

# Interim report for H1 2017 of Spar Nord Bank A/S

Net profit of DKK 575 million and  
return on equity of 14.4%

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# Performance indicators and financial ratios – Group

## CORE EARNINGS – QUARTERLY

INCOME STATEMENT	H1 2017	H1 2016	Change in %	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Full year 2016
<b>DKKm</b>									
Net interest income *)	785.5	813.0	-3.4	393.0	392.5	395.3	412.9	417.2	1,621.2
Net income from fees, charges and commissions	573.2	518.5	10.5	278.8	294.4	274.5	259.7	268.1	1052.7
Market value adjustments and dividends	285.1	186.8	52.6	121.4	163.7	104.4	142.5	114.7	433.7
Other operating income	24.5	17.3	41.6	13.7	10.8	1.4	11.0	9.7	29.7
Profit/loss on investments in associates and group enterprises	20.2	15.0	34.7	7.3	12.9	7.1	7.5	7.4	29.6
<b>Core income</b>	<b>1,688.5</b>	<b>1,550.6</b>	<b>8.9</b>	<b>814.2</b>	<b>874.3</b>	<b>782.7</b>	<b>833.6</b>	<b>817.1</b>	<b>3,166.9</b>
Salaries	602.5	586.3	2.8	317.9	284.6	306.9	248.5	306.9	1,141.7
Operating expenses	346.7	327.3	5.9	170.6	176.1	192.6	140.5	149.1	660.4
Depreciation, amortization and impairment	28.2	34.4	-18.0	13.9	14.3	43.4	16.5	17.3	94.3
<b>Costs and expenses</b>	<b>977.4</b>	<b>948.0</b>	<b>3.1</b>	<b>502.4</b>	<b>475.0</b>	<b>542.9</b>	<b>405.5</b>	<b>473.3</b>	<b>1,896.4</b>
<b>Core earnings before impairment</b>	<b>711.1</b>	<b>602.6</b>	<b>18.0</b>	<b>311.8</b>	<b>399.3</b>	<b>239.8</b>	<b>428.1</b>	<b>343.8</b>	<b>1,270.5</b>
Loan impairment charges etc. *)	-8.7	133.4	-106.5	-10.2	1.5	54.6	54.4	78.9	242.4
<b>Profit/loss before tax</b>	<b>719.8</b>	<b>469.2</b>	<b>53.4</b>	<b>322.0</b>	<b>397.8</b>	<b>185.2</b>	<b>373.7</b>	<b>264.9</b>	<b>1,028.1</b>
Tax	144.7	86.6	67.1	63.7	81.0	37.3	66.0	47.0	189.9
<b>Profit/loss</b>	<b>575.1</b>	<b>382.6</b>	<b>50.3</b>	<b>258.3</b>	<b>316.8</b>	<b>147.9</b>	<b>307.7</b>	<b>217.9</b>	<b>838.2</b>
Of which, share attributable to interest expenses to holders of Additional Tier 1 (AT1) capital	24.1	12.0	100.8	12.0	12.1	7.9	6.2	6.1	26.1
<b>BALANCE SHEET</b>									
<b>DKKm</b>									
Total assets	79,595	77,476	2.7	79,595	78,329	78,473	78,957	77,476	78,473
<b>Loans and advances</b>	<b>42,407</b>	<b>38,531</b>	<b>10.1</b>	<b>42,407</b>	<b>41,189</b>	<b>41,346</b>	<b>39,697</b>	<b>38,531</b>	<b>41,346</b>
Lending, banking and leasing activities	36,351	35,003	3.9	36,351	35,761	35,093	35,106	35,003	35,093
Lending, reverse repo transactions	6,056	3,528	71.7	6,056	5,428	6,253	4,591	3,528	6,253
<b>Deposits</b>	<b>62,782</b>	<b>59,649</b>	<b>5.3</b>	<b>62,782</b>	<b>60,455</b>	<b>61,005</b>	<b>60,926</b>	<b>59,649</b>	<b>61,005</b>
Deposits, banking activities	47,610	46,295	2.8	47,610	45,581	46,464	47,046	46,295	46,464
Deposits, repo transactions	156	0	-	156	0	0	0	0	0
Deposits in pooled schemes	15,016	13,354	12.4	15,016	14,874	14,541	13,880	13,354	14,541
Subordinated debt	1,089	1,093	-0.4	1,089	1,090	1,093	1,095	1,093	1,093
Holders of Additional Tier 1 (AT1) capital instruments	863	397	117.4	863	876	862	404	397	862
Equity	7,702	7,402	4.1	7,702	8,072	7,765	7,669	7,402	7,765
Contingent liabilities	12,304	10,847	13.4	12,304	11,935	12,334	11,885	10,847	12,334
Total risk exposure amount	49,672	46,823	6.1	49,672	47,741	47,485	47,778	46,823	47,485
Tier 1 capital **)	7,369	6,875	7.2	7,369	7,374	7,427	6,943	6,875	7,427
Impairment account and discount on commitments taken over ***)	1,901	2,024	-6.1	1,901	1,992	1,994	2,020	2,024	1,994
Contractual non-performing loans	401	468	-14.2	401	401	443	439	468	443
Business volume	236,185	222,524	6.1	236,185	232,335	230,113	228,057	222,524	230,113

\*) In the core earnings format, an amount was reclassified between the items Net interest income and Loan impairment charges etc., which relates to the part of the discount on commitments taken over recognized as income. See note 3.

\*\*) Tier 1 capital for the quarters of 2017 is exclusive of recognition of profit/loss for the period.

\*\*\*) Spar Nord's impairment account amounts to DKK 1,839 million (Q1 2017: DKK 1,919 million) (note 10) and the discount on commitments taken over amounts to DKK 62 million (Q1 2017: DKK 73 million)

# Performance indicators and financial ratios – Group

## CORE EARNINGS – QUARTERLY

FINANCIAL RATIOS	H1 2017	H1 2016	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Full year 2016
<b>OWN FUNDS</b>								
Own funds ratio *)	16.9	16.8	16.9	17.6	17.7	16.6	16.8	17.7
Own funds ratio *)	14.8	14.7	14.8	15.4	15.6	14.5	14.7	15.6
Common equity tier 1 capital ratio *)	13.2	14.0	13.2	13.8	14.0	13.9	14.0	14.0
<b>EARNINGS</b>								
Return on equity before tax excl. Additional Tier 1 (AT1) capital, % **)	9.0	6.1	4.0	4.9	2.3	4.9	3.5	13.2
Return on equity after tax excl. Additional Tier 1 (AT1) capital, % **)	7.2	5.0	3.2	3.9	1.9	4.0	2.9	10.7
Cost share of core income	0.58	0.61	0.62	0.54	0.69	0.49	0.58	0.60
Cost share of core income - incl. loan impairment charges etc.	0.57	0.70	0.60	0.55	0.76	0.55	0.68	0.68
Return on assets, %	0.7	0.5	0.3	0.4	0.2	0.4	0.3	1.1
<b>MARKET RISK AND LIQUIDITY</b>								
Interest rate risk, %	0.2	0.7	0.2	-0.2	1.2	0.4	0.7	1.2
Foreign-exchange position, %	3.9	3.0	3.9	3.3	3.2	3.1	3.0	3.2
Foreign-exchange risk, %	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1
Liquidity Cover Ratio (LCR), %	176	161	176	168	171	155	161	171
<b>CREDIT RISK</b>								
Loans and advances plus impairment account and discount hereon as % of deposits, %	70.5	67.9	70.5	71.3	70.9	68.3	67.9	70.9
Loans and advances as % of equity	5.5	5.2	5.5	5.1	5.3	5.2	5.2	5.3
Increase in loans and advances for the period, %	3.6	3.3	1.6	1.9	0.0	0.3	0.0	3.6
Sum of large exposures, %	17.5	15.9	17.5	17.1	14.5	15.8	15.9	14.5
Impairment ratio, %	0.0	0.3	0.0	0.0	0.1	0.1	0.2	0.4
<b>EMPLOYEES AND BRANCHES</b>								
Number of employees (full-time equivalents, end of period)	1,555	1,556	1,555	1,528	1,540	1,548	1,556	1,540
Number of branches	55	70	55	56	58	66	70	58
<b>SPAR NORD SHARE</b>								
<b>DKK PER SHARE OF DKK 10</b>								
Share price, end of period	85	54	85	77	81	64	54	81
Net asset value (NAV), **)	63	60	63	66	63	62	60	63
Profit/loss for the period *)	4.5	3.0	2.0	2.5	1.2	2.4	1.7	6.6
Dividend	-	-	-	-	-	-	-	5.0
Return	-	-	-	-	-	-	-	38
Price/earnings **)	-	-	-	-	-	-	-	12

\*) Own funds for the quarters of 2017 is exclusive of recognition of profit/loss for the period.

\*\*) Financial ratios have been calculated as if the Additional Tier 1 (AT1) capital were treated as a liability for accounting purposes.

## Executive summary

*Overall, we are very pleased with our financial performance in the first half of 2017. A return on equity of 14.4% is of course satisfactory, and we are particularly pleased to see that, despite heavy competition and price pressure, our business is progressing so well that we can upgrade our earnings forecast and also significantly revise down our forecast of loan impairment charges following a quarter during which our books were thoroughly reviewed by the Danish FSA, says Spar Nord's CEO Lasse Nyby.*

Spar Nord achieved a satisfactory profit after tax of DKK 575 million in H1 2017, which corresponds to an annualized return on equity of 14.4%. The profit is DKK 193 million, or 50%, higher than in H1 2016.

Core income amounted to DKK 1,689 million, which is 9% higher than in the year-earlier period. Net interest income fell 3% to DKK 786 million, net income from fees, charges and commissions rose 11% to DKK 573 million, and market value adjustments rose by a full 53% to DKK 285 million.

Total costs and expenses amounted to DKK 977 million, which is DKK 29 million, or 3%, higher than in H1 2016. Costs were affected by Spar Nord's implementation of its new strategy launched six months ago, which is still at a stage of investment in measures, including in the IT area, that are intended to lead to the realisation of gains during the strategy period. Furthermore, the overall level of efficiency has still not regained the level from before the IT migration in 2016.

Core earnings before impairment were DKK 711 million, which is DKK 109 million, or 18%, higher than in H1 last year and also higher than expected at the beginning of the year.

Loan impairment charges etc. was an income of DKK 9 million, which is notably better than expected at the beginning of the year and compared with impairments of DKK 133 million in the year-earlier period. Developments in impairments are considered highly satisfactory in a six-month period during which the Bank was subjected to a comprehensive ordinary inspection by the Danish FSA.

On the basis of developments and performance in H1, Management has resolved to upgrade the full-year forecast for core earnings before impairment from "around the DKK 1.1-1.2 billion mark" to "around DKK 1,250 million". Loan impairments, which at the beginning of the year were expected to be "lower than in 2016", are now expected to be substantially lower than in 2016.

### Statement of changes in equity

The Bank continues to have a strong capital position with a Common Equity Tier 1 (CET1) ratio at 30 June 2017 of 13.2% and an own funds ratio of 16.9%, corresponding to an excess capital coverage of DKK 3.3 billion or 6.6 percentage points relative to the calculated capital requirement.

Based on initial discussions with the resolution authorities, Spar Nord expects that the Bank, in connection with the impending implementation of the new MREL rules, will have SIFI status, which means that, over the course of a few years, it must comply with the MREL, which for SIFI institutions will equal twice the total capital requirement (solvency need and regulatory capital buffers).

With a view to optimising its capital consumption, Spar Nord has resolved to examine the possibilities of switching to the use of internal rating-based models (IRB) on the capital side over the course of the coming years.

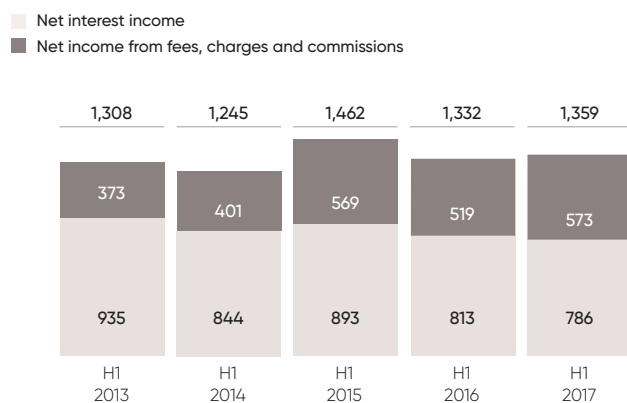
In view of the above and other factors, the Board has resolved to revise Spar Nord's capital targets so that the Bank will henceforth pursue a goal of having a Common Equity Tier 1 (CET1) ratio of 13.0% (previously "at least 12.0%") and an own funds ratio of 16.5% (previously "at least 15.5%"). On the same occasion, it was resolved to revise the dividend policy so that Spar Nord will henceforth pursue a goal of distributing 40-50% of the net profit for the year (previously "at least two-thirds").

# Management commentary on H1 2017

Spar Nord achieved a profit after tax of DKK 575 million in H1 2017, which corresponds to an annualized return on equity of 14.4%. The profit is DKK 193 million, or 50%, higher than in H1 2016 and is considered satisfactory by Management.

Core income amounted to DKK 1,689 million, which is 9 % higher than in the year-earlier period.

## NET INTEREST INCOME AND NET FEE INCOME (DKKm)



## Persistent pressure on net interest income

Net interest income was DKK 786 million in H1 2017, against DKK 813 million in the same period of 2016.

Adding to this income was a DKK 1.3 billion (4%) increase in bank and leasing lending since 1 January, while the strong competition in the market and a consequent continued drop in lending margins weighed on this item.

In Q2 2017, the lending margin was thus 24 basis points lower than in Q4 2016 and 29 basis points lower than in Q2 2016, while the deposit margin in Q2 2017 was 4 basis points lower than in Q4 2016 and 13 basis points lower than in Q2 2016.

The fact that lower lending margins and overall interest margins do not cause any major drop in net interest income is primarily because there were positive one-off effects in H1 totalling DKK 21 million related to interest income from two large impairment exposures.

From Q1 to Q2, net interest income was unchanged at DKK 393 million, driven by continued growth in lending, a higher number of interest days and lower income due to one-off events.

## Net fee income at a satisfactory level

Net income from fees, charges and commissions amounted to DKK 573 million, which is DKK 55 million, or 11 %, higher than in the year-earlier period. Net income from fees, charges and commissions thus accounted for 42% of total net interest and fee income in H1.

The increase was attributable especially to continued growth in income from mortgage loans arranged driven by both volume growth and price adjustments. In addition, there was an increase in areas such as insurance, "daily banking" etc.

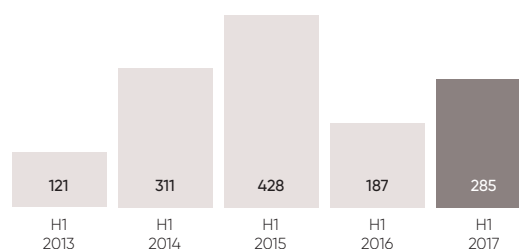
Finally, it should be noted that specific fees were reclassified in connection with the migration to BEC.

From Q1 to Q2 net income from fees, charges and commissions fell from DKK 294 million to DKK 279 million. The decline was due to specific fees typically being charged and recognized in Q1.

## Market value adjustments up 53%

Market value adjustments and dividends amounted to DKK 285 million, which is DKK 98 million, or 53%, higher than in H1 2016. The very strong improvement was driven by factors such as strong performance in fixed income operations.

## MARKET VALUE ADJUSTMENTS AND DIVIDENDS (DKKm)



Market value adjustments and dividends on strategic shareholdings in financial sector companies rose 19% to DKK 107 million. There were strong contributions especially from holdings in Erhvervsinvest II K/S, DLR Kredit A/S and PRAS A/S.

From Q1 to Q2, market value adjustments and dividends fell from DKK 164 million to DKK 121 million. The drop was driven primarily by less favourable conditions in the bond market. Adding to performance was higher income from the bank's equity portfolio.

### Decent increase in other income

Other operating income amounted to DKK 25 million, against DKK 17 million in H1 2016, and profit on investments in associates and group enterprises came to DKK 20 million, up from DKK 15 million last year.

### Costs and expenses influenced by strategic initiatives

The Group's total costs and expenses amounted to DKK 977 million, which is DKK 29 million, or 3 %, higher than in the year-earlier period.

