SPAR NORD

RISK REPORT

2017

The Risk Report has been prepared in accordance with the legal disclosure requirements in articles 431 to 455 of the Capital Requirements Regulation (CRR), and the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need. References regarding the disclosure obligations appear from Appendix A.

The rules regarding the capital adequacy of credit institutions are laid down in European Parliament and Council Directive 2013/36/ EU (CRD) and Regulation no. 575/2013 (CRR), including the associated delegated regulations and guidelines. The rules originate from the Basel III rules and determine the rules for the disclosure of capital adequacy requirements and risk management.

Spar Nord's disclosure of information pursuant to the regulatory framework relate to Spar Nord Bank A/S, CVR no. 13737584, and the subsidiary Aktieselskabet Skelagervej 15, which is fully consolidated in the Group. Unless otherwise explicitly stated in the report, figures express consolidated figures.

Figures in the risk report are presented in millions of Danish kroner, unless otherwise stated. Consequently, rounding differences may occur because grand totals are rounded and the underlying decimal places are not shown.

Contents

1. Introduction

The global and the European economy both showed positive trends in 2017, and several leading indicators in the industry and service sectors are now at their highest since 2011. In Germany, the Ifo business climate index is at an all-time high, and most other economies have experienced an upward trend that has continued into 2018. Overall, signs of a synchronous global economic recovery became ever more clear.

The Danish economy also experienced positive trends in 2017 and is currently experiencing a broadly founded recovery that will most likely continue for the next couple of years with annual growth of around 2.0%.

The economic growth is expected to lead to a continuing improvement in employment. This is expected to push up wage growth in Denmark, which in turn will continue to spur consumer spending. In addition, new technology and low financing costs are expected to drive a continued increase in investment levels. Combined, these factors will have a positive knock-on effect on both short-term and long-term economic growth in Denmark.

2017 was also a year of historically low interest rates. The rate of interest on certificates of deposit has remained negative since October 2014, and since January 2016 it has been at minus 0.65%. The current situation with banks having high excess liquidity that must therefore be placed at a negative interest rate weighs on the Banks' net interest income. This situation is expected to persist in 2018, while a gradual improvement is expected to materialise in 2019.

POSITIVE CREDIT QUALITY DEVELOPMENTS
The positive economic trends in Denmark with low interest rates and low unemployment rates have produced a positive financial climate for the Bank's customers and have been supportive of a strengthened credit quality for the Bank's retail and business customers.

The credit quality of the Bank's agricultural customers also improved in 2017, leading to a substantial decline in the Bank's agricultural impairment charges. Over the course of the past year, the Bank's agricultural exposures have been reduced by DKK 0.3 billion. During the past ten years, the Bank's agricultural exposures have been reduced by approximately DKK 2.5 billion, and agriculture now accounts for 6% of the Bank's loans, advances and guarantees, against 12% ten years ago.

SPAR NORD ASSIGNED SIFI STATUS
At the end of 2017, the Danish Ministry of Industry, Business and Financial Affairs announced that the model for identifying systemically important financial institutions (SIFIs) had been evaluated and is expected to be adjusted. In this connection, it was found expedient to adjust the threshold value for deposits from 5.0% of the sector's total deposits to 3.0% of the sector's total deposits. The adjustment was made to identify institutions in Denmark that are considered systemically important. The adjustment of the threshold value for deposits will require a legislative amendment, which is expected to take effect in 2018, and as a result Spar Nord will become a SIFI.

Being assigned SIFI status will result in stricter capital requirements and generally stricter requirements on the Bank's risk management process. Overall, we believe that the benefits of being assigned SIFI status outweigh the drawbacks for Spar Nord, not least in terms of capital procurement.

Prior to the announcement that Spar Nord would be assigned SIFI status, Spar Nord had already been ordered to comply with the upcoming minimum requirements for eligible liabilities (MREL requirements) that apply to SIFIs. In the coming years, Spar Nord must therefore prepare to comply with an MREL requirement of twice the total capital requirement.

Based on the upcoming MREL requirements and stricter capital requirements, Spar Nord has resolved to apply for permission for the Bank to switch to the use of internal ratings-based models (IRB) for the calculation of credit risk. Spar Nord currently employs the standard method to calculate its risk exposure. By using internal ratings-based models, Spar Nord will be able to achieve lower risk weights for its assets, thus attaining a more optimum capital application.

DANISH FSA CONDUCTING REVIEW OF SPAR NORD
In spring 2017, the Danish FSA carried out an ordinary inspection of Spar Nord, comprising all of the Bank's principal risk areas. Spar Nord was pleased to find that the Danish FSA had no comments on the Bank's impairment, requested no changes to the individual solvency need calculated by the Bank and approved of the Bank's credit quality.

During its review of Spar Nord's credit exposure, the FSA found that the Bank has a better credit quality than the average of group 2 institutions and ranks closer to the credit quality of the group 1 institutions. In addition, the Bank has a strong credit organisation and a thorough control environment, supported by low authorisation limits and centralised credit management procedures.

NEW CAPITAL TARGETS
In mid-2017, the Bank revised its capital targets and dividend policy. The Bank aims to have a common equity tier 1 (CET1) ratio of 13.0%, an own funds ratio of 16.5% and a 40-50% dividend payout ratio.

The Bank has a strong capital position with a common equity tier 1 (CET1) ratio at 31 December 2017 of 14.4% and an own funds ratio of 18.2%, corresponding to an excess capital coverage of DKK 3.9 billion or 7.9 percentage points relative to the calculated capital requirement.

This makes Spar Nord well positioned to face the stricter future capital requirements, which in addition to requirements triggered by the assigned SIFI status also include a fully phased-in capital conservation buffer and a countercyclical buffer. The Systemic Risk Council has proposed a countercyclical buffer of 0.5%, if adopted by the Danish government, will be implemented in Q1 2019. In connection with the formal assignment of SIFI status, Spar Nord expects to raise its capital adequacy targets. Thus, the target for the common equity tier 1 capital ratio is expected to be raised from 13.0% to 13.5%, and the own funds ratio target to be raised from 16.5% to 17.5%.

