 325.4 | 288.9 | 0.0 | 0.0 | 0.0 | 0.0 | 288.9 | |
| Regional or local authorities | 5.6 | 457.6 | 311.6 | 460.3 | 54.9 | 1,290.0 | 209.8 | 113.8 | 300.0 | 600.0 | 64.1 | 1,287.7 | |
| Public-sector entities | 49.0 | 0.0 | 15.0 | 112.5 | 12.7 | 189.2 | 0.0 | 0.0 | 71.5 | 16.3 | 6.2 | 94.0 | |
| Institutions | 628.1 | 3,339.9 | 458.5 | 116.1 | 918.5 | 5,461.1 | 593.2 | 3,838.0 | 1,645.9 | 443.3 | 395.8 | 6,916.2 | |
| Corporates | 4,228.3 | 5,713.9 | 12,791.9 | 2,788.7 | 4,550.1 | 30,072.9 | 1,982.4 | 7,503.1 | 7,971.0 | 2,955.6 | 3,730.9 | 24,143.0 | |
| Retail | 2,187.3 | 3,033.7 | 9,117.7 | 16,463.5 | 8,325.7 | 39,127.9 | 1,447.4 | 6,027.5 | 7,816.7 | 9,935.4 | 10,183.9 | 35,410.9 | |
| Exposures secured by mortgages on imm. prop. | 116.6 | 69.8 | 901.7 | 978.4 | 3,771.8 | 5,838.3 | 66.6 | 390.6 | 634.3 | 722.0 | 3,057.4 | 4,870.9 | |
| Exposures in defaults | 257.4 | 37.6 | 239.2 | 84.5 | 131.1 | 749.8 | 43.5 | 362.4 | 430.9 | 455.1 | 349.6 | 1,641.5 | |
| High-risk exposures | 173.1 | 32.6 | 536.8 | 292.8 | 55.0 | 1,090.3 | 242.9 | 154.9 | 246.9 | 161.2 | 80.4 | 886.3 | |
| Exposures with sort-term rating | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 71 | 0.6 | 0.0 | 0.0 | 0.0 | 7.7 | |
| Exposures in units or CIU | 0.0 | 0.0 | 0.0 | 0.0 | 2.6 | 2.6 | 0.0 | 0.0 | 0.5 | 0.0 | 4.3 | 4.8 | |
| Equity exposure | 0.0 | 0.0 | 0.3 | 0.0 | 1,071.2 | 1,071.5 | 0.0 | 0.3 | 0.0 | 1.2 | 1,262.8 | 1,264.3 | |
| Other exposures | 446.8 | 111.2 | 500.7 | 0.0 | 717.7 | 1,776.4 | 0.0 | 323.4 | 126.6 | 94.8 | 1,112.8 | 1,657.6 | |
| Grand total | 8,417.6 | 12,796.3 | 24,873.4 | 21,296.8 | 19,611.3 | 86,995.4 | 4,881.8 | 18,714.6 | 19,244.3 | 15,384.9 | 20,248.2 | 78,473.8 | |