#### TOTAL COSTS (DKKm)

	H1 2013	H1 2014	H1 2015	H1 2016	H1 2017	
	910	925	964	948	977	
	52	35	33	35	28	Depreciation, amort. and impairment
	330	344	356	327	347	Operating expenses
	528	546	575	586	602	Wages and salaries

Wages and salaries accounted for DKK 602 million of total costs and expenses. Realized payroll costs were DKK 16 million, or 3%, higher than in H1 2016, which is ascribable to collective agreements and increasing payroll taxes and, not least, the fact that H1 2016 included a positive one-off effect of DKK 17 million concerning the outcome of a legal action.

At 30 June 2017, the Group employed 1,555 employees, which is unchanged from 30 June 2016.

Other operating expenses came to DKK 347 million, which is DKK 20 million, or 6%, higher than in 2016. The change was driven by a combination of last year's non-recurring costs for IT migration and a drop in ongoing IT expenses on the one hand and a number of costs related to the implementation of the new strategy on the other. Furthermore, there is an increase in items such as marketing expenses because customer-facing activities in H1 2016 were lower than usual because of the efforts to prepare and implement the IT migration from SDC to BEC.

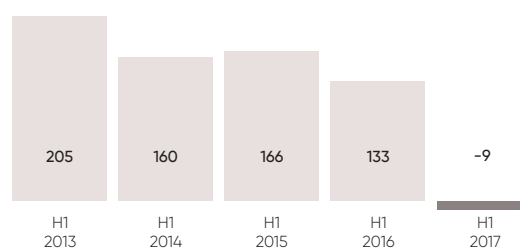
Costs were generally affected by Spar Nord's implementation of its new strategy launched six months ago, which is still at a stage of investment in measures, including in the IT area, that are intended to lead to the realisation of gains in the upcoming period. Furthermore, the overall level of efficiency has still not regained the level from before the IT migration.

From Q1 to Q2, costs and expenses rose from DKK 475 million to DKK 502 million. The increase was primarily due to higher payroll costs driven by adjustment of holiday pay obligations.

### Net reversal of loan impairment charges

Loan impairment charges etc. was an income of DKK 9 million, which compares to an expense of DKK 133 million in the year-earlier period.

#### IMPAIRMENTS (DKKm)



Broken down by customer segment and including the Management estimates made in Q1 (DKK 85 million concerning retail customers and DKK 25 regarding agricultural customers), the total impact from loan impairment charges etc. was DKK 64 million for retail customers, DKK -75 million for business customers ex. agriculture and DKK 2 million for agriculture.

Apart from a strong credit quality in Spar Nord's loan portfolio, the highly positive trends in impairments reflect the continued improvement of macroeconomic conditions, including a lower inflow of impairment exposures and better performance of loans already flagged as having a weak credit quality.

With respect to the latter, it should be noted that, following its inspection of Spar Nord in H1 2017, the Danish FSA found, for the fourth time running, that the Bank had adequate impairments. Specifically, the authorities noted that the Bank's credit quality is higher than those of its peers.

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

Industry %	Loans and guarantees		Impairment account and discount on exposures taken over
	31.12.16	30.06.17	
Agriculture, hunting and forestry	6.9	6.6	36.2
Fisheries	0.2	0.2	0.0
Industry and raw materials extraction	5.4	6.0	3.5
Energy supply	3.3	3.2	1.6
Construction and engineering	3.9	4.3	4.1
Trade	7.8	7.3	4.2
Transport, hotels and restaurants	3.4	3.6	3.4
Information and communication	0.4	0.4	0.2
Financing and insurance	5.8	5.8	5.7
Real property	12.2	11.8	14.0
Other industries	5.4	5.7	4.4
<b>Total business customers</b>	<b>54.7</b>	<b>54.9</b>	<b>77.3</b>
Public authorities	0.1	0.0	0.0
Retail customers	45.2	45.1	22.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\*) Excl. reverse repo transactions

**AGRICULTURAL EXPOSURES BY PRODUCTION LINE**

H1 2017 DKKm	Loans, advances and guarantees	Non-accrual loans	Of which impaired	Share impaired
Cattle producers	1,037.4	62.6	675.0	65.1
Pig producers	702.8	8.5	332.7	47.3
Plant cultivation	705.9	2.2	81.8	11.6
Mink farmers	95.0	2.4	45.6	48.0
Leasing	432.0	1.7	11.3	2.6
Other production lines	342.7	1.7	20.7	6.0
<b>Total</b>	<b>3,315.8</b>	<b>79.1</b>	<b>1,167.1</b>	<b>35.2</b>

**AGRICULTURAL IMPAIRMENTS BY PRODUCTION LINE**

H1 2017 DKKm/%	Impairment account	Impaired	Impairment for the year	Impairment ratio of exposure	Percentage impaired
Cattle producers	414.6	21.5	1.9	40.0	61.4
Pig producers	184.9	59.7	-7.9	26.3	55.6
Plant cultivation	44.0	6.3	2.9	6.2	53.8
Mink farmers	20.2	0.0	4.0	21.3	44.4
Leasing	2.4	0.2	-0.3	0.6	21.5
Other production lines	16.0	0.0	1.5	4.7	77.0
<b>Total</b>	<b>682.1</b>	<b>87.7</b>	<b>2.1</b>	<b>20.6</b>	<b>58.4</b>

With respect to the Bank's agricultural loans, it should be noted that the overall exposure to pig and milk producers has been reduced by about DKK 170 million since the start of the year. The reason is partly the improved settlement prices for milk and pork, partly the fact that approximately DKK 80 million was written off in connection with farm closures.

At 30 June 2017, Spar Nord estimated the impact of the new impairment rules that follow from IFRS 9 and how they will affect the Bank's loan impairment charges etc. when they enter into force at the beginning of 2018. The estimate shows an effect of about 2-3% of shareholders' equity.

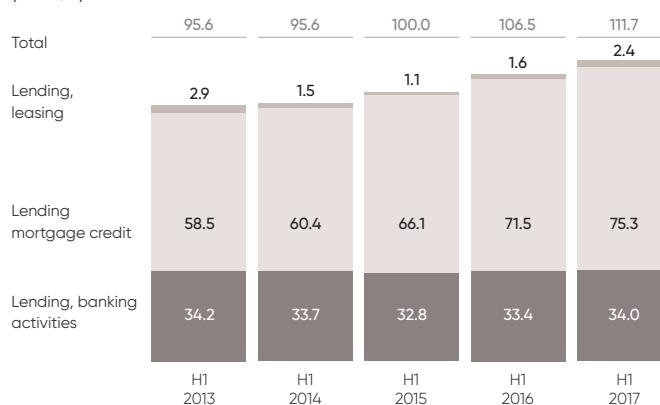
**Profit before tax of DKK 720 million and net profit of DKK 575 million**

The profit before tax was DKK 720 million against DKK 469 million in H1 2016. The Group's effective tax rate was 20%, bringing the net profit to DKK 575 million, up from DKK 383 million in the same period last year.

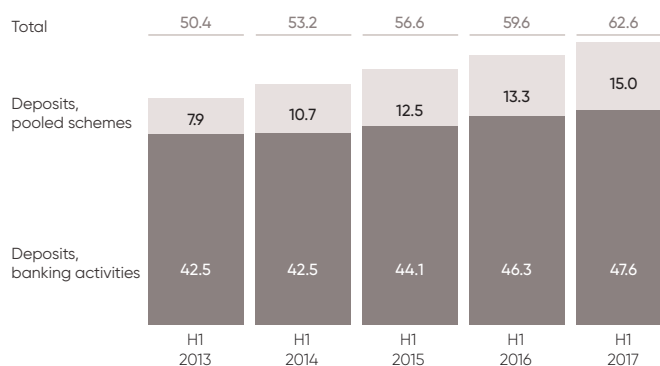
**Business volume growing to DKK 236 billion**

The Group's total business volume (deposits, loans, advances and guarantees, mortgage credits arranged and customers' custodianship accounts) amounted to DKK 236.2 billion at 30 June 2017, which was DKK 6.1 billion, or 3%, higher than at end-2016.

Compared with end-2016, bank and leasing loans rose DKK 1.3 billion, or 4%. Of the increase in bank and leasing loans, DKK 0.9 billion was attributable to business customers and DKK 0.4 billion to retail customers.

**TOTAL CREDITS ARRANGED (DKKbn)**

In H1 2017, the volume of mortgage-credit loans arranged grew DKK 1.7 billion to DKK 75.3 billion, equal to 2%. In total, the volume of mortgage-credit loans arranged on behalf of retail customers (Totalkredit) amounted to DKK 63.9 billion and to DKK 11.4 billion for business customers (DLR Kredit).

**TOTAL DEPOSITS (DKKbn)**

Deposits, banking activities increased by DKK 1.1 billion, or 2%, in H1 while deposits in pooled schemes climbed DKK 0.5 billion, or 3%.

Finally, customers' custodianship accounts have increased DKK 1.5 billion, or 3%, since end-2016.

**Strategic liquidity of DKK 20.5 billion**

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

Subordinated debt, senior loans and issued bonds due within 12 months are not included in the Bank's strategic liquidity.



**STRATEGIC LIQUIDITY**

DKKbn	30.06.17	31.03.17	31.12.16	30.09.16	30.06.16
Deposits, banking activities	47.6	45.6	46.5	47.0	46.3
Senior loans/bond issues	0.0	0.0	0.0	0.0	0.0
Equity and subordinated debt	9.7	10.0	9.7	9.2	8.9
<b>Liquidity procurement</b>	<b>57.3</b>	<b>55.6</b>	<b>56.2</b>	<b>56.2</b>	<b>55.2</b>
Lending, banking and leasing activities	36.4	35.8	35.1	35.1	35.0
Maturity, senior issued bonds & subordinated debt <1 year	0.4	0.4	0.4	0.0	0.0
<b>Strategic liquidity, total</b>	<b>20.5</b>	<b>19.4</b>	<b>20.7</b>	<b>21.1</b>	<b>20.2</b>

At the end of June 2017, Spar Nord's strategic liquidity amounted to DKK 20.5 billion, down DKK 0.2 billion compared with end-2016. Spar Nord's LCR ratio at 30 June 2017 was 176%.

**Strong capital position**

At 30 June 2017, the Common Equity Tier 1 (CET1) ratio was 13.2%, while the own funds ratio was 16.9%. This should be viewed relative to the individual solvency need calculated by Spar Nord at 90% plus the 1.3% combined buffer requirement, as a result of which the total capital requirement is 10.3%. Thus, Spar Nord has an excess capital coverage of 6.6 percentage points, equal to DKK 3.3 billion.

On the basis of fully phased-in CRD IV rules, the current capital position would correspond to a Common Equity Tier 1 (CET1) ratio of 13.1%.

Due to stricter administrative requirements, for instance with respect to external reviews, Spar Nord has decided that the ongoing consolidation will no longer be recognised in the own funds on a quarterly basis but annually.

If Spar Nord had opted to include the consolidation for H1, the Common Equity Tier 1 (CET1) ratio would have been 13.6%, while the own funds ratio would have been 17.4%.

**MREL and potential IRB project**

Based on initial discussions with the Danish resolution authorities, Spar Nord expects that the Bank, in connection with the impending implementation of the new MREL rules, will have SIFI status, which means that, over the course of a few years, it must comply with the MREL, which for SIFI institutions will equal twice the calculated capital requirement.

The Bank currently expects that the new MREL rules will be phased in successively over the course of five years.

With a view to optimising its capital consumption, Spar Nord has resolved to examine the possibilities of switching to the use of internal rating-based models (IRB) on the capital side. We will commence these efforts in H2 2017.

**New capital targets and new dividend policy**

In view of the above and other factors, and in light of the comments made by the Danish FSA to the previous wording, Spar Nord's Board of Directors has resolved to revise Spar Nord's capital targets so that the Bank will henceforth pursue a goal of having a Common Equity Tier 1 (CET1) ratio of 13% (previously "at least 12%") and an own funds ratio of 16.5% (previously "at least 15.5%").

On the same occasion, it was resolved to revise the dividend policy, which will now have the following wording:

*Spar Nord pursues the goal of generating a competitive return for its shareholders – by way of share price performance and dividends. Spar Nord aims to distribute 40–50% of the net profit for the year as ordinary dividends with due consideration to meeting the Bank's capital targets. In case the Bank has extensive excess capital after the distribution of ordinary dividends, the Board of Directors will assess whether such capital can be returned to the shareholders in the form of extraordinary dividends or share buybacks.*

**Implementation of new strategy**

Since it launched its new strategy The Personal Bank in a Digital World in November 2016, Spar Nord has worked with a number of important preconditions, including in the IT and process area, partly aimed at facilitating the day-to-day duties of branch employees as efficiency in this area has still not reached previous levels after the IT migration process. Another aim was to implement the more customer-facing initiatives.

Furthermore, the Bank worked with a number of customer-oriented initiatives in H1, including The Good Banking Experience project, in which all employees attended a training course focusing on good customer service, and which also involved the implementation of a new interior design concept. Another customer-facing project is Customer Service of the Future, in which Spar Nord aims to provide customers and the Bank itself with a more optimum distribution of tasks between local banks and the central customer service unit.

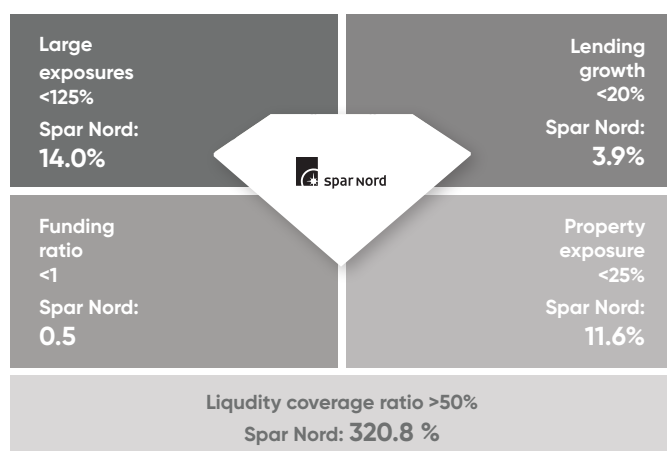
One of the important events recently has been Spar Nord's efforts to select and implement a new Customer Engagement Management platform, which is scheduled to be rolled out throughout the Bank from 2018, and which, once commissioned, is expected to provide substantial gains both in terms of income and costs.

Finally, at the end of June, the first specific results of the Bank's digital innovation strategy materialized with the market launch of the SubHub service, which assists customers in keeping track of their subscriptions. Later in the year, the Bank will launch the digital/physical piggy bank Ernit.

### The Supervisory Authority Diamond Test Model

The Supervisory Authority Diamond Test Model lists a number of reference points delineating what can be basically considered a financial institution with an increased risk profile. Violations of the principles contained in the Supervisory Authority Diamond Test Model are subject to supervisory reactions by the Danish FSA.

At 30 June 2017, Spar Nord was comfortably within all threshold values in the Supervisory Authority Diamond Test Model. At 30 June 2017, Spar Nord could report the following values in respect of the defined reference points:



With reference to the calculation method for the reference point Large exposures specified by the Danish FSA, with the benchmark for the 20 largest exposures being fixed at 175% of the Common Equity Tier 1 (CET1), Spar Nord's 20 largest exposures amounted to 95.5% at 30 June 2017.

### Outlook for 2017

On the basis of developments and performance in H1, Management has resolved to upgrade the full-year forecast for core earnings before impairment from "around the DKK 1.1-1.2 billion mark" to "around DKK 1,250 million".

Loan impairments, which at the beginning of the year were expected to be "lower than in 2016" are now expected to be substantially lower than in 2016.

## Spar Nord shares held by members of the Management team

BOARD OF DIRECTORS	At 30.06.17	AT 31.03.17	EXECUTIVE BOARD	At 30.06.17	AT 31.03.17
Kjeld Johannesen	50,000	50,000	Lasse Nyby	47,784	47,784
Per Nikolaj Bukh	27,200	27,200	John Lundsgaard	71,113	71,113
Kaj Christiansen	21,100	21,100	Lars Møller	65,460	65,460
Morten Bach Gaardboe	3,620	3,620			
Laila Mortensen	0	0			
Ole Skov	7,054	7,054			
Jannie Skovsen	7,404	7,404			
Gitte Holmgaard Sørensen	1,566	2,486			
John Sørensen	5,160	5,160			

The holdings comprise all shares held by all members of the household.