2. Business model

Founded in Aalborg, Denmark, in 1824, Spar Nord has historically been rooted in northern Jutland, and continues to be a market leader in this region.

In the period from 2002 to 2010 Spar Nord established and acquired 27 local banks (branches) outside northern Jutland, and in 2012 the Bank merged with Sparbank, which had 23 branches. Concurrently with these developments, Spar Nord adjusted the branch network and now has a nationwide distribution network comprising 50 branches.

Spar Nord offers all types of financial services, consultancy and products, focusing its business on retail customers and SMEs in the local areas in which the Bank is represented.

The Spar Nord Group consists of two earnings entities: Spar Nord's Local Banks and Trading, Financial Markets & the International Division. The Group also has a number of staff and support divisions at its Aalborg headquarters.

2.1 VISION AND STRATEGY

Developments in the banking market and the challenges they entail would seem to call for fundamental changes to the ways in which you run a bank.

Spar Nord's starting point is that the Bank's greatest strength, also in an increasingly digital world, remains its ability to be a personal and attentive bank. No matter what tomorrow brings, people will always desire a bank that is close to its customers in every sense of the term, and which knows and understands their needs and wants.

Therefore, Spar Nord's vision – the landmark which all staff members should steer for – is to become **Denmark's most personal bank.**

As part of its efforts to bring the vision within reach, Spar Nord launched a new strategy a little over a year ago. The new strategy builds on the current trends in the banking market, with digitalisation a dominant factor. Banks seem to be handling the digitalisation trend in very different ways. Some are striving to become fully digitised, while others are sticking to traditional bank models.

Spar Nord believes that in future many customers will still wish to speak personally with an adviser about their financial affairs. At the same time, however, having strong digital offerings in the future will be paramount. Accordingly, the ambition behind Spar Nord's strategy is to become **The Personal Bank in a Digital World.**

2.2 CUSTOMERS

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

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

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

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

In the business customer segment, Spar Nord focuses on sound businesses across industry sectors. In other words, it is to a large degree the structure of a local business community and the local focus that determine the distribution of industry sectors in the individual banking areas.

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

Spar Nord generally aims to be the customer's primary banker and that customers conduct their basic banking business with the Bank. However, after a concrete assessment Spar Bank may accept that the customer also banks with another one or two institutions, provided the Bank knows the extent of credit facilities granted by these institutions.

2.3 DISTRIBUTION

The 50 local banks throughout Denmark constitute the backbone of Spar Nord's distribution network. Spar Nord gives very high priority to personalised advisory services in its physical branches, supplementing them with self-service solutions such as well-functioning online banking and mobile platforms.

3. Risk management

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

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

3.1 RISK ORGANISATION
Risk assumption is a natural and everyday part of Spar Nord's business activities, placing heavy demands on the Bank's risk management organisation and risk management environment.

In accordance with Danish legislation, Spar Nord has established a two-tier management structure consisting of a Board of Directors and an Executive Board.

The structure of Spar Nord's risk management organisation is shown in figure 3.1.

RISK MANAGEMENT ORGANISATION

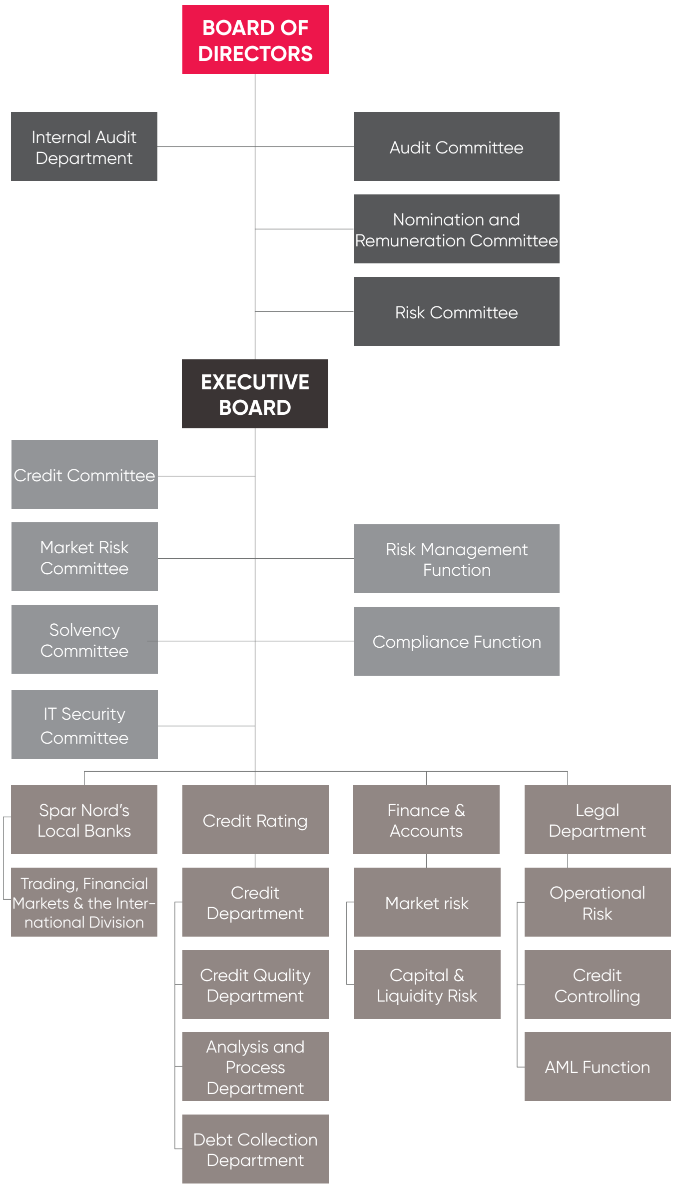


Figure 3.1

3.2 BOARD OF DIRECTORS
It is the duty of the Board of Directors to handle the overall and strategic management with a view to running a healthy and competitive bank, thus securing long-term value for the Bank's stakeholders.

The Board of Directors has defined a number of risk policies that set out the overall handling and management of the Bank's risks. These policies are reviewed and approved by the Board of Directors at least once a year.