APPENDIX

H

Credit exposure

| TOTAL CREDIT EXPOSURE BY INDUSTRY | | | | | | | | | | | | | | | |
|--|---|---|------------------------------|--------------|-----------|----------|---------|---|---------------------|------------------------|-----------------------------------|-------------------------|--------------------|--------------------|----------|
| 2016 Line of business - DKK m | Exposure category | | | | | | Retail | Exp. secured by mortgages on imm. prop. | Exp. in defaults | High-risk exposures | Exp. with short-term rating | Exp. in units or CIU | Equity exposure | Other exposures | Total |
| | Central gov. or central banks | Regional gov. or local authori- ties | Public sector entities | Institutions | Corporate | | | | | | | | | | |
| Public authorities | 0.0 | 647.0 | 0.0 | 0.0 | 34.0 | 4.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 685.7 |
| Agriculture, hunting and forestry | 0.0 | 0.0 | 0.0 | 0.0 | 1,459.7 | 1,869.3 | 264.2 | 88.8 | 51.2 | 0.0 | 0.0 | 0.0 | 1.3 | 0.0 | 3,734.5 |
| Fisheries | 0.0 | 0.0 | 0.0 | 0.0 | 45.6 | 58.4 | 8.3 | 2.8 | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 116.7 |
| Industry and raw materials extraction | 0.0 | 0.0 | 0.0 | 0.0 | 2,552.4 | 1,444.1 | 36.5 | 26.2 | 0.7 | 0.0 | 0.0 | 0.0 | 0.4 | 0.0 | 4,060.3 |
| Energy supply | 0.0 | 35.0 | 183.9 | 0.0 | 1,793.6 | 579.4 | 53.3 | 12.6 | 2.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2,660.3 |
| Building and construction | 0.0 | 0.0 | 0.0 | 0.0 | 1,286.9 | 1,380.0 | 122.7 | 13.0 | 479.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3,220.0 |
| Trade | 0.0 | 0.0 | 0.0 | 0.0 | 4,192.3 | 2,050.9 | 127.2 | 23.1 | 3.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6,397.3 |
| Transport, hotels and restaurants | 0.0 | 0.0 | 0.0 | 0.0 | 1,221.3 | 983.0 | 62.6 | 13.0 | 30.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2,310.7 |
| Information and commu- nication | 0.0 | 0.0 | 0.0 | 0.0 | 781 | 327.4 | 12.7 | 1.9 | 0.1 | 0.0 | 0.0 | 0.0 | 43.0 | 0.0 | 463.2 |
| Financing and insurance | 325.4 | 0.0 | 0.0 | 5,461.1 | 8,605.6 | 503.7 | 131.8 | 44.9 | 96.8 | 0.0 | 0.0 | 2.6 | 946.9 | 1,776.4 | 17,895.2 |
| Real estate | 0.0 | 0.0 | 0.0 | 0.0 | 5,053.9 | 2,254.6 | 398.9 | 369.6 | 436.3 | 0.0 | 0.0 | 0.0 | 5.8 | 0.0 | 8,519.1 |
| Other business areas | 0.0 | 608.0 | 5.3 | 0.0 | 2,109.2 | 3,124.9 | 120.2 | 37.4 | 3.9 | 0.0 | 0.0 | 0.0 | 72.9 | 0.0 | 6,081.8 |
| Business customers, total | 325.4 | 1,290.0 | 189.2 | 5,461.1 | 28,432.6 | 14,580.4 | 1,338.4 | 633.3 | 1,045.6 | 0.0 | 0.0 | 2.6 | 1,070.3 | 1,776.4 | 56,145.3 |
| Retail customers | 0.0 | 0.0 | 0.0 | 0.0 | 1,640.3 | 24,547.5 | 4,499.9 | 116.5 | 44.7 | 0.0 | 0.0 | 0.0 | 1.2 | 0.0 | 30,850.1 |
| Grand total | 325.4 | 1,290.0 | 189.2 | 5,461.1 | 30,072.9 | 39,127.9 | 5,838.3 | 749.8 | 1,090.3 | 0.0 | 0.0 | 2.6 | 1,071.5 | 1,776.4 | 86,995.4 |
| 2015 Line of business - DKK m | Exposure category | | | | | | Retail | Exp. secured by mortgages on imm. prop. | Exp. in defaults | High-risk exposures | Exp. with short-term rating | Exp. in units or CIU | Equity exposure | Other exposures | Total |
| Central gov. or central banks | Regional gov. or local authori- ties | Public sector entities | Institutions | Corporate | | | | | | | | | | | |
| Public authorities | 0.0 | 1,252.7 | 1.3 | 0.0 | 158.6 | 635.2 | 24.7 | 21 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2,074.6 |
| Agriculture, hunting and forestry | 0.0 | 0.0 | 0.0 | 0.0 | 1,532.5 | 1,701.9 | 245.2 | 109.4 | 77.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3,666.7 |
| Fisheries | 0.0 | 0.0 | 0.0 | 0.0 | 53.0 | 74.0 | 21 | 2.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 131.7 |
| Industry and raw materials extraction | 0.0 | 0.0 | 0.0 | 0.0 | 2,287.5 | 1,450.9 | 26.0 | 42.5 | 1.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3,808.8 |
| Energy supply | 0.0 | 35.0 | 88.7 | 0.0 | 2,007.6 | 295.0 | 5.6 | 62.7 | 13.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2,508.4 |
| Building and construction | 0.0 | 0.0 | 0.0 | 0.0 | 840.8 | 1,176.1 | 98.9 | 75.3 | 408.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2,599.6 |
| Trade | 0.0 | 0.0 | 0.0 | 0.0 | 2,944.4 | 2,174.2 | 96.6 | 90.0 | 3.7 | 0.0 | 0.0 | 0.0 | 1.2 | 0.0 | 5,310.1 |
| Transport, hotels and restaurants | 0.0 | 0.0 | 0.0 | 0.0 | 1,262.4 | 759.8 | 46.7 | 78.6 | 35.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2,183.3 |
| Information and communication | 0.0 | 0.0 | 0.0 | 0.0 | 80.0 | 192.7 | 7.3 | 5.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 285.1 |
| Financing and insurance | 288.9 | 0.0 | 0.0 | 6,546.1 | 4,816.6 | 791.7 | 145.7 | 51.9 | 12.4 | 7.7 | 4.8 | 1,262.8 | 1,291.4 | 15,220.0 | 15,220.0 |
| Real estate | 0.0 | 0.0 | 0.0 | 0.0 | 3,823.1 | 2,014.2 | 350.5 | 786.2 | 280.4 | 0.0 | 0.0 | 0.0 | 0.0 | 32.2 | 7,286.6 |
| Other business areas | 0.0 | 0.0 | 4.0 | 0.0 | 2,000.6 | 1,838.9 | 79.2 | 66.9 | 23.7 | 0.0 | 0.0 | 0.0 | 0.3 | 33.40 | 4,347.6 |
| Business customers, total | 288.9 | 1,287.7 | 94.0 | 6,546.1 | 21,807.1 | 13,104.6 | 1,128.5 | 1,373.3 | 857.9 | 7.7 | 4.8 | 1,264.3 | 1,657.6 | 1,657.6 | 49,422.5 |
| Retail customers | 0.0 | 0.0 | 0.0 | 370.1 | 2,335.9 | 22,306.3 | 3,742.4 | 268.2 | 28.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 29,051.3 |
| Grand total | 288.9 | 1,287.7 | 94.0 | 6,916.2 | 24,143.0 | 35,410.9 | 4,870.9 | 1,641.5 | 886.3 | 7.7 | 4.8 | 1,264.3 | 1,657.6 | 1,657.6 | 78,473.8 |

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The Risk 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.