## Overview of group companies

	Share capital end of period*) DKKm	Equity end of period*) DKKm	Profit/loss *) DKKm
<b>Consolidated subsidiaries</b>			
Aktieselskabet Skelagervej 15, Aalborg	27.0	1,583.7	74.9

\*) According to the most recent annual report.

The company is a wholly subsidiary in 2016 and 2017.

# Performance indicators and financial ratios – Group

## THE DANISH FSA'S LAYOUT AND RATIO SYSTEM

INCOME STATEMENT	H1 2017	H1 2016	Change in %	H1 2017	H1 2016	H1 2015	H1 2014	H1 2013	Full year 2016
<b>DKKm</b>									
Interest income	867.0	917.8	-5.5	867.0	917.8	1,029.1	1,143.3	1,493.5	1,815.5
Interest expenses	54.0	76.3	-29.2	54.0	76.3	113.2	267.2	356.5	144.7
<b>Net interest income</b>	<b>813.0</b>	<b>841.5</b>	<b>-3.4</b>	<b>813.0</b>	<b>841.5</b>	<b>915.9</b>	<b>876.1</b>	<b>1,137.0</b>	<b>1,670.8</b>
Dividends on shares, etc.	18.2	48.9	-62.8	18.2	48.9	54.5	38.8	20.8	47.9
Fees, charges and commissions received	638.2	571.4	11.7	638.2	571.4	610.1	432.6	404.0	1,174.8
Fees, charges and commissions paid	65.0	52.9	22.9	65.0	52.9	40.9	32.2	30.8	122.1
<b>Net income from interest, fees, charges and commissions</b>	<b>1,404.4</b>	<b>1,408.9</b>	<b>-0.3</b>	<b>1,404.4</b>	<b>1,408.9</b>	<b>1,539.6</b>	<b>1,315.3</b>	<b>1,531.0</b>	<b>2,771.4</b>
Market value adjustments	266.9	137.9	93.5	266.9	137.9	373.5	284.1	114.0	385.8
Other operating income	24.5	17.3	41.6	24.5	17.3	17.0	26.9	57.1	29.7
Staff costs and administrative expenses	944.6	908.7	4.0	944.6	908.7	929.3	878.1	880.1	1,788.8
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	28.2	34.4	-18.0	28.2	34.4	32.9	34.5	65.8	94.3
Other operating expenses	4.6	4.9	-6.1	4.6	4.9	51.5	60.9	57.6	13.3
Loan impairment charges etc.	18.8	161.9	-88.4	18.8	161.9	188.1	194.0	411.0	292.0
Profit/loss on investments in associates and group enterprises	20.2	15.0	34.7	20.2	15.0	12.8	53.1	44.3	29.6
<b>Profit/loss before tax</b>	<b>719.8</b>	<b>469.2</b>	<b>53.4</b>	<b>719.8</b>	<b>469.2</b>	<b>741.1</b>	<b>511.9</b>	<b>331.9</b>	<b>1,028.1</b>
Tax	144.7	86.6	67.1	144.7	86.6	108.8	71.5	72.1	189.9
<b>Profit/loss</b>	<b>575.1</b>	<b>382.6</b>	<b>50.3</b>	<b>575.1</b>	<b>382.6</b>	<b>632.3</b>	<b>440.4</b>	<b>259.8</b>	<b>838.2</b>
<b>BALANCE SHEET</b>									
<b>DKKm</b>									
Total assets	79,595	77,476	2.7	79,595	77,476	79,832	77,933	75,842	78,473
<b>Loans and advances</b>	<b>42,407</b>	<b>38,531</b>	<b>10.1</b>	<b>42,407</b>	<b>38,531</b>	<b>34,413</b>	<b>36,935</b>	<b>37,684</b>	<b>41,346</b>
Lending, banking and leasing activities	36,351	35,003	3.9	36,351	35,003	33,935	35,166	37,112	35,093
Lending, reverse repo transactions	6,056	3,528	71.7	6,056	3,528	478	1,769	572	6,253
<b>Deposits</b>	<b>62,782</b>	<b>59,649</b>	<b>5.3</b>	<b>62,782</b>	<b>59,649</b>	<b>56,623</b>	<b>53,237</b>	<b>50,359</b>	<b>61,005</b>
Deposits, banking activities	47,610	46,295	2.8	47,610	46,295	44,098	42,500	42,426	46,464
Deposits, repo transactions	156	0	-	156	0	0	0	0	0
Deposits in pooled schemes	15,016	13,354	12.4	15,016	13,354	12,525	10,737	7,933	14,541
Subordinated debt	1,089	1,093	-0.4	1,089	1,093	1,351	1,711	2,329	1,093
Equity	8,565	7,799	9.8	8,565	7,799	7,618	6,855	6,249	8,627
Contingent liabilities	12,304	10,847	13.4	12,304	10,847	10,349	5,957	5,693	12,334
Total risk exposure amount	49,672	46,823	6.1	49,672	46,823	48,372	44,615	43,928	47,485
Tier 1 capital *)	7,369	6,875	7.2	7,369	6,875	6,847	6,580	7,269	7,427
Loan impairment charges etc.	1,839	1,898	-3.1	1,839	1,898	1,819	1,688	1,585	1,891
Contractual non-performing loans	401	468	-14.2	401	468	536	628	997	443

\*) Tier 1 capital for H1 2017 is exclusive of recognition of profit/loss for the period.

# Performance indicators and financial ratios – Group

## THE DANISH FSA'S LAYOUT AND RATIO SYSTEM

FINANCIAL RATIOS	H1 2017	H1 2016	H1 2017	H1 2016	H1 2015	H1 2014	H1 2013	Full year 2016
<b>Own funds</b>								
Own funds ratio *)	16.9	16.8	16.9	16.8	16.3	16.9	16.8	17.7
Tier 1 capital ratio *)	14.8	14.7	14.8	14.7	14.2	14.7	16.5	15.6
<b>Earnings</b>								
Return on equity before tax, %	8.4	6.0	8.4	6.0	10.1	7.6	5.4	12.5
Return on equity after tax, %	6.7	4.9	6.7	4.9	8.6	6.6	4.3	10.2
Income/cost ratio	1.72	1.42	1.72	1.42	1.62	1.44	1.23	1.47
Return on assets, %	0.7	0.5	0.7	0.5	0.8	0.6	0.3	1.1
<b>Market risk and liquidity</b>								
Interest rate risk, %	0.2	0.7	0.2	0.7	0.6	0.5	-0.7	1.2
Foreign-exchange position, %	3.9	3.0	3.9	3.0	3.8	2.4	5.6	3.2
Foreign-exchange risk, %	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1
Excess coverage relative to statutory liquidity requirement, %	321.3	283.1	321.3	283.1	268.0	230.2	209.4	308.3
<b>Credit risk</b>								
Loans and advances as % of deposits, %	67.5	64.6	67.5	64.6	60.8	69.4	74.8	67.8
Loans and advances plus impairment as % of deposits, %	70.4	67.7	70.4	67.7	63.9	72.5	78.0	70.7
Loans and advances as % of equity, %	5.0	4.9	5.0	4.9	4.5	5.4	6.0	4.8
Increase in loans and advances for the period, %	3.6	3.3	3.6	3.3	-4.4	-1.9	-4.7	3.6
Sum of large exposures, %	17.5	15.9	17.5	15.9	16.6	0.0	14.3	14.5
Impairment ratio for the period	0.0	0.3	0.0	0.3	0.4	0.4	0.9	0.5
<b>THE SPAR NORD SHARE</b>								
<b>DKK per share of DKK 10</b>								
Profit/loss for the period	4.7	3.1	4.7	3.1	5.0	3.5	2.1	6.8
Net asset value (NAV)	63	60	63	60	58	55	50	63
Dividend	-	-	-	-	2.0	-	-	5.0
Share price/profit/loss for the period	18.1	17.4	18.1	17.4	14.8	17.1	17.6	11.9
Share price/NAV	1.3	0.9	1.3	0.9	1.3	1.1	0.7	1.3

\*) Own funds for H1 2017 is exclusive of recognition of profit/loss for the period.

# Management's statement on the Interim Report

The Board of Directors and the Executive Board have today discussed and adopted the Interim Financial Statements of Spar Nord Bank A/S for the period from 1 January to 30 June 2017.

The Interim Financial Statements have not been audited or subjected to a review by the Group's auditor.

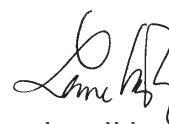
The Consolidated Interim Financial Statements are presented in accordance with IAS 34 "Interim Financial Reporting", as adopted by the EU, and the Interim Financial Statements of the Parent Company are presented in accordance with the Danish Financial Business Act. Moreover, the Interim Financial Statements are presented in accordance with additional Danish disclosure requirements regarding interim financial statements of listed financial institutions.

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and Parent Company's financial position at 30 June 2017 and of the results of the Group's and Parent Company's operations and the Group's cash flows for the period from 1 January to 30 June 2017.

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

**Aalborg, 16 August 2017**

## EXECUTIVE BOARD



**Lasse Nyby**

Chief Executive Officer



**John Lundsgaard**

Managing Director



**Lars Møller**

Managing Director

## BOARD OF DIRECTORS



**Kjeld Johannesen**

Chairman



**Per Nikolaj Bukh**

Deputy Chairman of the Board  
of Directors



**Kaj Christiansen**



**Morten Bach Gaardboe**



**Laila Mortensen**



**Ole Skov**

Elected by the employees



**Jannie Skovsen**

Elected by the employees



**Gitte Holmgaard Sørensen**

Elected by the employees



**John Sørensen**

## Income statement – Group

NOTE

	H1 2017 DKKkm	H1 2016 DKKkm	Q2 2017 DKKkm	Q2 2016 DKKkm	Full year 2016 DKKkm
4 Interest income	867.0	917.8	430.6	475.1	1,815.5
5 Interest expenses	54.0	76.3	26.5	35.8	144.7
<b>Net interest income</b>	<b>813.0</b>	<b>841.5</b>	<b>404.1</b>	<b>439.3</b>	<b>1,670.8</b>
Dividends on shares, etc.	18.2	48.9	14.8	47.7	47.9
6 Fees, charges and commissions received	638.2	571.4	313.7	301.6	1,174.8
6 Fees, charges and commissions paid	65.0	52.9	34.9	33.5	122.1
<b>Net income from interest, fees, charges and commissions</b>	<b>1,404.4</b>	<b>1,408.9</b>	<b>697.7</b>	<b>755.1</b>	<b>2,771.4</b>
7 Market value adjustments	266.9	137.9	106.6	67.0	385.8
Other operating income	24.5	17.3	13.7	9.7	29.7
8 Staff costs and administrative expenses	944.6	908.7	486.3	453.2	1,788.8
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	28.2	34.4	13.9	17.3	94.3
Other operating expenses	4.6	4.9	2.2	2.8	13.3
10 Loan impairment charges etc.	18.8	161.9	0.9	101.0	292.0
Profit/loss on investments in associates and group enterprises	20.2	15.0	7.3	7.4	29.6
<b>Profit/loss before tax</b>	<b>719.8</b>	<b>469.2</b>	<b>322.0</b>	<b>264.9</b>	<b>1,028.1</b>
Tax	144.7	86.6	63.7	47.0	189.9
<b>Profit/loss</b>	<b>575.1</b>	<b>382.6</b>	<b>258.3</b>	<b>217.9</b>	<b>838.2</b>
<b>APPROPRIATION:</b>					
The shareholders of the Parent Company Spar Nord Bank A/S	551.0	370.6	246.3	211.8	812.1
Holders of Additional Tier 1 (AT1) capital instruments	24.1	12.0	12.0	6.1	26.1
<b>Profit/loss</b>	<b>575.1</b>	<b>382.6</b>	<b>258.3</b>	<b>217.9</b>	<b>838.2</b>
<b>EARNINGS PER SHARE</b>					
Earnings per share (DKK)	4.5	3.0	2.0	1.8	6.6
Diluted earnings per share (DKK)	4.5	3.0	2.0	1.8	6.6
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
<b>Profit/loss for the period</b>	<b>575.1</b>	<b>382.6</b>	<b>258.3</b>	<b>217.9</b>	<b>838.2</b>
<b>Other comprehensive income</b>					
<b>Items that cannot be reclassified to the income statement:</b>					
Net revaluation of domicile property	0.8	0.8	0.4	0.4	-5.0
<b>Other comprehensive income after tax</b>	<b>0.8</b>	<b>0.8</b>	<b>0.4</b>	<b>0.4</b>	<b>-5.0</b>
<b>Total comprehensive income</b>	<b>575.9</b>	<b>383.4</b>	<b>258.7</b>	<b>218.3</b>	<b>833.2</b>
<i>Appropriation:</i>					
The shareholders of the Parent Company Spar Nord Bank A/S	551.8	371.4	246.7	212.2	807.1
Holders of Additional Tier 1 (AT1) capital instruments	24.1	12.0	12.0	6.1	26.1
<b>Total comprehensive income</b>	<b>575.9</b>	<b>383.4</b>	<b>258.7</b>	<b>218.3</b>	<b>833.2</b>

## Balance sheet – Group

NOTE

	30.06.17 DKKm	30.06.16 DKKm	Full year 2016 DKKm
<b>ASSETS</b>			
	1,393.1	1,346.4	595.3
9	2,365.8	2,866.9	2,178.8
	36,350.7	35,003.6	35,092.2
	6,056.4	3,527.6	6,253.4
	<b>42,407.1</b>	<b>38,531.2</b>	<b>41,345.6</b>
	13,825.7	16,281.0	14,936.1
	1,551.8	1,528.6	1,557.2
	110.7	74.9	118.4
	15,016.2	13,354.0	14,541.5
	188.6	206.2	194.4
	135.0	145.4	135.0
	525.7	541.2	518.5
	<b>660.7</b>	<b>686.6</b>	<b>653.5</b>
	105.5	96.4	91.1
	24.1	39.7	17.9
	0.0	0.1	0.0
	27.1	19.8	33.9
11	1,794.2	2,337.6	2,086.3
	124.7	106.8	123.5
	<b>79,595.3</b>	<b>77,476.2</b>	<b>78,473.5</b>
<b>EQUITY AND LIABILITIES</b>			
<b>DEBT</b>			
	2,821.3	3,364.3	2,429.8
12	47,765.9	46,294.8	46,464.2
	15,016.2	13,354.0	14,541.5
	1,232.5	1,775.1	2,007.8
13	2,908.3	3,588.0	3,084.1
	20.4	15.9	24.0
	<b>69,764.6</b>	<b>68,392.1</b>	<b>68,551.4</b>
<b>PROVISIONS</b>			
	108.4	123.1	108.5
	41.4	59.2	67.0
	26.4	9.4	26.3
	<b>176.2</b>	<b>191.7</b>	<b>201.8</b>
<b>SUBORDINATED DEBT</b>			
14	1,089.0	1,093.2	1,093.2
	<b>71,029.8</b>	<b>69,677.0</b>	<b>69,846.4</b>
<b>EQUITY</b>			
	1,255.3	1,255.3	1,255.3
	92.1	97.1	91.3
	0.0	1.8	22.3
	0.0	0.0	627.7
	6,354.8	6,047.7	5,768.1
	<b>7,702.2</b>	<b>7,401.9</b>	<b>7,764.7</b>
	863.3	397.3	862.4
	<b>8,565.5</b>	<b>7,799.2</b>	<b>8,627.1</b>
	<b>79,595.3</b>	<b>77,476.2</b>	<b>78,473.5</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
15	7.5	5.4	6.9
16	12,303.8	10,847.4	12,334.1
17	500.9	469.5	500.9