In order to underpin the management structure, the Board of Directors has drafted written guidelines for the Executive Board, specifying the areas of responsibility and scope of action. As required and at least once a year, the Board of Directors must assess and update these guidelines.

3.3 Executive Board

In accordance with the guidelines and risk policies defined by the Board of Directors, the Executive Board handles the day-to-day management of Spar Nord.

The Executive Board must ensure that the Bank's risk policies and guidelines are implemented in the Bank's day-to-day operations while also ensuring that business procedures or work descriptions have been prepared for all important areas.

The Executive Board delegates specific guidelines and authorisations to selected departments of the Bank with a view to the practical implementation of the guidelines and policies adopted by the Board of Directors.

3.4 BOARD COMMITTEES

The Board of Directors has set up an Audit Committee, a Risk Committee and a Nomination and Remuneration Committee charged with arranging the preparatory work for the Board of Directors' consideration of matters relating to these topics.

Establishing these board committees help ensure a better utilisation of the special competences held by the board members, thus ensuring in-depth dealing with the board material. The sole purpose of the committees is to facilitate the transaction of business by the Board of Directors and they have no independent decision-making powers.

The Audit Committee is responsible for monitoring and controlling accounting and auditing matters and drafting material for the Board of Directors' consideration of matters relating to accounting and auditing. The Audit Committee is composed of three board members, one of whom is an independent member with special expertise in auditing and accounting matters. In 2017, the Committee held seven meetings.

The principal purpose of the Nomination and Remuneration Committee is to facilitate the decisions to be taken by the Board of Directors with respect to remuneration, including the remuneration policy, and other related decisions that may influence the Bank's risk management. The Committee also serves to facilitate work related to the process of board evaluation, nominating new board candidates, etc. The Nomination and Remuneration Committee consists of three board members, one of which is a member elected by the employees. In 2017, the Committee held three meetings.

The principal purpose of the Risk Committee is to handle risk-related matters, including the Bank's risk policies, products and services and to assess incentives in the Bank's remuneration structure. The Risk Committee also serves to advise the Board of Directors on the Bank's overall risk profile and strategy and to ensure the correct implementation of the risk strategy in the Bank. The Risk Committee consists of three board members. In 2017, the Committee held four meetings.

3.5 RISK COMMITTEES

The Executive Board has set up a number of committees which in specific areas contribute to Spar Nord's risk management, preparing issues and themes for consideration by the Executive Board and Board of Directors.

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

The Market Risk Committee is composed of representatives of the Executive Board, Finance & Accounts and Trading, Financial Markets & the International Division. The Committee meets every quarter to review developments in Spar Nord's positions and risks as well as the liquidity situation and expectations regarding market developments and future plans.

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

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

3.6 INTERNAL AUDIT DEPARTMENT

The Internal Audit Department is responsible for planning and performing an audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement. The Internal Audit Department also serves as a secretariat to the Bank's Risk Committee.

It reports directly to the Board of Directors and regularly reports on an ongoing basis to the Executive Board and the Board of Directors. The Internal Audit Department bases its activities on the annual plan adopted by the Board of Directors. These activities include test examinations of business procedures and internal control systems in key areas subject to risk, including in connection with preparing the financial statements.

Dismissal of the Bank's head of internal audit is subject to the prior approval of the Board of Directors.

3.7 RISK MANAGEMENT FUNCTION

The Risk Management Function is responsible for providing an overview of the Bank and its risk exposure to be able to assess whether such risk exposure is adequately addressed. The Risk Management Function's area of responsibility comprises the Bank's risk-prone activities across various risk areas and organisational units and risks deriving from outsourced functions. The Risk Management Function also serves as a secretariat to the Bank's Risk Committee and will assist the Risk Committee providing information about the Bank's risk exposure.

The Chief Risk Officer reports directly to the Bank's Executive Board. The Risk Management Function reports to the Board of Directors twice a year. The activities of the Risk Management Function are rooted in the annual plan adopted by the Board of Directors.

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

3.8 COMPLIANCE FUNCTION

The Compliance Function is charged with assessing and controlling Spar Nord's compliance with applicable legislation, banking sector standards and Spar Nord's internal guidelines, advising on how to reduce compliance risk.

The Compliance Officer reports directly to the Bank's Executive Board. The Compliance Function reports to the Executive Board on a quarterly basis and to the Board of Directors twice a year. The activities of the Compliance Function are rooted in the annual plan adopted by the Board of Directors.

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

3.9 REPORTING

The Bank deploys substantial resources to ensure appropriate risk reporting on an ongoing basis, including follow-up on legislative and managerial risk frameworks.

Reporting to Spar Nord's Management and relevant stakeholders is performed according to fixed guidelines. The Board of Directors receives continual reports covering all important risk areas, which appears from figure 3.2.

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

Figure 3.2

4. Capital management and solvency need

Developments in 2017

The Bank's capital position developed favourably in 2017. There was an increase in capital ratios, and Spar Nord increased its excess capital coverage relative to the statutory requirement. The positive trends were attributable to enhanced consolidation driven by our after-tax profit of DKK 989 million. The Bank's risk exposure amount increased by DKK 2.1 billion during the same period. A DKK 431 million provision has been made covering proposed dividends for 2017, equal to DKK 3.5 per share.

Going forward, Spar Nord will be affected by a number of factors, including the assignment of SIFI status, phasing in of MREL requirements, development of advanced credit models for calculating capital adequacy (IRB) and the implementation of IFRS 9.

Definition of capital requirements

The regulatory capital requirements express the amount of capital a bank must reserve to cover the risk it undertakes in the course of its operations in the fields of credit risk, market risk and operational risk.

Spar Nord must ensure that it has access to sufficient capital to support its future business activities and growth. At the same time, Spar Nord must be able to overcome cyclical downturns and absorb unexpected substantial credit losses and substantial negative changes in the value of market-risk-related positions.