## Statement of changes in equity – Group

### CHANGES IN EQUITY

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

	Share capital DKKkM	Revaluation reserve DKKkM	Statutory reserves DKKkM	Proposed dividends DKKkM	Retained earnings DKKkM	Total DKKkM	Additional Tier 1 (AT1) capital *) DKKkM	Total DKKkM
<b>Equity 30.06.17</b>								
<b>Equity 01.01.17</b>	<b>1,255.3</b>	<b>91.3</b>	<b>22.3</b>	<b>627.7</b>	<b>5,768.1</b>	<b>7,764.7</b>	<b>862.4</b>	<b>8,627.1</b>
<i>Comprehensive income in 2017</i>								
Profit/loss for the period	-	-	20.1	-	530.9	551.0	24.1	575.1
<i>Other comprehensive income</i>								
Net revaluation of properties	-	0.8	-	-	-	0.8	-	0.8
<b>Other comprehensive income, total</b>	<b>-</b>	<b>0.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.8</b>	<b>-</b>	<b>0.8</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>0.8</b>	<b>20.1</b>	<b>-</b>	<b>530.9</b>	<b>551.8</b>	<b>24.1</b>	<b>575.9</b>
<i>Transactions with owners</i>								
Interest paid on Additional Tier 1 (AT1) capital	-	-	-	-	-	-	-24.2	-24.2
Dividends paid	-	-	-	-627.7	-	-627.7	-	-627.7
Dividends received, treasury shares	-	-	-	-	12.8	12.8	-	12.8
Disposal upon acquisition of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	-257.5	-257.5	-	-257.5
Addition upon sale of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	252.8	252.8	1.0	253.8
Revaluation reserves, associates	-	-	-13.6	-	13.6	0.0	-	0.0
Dividends received from associates recognized at net asset value	-	-	-28.8	-	28.8	0.0	-	0.0
Tax	-	-	-	-	5.3	5.3	-	5.3
<b>Total transactions with owners</b>	<b>0.0</b>	<b>-</b>	<b>-42.4</b>	<b>-627.7</b>	<b>55.8</b>	<b>-614.3</b>	<b>-23.2</b>	<b>-637.5</b>
<b>Equity 30.06.17</b>	<b>1,255.3</b>	<b>92.1</b>	<b>0.0</b>	<b>0.0</b>	<b>6,354.8</b>	<b>7,702.2</b>	<b>863.3</b>	<b>8,565.5</b>
<i>The share capital consists of 125,529,918 shares with a nominal value of DKK 10.</i>								
<b>Equity 30.06.16</b>								
<b>Equity 01.01.16</b>	<b>1,255.3</b>	<b>96.3</b>	<b>23.2</b>	<b>376.6</b>	<b>5,723.3</b>	<b>7,474.7</b>	<b>412.3</b>	<b>7,887.0</b>
<i>Comprehensive income in 2016</i>								
Profit/loss for the period	-	-	15.1	-	355.5	370.6	12.0	382.6
<i>Other comprehensive income</i>								
Net revaluation of properties	-	0.8	-	-	-	0.8	-	0.8
<b>Other comprehensive income, total</b>	<b>-</b>	<b>0.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.8</b>	<b>-</b>	<b>0.8</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>0.8</b>	<b>15.1</b>	<b>-</b>	<b>355.5</b>	<b>371.4</b>	<b>12.0</b>	<b>383.4</b>
<i>Transactions with owners</i>								
Interest paid on Additional Tier 1 (AT1) capital	-	-	-	-	-	-	-24.2	-24.2
Dividends paid	-	-	-	-376.6	-	-376.6	-	-376.6
Dividends received, treasury shares	-	-	-	-	1.9	1.9	-	1.9
Disposal upon acquisition of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	-277.8	-277.8	-2.8	-280.6
Addition upon sale of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	205.7	205.7	-	205.7
Dividends received from associates recognized at net asset value	-	-	-36.5	-	36.5	0.0	-	0.0
Tax	-	-	-	-	2.6	2.6	-	2.6
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-36.5</b>	<b>-376.6</b>	<b>-31.1</b>	<b>-444.2</b>	<b>-27.0</b>	<b>-471.2</b>
<b>Equity 30.06.16</b>	<b>1,255.3</b>	<b>97.1</b>	<b>1.8</b>	<b>0.0</b>	<b>6,047.7</b>	<b>7,401.9</b>	<b>397.3</b>	<b>7,799.2</b>
<i>The share capital consists of 125,529,918 shares with a nominal value of DKK 10.</i>								

TREASURY SHARE PORTFOLIO	H1 2017	H1 2016	Full year 2016
Number of shares	2,647,586	1,471,262	2,591,335
Percentage of share capital	2.1	1.2	2.1

The proposal by the Board to cancel the shares bought back under the Bank's buyback programme for 2016 was adopted at Spar Nord Bank's Annual General Meeting held on 26 April 2017. The reduction of the share capital by DKK 25,273,920, nominal value, through the cancellation of 2,527,392 shares of the Bank's portfolio of treasury shares is awaiting filing with the Danish Business Authority.

**Additional Tier 1 (AT1) capital**

Currency	Note	Principal		Received	Maturity	H1	H1	Full year
		DKKm	Interest rate			2017	2016	2016
						DKKm	DKKm	DKKm
DKK	a	400.0	6.052%	2015	Perpetual	400.3	397.3	412.7
DKK	b	450.0	5.500%	2016	Perpetual	463.0	-	449.7
<b>Additional Tier 1 (AT1) capital issued under CRR, total</b>						<b>863.3</b>	<b>397.3</b>	<b>862.4</b>

**a** Issued on 10 June 2015, with an option of early redemption as from 10 June 2020.

The loan carries interest at a rate of 6.052% p.a. until 10 June 2020, after which date interest will be fixed at CIBOR6 + a 5.400 % margin.

**b** Issued on 6 December 2016, with an option of early redemption as from 6 December 2021. The loan carries interest at a rate of 5.500% p.a. until

6 December 2021, after which date interest will be fixed at CIBOR6 + a 5.166% margin.

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

<b>Additional Tier 1 (AT1) capital, specification of cash flows</b>	H1	H1	Full year
	2017	2016	2016
	DKKm	DKKm	DKKm
<b>Cash flows, beginning of period</b>	<b>816.9</b>	<b>395.9</b>	<b>395.9</b>
<i>Movement during the period:</i>			
Issue of Additional Tier 1 (AT1) capital	-	-	450.0
Net transaction costs	-	-	-3.0
Change in treasury share portfolio	1.0	-2.8	-1.8
Interest paid	-24.2	-24.2	-24.2
<b>Total cash flows for the period</b>	<b>-23.2</b>	<b>-27.0</b>	<b>421.0</b>
<b>Cash flows, end of period</b>	<b>793.7</b>	<b>368.9</b>	<b>816.9</b>

NOTE

**Cash flow statement – Group**

	H1 2017 DKKm	H1 2016 DKKm	Full year 2016 DKKm
<b>OPERATING ACTIVITIES</b>			
Profit/loss before tax	719.8	469.2	1,028.1
Fair value changes, investment properties and temporary assets	0.3	0.3	11.1
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	28.2	34.4	94.3
Gains and losses on the sale of intangible assets and property, plant and equipment	-2.1	-0.5	3.0
Adjustment of loan impairment charges etc.	27.6	61.6	54.4
Provisions	-25.4	-7.4	17.3
Profit/loss on investments in associates and group enterprises	-20.2	-15.0	-29.6
Corporate income tax paid	-145.8	-26.5	-118.5
<b>Operating activities, total</b>	<b>582.4</b>	<b>516.1</b>	<b>1,060.1</b>
<b>WORKING CAPITAL</b>			
Movement in credit institutions and central banks, net	401.5	-400.1	-1,326.2
Movement in loans, advances and other receivables at amortized cost	-1,089.1	-4.0	-2,811.2
Movement in bonds at fair value	1,110.4	-227.4	1,117.5
Movement in equity portfolio	5.3	129.6	82.8
Movement in other assets and other liabilities, net	-663.4	268.3	241.4
Movement in deposits and other payables	1,301.7	1,558.5	1,727.9
<b>Working capital, total</b>	<b>1,066.4</b>	<b>1,324.9</b>	<b>-967.8</b>
<b>Cash generated from operations, total</b>	<b>1,648.8</b>	<b>1,841.0</b>	<b>92.3</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of activities from FIH Erhvervsbank	0.0	-549.5	-549.5
Acquisition of associates and group enterprises	-2.9	-14.0	-25.8
Sale of associates and group enterprises	1.9	0.0	0.0
Acquisition of intangible assets	-0.2	-1.5	-5.6
Sale of intangible assets	0.0	1.6	2.5
Acquisition of property, plant and equipment	-51.1	-22.3	-73.4
Sale of property, plant and equipment	16.5	14.4	22.9
Dividends from associates and group enterprises	28.8	36.4	37.6
<b>Investing activities, total</b>	<b>-7.0</b>	<b>-534.9</b>	<b>-591.3</b>
<b>FINANCING ACTIVITIES</b>			
Subordinated debt	-4.2	4.4	4.4
Additional Tier 1 (AT1) capital recognized in equity (see specification in Statement of changes in equity)	-23.2	-27.0	421.0
Dividends paid, excluding dividends on treasury shares	-614.9	-374.7	-374.7
Share buyback programme	0.0	0.0	-150.0
Acquisition of treasury shares	-257.5	-277.8	-508.2
Sale of treasury shares	252.8	205.7	512.4
<b>Financing activities, total</b>	<b>-647.0</b>	<b>-469.4</b>	<b>-95.1</b>
<b>Movements in cash and cash equivalents for the period</b>	<b>994.8</b>	<b>836.7</b>	<b>-594.1</b>
Cash and cash equivalents, beginning of period	2,701.1	3,295.2	3,295.2
Movements in cash and cash equivalents for the period	994.8	836.7	-594.1
<b>Cash and cash equivalents, end of period</b>	<b>3,695.9</b>	<b>4,131.9</b>	<b>2,701.1</b>
<b>Cash and cash equivalents, end of period</b>			
Cash, cash equivalents and demand deposits with central banks	1,393.1	1,346.4	595.3
Due from credit institutions and central banks within less than 3 months	2,302.8	2,785.5	2,105.8
<b>Total</b>	<b>3,695.9</b>	<b>4,131.9</b>	<b>2,701.1</b>

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## Notes – Group

NOTE

### 1 ACCOUNTING POLICIES

The Interim Financial Statements of the Spar Nord Group covering the period from 1 January to 30 June have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the EU, and additional Danish disclosure requirements for interim reports of listed financial institutions.

Other than as set out below, the Group has not changed its accounting policies from those followed in Annual Report 2016, which provides a full description of the Group's accounting policies.

#### Accounting policy changes

The Spar Nord Group has implemented the IFRS standards and interpretations taking effect in the EU for 2017.

The implementation of these standards and interpretations has not materially affected recognition and measurement.

#### Information about standards not yet in force

The analysis of the expected effect of implementing IFRS 9 has not yet been completed.

IFRS 9 "Financial Instruments", replacing IAS 39, changes the classification and related measurement of financial assets and liabilities.

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

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

Overall, the changed method for determining credit losses is estimated to result in an increase of the Bank's impairment account for loans, advances and provisions on guarantees in the region of DKK 200–300 million, corresponding to a reduction of shareholders' equity after tax of 2–3%. The effect after tax will be recognised as a reduction of shareholders' equity at 1 January 2018.

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

### 2 JUDGMENTS AND ESTIMATES

Measuring certain assets and liabilities requires Management to make an estimate of how future events will affect the value of such assets and liabilities. Estimates considered material in presenting the financial statements are, among other things, those made when determining loan impairments, the fair values of unlisted financial instruments as well as provisions. The applied estimates are based on assumptions deemed reasonable by Management but which are inherently uncertain.

In the presentation of the condensed condensed Interim Financial Statements, the critical judgments made by Management in the application of the Group's accounting policies, and the considerable uncertainty related thereto, are identical to those applying to the presentation of the Financial Statements at 31 December 2016.

NOTE

3 **Segment information**

DKKm	BUSINESS SEGMENTS H1 2017			Core earnings <sup>*)</sup>	Reclassifications and other items after core earnings <sup>**)</sup>	Group, total
	Spar Nord's Local Banks	Trading, Financial Markets & the International Division	Other Areas			
<b>INCOME STATEMENT</b>						
Net interest income	732.2	20.4	32.9	785.5	27.5	813.0
Net income from fees, charges and commissions	571.2	-0.4	2.4	573.2	0.0	573.2
Market value adjustments and dividends	83.4	151.1	50.6	285.1	0.0	285.1
Other operating income	10.2	0.5	13.8	24.5	0.0	24.5
Profit/loss on investments in associates and group enterprises	0.0	0.0	20.2	20.2	0.0	20.2
<b>Core income/revenue, total</b>	<b>1,397.0</b>	<b>171.6</b>	<b>119.9</b>	<b>1,688.5</b>	<b>27.5</b>	<b>1,716.0</b>
Operating expenses, depreciation and amortization	798.5	29.0	14.9	977.4	0.0	977.4
<b>Core earnings before impairment</b>	<b>598.5</b>	<b>142.6</b>	<b>-30.0</b>	<b>711.1</b>	<b>27.5</b>	<b>738.6</b>
Loan impairment charges etc.	-8.1	0.0	-0.6	-8.7	27.5	18.8
<b>Profit/loss before tax</b>	<b>606.6</b>	<b>142.6</b>	<b>-29.4</b>	<b>719.8</b>	<b>0.0</b>	<b>719.8</b>

<sup>\*)</sup> The core earnings column corresponds to the Group figures in the Management's review.

<sup>\*\*)</sup> The relation to the Group is specified in the column Reclassifications and other items after core earnings. Reclassifications have impacted the items Net interest income and Loan impairment charges etc. in the amount of DKK 27.5 million.

	BALANCE SHEET			Group, total
	Spar Nord's Local Banks	Trading, Financial Markets & the International Division	Other Areas	
Loans, advances and other receivables at amortized cost	36,181.4	6,077.4	148.3	42,407.1
Investments in associates and group enterprises	0.0	0.0	110.7	110.7
Intangible assets and property, plant and equipment <sup>*)</sup>	256.6	0.1	698.1	954.8
Other assets <sup>**)</sup>	16,424.1	18,330.7	1,367.9	36,122.7
<b>Allocated assets, total</b>	<b>52,862.1</b>	<b>24,408.2</b>	<b>2,325.0</b>	<b>79,595.3</b>
Deposits and other payables	46,756.9	494.7	514.3	47,765.9
Equity (allocated capital)	4,796.6	670.3	3,098.6	8,565.5
Other liabilities	15,396.8	4,578.1	3,289.0	23,263.9
<b>Allocated equity and liabilities, total</b>	<b>66,950.3</b>	<b>5,743.1</b>	<b>6,901.9</b>	<b>79,595.3</b>
<b>Disclosures – income/revenue, total</b>				
Internal income/revenue	-64.9	35.3	298.3	268.7
Internal income and eliminations, offset against costs	0.0	-25.8	-242.9	-268.7
Income/revenue, external customers	1,461.9	162.1	92.0	1,716.0
<b>Income/revenue, total</b>	<b>1,397.0</b>	<b>171.6</b>	<b>147.4</b>	<b>1,716.0</b>
<b>Financial ratios</b>				
Return on equity, % <sup>***)</sup>	26.3	45.6	-	-
Cost share of core income	0.57	0.17	-	-
Total risk exposure, end of period	39,971	7,374	2,327	49,672
Number of employees (full-time equivalents, end of period)	1,067	74	414	1,555

As in previous years, the Group uses core earnings as a performance measure.

The reporting segments correspond to the Group's organizational entities, and an internal follow-up is carried out in this regard.

**DESCRIPTION OF BUSINESS AREA ACTIVITIES:**

- For a description of the activities of Spar Nord's Local Banks and Trading, Financial Markets & the International Division, please see page 55 of 2016 Annual Report.
- The activities of the Local Banks include the Group's leasing activities, and the activities of Other areas include central staff and support functions.

Intra-group settlement is determined based on the same principles as in previous years and expresses contributions to earnings from the activities carried out by the respective business areas.

Internal management takes place based on a net-interest consideration, and accordingly interest income and expenses are not disclosed.

<sup>\*)</sup> All assets are located in Denmark.

<sup>\*\*)</sup> Temporary assets amount to DKK 271 million, of which DKK 13.0 million relates to the Group's leasing activities and DKK 14.1 million relates to Other areas.

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

NOTE

3 **Segment information**

DKKm	BUSINESS SEGMENTS – H1 2016			Core earnings*)	Reclassifications and other items after core earnings	Group, total
	Spar Nord's Local Banks	Trading, Financial Markets & the International Division	Other Areas			
<b>INCOME STATEMENT</b>						
Net interest income	741.2	299	41.9	813.0	28.5	841.5
Net income from fees, charges and commissions	516.2	2.6	-0.3	518.5	0.0	518.5
Market value adjustments and dividends	76.4	67.9	42.5	186.8	0.0	186.8
Other operating income	8.2	0.1	9.0	17.3	0.0	17.3
Profit/loss on investments in associates and group enterprises	-0.4	0.0	15.4	15.0	0.0	15.0
<b>Core income/revenue, total</b>	<b>1,341.6</b>	<b>100.5</b>	<b>108.5</b>	<b>1,550.6</b>	<b>28.5</b>	<b>1,579.1</b>
Operating expenses, depreciation and amortization	797.6	25.9	124.5	948.0	0.0	948.0
<b>Core earnings before impairment</b>	<b>544.0</b>	<b>74.6</b>	<b>-16.0</b>	<b>602.6</b>	<b>28.5</b>	<b>631.1</b>
Loan impairment charges etc.	136.0	-0.5	-2.1	133.4	28.5	161.9
<b>Profit/loss before tax</b>	<b>408.0</b>	<b>75.1</b>	<b>-13.9</b>	<b>469.2</b>	<b>0.0</b>	<b>469.2</b>

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

\*\*\*) The relation to the Group is specified in the column Reclassifications and other items after core earnings. Reclassifications have impacted the items Net interest income and Loan impairment charges etc. in the amount of DKK 28.5 million.

	BALANCE SHEET			Group, total
	Spar Nord's Local Banks	Trading, Financial Markets & the International Division	Other Areas	
Loans, advances and other receivables at amortized cost	34,853.5	3,628.4	49.3	38,531.2
Investments in associates and group enterprises	0.0	0.0	74.9	74.9
Intangible assets and property, plant and equipment *)	248.1	0.3	740.8	989.2
Other assets **)	14,728.3	21,780.8	1,371.8	37,880.9
<b>Allocated assets, total</b>	<b>49,829.9</b>	<b>25,409.5</b>	<b>2,236.8</b>	<b>77,476.2</b>
Deposits and other payables	45,490.2	339.9	464.7	46,294.8
Equity (allocated capital)	4,352.3	578.6	2,868.3	7,799.2
Other liabilities	13,257.7	6,551.3	3,573.2	23,382.2
<b>Allocated equity and liabilities, total</b>	<b>63,100.2</b>	<b>7,469.8</b>	<b>6,906.2</b>	<b>77,476.2</b>
<b>Disclosures – income/revenue, total</b>				
Internal income/revenue	-56.7	21.9	321.9	287.1
Internal income and eliminations, offset against costs	0.0	-22.1	-264.9	-287.0
Income/revenue, external customers	1,398.3	100.7	80.0	1,579.0
<b>Income/revenue, total</b>	<b>1,341.6</b>	<b>100.5</b>	<b>137.0</b>	<b>1,579.1</b>
<b>Financial ratios</b>				
Return on equity, % ***)	19.3	22.2	-	-
Cost share of core income	0.59	0.26	-	-
Total risk exposure, end of period	36,269	4,821	5,733	46,823
Number of employees (full-time equivalents, end of period)	1,108	68	380	1,556

As in previous years, the Group uses core earnings as a performance measure.

The reporting segments correspond to the Group's organizational entities, and an internal follow-up is carried out in this regard.

**DESCRIPTION OF BUSINESS AREA ACTIVITIES:**

- For a description of the activities of Spar Nord's Local Banks and Trading, Financial Markets & the International Division, please see page 55 of 2016 Annual Report.
- The activities of the Local Banks include the Group's leasing activities, and the activities of Other areas include central staff and support functions.

Intra-group settlement is determined based on the same principles as in previous years and expresses contributions to earnings from the activities carried out by the respective business areas.

Internal management takes place based on a net-interest consideration, and accordingly interest income and expenses are not disclosed.

\*) All assets are located in Denmark.

\*\*) Temporary assets amount to DKK 198 million, of which DKK 0.3 million relates to the Group's leasing activities and DKK 195 million relates to Other areas.

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

NOTE

	H1 2017 DKKm	H1 2016 DKKm	Full year 2016 DKKm
<b>4 INTEREST INCOME</b>			
Due from credit institutions and central banks	0.7	1.6	2.8
Loans, advances and other receivables	824.6	849.3	1,688.3
Bonds	42.2	67.9	117.9
Foreign-exchange contracts	1.6	3.2	3.2
Interest-rate contracts	-30.0	-38.9	-69.9
<b>Derivative financial instruments, total</b>	<b>-28.4</b>	<b>-35.7</b>	<b>-66.7</b>
Other interest income	27.9	34.7	73.2
<b>Total interest income</b>	<b>867.0</b>	<b>917.8</b>	<b>1,815.5</b>
<i>Of which, income from genuine reverse repo transactions booked under</i>			
Due from credit institutions and central banks	-5.3	-4.2	-9.8
Loans, advances and other receivables	-6.9	-3.7	-10.0
<b>5 INTEREST EXPENSES</b>			
Credit institutions and central banks	-0.9	-1.7	-4.1
Deposits and other payables	28.7	51.8	95.7
Subordinated debt	25.7	26.2	52.4
Other interest expenses	0.5	0.0	0.7
<b>Total interest expenses</b>	<b>54.0</b>	<b>76.3</b>	<b>144.7</b>
<i>Of which, interest expenses from genuine repo transactions booked under</i>			
Due to credit institutions and central banks	-4.4	-4.8	-11.0
Deposits and other payables	0.0	1.2	-0.2
<b>6 FEES, CHARGES AND COMMISSIONS RECEIVED</b>			
Securities trading and custody accounts	215.2	217.8	454.8
Payment services	76.2	59.5	140.5
Loan transaction fees	237.8	217.4	458.2
of which mortgage credit institutions	186.7	154.7	339.1
Guarantee commission	15.2	21.4	35.5
Other fees, charges and commissions	93.8	55.3	85.8
<b>Total fees, charges and commissions received</b>	<b>638.2</b>	<b>571.4</b>	<b>1,174.8</b>
<b>Total fees, charges and commissions paid</b>	<b>65.0</b>	<b>52.9</b>	<b>122.1</b>
<b>Total net fees, charges and commissions received</b>	<b>573.2</b>	<b>518.5</b>	<b>1,052.7</b>
<b>7 MARKET VALUE ADJUSTMENTS</b>			
Other loans, advances and receivables at fair value	0.3	-1.1	-2.9
Bonds	42.9	77.4	163.3
Shares, etc.	114.9	45.5	131.7
Foreign currency	15.6	41.9	51.8
Foreign exchange, interest, share, commodity and other contracts and derivative financial instruments	93.2	-26.0	39.5
Assets linked to pooled schemes	502.8	-426.0	380.6
Deposits in pooled schemes	-502.8	426.0	-380.6
Other assets	0.0	0.0	0.2
Other liabilities	0.0	0.2	2.2
<b>Total market value adjustments</b>	<b>266.9</b>	<b>137.9</b>	<b>385.8</b>

NOTE

	H1 2017 DKKm	H1 2016 DKKm	Full year 2016 DKKm
<b>8 STAFF COSTS AND ADMINISTRATIVE EXPENSES</b>			
Staff costs	602.5	586.3	1,141.7
Administrative expenses	342.1	322.4	647.1
<b>Total staff costs and administrative expenses</b>	<b>944.6</b>	<b>908.7</b>	<b>1,788.8</b>

*Staff costs:*

Salaries	481.2	493.8	933.3
Share-based payment	-	-	-
Pensions	53.1	52.1	106.9
Social security costs	68.2	40.4	101.5
<b>Total staff costs</b>	<b>602.5</b>	<b>586.3</b>	<b>1,141.7</b>

Remuneration to members of the Executive Board and Board of Directors amounts to:

*Board of Directors*

Number	9	9	9
Fixed pay	1.6	1.6	3.2
Pension	-	-	-
<b>Total remuneration</b>	<b>1.6</b>	<b>1.6</b>	<b>3.2</b>

*Executive Board*

Number	3	3	3
Base salary *)	5.7	5.7	11.0
- less fees received from directorships	0.4	0.4	1.4
<b>The Bank's expense, base salary</b>	<b>5.3</b>	<b>5.3</b>	<b>9.6</b>
Pension, ordinary contribution	0.7	0.7	1.6
<b>Total remuneration earned and paid</b>	<b>6.0</b>	<b>6.0</b>	<b>11.2</b>

Breakdown of remuneration to Executive Board

*Lasse Nyby*

Base salary*)	2.1	2.1	4.1
- less fees received from directorships	0.1	0.1	0.4
<b>The Bank's expense, base salary</b>	<b>2.0</b>	<b>2.0</b>	<b>3.7</b>
Pension, ordinary contribution	0.3	0.3	0.6
<b>Total remuneration earned and paid</b>	<b>2.3</b>	<b>2.3</b>	<b>4.3</b>

*John Lundsgaard*

Base salary	1.8	1.8	3.5
- less fees received from directorships	0.1	0.1	0.4
<b>The Bank's expense, base salary</b>	<b>1.7</b>	<b>1.7</b>	<b>3.1</b>
Pension, ordinary contribution	0.2	0.2	0.5
<b>Total remuneration earned and paid</b>	<b>1.9</b>	<b>1.9</b>	<b>3.6</b>

*Lars Møller*

Base salary*)	1.8	1.8	3.4
- less fees received from directorships	0.2	0.2	0.6
<b>The Bank's expense, base salary</b>	<b>1.6</b>	<b>1.6</b>	<b>2.8</b>
Pension, ordinary contribution	0.2	0.2	0.5
<b>Total remuneration earned and paid</b>	<b>1.8</b>	<b>1.8</b>	<b>3.3</b>

\*) The amount includes the value of a company car, etc. (comparative figures for H1 2016 have been restated)

The members of the Executive Board receive no variable pay.

Members of the Executive Board receive remuneration for their Group executive board duties based on the management agreement with the subsidiary.

*Termination rules*

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

*Pension obligation*

Like the other employees, members of the Executive Board are comprised by defined contribution pension plans.

*Incentive schemes*

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

*Number of employees*

<b>The average number of employees in the financial year converted into full-time equivalents</b>	<b>1,537.6</b>	<b>1,550.6</b>	<b>1,547.8</b>
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NOTE

	H1 2017 DKKm	H1 2016 DKKm	Full year 2016 DKKm
<i>Administrative expenses:</i>			
IT expenses	167.2	167.0	332.9
Marketing costs	54.8	47.0	90.6
Cost of premises	48.1	39.1	85.8
Staff and travelling expenses	26.4	25.1	55.5
Office expenses	11.6	13.9	24.2
Other administrative expenses	34.0	30.3	58.1
<b>Total administrative expenses</b>	<b>342.1</b>	<b>322.4</b>	<b>647.1</b>
<b>9 DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>			
Balances at notice with central banks	425.0	0.0	0.0
Due from credit institutions	1,940.8	2,866.9	2,178.8
<b>Total due from credit institutions and central banks</b>	<b>2,365.8</b>	<b>2,866.9</b>	<b>2,178.8</b>
<b>10 IMPAIRMENT ACCOUNT</b>			
<i>Individual loan impairment charges</i>			
Individual impairment, beginning of period	1,686.3	1,645.6	1,645.6
New individual impairment charges	203.5	381.7	600.7
Reversal of individual impairment charges	216.3	236.5	318.9
Previously impaired, now finally lost	134.6	155.2	304.2
Other movements	23.4	37.1	63.1
<b>Individual impairment, end of period</b>	<b>1,562.3</b>	<b>1,672.7</b>	<b>1,686.3</b>
<i>Collective loan impairment charges</i>			
Collective impairment, beginning of period	123.6	137.5	137.5
New collective impairment charges	97.5	18.8	0.0
Reversal of collective impairment charges	3.6	0.0	15.2
Other movements	3.6	0.0	1.3
<b>Collective impairment, end of period</b>	<b>221.1</b>	<b>156.3</b>	<b>123.6</b>
<i>Total loan impairment charges</i>			
Impairment, beginning of period	1,809.9	1,783.1	1,783.1
New impairment charges	301.0	400.5	600.7
Reversed impairment charges	219.9	236.5	334.1
Previously impaired, now finally lost	134.6	155.2	304.2
Other movements	27.0	37.1	64.4
<b>Impairment, end of period</b>	<b>1,783.4</b>	<b>1,829.0</b>	<b>1,809.9</b>
<i>Impairment recognized in the income statement</i>			
New impairment charges	301.0	400.5	600.7
Reversed impairment charges	219.9	236.5	334.1
Loss without prior impairment	23.1	31.8	114.3
Amounts recovered on previously impaired receivables	59.1	49.7	115.9
<b>Recognized in the income statement</b>	<b>45.1</b>	<b>146.1</b>	<b>265.0</b>
<i>Provisions for losses on guarantees</i>			
Provisions, beginning of period	67.0	42.9	42.9
New provisions	6.9	34.6	45.8
Reversed provisions	32.5	18.3	21.7
<b>Provisions for losses on guarantees, end of period</b>	<b>41.4</b>	<b>59.2</b>	<b>67.0</b>
<i>Provisions for losses on guarantees recognized in the income statement</i>			
New provisions	6.9	34.6	45.8
Reversed provisions	32.5	18.3	21.7
<b>Recognized in the income statement</b>	<b>-25.6</b>	<b>16.3</b>	<b>24.1</b>
<b>Impairment account for loans and provisions for losses on guarantees, total</b>	<b>1,824.8</b>	<b>1,888.2</b>	<b>1,876.9</b>
<i>Impairment, other credit risks</i>			
Impairment, other credit risks, beginning of period	14.0	10.5	10.5
New impairment charges	0.0	0.0	3.5
Reversed impairment charges	0.7	0.5	0.6
Other movements	0.7	0.0	0.6
<b>Impairment, other credit risks, total</b>	<b>14.0</b>	<b>10.0</b>	<b>14.0</b>
<b>Impairment account for loans, provisions for losses on guarantees and other credit risks, total</b>	<b>1,838.8</b>	<b>1,898.2</b>	<b>1,890.9</b>



NOTE

16 **CONTINGENT LIABILITIES**

The Bank and its wholly-owned subsidiary are jointly registered for payroll tax and VAT and are jointly and severally liable for the payroll tax and VAT payable.

	<b>H1 2017 DKKm</b>	<b>H1 2016 DKKm</b>	<b>Full year 2016 DKKm</b>
Financial guarantees	4,562.6	3,813.3	3,999.8
Loss guarantees for mortgage loans	4,817.2	4,433.3	4,568.5
Registration and refinancing guarantees	1,927.8	1,702.4	2,885.3
Other contingent liabilities	996.2	898.4	880.5
<b>Total contingent liabilities</b>	<b>12,303.8</b>	<b>10,847.4</b>	<b>12,334.1</b>

Reference is made to note 8 regarding the Executive Board's notice of termination and the associated compensation.

In addition, the Spar Nord Group has contingent liabilities and other binding agreements corresponding to the relative ownership interest in associates.

Spar Nord is taxed jointly with its Danish subsidiary in the Spar Nord Group. As management company, Spar Nord has unlimited, joint and several liability together with the other jointly taxed companies for the Danish corporate income tax payable. Due to the payment of tax on account, no tax was payable at 30 June 17, 30 June 16 and end-2016. The corporate income tax receivable within the group of jointly taxed companies amounted to DKK 24.1 million at 30 June 2017 (30 June 2016: DKK 39.7 million; end-2016: DKK 17.9 million). Any adjustments to the taxable income subject to joint taxation might entail an increase in the Parent Company's liability.

Spar Nord has made provisions for a deferred tax liability in respect of recaptured losses related to international joint taxation.

The Bank participates in the national restructuring and resolution scheme, with separate contributions being paid to the Guarantee Fund and the Resolution Fund. For both funds, separate target levels have been set, based on the sector's total deposits that are covered by the guarantee limit of EUR 100,000 (section 9(1) of the Act on a Depositor and Investor Guarantee Scheme).

The Guarantee Fund covers customers' deposits and securities pursuant to the Act on a Depositor and Investor Guarantee Scheme. The Bank's costs for the Guarantee Fund are calculated based on the Bank's pro-rata share. In future, the amount of the contribution will be adjusted by an individual risk factor. The Resolution Fund is to be used pursuant to the Act on Restructuring and Resolution of Certain Financial Enterprises for the purpose of covering the associated costs.

The Bank's costs for the Resolution Fund are calculated based on the Bank's pro-rata share of the sector's total equity and liabilities less own funds and covered deposits. This contribution will also be adjusted by an individually determined risk factor.

The Bank's costs for the Resolution Fund for 2017 have been included as a pro-rata share of the annual contributions. The Bank's costs for the Resolution Fund at 30 June 2017 amounted to DKK 4.0 million (30 June 2016: DKK 4.5 million, 2016: DKK 8.9 million).