TOTAL RISK EXPOSURE AMOUNT

DKK 49,5 bn

2016: DKK 47,5 bn

COMMON EQUITY TIER 1 RATIO

14.4%

2016: 14.0%

OWN FUNDS RATIO

18.2%

2016: 17.7%

INDIVIDUALSOLVENCY NEED

9.0%

2016: 9.5%

EXCESS COVERAGE, OWN FUNDS RATIO

7.9%

2016: 7.6%

LEVERAGE RATIO

8.5%

2016: 8.1%

4.1 CAPITAL POLICY

The capital forms the foundation of Spar Nord's risk profile in terms of capital and helps ensure that the risk profile matches Spar Nord's overall risk profile. The capital policy aims to ensure that Spar Nord consistently complies with applicable legislation in respect of the following three areas:

- Calculation of risk exposure, own funds and capital requirement
- Individual solvency need and supervision procedures
- Market discipline through a number of disclosure obligations

The capital policy defines targets for the common equity tier 1 ratio and the own funds ratio, which should be viewed relative to the capital requirements that apply to Spar Nord. Spar Nord's capital targets at end-2017 are:

- Common equity tier 1 capital ratio of 13.0%
- Own funds ratio of 16.5%

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

The capital policy also covers Spar Nord's dividend policy, which expresses an intention to distribute 40-50% of the net profit for the year as ordinary dividends.

4.2 DEVELOPMENT IN CAPITAL RATIOS

At end-2017, Spar Nord had a common equity tier 1 (CET1) ratio of 14.4%, a tier 1 capital ratio of 16.0%, an own funds ratio of 18.2% and an individual solvency need ratio of 9.0%.

CAPITAL RATIOS AND EXCESS COVERAGE

%	2017	2016
Common equity tier 1 capital ratio	14.4	14.0
Tier 1 capital ratio	16.0	15.6
Own funds ratio	18.2	17.7
Individual solvency need	9.0	9.5
%-point		
Excess coverage, common equity tier 1 capital ratio	7.9	7.6
Excess coverage, own funds ratio	7.9	7.6

Figure 4.1

4.3 OWN FUNDS

Own funds are composed of common equity tier 1 capital, additional tier 1 capital and tier 2 capital.

Own funds are characterised by the fact that the claims of shareholders and capital holders are subordinated to those of other creditors.

The common equity tier 1 capital, tier 1 capital and own funds are calculated with a view to calculating the capital ratios to show Spar Nord's capital resources to comply with Spar Nord's targets as per the capital policy as well as the regulatory requirements.

4.3.1 ISSUED CAPITAL INSTRUMENTS

Spar Nord has issued additional tier 1 capital with a total principal of DKK 850 million, distributed on two loans of DKK 400 million and DKK 450 million, respectively.

Spar Nord has issued tier 2 capital with a total principal of DKK 1,154 million, distributed on two issues of DKK 700 million and SEK 600 million (DKK 454 million), respectively.

In 2017, tier 2 capital with a principal of DKK 400 million was repaid. At the same time, new tier 2 capital of SEK 600 million was issued.

Spar Nord's additional tier 1 capital (AT1) and tier 2 capital (T2) was issued on terms that meet the requirements for inclusion in own funds under CRR. Capital issues are therefore recognised in own funds with the principal adjusted for the permitted holding of treasury shares and any expenses not incurred.

See Appendix C for further information about Spar Nord's issued capital instruments.

4.3.2 CALCULATED OWN FUNDS

In 2017, own funds grew by DKK 589 million. Own funds are mainly impacted by developments in the following three areas:

- Profit/loss for the year
- Provision for expected dividends for 2017
- Repayment and new issuance of tier 2 capital

Profit for the year added DKK 989 million after tax. In addition, a DKK 431 million provision has been made covering proposed dividends for 2017, equal to DKK 3.5 per share, which reduces own funds by a corresponding amount.

Tier 2 capital of DKK 400 million has been repaid, and new tier 2 capital with a principal of DKK 454 million was issued in Q4 2017. The net impact of DKK 54 million makes a positive contribution to developments in own funds.

CALCULATION OF OWN FUNDS

DKKm	2017	2016
Share capital	1,230	1,255
Other reserves	0	22
Retained earnings	6,789	6,546
Revaluation reserves	94	91
- Buyback of treasury shares	0	-150
- Proposed dividend excl. dividends for shares comprised by the share buyback programme	-431	-615
- Intangible assets	-151	-159
- Goodwill in associates	-37	-37
- Deduction for equity investments > 10%	0	0
- Deduction for the sum of equity investments < 10%	-331	-240
- Prudent valuation	-16	-21
- Adjustment, permitted holding of treasury shares	-25	-26
- Treasury shares acquired by customers on the basis of loan financing	-1	-1
Common equity tier 1 capital after primary deductions	**7,123**	**6,665**
Additional tier 1 (AT1) capital	843	843
- Deduction for equity investments > 10%	0	0
- Deduction for the sum of equity investments < 10%	-41	-80
Tier 1 capital (incl. additional tier 1 capital) after deductions	**7,924**	**7,428**
- Tier 2 capital (T2)	1,133	1,080
- Deduction for equity investments > 10%	0	0
- Deduction for the sum of equity investments < 10%	-41	-80
Own funds after deductions	**9,016**	**8,427**

Figure 4.2

With respect to figure 4.2, it should be noted that the phasing-in of CRR means that 80% of the financial equity investments is being deducted from common equity tier 1 capital, compared with 60% in 2016.

4.4 TOTAL RISK EXPOSURE AMOUNT

The total risk exposure amount is used for determining the minimum capital requirement and also for calculating the key risk indicators, such as capital ratios, buffer requirements and individual solvency need. The risk exposure is used to determine the capital that must be reserved relative to the risk undertaken by Spar Nord in activities involving credit and market risk. Finally, operational risk is a component of the total risk exposure amount.

Spar Nord calculates the total risk exposure amount for credit risk and market risk using the standardised approach under CRR (Basel III). The market value approach is used for calculating counterparty risk, while the exposure to operational risk is calculated using the basic indicator approach. In addition, Spar Nord uses the comprehensive approach for financial collateral.

TOTAL RISK EXPOSURE AMOUNT

DKKm	Capital requirement*)		Risk exposure	
Credit risk	**2017**	**2016**	**2017**	**2016**
- Sovereigns or central banks	0	0	0	2
- Regional or local authorities	0	0	1	0
- Public-sector entities	3	1	34	15
- Institutions	39	46	489	573
- Business customers etc.	1,315	1,276	16,440	15,945
- Retail customers	1,125	1,132	14,061	14,148
- Exposures secured by mortgages on real property	181	157	2,262	1,962
- Exposures in arrears or overdrawn	191	73	2,385	912
- High-risk exposures	114	108	1,420	1,345
- Exposures in units or CIU	0	0	1	3
- Equity exposures	147	130	1,843	1,624
- Other items	128	121	1,601	1,509
CVA risk	10	14	121	177
Total credit risk, incl. CVA	**3,253**	**3,057**	**40,658**	**38,215**
Market risk				
- Debt instruments	209	231	2,616	2,891
- Shares etc.	25	32	313	405
- Foreign-exchange risk	21	19	265	241
- Commodity risk	0	0	2	1
Total market risk	**256**	**283**	**3,196**	**3,538**
Total operational risk	**455**	**459**	**5,692**	**5,732**
Total	**3,964**	**3,799**	**49,546**	**47,485**

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

Figure 4.3

In 2017, the total risk exposure amount rose by DKK 2.1 billion to stand at DKK 49.5 billion at end-2017.

In 2017, the total risk exposure amount for credit risk increased by DKK 2.4 billion, equal to an increase in the capital requirement of DKK 196 million. The increase from 2016 to 2017 was driven by credit exposure growth. Furthermore, a revised classification of impaired claims has resulted in an increase in the exposure category "Exposures in arrears or overdrawn".

The capital requirement related to OTC transactions with financial counterparties (CVA) represents a risk exposure amount of DKK 121 million.

In 2017, the total risk exposure amount for market risk fell by DKK 342 million to DKK 3.2 billion, primarily due to a reduction in the risk exposure to debt instruments, which declined by DKK 275 million as a result of a drop in the Bank's bond portfolio and lower gross interest risk.

The total risk exposure amount for operational risk was reduced by DKK 40 million.

Figure 4.4 shows the changes in the total risk exposure amount from 2016 to 2017.

CHANGE IN TOTAL RISK EXPOSURE AMOUNT
(DKKM)

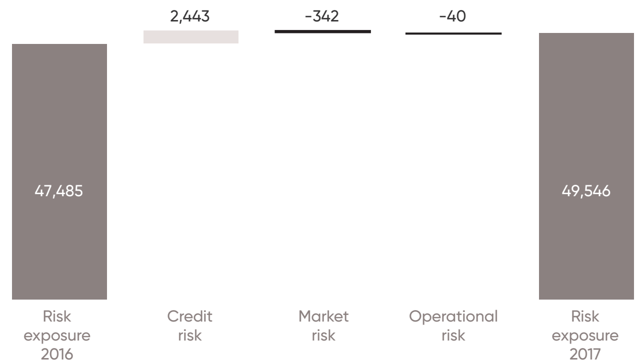


Figure 4.4

4.5 INDIVIDUAL SOLVENCY NEED

The Danish Financial Business Act stipulates requirements for the individual solvency need any additional capital requirements. These requirements are to cover the risks not sufficiently covered by the minimum requirement of 8% pursuant to CRR. Such risks include business risks and special credit risks.

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

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

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

Spar Nord's calculation method follows the guidelines issued by the Danish FSA and is based on an assessment of risks within the following nine key areas:

1. **Earnings**
2. **Growth in lending**
3. **Credit risk**
   -Credit risk attaching to large customers in financial difficulty
   - Concentration risk: Individual customers
   - Concentration risk: Industries
   - Concentration, collateral
   - Concentration, geography
   - Concentration, retail/business
   - Other credit risks
4. **Market risks**
   - Interest rate risk
   - Equity risk
   - Foreign exchange risk
   - Credit spread risk
5. **Liquidity risk**
6. **Operational risk**
7. **Leverage**
8. **Regulatory maturity of capital instruments**
9. **Other risks**
   - The Bank's business profile
   - Capital procurement
   - Strategic risks
   - Reputational risks
   - Properties
   - Other

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

In Spar Nord's opinion, the risk factors applied in the model cover all the risk areas that management is required by legislation to take into consideration in determining the solvency need and the risks that Management finds Spar Nord has assumed. At end-2017, the adequate own funds amounted to DKK 4.5 billion, which was on a level with end-2016.

Spar Nord's total risk exposure amount rose from DKK 47.5 billion at end-2016 to DKK 49.5 billion at end-2017. At end 2017, the solvency need ratio amounted to 9.0%.

CAPITAL REQUIREMENT BY RISK AREA 2017

DKKm/%	Group Adequate own funds	Group Capital requirement	Parent Company Adequate own funds	Parent Company Capital requirement
Credit risk	3,594	7.3	3,612	7.3
Market risk	421	0.8	421	0.8
Operational risk	455	0.9	448	0.9
Other risks	9	0.0	9	0.0
Supplement if required by law	0	0.0	0	0.0
Total	**4,479**	**9.0**	**4,490**	**9.0**

CAPITAL REQUIREMENT BY RISK AREA 2016

DKKm/%	Group Adequate own funds	Group Capital requirement	Parent Company Adequate Own funds	Parent Company Capital requirement
Credit risk	3,558	7.5	3,661	7.5
Market risk	384	0.8	384	0.8
Operational risk	459	1.0	453	0.9
Other risks	117	0.2	117	0.3
Supplement if required by law	0	0.0	0	0.0
Total	**4,518**	**9.5**	**4,615**	**9.5**

Figure 4.5

4.6 CAPITAL BUFFERS

By virtue of the implementation of the Capital Requirements Directive, CRD IV, into the Danish Financial Business Act, Danish financial institutions must comply with a number of buffer requirements. A common feature of all buffer requirements is that only common equity tier 1 (CET1) capital may be used for meeting a bank's capital requirement. If a financial institution fails to meet the capital buffer requirements, it would face restrictions in terms of making dividend payments and other distributions.