The amount of the contingent liabilities and the possible due dates are subject to uncertainty.

	<b>H1 2017 DKKm</b>	<b>H1 2016 DKKm</b>	<b>Full year 2016 DKKm</b>
<b>17 OTHER BINDING COMMITMENTS</b>			
Miscellaneous	500.9	469.5	500.9
<b>Other binding commitments, total</b>	<b>500.9</b>	<b>469.5</b>	<b>500.9</b>

*Miscellaneous is composed of:*

*Lease obligations, with the Group as lessee \*)*

Spar Nord is the lessee in a number of operating leases. Under such leases, Spar Nord has the right of use of an asset for a specific period of time against lease payments without assuming the significant risks and rewards of ownership of the asset. The leases concern the lease of properties and operating equipment. The leases are not recognized in the balance sheet. The leases represent an amount of DKK 114.9 million until the legal notice of termination.

*Data-processing centre \*)*

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

Spar Nord's membership means that in case of termination of the Bank's membership, it is liable to pay an exit fee. In addition, a capital contribution to Bankernes EDB Central a.m.b.a. has been recognized under Other assets.

The Spar Nord Group has no other significant binding agreements.

*\*) According to the most recent annual report.*

## Notes without reference – Group

### Acquisition of businesses and customer portfolios

There were no acquisitions of businesses or customer portfolios in H1 2017.

### FIH Erhvervsbank

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

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

### FAIR-VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

#### Financial instruments recognized at fair value

The fair value is the amount at which a financial asset can be exchanged between knowledgeable, willing parties in an arm's length transaction. If an active market exists, the market price in the form of a listed price or price quotation is used. If a financial instrument is quoted in a market that is not active, the measurement is based on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance by including transactions in similar instruments that are assumed to be motivated by normal business considerations. For a number of financial assets and liabilities, no effective market exists. In such situations, an estimated value is used instead, taking account of recent transactions in similar instruments, and discounted cash flows or other recognized estimation and valuation techniques based on the market terms existing at the balance sheet date.

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

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

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

The credit valuation adjustment (CVA) amounted to DKK 4.0 million at 30 June 2017 (30 June 2016: DKK 16.9 million; end-2016: DKK 99 million).

Breakdown of financial instruments relative to the fair-value hierarchy classification and carrying amount.	Quoted prices Level 1 DKKkM	Observable input Level 2 DKKkM	Non- observable input Level 3 DKKkM	Fair value total DKKkM	Carrying amount DKKkM
<b>30.06.17</b>					
<i>Financial assets</i>					
Bonds at fair value	10,896.0	2,929.7	0.0	13,825.7	13,825.7
Shares, etc.	187.0	12.6	1,352.2	1,551.8	1,551.8
Assets linked to pooled schemes	10,117.9	4,594.8	303.5	15,016.2	15,016.2
Positive fair value of derivative financial instruments	0.0	1,055.8	0.0	1,055.8	1,055.8
<b>Total financial assets</b>	<b>21,200.9</b>	<b>8,592.9</b>	<b>1,655.7</b>	<b>31,449.5</b>	<b>31,449.5</b>
<i>Financial liabilities</i>					
Deposits in pooled schemes	0.0	15,016.2	0.0	15,016.2	15,016.2
Other non-derivative financial liabilities at fair value	926.6	305.9	0.0	1,232.5	1,232.5
Negative fair value of derivative financial instruments	0.0	678.9	0.0	678.9	678.9
<b>Total financial liabilities</b>	<b>926.6</b>	<b>16,001.0</b>	<b>0.0</b>	<b>16,927.6</b>	<b>16,927.6</b>
<b>30.06.16</b>					
<i>Financial assets</i>					
Bonds at fair value	13,962.3	2,318.7	0.0	16,281.0	16,281.0
Shares, etc.	140.5	0.0	1,388.1	1,528.6	1,528.6
Assets linked to pooled schemes	10,125.3	3,031.9	196.8	13,354.0	13,354.0
Positive fair value of derivative financial instruments	0.0	1,455.1	0.0	1,455.1	1,455.1
<b>Total financial assets</b>	<b>24,228.1</b>	<b>6,805.7</b>	<b>1,584.9</b>	<b>32,618.7</b>	<b>32,618.7</b>
<i>Financial liabilities</i>					
Deposits in pooled schemes	0.0	13,354.0	0.0	13,354.0	13,354.0
Other non-derivative financial liabilities at fair value	1,579.8	195.3	0.0	1,775.1	1,775.1
Negative fair value of derivative financial instruments	0.0	952.3	0.0	952.3	952.3
<b>Total financial liabilities</b>	<b>1,579.8</b>	<b>14,501.6</b>	<b>0.0</b>	<b>16,081.4</b>	<b>16,081.4</b>
<b>31.12.16</b>					
<i>Financial assets</i>					
Bonds at fair value	12,321.0	2,615.1	0.0	14,936.1	14,936.1
Shares, etc.	204.6	1.1	1,351.5	1,557.2	1,557.2
Assets linked to pooled schemes	10,663.3	3,679.6	198.6	14,541.5	14,541.5
Positive fair value of derivative financial instruments	0.0	1,284.2	0.0	1,284.2	1,284.2
<b>Total financial assets</b>	<b>23,188.9</b>	<b>7,580.0</b>	<b>1,550.1</b>	<b>32,319.0</b>	<b>32,319.0</b>
<i>Financial liabilities</i>					
Deposits in pooled schemes	0.0	14,541.5	0.0	14,541.5	14,541.5
Other non-derivative financial liabilities at fair value	1,327.0	680.8	0.0	2,007.8	2,007.8
Negative fair value of derivative financial instruments	0.0	865.5	0.0	865.5	865.5
<b>Total financial liabilities</b>	<b>1,327.0</b>	<b>16,087.8</b>	<b>0.0</b>	<b>17,414.8</b>	<b>17,414.8</b>

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

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

Shares are valued according to the following principles:

- In case of quoted prices, the fair value is fixed as a price quoted by a recognized exchange or an external party.
- In case of pricing based on observable inputs, the fair value is calculated based on available prices for shares that are not listed.
- In case of pricing based on non-observable inputs, the calculation includes shares valued according to generally accepted valuation principles, e.g., the discounting of expected future cash flows and market expectations as to required rate of return on equity. Shares that are priced on the basis of the prices recommended by Lokale Pengeinstitutter (the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark) are included as non-observable inputs.  
The fair value has been reliably measured for all shares, and accordingly no shares have been recognized at cost.

If an instrument is classified differently at the reporting date as compared to the beginning of the financial year, it is transferred to another category in the valuation hierarchy. Any reclassification is considered to have been made as of the reporting date.

In 2016, shares recognized under assets linked to pooled schemes were transferred from a valuation category based on quoted prices (Level 1) to a valuation category based on non-observable inputs (Level 3). The adjustment to fair value is recognised in market value adjustments.

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

Level 3	30.06.17 DKKm		Other	30.06.16 DKKm		Other
	Fair value based on net asset value from Lopi	Fair value based on other value from Lopi		Fair value based on net asset value from Lopi	Fair value based on other value from Lopi	
Shares	994.6	6.2	351.4	1,183.6	5.8	198.7
Assets linked to pooled schemes	-	-	303.5	-	-	196.8
<b>Sensitivities</b>						
Change in fair value of shares if the profit/loss of the companies changes by 10% (annualized)						
	8.8	-	-	10.3	-	-

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

#### Financial instruments measured at fair value based on non-observable inputs (Level 3)

	H1 2017 DKKm	H1 2016 DKKm	Full year 2016 DKKm
At 30 June 2017, there were unrealized market value adjustments of DKK 479 million (30.06.16: DKK 23.6 million, 2016: DKK 64.9 million) regarding unlisted shares valued on the basis of non-observable input			
Carrying amount, beginning of period	1,550.1	1,526.2	1,526.2
Value adjustments through profit or loss	92.6	46.6	107.6
Purchase	109.3	35.4	37.8
Sale	96.3	220.1	320.1
Transferred to/from Level 3	0.0	196.8	198.6
<b>Carrying amount, end of period</b>	<b>1,655.7</b>	<b>1,584.9</b>	<b>1,550.1</b>

#### OWN FUNDS

Equity	8,565.5	7,799.2	8,627.1
Result not recognized	575.1	-	-
Additional Tier 1 (AT1) capital included in equity	863.3	397.3	862.4
Proposed dividend, excl. share as % of share repurchase programme	0.0	255.1	615.0
Intangible assets, incl. share recognized in investments in associates	191.8	205.6	196.4
Deferred tax assets *)	0.0	0.1	0.0
Other primary deductions	40.3	48.6	48.3
Unutilized portion of DKK 150 million share buyback facility	0.0	76.4	0.0
Deductions, equity investments	328.0	250.4	240.4
<b>Common Equity Tier 1 (CET1) capital</b>	<b>6,567.0</b>	<b>6,565.7</b>	<b>6,664.6</b>
Additional Tier 1 (AT1) capital **)	843.0	393.0	843.0
Other deductions	41.0	83.5	80.1
<b>Tier 1 Capital</b>	<b>7,369.0</b>	<b>6,875.2</b>	<b>7,427.5</b>
Subordinated debt, excl. Additional Tier 1 (AT1) capital **)	1,080.5	1,078.9	1,079.6
Other deductions	41.0	83.5	80.1
<b>Own funds</b>	<b>8,408.5</b>	<b>7,870.6</b>	<b>8,427.0</b>
Weighted risk exposure amount, credit risk etc.	39,872.8	37,918.3	38,215.5
Weighted risk exposure amount, market risk	4,107.7	3,172.7	3,537.7
Weighted risk exposure amount, operational risk	5,691.6	5,732.3	5,732.3
<b>Total risk exposure amount</b>	<b>49,672.1</b>	<b>46,823.3</b>	<b>47,485.5</b>
Common Equity Tier 1 (CET1) ratio, %	13.2	14.0	14.0
Tier 1 Capital ratio, %	14.8	14.7	15.6
Own funds ratio, %	16.9	16.8	17.7

The capital adequacy calculation for H1 2017 is exclusive of recognition of profit/loss for the period.

\*) Amount relating to exceptional loss in a subsidiary.

\*\*) Including portfolio of own bonds

<b>COLLATERAL PROVIDED</b>	<b>H1 2017 DKKm</b>	<b>H1 2016 DKKm</b>	<b>Full year 2016 DKKm</b>
Collateral provided through clearing systems, with central counterparties and other infrastructure institutions:			
Bonds	0.0	0.0	0.0
Deposits, clearing	114.1	192.8	122.3
Collateral provided for the market value of derivatives transactions	452.1	654.3	523.2
Positive market value of derivative contracts subject to netting	199.6	265.9	249.8
Collateral provided as part of repo transactions	1,374.9	2,669.9	1,403.3
Other collateral provided	44.0	47.3	44.3
<b>Total</b>	<b>2,184.7</b>	<b>3,830.2</b>	<b>2,342.9</b>

**HEDGE ACCOUNTING****Assets**

Loans and advances			
Carrying amount	78.7	82.1	80.3
Fair value	78.7	82.1	80.3
Nominal value	75.0	75.0	75.0
Interest risk-hedging financial instruments			
Derivatives (swap contracts)			
Carrying amount	-3.6	-7.1	-5.3
Fair value	-3.6	-7.1	-5.3
Synthetic principal/nominal value	75.0	75.0	75.0

**Liabilities**

Subordinated debt			
Carrying amount	394.4	400.4	401.0
Fair value	401.8	405.8	403.8
Nominal value	400.0	400.0	400.0
Interest risk-hedging financial instruments			
Derivatives (swap contracts)			
Carrying amount	1.8	5.8	3.8
Fair value	1.8	5.8	3.8
Synthetic principal/nominal value	400.0	400.0	400.0

**OWNERSHIP at 30.06.17**

Spar Nord Fonden, Aalborg, and Nykredit Realkredit A/S, Copenhagen, have disclosed that they each own more than 5% of the share capital of Spar Nord Bank A/S.

# Performance indicators and financial ratios – Parent Company

## THE DANISH FSA'S LAYOUT AND RATIO SYSTEM

INCOME STATEMENT DKKm	H1 2017	H1 2016	Change in %	H1 2017	H1 2016	H1 2015	H1 2014	H1 2013	Full year 2016
Interest income	863.1	913.7	-5.5	863.1	913.7	1,024.9	1,140.5	1,493.5	1,807.1
Interest expenses	54.0	86.6	-37.6	54.0	86.6	123.6	269.5	363.8	164.9
<b>Net interest income</b>	<b>809.1</b>	<b>827.1</b>	<b>-2.2</b>	<b>809.1</b>	<b>827.1</b>	<b>901.3</b>	<b>871.0</b>	<b>1,129.7</b>	<b>1,642.2</b>
Dividends on shares, etc.	18.2	42.2	-56.9	18.2	42.2	33.5	21.9	6.1	41.2
Fees, charges and commissions received	638.2	571.4	11.7	638.2	571.4	610.1	432.7	404.1	1,174.8
Fees, charges and commissions paid	65.0	52.9	22.9	65.0	52.9	40.9	32.2	30.8	122.1
<b>Net income from interest, fees, charges and commissions</b>	<b>1,400.5</b>	<b>1,387.8</b>	<b>0.9</b>	<b>1,400.5</b>	<b>1,387.8</b>	<b>1,504.0</b>	<b>1,293.4</b>	<b>1,509.1</b>	<b>2,736.1</b>
Market value adjustments	265.7	114.8	131.4	265.7	114.8	373.5	106.2	105.0	340.2
Other operating income	199	14.0	42.1	199	14.0	13.7	24.8	53.6	30.9
Staff costs and administrative expenses	947.7	913.0	3.8	947.7	913.0	933.1	880.6	882.7	1,795.2
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	27.4	33.6	-18.5	27.4	33.6	32.1	33.9	58.6	92.7
Other operating expenses	4.6	4.9	-6.1	4.6	4.9	51.5	61.0	57.7	13.3
Loan impairment charges etc.	18.8	161.9	-88.4	18.8	161.9	188.1	194.0	411.1	292.0
Profit/loss on investments in associates and group enterprises	30.4	60.9	-50.1	30.4	60.9	46.9	251.1	65.8	104.5
<b>Profit/loss before tax</b>	<b>718.0</b>	<b>464.1</b>	<b>54.7</b>	<b>718.0</b>	<b>464.1</b>	<b>733.3</b>	<b>506.0</b>	<b>323.4</b>	<b>1,018.5</b>
Tax	142.1	80.7	76.1	142.1	80.7	100.2	65.0	62.9	179.5
<b>Profit/loss</b>	<b>575.9</b>	<b>383.4</b>	<b>50.2</b>	<b>575.9</b>	<b>383.4</b>	<b>633.1</b>	<b>441.0</b>	<b>260.5</b>	<b>839.0</b>
<b>BALANCE SHEET</b>									
<b>DKKm</b>									
Total assets	79,686	78,632	1.3	79,686	78,632	80,941	78,678	76,640	79,758
<b>Loans and advances</b>	<b>42,280</b>	<b>38,404</b>	<b>10.1</b>	<b>42,280</b>	<b>38,404</b>	<b>34,286</b>	<b>36,808</b>	<b>37,684</b>	<b>41,219</b>
Lending, banking and leasing activities	36,224	34,876	3.9	36,224	34,876	33,808	35,039	37,112	34,966
Lending, reverse repo transactions	6,056	3,528	71.7	6,056	3,528	478	1,769	572	6,253
<b>Deposits</b>	<b>62,906</b>	<b>60,837</b>	<b>3.4</b>	<b>62,906</b>	<b>60,837</b>	<b>57,754</b>	<b>54,016</b>	<b>51,189</b>	<b>62,328</b>
Deposits, banking activities	47,734	47,483	0.5	47,734	47,483	45,229	43,279	43,256	47,787
Deposits, repo transactions	156	0	-	156	0	0	0	0	0
Deposits in pooled schemes	15,016	13,354	12.4	15,016	13,354	12,525	10,737	7,933	14,541
Subordinated debt	1,089	1,093	-0.4	1,089	1,093	1,351	1,711	2,329	1,093
Equity	8,565	7,799	9.8	8,565	7,799	7,618	6,855	6,249	8,627
Contingent liabilities	12,304	10,847	13.4	12,304	10,847	10,349	5,957	5,693	12,334
Total risk exposure amount	49,674	47,977	3.5	49,674	47,977	49,288	45,526	44,382	48,694
Tier 1 capital *)	7,368	6,921	6.5	7,368	6,921	6,898	6,633	7,327	7,428
Loan impairment charges etc.	1,839	1,898	-3.1	1,839	1,898	1,819	1,688	1,585	1,891
Contractual loans with suspended interest payments	401	468	-14.2	401	468	536	628	997	443

\*) Tier 1 capital for H1 2017 is exclusive of recognition of profit/loss for the period.