The combined capital buffer requirement is the sum of total common equity tier 1 (CET1) capital required to comply with the requirements for a capital conservation buffer, a countercyclical capital buffer and a systemic buffer. In addition, a buffer requirement applies to banks identified as SIFIs. The extent of the SIFI buffer requirement depends on the individual bank's systemic importance, and the requirement will be phased in like the other buffer requirements. However, a SIFI will not be subject to both a SIFI buffer requirement and a systemic buffer requirement but only the higher of the two in case a systemic buffer requirement is determined.

Figure 4.6 shows that a Danish bank will be subject to a combined buffer requirement of at least 2.5% in 2019, which is derived from the capital conservation requirement. In addition, there will be an institution-specific countercyclical buffer requirement due to credit exposures to countries that have implemented requirements in this area.

PHASING IN OF BUFFER REQUIREMENT 2015-2019
(%)

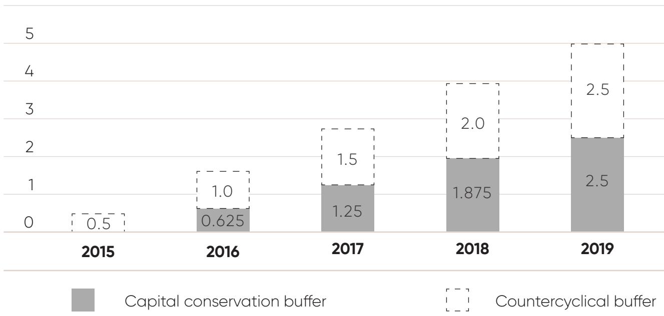


Figure 4.6

The Minister for Industry, Business and Financial Affairs may determine the countercyclical buffer requirement if financial matters are considered to result in higher socio-economic risks. Basically, the countercyclical buffer requirement may amount to somewhere between 0% and 2.5% of the total risk exposure amount when the rules have been fully phased in by 2019. In December 2017, the Systemic Risk Council recommended that the Danish government should introduce a countercyclical buffer requirement of 0.5% from March 2019. In Q1 2018, the Minister for Industry, Business and Financial Affairs will decide whether or not Denmark will follow the recommendation.

The Minister for Industry, Business and Financial Affairs may fix a systemic buffer requirement to counteract and limit long-term non-cyclical systemic or macro-prudential risks that are not comprised by CRR. No systemic buffer has been implemented that will affect Spar Nord.

4.6.1. THE COMBINED BUFFER REQUIREMENT

Based on the geographical distribution of Spar Nord's credit exposure, the capital requirement for the institution-specific countercyclical buffer at end-2017 has been calculated. The breakdown of credit exposures that are relevant for calculating the counter-cyclical buffer is shown in figure 4.7.

CREDIT EXPOSURE, GEOGRAPHICAL BREAKDOWN

%	Group	Parent Company
Denmark	97.4	97.4
United Kingdom	0.3	0.3
Germany	0.3	0.3
Sweden	0.7	0.7
Finland	0.1	0.1
Luxembourg	0.3	0.3
Norway	0.2	0.2
Spain	0.1	0.1
Switzerland	0.1	0.1
France	0.1	0.1
USA	0.2	0.2
Other countries	0.2	0.2

Figure 4.7

In addition to the countercyclical buffer requirement, Spar Nord also needs to reserve capital in relation to the requirement as to the capital conservation buffer. The requirement is calculated on the basis of the total risk exposure amount. At end-2017, 1.25% of the total risk exposure amount must be reserved to comply with the requirement derived from the capital conservation buffer.

Consequently, at end-2017 Spar Nord's combined buffer requirement consisted of the institution-specific countercyclical buffer and the capital conservation buffer.

COMBINED BUFFER REQUIREMENT 2017

	Group	Parent Company
Total risk exposure amount (DKKm)	49,546	49,687
Institution-specific countercyclical buffer requirement (%)	0.0	0.0
Capital conservation buffer requirement (%)	1.25	1.25
Institution-specific countercyclical buffer requirement (DKKm)	9	9
Capital conservation buffer requirement (DKKm)	619	621
Combined buffer requirement (DKKm)	**628**	**630**

Figure 4.8

In 2017, the combined buffer requirement in Spar Nord increased by approximately DKK 325 million. This was driven primarily by an increase in the capital conservation buffer requirement from 0.625% to 1.25%. Secondly, there is an increase of the total risk exposure amount.

In 2018, Spar Nord expects that the institution-specific countercyclical buffer requirement will still account for less than 0.1%, while the capital conservation bufferrequirement at 1 January 2018 rises to 1.875%.

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

4.7 EXCESS COVERAGE RELATIVE TO STATUTORY REQUIREMENT

At end-2017, Spar Nord's total own funds ratio stood at 18.2%, corresponding to an excess coverage of 7.9 percentage points relative to the total capital requirement.

EXCESS COVERAGE RELATIVE TO CAPITAL REQUIREMENT

DKKm	Group 2017	Parent Company 2017	Group 2016	Parent Company 2016
Own funds after deductions	9,016	9,016	8,427	8,427
Adequate own funds	4,479	4,490	4,518	4,615
Combined buffer requirement	628	630	302	310
Total capital requirement	**5,107**	**5,120**	**4,820**	**4,924**
Excess coverage	**3,909**	**3,896**	**3,607**	**3,503**
%				
Own funds ratio	18.2	18.1	17.7	17.3
Individual solvency need ratio	9.0	9.0	9.5	9.5
Combined buffer requirement	1.3	1.3	0.6	0.6
Total capital requirement	**10.3**	**10.3**	**10.2**	**10.1**
Excess coverage (percentage points)	**7.9**	**7.8**	**7.6**	**7.2**

Figure 4.9

CAPITAL REQUIREMENT AND EXCESS COVERAGE
(DKKM)

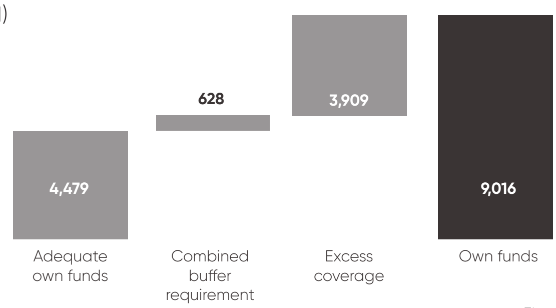


Figure 4.10

Figure 4.11 shows that Spar Nord's excess coverage relative to common equity tier 1 (CET1) at end-2017 stood at DKK 3.9 billion, which is equal to an excess coverage of 7.9 percentage points.

EXCESS COVERAGE RELATIVE TO COMMON EQUITY TIER 1 (CET1)

DKKm	Group 2017	Parent Company 2017	Group 2016	Parent Company 2016
Common equity tier 1 capital after deductions	7,123	7,123	6,665	6,665
Total requirement for common equity tier 1 capital	3,213	3,226	3,058	3,162
Excess coverage	**3,909**	**3,896**	**3,607**	**3,503**
Common equity tier 1 capital ratio	14.4	14.3	14.0	13.7
Total requirement for common equity tier 1 capital (%)	6.5	6.5	6.4	6.5
Excess coverage (percentage points)	**7.9**	**7.8**	**7.6**	**7.2**

Figure 4.11

4.8 LEVERAGE RATIO

The leverage ratio is calculated based on Spar Nord's tier 1 capital divided by its total exposure. Spar Nord has put in place procedures intended to counter the risk of excess leverage exposure and to ensure identification, management and monitoring of Spar Nord's leverage exposure.

Spar Nord has defined a target for its leverage ratio. It has been assessed that based on the overall risk profile Spar Nord should have a leverage ratio of at least 6%.

A final threshold value for how low the leverage ratio may be has not yet been introduced by legislation. Expectations are that the requirement will be fixed at 3.0%, corresponding to a maximum leverage of about 33 times the tier 1 capital. Furthermore, it is expected that the implementation of this threshold value will take place as part of CRR II. Spar Nord complies with this target by a fair margin, as Spar Nord's leverage ratio was calculated at 8.5% at end-2017. This calculation was made based on the calculated own funds, which complies with the rules for a transitional scheme pursuant to CRR. Using a core capital calculated relative to a fully phased-in set of rules, the leverage ratio would be calculated at 8.4%.

LEVERAGE RATIO
%

	2017	2016
Leverage ratio under transitional regime	8.5	8.1
Leverage ratio when rules have been fully phased in	8.4	8.0

Figure 4.12

4.9 SIFI

At the end of 2017, the Danish Ministry of Industry, Business and Financial Affairs announced that the model for identifying systemically important financial institutions (SIFI) had been evaluated and is expected to be. In this connection, it was considered appropriate to adjust the threshold value for deposits from 5.0% of the sector's total deposits to 3.0% of the sector's total deposits. The adjustment was made to identify institutions in Denmark that are considered systemically important.

The adjustment of the threshold value for deposits will require a legislative amendment, which is expected to take effect in 2018. This means that Spar Nord will become a SIFI.

Being assigned SIFI status will result in stricter capital requirements and generally stricter requirements on the Bank's risk management process. Overall, the benefits of being assigned SIFI status are believed to outweigh the drawbacks for Spar Nord, not least in terms of capital procurement.

4.10 MREL REQUIREMENTS

Pursuant to the Danish Financial Business Act, plans for winding up distressed banks are prepared by the Danish FSA and Finansiel Stabilitet. In connection with such plans, minimum requirements for eligible liabilities (MREL) must be defined.

The general resolution principle for SIFIs is that it should be possible to restructure them so they can return common equity tier 1 capital to the market with adequate capitalisation to ensure market confidence. In accordance with this principle, the MREL for SIFIs has been set at two times the total capital requirement (solvency need + regulatory buffers).

In autumn 2017, unrelated to its upcoming SIFI status assignment, Spar Nord became subject to MREL that follow the principles for SIFIs.

It is expected that the MREL will have to be met with convertible instruments ("contractual bail-in"), including common equity tier 1 capital, additional tier 1 and tier 2 capital, with a term to maturity of more than 12 months. In addition, SIFIs will be able to apply a new type of capital referred to as Non Preferred Senior (NPS) or tier 3 capital. Tier 3 capital ranks ahead of the existing capital instruments (tier 1 and tier 2 capital), and also has a term to maturity of more than 12 months.

With respect to the new MREL requirements, Spar Nord expects, based on discussions with the Danish FSA, that they will be phased in consecutively at 25% per year during the period from early 2019 to early 2022.

4.11 IRB

In light of the upcoming MREL requirements and stricter capital requirements following the SIFI status assignment, Spar Nord has resolved to apply for permission to switch to the use of internal ratings-based models (IRB) for calculating capital risk over the course of the next 3-4 years.

The Bank currently employs the standard method for calculating its risk exposure. By using internal ratings-based models, the Bank will be able to achieve lower risk weights for its assets, thus attaining a more optimum capital application.

4.12 CRR/CRD IV – TRANSITIONAL RULES

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

As a result of the implementation of transitional rules, the full impact of CRR/CRD IV has not yet been achieved. Spar Nord's calculation shows that its common equity tier 1 (CET1) ratio would have been 14.3% at 31 December 2017 if the CRR regulation had been fully phased in. This corresponds to a reduction of 0.1 of a percentage point compared with 14.4%.

The parts of CRR/CRD IV that since implementation in 2014 have been comprised by transitional rules were fully implemented at 1 January 2018. This will lead to stricter rules on deductions from holding financial equity investments. Accordingly, Spar Nord's common equity tier 1 (CET1) ratio will be reduced by 0.1 of a percentage point in 2018, given an unchanged risk exposure.

The expiry of the transitional rules will not have any effect on the own funds ratio, as the transitional rules on deduction of equity investments only provide a change in the distribution of deductions between common equity tier 1 capital, tier 1 capital and own funds.