# Performance indicators and financial ratios – Parent Company

## THE DANISH FSA'S LAYOUT AND RATIO SYSTEM

FINANCIAL RATIOS	H1 2017	H1 2016	H1 2017	H1 2016	H1 2015	H1 2014	H1 2013	Full year 2016
<b>Own funds</b>								
Own funds ratio *)	16.9	16.5	16.9	16.5	16.1	16.7	16.8	17.3
Tier 1 capital ratio *)	14.8	14.4	14.8	14.4	14.0	14.6	16.5	15.3
<b>Earnings</b>								
Return on equity before tax, %	8.4	5.9	8.4	5.9	10.0	7.6	5.3	12.3
Return on equity after tax, %	6.7	4.9	6.7	4.9	8.6	6.6	4.3	10.2
Income/cost ratio	1.72	1.42	1.72	1.42	1.61	1.43	1.23	1.46
Return on assets, %	0.7	0.5	0.7	0.5	0.8	0.6	0.3	1.1
<b>Market risk and liquidity</b>								
Interest rate risk, %	0.2	0.7	0.2	0.7	0.3	0.4	-0.7	1.1
Foreign-exchange position, %	3.9	3.0	3.9	3.0	3.6	2.3	5.6	3.2
Foreign-exchange risk, %	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1
Excess coverage relative to statutory cash ratio requirement, %	320.8	277.6	320.8	277.6	263.1	227.0	206.0	301.9
<b>Credit risk</b>								
Loans and advances as % of deposits, %	67.2	63.1	67.2	63.1	59.4	68.1	73.6	66.1
Loans and advances plus impairment as % of deposits, %	70.0	66.1	70.0	66.1	62.4	71.2	76.7	69.0
Loans and advances as % of equity, %	4.9	4.9	4.9	4.9	4.5	5.4	6.0	4.8
Increase in loans and advances for the period, %	3.6	3.3	3.6	3.3	-4.4	-2.3	-4.7	3.6
Sum of large exposures, %	14.0	14.6	14.0	14.6	15.3	0.0	14.2	0.0
Impairment ratio for the period	0.0	0.3	0.0	0.3	0.4	0.4	0.9	0.5
<b>THE SPAR NORD SHARE</b>								
<b>DKK per share of DKK 10</b>								
Profit/loss for the period	4.7	3.1	4.7	3.1	5.0	3.5	2.1	6.8
Net asset value (NAV)	63	60	63	60	58	55	50	63
Dividend	-	-	-	-	2.0	-	-	5.0
Share price/profit/loss for the period	18.1	17.4	18.1	17.4	14.8	17.1	17.6	11.9
Share price/NAV	1.3	0.9	1.3	0.9	1.3	1.1	0.7	1.3

\*) Own funds for H1 2017 is exclusive of recognition of profit/loss for the period.

## Income statement – Parent Company

NOTE

	H1 2017 DKKk	H1 2016 DKKk	Q2 2017 DKKk	Q2 2016 DKKk	Full year 2016 DKKk
2 Interest income	863.1	913.7	428.7	472.7	1,807.1
3 Interest expenses	54.0	86.6	26.5	40.9	164.9
<b>Net interest income</b>	<b>809.1</b>	<b>827.1</b>	<b>402.2</b>	<b>431.8</b>	<b>1,642.2</b>
Dividends on shares, etc,	18.2	42.2	14.8	41.0	41.2
4 Fees, charges and commissions received	638.2	571.4	313.7	301.6	1,174.8
4 Fees, charges and commissions paid	65.0	52.9	34.9	33.5	122.1
<b>Net income from interest, fees, charges and commissions</b>	<b>1,400.5</b>	<b>1,387.8</b>	<b>695.8</b>	<b>740.9</b>	<b>2,736.1</b>
5 Market value adjustments	265.7	114.8	106.6	43.9	340.2
Other operating income	19.9	14.0	11.3	8.3	30.9
6 Staff costs and administrative expenses	947.7	913.0	487.8	455.5	1,795.2
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	27.4	33.6	13.5	16.9	92.7
Other operating expenses	4.6	4.9	2.2	2.9	13.3
7 Loan impairment charges etc,	18.8	161.9	0.9	101.0	292.0
Profit/loss on investments in associates and group enterprises	30.4	60.9	11.8	45.0	104.5
<b>Profit/loss before tax</b>	<b>718.0</b>	<b>464.1</b>	<b>321.1</b>	<b>261.8</b>	<b>1,018.5</b>
Tax	142.1	80.7	62.4	43.5	179.5
<b>Profit/loss</b>	<b>575.9</b>	<b>383.4</b>	<b>258.7</b>	<b>218.3</b>	<b>839.0</b>
<b>APPROPRIATION:</b>					
The shareholders of the Parent Company Spar Nord Bank A/S	551.8	371.4	246.7	212.2	812.9
Holders of Additional Tier 1 (AT1) capital instruments	24.1	12.0	12.0	6.1	26.1
<b>Profit/loss</b>	<b>575.9</b>	<b>383.4</b>	<b>258.7</b>	<b>218.3</b>	<b>839.0</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
<b>Profit/loss for the period</b>	<b>575.9</b>	<b>383.4</b>	<b>258.7</b>	<b>218.3</b>	<b>839.0</b>
<b>Other comprehensive income</b>					
<b>Items that cannot be reclassified to the income statement:</b>					
Net revaluation of domicile property	0.0	0.0	0.0	0.0	-5.8
<b>Other comprehensive income after tax</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-5.8</b>
<b>Total comprehensive income</b>	<b>575.9</b>	<b>383.4</b>	<b>258.7</b>	<b>218.3</b>	<b>833.2</b>
<i>Appropriation:</i>					
The shareholders of the Parent Company Spar Nord Bank A/S	551.8	371.4	246.7	212.2	807.1
Holders of Additional Tier 1 (AT1) capital instruments	24.1	12.0	12.0	6.1	26.1
<b>Total comprehensive income</b>	<b>575.9</b>	<b>383.4</b>	<b>258.7</b>	<b>218.3</b>	<b>833.2</b>

**Balance sheet – Parent Company**

**30.06.17**                      **30.06.16**                      **Full year**  
DKKm                                      DKKm                                      **2016**  
DKKm

NOTE

**ASSETS**

Cash balances and demand deposits with central banks	1,393.1	1,346.4	595.3
Due from credit institutions and central banks	2,366.3	2,866.9	2,182.5
Lending, banking and leasing activities	36,223.7	34,876.6	34,965.2
Lending, reverse repo transactions	6,056.4	3,527.6	6,253.4
<b>Loans, advances and other receivables at amortized cost</b>	<b>42,280.1</b>	<b>38,404.2</b>	<b>41,218.6</b>
Bonds at fair value	13,825.7	16,281.0	14,936.1
Shares, etc.	1,551.8	1,471.4	1,557.2
Investments in associates	110.7	74.9	118.4
Investments in group enterprises	393.9	1,554.6	1,583.7
Assets linked to pooled schemes	15,016.2	13,354.0	14,541.5
Intangible assets	188.6	206.2	194.4
Investment properties	70.0	70.4	70.0
Domicile property	423.9	438.7	416.7
<b>Land and buildings, total</b>	<b>493.9</b>	<b>509.1</b>	<b>486.7</b>
Other property, plant and equipment	105.5	96.4	91.1
Current tax assets	26.7	33.6	20.4
Temporary assets	27.1	19.8	33.9
8 Other assets	1,781.6	2,303.8	2,074.3
Deferred income	124.7	109.6	123.5
<b>Total assets</b>	<b>79,685.9</b>	<b>78,631.9</b>	<b>79,757.6</b>

**EQUITY AND LIABILITIES****DEBT**

Due to credit institutions and central banks	2,790.8	3,333.5	2,399.2
9 Deposits and other payables	47,890.5	47,482.9	47,787.0
Deposits in pooled schemes	15,016.2	13,354.0	14,541.5
Other non-derivative financial liabilities at fair value	1,232.5	1,775.1	2,007.8
10 Other liabilities	2,906.5	3,586.4	3,080.8
Deferred income	17.8	15.9	18.2
<b>Total debt</b>	<b>69,854.3</b>	<b>69,547.8</b>	<b>69,834.5</b>

**PROVISIONS**

Provision for deferred tax	109.3	123.1	109.5
Provision for losses on guarantees	41.4	59.2	67.0
Other provisions	26.4	9.4	26.3
<b>Total provisions</b>	<b>177.1</b>	<b>191.7</b>	<b>202.8</b>

**SUBORDINATED DEBT**

Subordinated debt	1,089.0	1,093.2	1,093.2
<b>Total liabilities</b>	<b>71,120.4</b>	<b>70,832.7</b>	<b>71,130.5</b>

**EQUITY**

Share capital	1,255.3	1,255.3	1,255.3
Revaluation reserves	88.6	94.4	88.6
Statutory reserves	0.0	336.6	386.2
Proposed dividend	0.0	0.0	627.7
Retained earnings	6,358.3	5,715.6	5,406.9
<b>Equity</b>	<b>7,702.2</b>	<b>7,401.9</b>	<b>7,764.7</b>
Holders of Additional Tier 1 (AT1) capital instruments	863.3	397.3	862.4
<b>Total equity</b>	<b>8,565.5</b>	<b>7,799.2</b>	<b>8,627.1</b>
<b>Total equity and liabilities</b>	<b>79,685.9</b>	<b>78,631.9</b>	<b>79,757.6</b>

**OFF-BALANCE SHEET ITEMS**

Contingent assets	5.7	3.6	5.1
11 Contingent liabilities	12,303.8	10,847.4	12,334.1
12 Other binding commitments	529.6	505.8	529.6

## Statement of changes in equity – Parent Company

### CHANGES IN EQUITY

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

	Share capital DKKkM	Revaluation reserve DKKkM	Statutory reserves DKKkM	Proposed dividends DKKkM	Retained earnings DKKkM	Total DKKkM	Additional Tier 1 (AT1) capital *) DKKkM	Total DKKkM
<b>Equity 30.06.17</b>								
<b>Equity 01.01.17</b>	<b>1,255.3</b>	<b>88.6</b>	<b>386.2</b>	<b>627.7</b>	<b>5,406.9</b>	<b>7,764.7</b>	<b>862.4</b>	<b>8,627.1</b>
<i>Comprehensive income in 2017</i>								
Profit/loss for the period	-	-	30.3	-	521.5	551.8	24.1	575.9
Other comprehensive income	-	-	-	-	-	-	-	0.0
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>30.3</b>	<b>-</b>	<b>521.5</b>	<b>551.8</b>	<b>24.1</b>	<b>575.9</b>
<i>Transactions with owners</i>								
Interest paid on Additional Tier 1 (AT1) capital	-	-	-	-	-	-	-24.2	-24.2
Dividends paid	-	-	-	-627.7	-	-627.7	-	-627.7
Dividends received, treasury shares	-	-	-	-	12.8	12.8	-	12.8
Disposal upon acquisition of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	-257.5	-257.5	-	-257.5
Addition upon sale of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	252.8	252.8	1.0	253.8
Dissolution of revaluation reserves in group enterprises	-	-	825.9	-	-825.9	0.0	-	0.0
Revaluation reserves, associates	-	-	-13.6	-	13.6	0.0	-	0.0
Dividends received from group enterprises	-	-	-1,200.0	-	1,200.0	0.0	-	0.0
Dividends received from associates recognized at net asset value	-	-	-28.8	-	28.8	0.0	-	0.0
Tax	-	-	-	-	5.3	5.3	-	5.3
<b>Transactions with owners, total</b>	<b>0.0</b>	<b>-</b>	<b>-416.5</b>	<b>-627.7</b>	<b>429.9</b>	<b>-614.3</b>	<b>-23.2</b>	<b>-637.5</b>
<b>Equity 30.06.17</b>	<b>1,255.3</b>	<b>88.6</b>	<b>0.0</b>	<b>0.0</b>	<b>6,358.3</b>	<b>7,702.2</b>	<b>863.3</b>	<b>8,565.5</b>
<i>The share capital consists of 125,529,918 shares with a nominal value of DKK 10.</i>								
<b>Equity 30.06.16</b>								
<b>Equity 01.01.16</b>	<b>1,255.3</b>	<b>94.4</b>	<b>312.2</b>	<b>376.6</b>	<b>5,436.2</b>	<b>7,474.7</b>	<b>412.3</b>	<b>7,887.0</b>
<i>Comprehensive income in 2016</i>								
Profit/loss for the period	-	-	60.9	-	310.5	371.4	12.0	383.4
Other comprehensive income	-	-	-	-	-	-	-	0.0
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>60.9</b>	<b>-</b>	<b>310.5</b>	<b>371.4</b>	<b>12.0</b>	<b>383.4</b>
<i>Transactions with owners</i>								
Interest paid on Additional Tier 1 (AT1) capital	-	-	-	-	-	-	-24.2	-24.2
Dividends paid	-	-	-	-376.6	-	-376.6	-	-376.6
Dividends received, treasury shares	-	-	-	-	1.9	1.9	-	1.9
Disposal upon acquisition of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	-277.8	-277.8	-2.8	-280.6
Addition upon sale of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	205.7	205.7	-	205.7
Dividends received from associates recognized at net asset value	-	-	-36.5	-	36.5	0.0	-	0.0
Tax	-	-	-	-	2.6	2.6	-	2.6
<b>Transactions with owners, total</b>	<b>-</b>	<b>-</b>	<b>-36.5</b>	<b>-376.6</b>	<b>-31.1</b>	<b>-444.2</b>	<b>-27.0</b>	<b>-471.2</b>
<b>Equity 30.06.16</b>	<b>1,255.3</b>	<b>94.4</b>	<b>336.6</b>	<b>0.0</b>	<b>5,715.6</b>	<b>7,401.9</b>	<b>397.3</b>	<b>7,799.2</b>
<i>The share capital consists of 125,529,918 shares with a nominal value of DKK 10.</i>								

<b>TREASURY SHARE PORTFOLIO</b>	<b>H1 2017</b>	<b>H1 2016</b>	<b>Full year 2016</b>
Number of shares	2,647,586	1,471,262	2,591,335
Percentage of share capital	2.1	1.2	2.1

The proposal by the Board to cancel the shares bought back under the Bank's buyback programme for 2016 was adopted at Spar Nord Bank's Annual General Meeting held on 26 April 2017. The reduction of the share capital by DKK 25,273,920, nominal value, through the cancellation of 2,527,392 shares of the Bank's portfolio of treasury shares is awaiting filing with the Danish Business Authority.

The Parent Company applies the same accounting policies as the Group.

The difference between the profit or loss in the Group and in the Parent Company is due to properties being classified as investment properties in subsidiaries and as domicile properties in the Group. The difference consists of depreciation on such properties. See below.

	PROFIT/LOSS		EQUITY	
	H1 2017 DKKm	H1 2016 DKKm	H1 2017 DKKm	H1 2016 DKKm
Spar Nord Bank Group	575.1	382.6	8,565.5	7,799.2
Depreciation, domicile property	0.8	0.8	0.0	0.0
Spar Nord Bank, Parent Company	575.9	383.4	8,565.5	7,799.2

#### Additional Tier 1 (AT1) capital

Currency	Note	Principal		Interest rate	Received	Maturity	H1	H1	Full year
		DKKm	DKKm				2017 DKKm	2016 DKKm	2016 DKKm
DKK	a	400.0		6.052%	2015	Perpetual	400.3	397.3	412.7
DKK	b	450.0		5.500%	2016	Perpetual	463.0	-	449.7
<b>Additional Tier 1 (AT1) capital issued under CRR, total</b>							<b>863.3</b>	<b>397.3</b>	<b>862.4</b>

**a** Issued on 10 June 2015, with an option of early redemption as from 10 June 2020. The loan carries interest at a rate of 6.052% p.a. until 10 June 2010, after which date interest will be fixed at CIBOR6 + a 5.400% margin.

**b** Issued on 6 December 2016, with an option of early redemption as from 6 December 2021. The loan carries interest at a rate of 5.500% p.a. until 6 December 2021, after which date interest will be fixed at CIBOR6 + a 5.166% margin.

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

## Notes – Parent Company

NOTE

### 1 ACCOUNTING POLICIES

The Interim Financial Statements of the Parent Company, Spar Nord Bank, for the period from 1 January to 30 June 2017 are presented in accordance with the Danish Financial Business Act, incl. the Danish Executive Order on the Presentation of Financial Statements by Credit Institutions, etc. issued by the Danish Financial Supervisory Authority.

The Parent Company's accounting policies are identical to those of the Group. Reference is made to note 1 to the Consolidated Financial Statements. Reference is also made to note 2 to the Consolidated Financial Statements as concerns judgments and estimates.

#### Accounting policy changes

Spar Nord Bank has implemented the IFRS standards and interpretations taking effect in the EU for 2017. The implementation of these standards and interpretations has not materially affected recognition and measurement.

#### Information about standards not yet in force

Information about standards not yet in force is provided in the accounting policies for the Group on page 20.

	H1 2017 DKKm	H1 2016 DKKm	Full year 2016 DKKm
<b>2 INTEREST INCOME</b>			
Due from credit institutions and central banks	0.7	1.9	2.8
Loans, advances and other receivables	820.7	844.9	1,679.9
Bonds	42.2	67.9	117.9
Foreign-exchange contracts	1.6	3.2	3.2
Interest-rate contracts	-30.0	-38.9	-69.9
<b>Derivative financial instruments, total</b>	<b>-28.4</b>	<b>-35.7</b>	<b>-66.7</b>
Other interest income	27.9	34.7	73.2
<b>Total interest income</b>	<b>863.1</b>	<b>913.7</b>	<b>1,807.1</b>
<i>Of which, income from genuine reverse repo transactions booked under</i>			
Due from credit institutions and central banks	-5.3	-4.2	-9.8
Loans, advances and other receivables	-6.9	-3.7	-10.0
<b>3 INTEREST EXPENSES</b>			
Credit institutions and central banks	-0.9	-1.7	-4.1
Deposits and other payables	28.7	62.1	115.9
Subordinated debt	25.7	26.2	52.4
Other interest expenses	0.5	0.0	0.7
<b>Total interest expenses</b>	<b>54.0</b>	<b>86.6</b>	<b>164.9</b>
<i>Of which, interest expenses from genuine repo transactions booked under</i>			
Due to credit institutions and central banks	-4.4	-4.8	-11.0
Deposits and other payables	0.0	1.2	-0.2
<b>4 FEES, CHARGES AND COMMISSIONS RECEIVED</b>			
Securities trading and custody accounts	215.2	217.8	454.8
Payment services	76.2	59.5	140.5
Loan transaction fees	237.8	217.4	458.2
of which mortgage credit institutions	186.7	154.7	339.1
Guarantee commission	15.2	21.4	35.5
Other fees, charges and commissions	93.8	55.3	85.8
<b>Total fees, charges and commissions received</b>	<b>638.2</b>	<b>571.4</b>	<b>1,174.8</b>
<b>Total fees, charges and commissions paid</b>	<b>65.0</b>	<b>52.9</b>	<b>122.1</b>
<b>Total net fees, charges and commissions received</b>	<b>573.2</b>	<b>518.5</b>	<b>1,052.7</b>
<b>5 MARKET VALUE ADJUSTMENTS</b>			
Other loans, advances and receivables at fair value	0.3	-1.1	-2.9
Bonds	42.9	77.4	163.3
Shares, etc.	113.7	22.4	86.0
Investment properties	0.0	0.0	0.1
Foreign currency	15.6	41.9	51.8
Foreign exchange, interest, share, commodity and other contracts and derivative financial instruments	93.2	-26.0	39.5
Assets linked to pooled schemes	502.8	-426.0	380.6
Deposits in pooled schemes	-502.8	426.0	-380.6
Other assets	0.0	0.0	0.2
Other liabilities	0.0	0.2	2.2
<b>Total market value adjustments</b>	<b>265.7</b>	<b>114.8</b>	<b>340.2</b>

NOTE

	H1 2017 DKKm	H1 2016 DKKm	Full year 2016 DKKm
<b>6 STAFF COSTS AND ADMINISTRATIVE EXPENSES</b>			
Staff costs	602.5	586.3	1,141.7
Administrative expenses	345.2	326.7	653.5
<b>Total staff costs and administrative expenses</b>	<b>947.7</b>	<b>913.0</b>	<b>1,795.2</b>

*Staff costs:*

Salaries	481.2	493.8	933.3
Share-based payment	-	-	-
Pensions	53.1	52.1	106.9
Social security costs	68.2	40.4	101.5
<b>Total staff costs</b>	<b>602.5</b>	<b>586.3</b>	<b>1,141.7</b>

Remuneration to members of the Executive Board and Board of Directors amounts to:

*Board of Directors*

Number	9	9	9
Fixed pay	1.6	1.6	3.2
Pension	-	-	-
<b>Total remuneration</b>	<b>1.6</b>	<b>1.6</b>	<b>3.2</b>

*Executive Board*

Number	3	3	3
Base salary *)	5.7	5.7	11.0
– less fees received from directorships	0.4	0.4	1.4
<b>The Bank's expense, base salary</b>	<b>5.3</b>	<b>5.3</b>	<b>9.6</b>
Pension, ordinary contribution	0.7	0.7	1.6
<b>Total remuneration earned and paid</b>	<b>6.0</b>	<b>6.0</b>	<b>11.2</b>

Breakdown of remuneration to Executive Board

*Lasse Nyby*

Base salary*)	2.1	2.1	4.1
– less fees received from directorships	0.1	0.1	0.4
<b>The Bank's expense, base salary</b>	<b>2.0</b>	<b>2.0</b>	<b>3.7</b>
Pension, ordinary contribution	0.3	0.3	0.6
<b>Total remuneration earned and paid</b>	<b>2.3</b>	<b>2.3</b>	<b>4.3</b>

*John Lundsgaard*

Base salary	1.8	1.8	3.5
– less fees received from directorships	0.1	0.1	0.4
<b>The Bank's expense, base salary</b>	<b>1.7</b>	<b>1.7</b>	<b>3.1</b>
Pension, ordinary contribution	0.2	0.2	0.5
<b>Total remuneration earned and paid</b>	<b>1.9</b>	<b>1.9</b>	<b>3.6</b>

*Lars Møller*

Base salary*)	1.8	1.8	3.4
– less fees received from directorships	0.2	0.2	0.6
<b>The Bank's expense, base salary</b>	<b>1.6</b>	<b>1.6</b>	<b>2.8</b>
Pension, ordinary contribution	0.2	0.2	0.5
<b>Total remuneration earned and paid</b>	<b>1.8</b>	<b>1.8</b>	<b>3.3</b>

\*) The amount includes the value of a company car, etc. (comparative figures for H1 2016 have been restated)

*Termination rules*

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

*Pension obligation*

Like the other employees, members of the Executive Board are comprised by defined contribution pension plans.

*Incentive schemes*

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

*Number of employees*

<b>The average number of employees in the financial year converted into full-time equivalents</b>	<b>1,537.6</b>	<b>1,550.6</b>	<b>1,547.8</b>
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NOTE

	H1 2017 DKKk	H1 2016 DKKk	Full year 2016 DKKk
<i>Administrative expenses:</i>			
IT expenses	167.2	167.0	332.9
Marketing costs	54.8	47.0	90.6
Cost of premises	51.3	43.4	92.2
Staff and travelling expenses	26.4	25.1	55.5
Office expenses	11.6	13.9	24.2
Other administrative expenses	33.9	30.3	58.1
<b>Total administrative expenses</b>	<b>345.2</b>	<b>326.7</b>	<b>653.5</b>

7 **IMPAIRMENT ACCOUNT**

<i>Individual loan impairment charges</i>			
Individual impairment, beginning of period	1,686.3	1,645.6	1,645.6
New individual impairment charges	203.5	381.7	600.7
Reversal of individual impairment charges	216.3	236.5	318.9
Previously impaired, now finally lost	134.6	155.2	304.2
Other movements	23.4	37.1	63.1
<b>Individual impairment, end of period</b>	<b>1,562.3</b>	<b>1,672.7</b>	<b>1,686.3</b>

<i>Collective loan impairment charges</i>			
Collective impairment, beginning of period	123.6	137.5	137.5
New collective impairment charges	97.5	18.8	0.0
Reversal of collective impairment charges	3.6	0.0	15.2
Other movements	3.6	0.0	1.3
<b>Collective impairment, end of period</b>	<b>221.1</b>	<b>156.3</b>	<b>123.6</b>

<i>Total loan impairment charges</i>			
Impairment, beginning of period	1,809.9	1,783.1	1,783.1
New impairment charges	301.0	400.5	600.7
Reversed impairment charges	219.9	236.5	334.1
Previously impaired, now finally lost	134.6	155.2	304.2
Other movements	27.0	37.1	64.4
<b>Impairment, end of period</b>	<b>1,783.4</b>	<b>1,829.0</b>	<b>1,809.9</b>

<i>Impairment recognized in the income statement</i>			
New impairment charges	301.0	400.5	600.7
Reversed impairment charges	219.9	236.5	334.1
Loss without prior impairment	23.1	31.8	114.3
Amounts recovered on previously impaired receivables	59.1	49.7	115.9
<b>Recognized in the income statement</b>	<b>45.1</b>	<b>146.1</b>	<b>265.0</b>

<i>Provisions for losses on guarantees</i>			
Provisions, beginning of period	67.0	42.9	42.9
New provisions	6.9	34.6	45.8
Reversed provisions	32.5	18.3	21.7
<b>Provisions for losses on guarantees, year-end</b>	<b>41.4</b>	<b>59.2</b>	<b>67.0</b>

<i>Provisions for losses on guarantees recognized in the income statement</i>			
New provisions	6.9	34.6	45.8
Reversed provisions	32.5	18.3	21.7
<b>Recognized in the income statement</b>	<b>-25.6</b>	<b>16.3</b>	<b>24.1</b>

<b>Impairment account for loans and provisions for losses on guarantees, total</b>	<b>1,824.8</b>	<b>1,888.2</b>	<b>1,876.9</b>
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<i>Impairment, other credit risks</i>			
Impairment, other credit risks, beginning of period	14.0	10.5	10.5
New impairment losses	0.0	0.0	3.5
Reversed impairment losses	0.7	0.5	0.6
Other movements	0.7	0.0	0.6
<b>Impairment, other credit risks, total</b>	<b>14.0</b>	<b>10.0</b>	<b>14.0</b>

<b>Impairment account for loans, provisions for losses on guarantees and other credit risks, total</b>	<b>1,838.8</b>	<b>1,898.2</b>	<b>1,890.9</b>
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NOTE

	H1 2017 DKKm	H1 2016 DKKm	Full year 2016 DKKm
<b>Loan impairment charges etc.</b>			
<i>The total recognition in the income statement under loan impairment charges etc. can be broken down as follows:</i>			
Loan impairment charges etc.	45.1	146.1	265.0
Provisions for losses on guarantees	-25.6	16.3	24.1
Impairment, credit institutions	-0.7	-0.5	2.9
<b>Total loan impairment charges etc.</b>	<b>18.8</b>	<b>161.9</b>	<b>292.0</b>
<b>Loans with suspended interest payments</b>	<b>127.1</b>	<b>190.0</b>	<b>176.9</b>
<i>Interest on impaired receivables is calculated on the impaired balance only.</i>			
<b>Recognized interest on impaired loans and receivables</b>	<b>27.7</b>	<b>37.1</b>	<b>65.0</b>
<b>8 OTHER ASSETS</b>			
Positive fair value of derivative financial instruments, etc.	1,055.8	1,455.1	1,284.2
Miscellaneous receivables	142.0	239.6	186.0
Interest and commissions receivable	201.2	209.8	225.0
Capital contribution to Foreningen Bankernes EDB Central ("BEC")	316.0	316.0	316.0
Other assets	66.6	83.3	63.1
<b>Other assets, total</b>	<b>1,781.6</b>	<b>2,303.8</b>	<b>2,074.3</b>
<b>9 DEPOSITS AND OTHER PAYABLES</b>			
Demand deposits	41,516.7	39,138.4	41,121.0
Subject to notice	1,548.2	1,055.3	1,410.2
Time deposits	1,168.5	3,682.5	1,714.1
Special types of deposits	3,657.1	3,606.7	3,541.7
<b>Deposits and other payables, total</b>	<b>47,890.5</b>	<b>47,482.9</b>	<b>47,787.0</b>
<b>10 OTHER LIABILITIES</b>			
Miscellaneous payables	1,871.9	2,167.2	1,854.3
Negative fair value of derivative financial instruments, etc.	678.9	952.3	865.5
Interest and commissions payable	46.0	87.1	18.8
Other liabilities	309.7	379.8	342.2
<b>Total other liabilities</b>	<b>2,906.5</b>	<b>3,586.4</b>	<b>3,080.8</b>
<b>11 CONTINGENT LIABILITIES</b>			
The Bank and all major wholly-owned subsidiaries are jointly registered for payroll tax and VAT and are jointly and severally liable for the payroll tax and VAT payable.			
Financial guarantees	4,562.6	3,813.3	3,999.8
Loss guarantees for mortgage loans	4,817.2	4,433.3	4,568.5
Registration and refinancing guarantees	1,927.8	1,702.4	2,885.3
Other contingent liabilities	996.2	898.4	880.5
<b>Total contingent liabilities</b>	<b>12,303.8</b>	<b>10,847.4</b>	<b>12,334.1</b>
<b>12 OTHER BINDING COMMITMENTS</b>			
Miscellaneous	529.6	505.8	529.6
<b>Other binding commitments, total</b>	<b>529.6</b>	<b>505.8</b>	<b>529.6</b>

*Miscellaneous is composed of:*

Rent obligations \*)

The Bank has concluded lease agreements with real property lessors regarding a number of the Bank's branches. The rent obligation until the legal notice of termination date amounts to DKK 143.6 million.

Data-processing centre \*)

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

Spar Nord's membership means that in case of termination of the Bank's membership, it is liable to pay an exit fee. In addition, a capital contribution to Bankernes EDB Central a.m.b.a. has been recognized under Other assets.

The Spar Nord Group has no other significant binding agreements.

\*) According to the most recent annual report.

	H1 2017 DKKm	H1 2016 DKKm	Full year 2016 DKKm
<b>OWN FUNDS</b>			
Equity	8,565.5	7,799.2	8,627.1
Result not recognized	575.9	-	-
Additional Tier 1 (AT1) capital included in equity	863.3	397.3	862.4
Proposed dividend, excl. share re. share repurchase programme	0.0	255.1	615.0
Intangible assets, incl. share recognized in investments in associates	191.8	205.6	196.4
Other primary deductions	40.2	48.5	48.2
Unutilized portion of DKK 150 million share buyback facility	0.0	76.4	0.0
Deductions, equity investments	328.0	216.1	240.4
<b>Common Equity Tier 1 (CET1) capital</b>	<b>6,566.3</b>	<b>6,600.2</b>	<b>6,664.7</b>
Additional Tier 1 (AT1) capital *)	843.0	393.0	843.0
Other deductions	41.0	72.0	80.1
<b>Tier 1 Capital</b>	<b>7,368.3</b>	<b>6,921.2</b>	<b>7,427.6</b>
Subordinated debt, excl. Additional Tier 1 (AT1) capital *)	1,080.5	1,078.9	1,079.6
Other deductions	41.0	72.0	80.1
<b>Own funds</b>	<b>8,407.8</b>	<b>7,928.1</b>	<b>8,427.1</b>
Weighted risk exposure amount, credit risk etc.	39,960.6	39,137.4	39,494.0
Weighted risk exposure amount, market risk	4,107.7	3,177.0	3,537.7
Weighted risk exposure amount, operational risk	5,605.3	5,662.3	5,662.3
<b>Total risk exposure amount</b>	<b>49,673.6</b>	<b>47,976.7</b>	<b>48,694.0</b>
Common Equity Tier 1 (CET1) ratio, %	13.2	13.8	13.7
Tier 1 Capital ratio, %	14.8	14.4	15.3
Own funds ratio, %	16.9	16.5	17.3

The capital adequacy calculation for H1 2017 is exclusive of recognition of profit/loss for the period.

\*) Including portfolio of own bonds

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The Annual Report has been prepared in a Danish and an English version. In case of discrepancy between the Danish-language original text and the English-language translation, the Danish text shall prevail.