4.13 IFRS 9

At 31 December 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 to the tune of DKK 225-275 million, which when reduced by the tax impact of 22% equals a reduction in shareholders' equity of 2.2-2.6%. For capital adequacy purposes, it is possible to use transitional rules, as a result of which IFRS 9 will only have a marginal overall effect on Spar Nord's own funds in 2018, and the impact will gradually increase until the transitional rules are fully implemented over five years.

Spar Nord has resolved to utilise the possibility of applying the transitional rules to the IFRS 9 impact on the calculation of own funds. Two components of the IFRS 9 impact must be considered when applying the transitional rules.

The static component equals the one-off effect and is calculated as the increase in the total allowance account from 31 December 2017 to 1 January 2018. The dynamic component equals the current developments. This component is calculated as the development in the allowance account for stages 1 and 2 between 1 January 2018 and a given future calculation date. Spar Nord will apply the transitional arrangement relative to both the static and the dynamic component.

4.14 CRR II/CRD V – THE RULES OF THE FUTURE

In December 2017, the Basel Committee published its final recommendations for revised rules for calculating capital ratios and capital requirements, designated CRR II and CRD V. The new rules will build on the existing CRR/CRD IV rules.

Spar Nord is aware of the following significant changes, which are relevant to calculations using the standard approach:

- Stricter capital requirements for exposures to unrated credit institutions
- Stricter requirements for unutilised credit facilities
- Stricter capital requirements for loans secured against real property
- The more lenient capital requirements by way of an SME factor for small businesses will be maintained

In light of Spar Nord's process in the upcoming years of applying for approval relative to using IRB models for calculating the Bank's capital adequacy, it is relevant to note that banks using internal models can only reduce their risk exposure to 72.5% relative to the calculated risk exposure when using the standard approach.

Changes have also been recommended for the calculation of market and operational risk, and significant changes are on the cards especially for market risk.

A binding requirement for the leverage ratio will be implemented, generally expected to be about 3%.

At present, no impact calculations have been made with respect to the implementation of CRR II/CRDV.

The rules are expected to enter into force on 1 January 2022, at the earliest.

5. Liquidity risk

Developments in 2017

Compared with end-2016, Spar Nord's liquidity situation remains at a strong level at end-2017. At 31 December 2017, Spar Nord's LCR ratio was calculated at 187% compared with 171% at end-2016.

Spar Nord's strategic liquidity is calculated at DKK 20.8 billion, which is on a level with 2016, thus underlining the Bank's comfortable liquidity situation.

LCR

187%

2016: 171%

STRATEGIC LIQUIDITY

DKK 20.8 billion

2016: DKK 20.7 billion

SHARE OF ENCUMBERED ASSETS

2.2%

2016: 5.1%

Definition of liquidity risk

Spar Nord Bank is generally exposed to liquidity risks when lending, investment and funding activities result in a cash flow mismatch. Liquidity risk means that Spar Nord cannot meet its payment obligations while also meeting the statutory liquidity requirements. Moreover, a liquidity risk exists if the lack of financing/funding prevents Spar Nord from adhering to the adopted business model, or if Spar Nord's costs for procurement of liquidity rise disproportionately.

5.1 LIQUIDITY POLICY

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

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

Spar Nord's objective is for the LCR to amount to at least 125% in compliance with the regulation on LCR. In addition, Spar Nord aims to stay below the threshold value for Funding Ratio in the Diamond Test Model.

Liquidity management at Spar Nord

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

Figure 5.1

5.2 MANAGEMENT, MONITORING AND REPORTING

On the basis of the policies and objectives defined by the Board of Directors, the Executive Board has defined operational frameworks and specific limits for Trading, Financial Markets & the International Division, which is responsible for managing Spar Nord's short-term liquidity. The Finance & Accounts Department is responsible for managing Spar Nord's long-term funding.

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

LIQUIDITY COVERAGE RATIO (LCR)
(%)

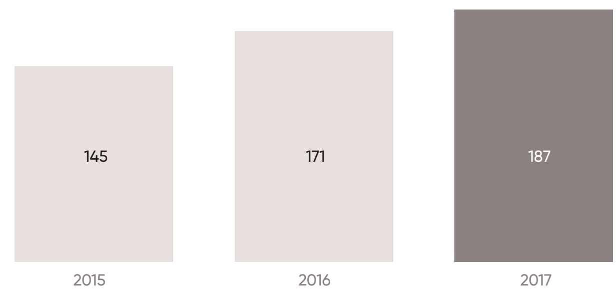


Figure 5.2

5.3 SHORT-TERM LIQUIDITY

Spar Nord employs fixed models to monitor and manage the Bank's short-term liquidity, including the daily management of LCR and intraday liquidity and ongoing preparation of stress tests.

At end-2017, LCR was calculated at 187%, which is comfortably above Spar Nord's target LCR of at least 125%. The excess coverage of 62 percentage points relative to the Bank's target corresponds to DKK 5.7 billion in excess liquidity. Calculated relative to the statutory requirement of 100% at 1 January 2018, this excess liquidity amounted to DKK 8.1 billion. At end 2016, LCR was calculated at 171%.

The liquidity reserve according to LCR basically consists of central bank reserves and government debt (Level 1A assets) and mortgage bonds offering particularly high liquidity and very high credit quality (Level 1B assets).

LIQUIDITY COVERAGE RATIO

DKKm	2017	2016
Liquidity Reserves	17,342	16,289
Liquidity requirement	9,282	9,533
LCR (%)	**187**	**171**

Figure 5.3

The specifications regarding Liquidity Coverage Ratio are set out in Appendix G.

5.4 LONG-TERM LIQUIDITY

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

At end-2017, Spar Nord had strategic liquidity of DKK 20.8 billion. This level was unchanged from end-2016, when strategic liquidity was calculated at DKK 20.7 billion.

The flat development was due to the fact that both lending and deposits increased by DKK 2.2 billion. In addition, equity etc. increased by DKK 0.4 billion, while subordinated debt of DKK 0.3 billion had a term to maturity of less than 12 months, as a result of which it is not recognised as long-term liquidity.

DEVELOPMENT IN STRATEGIC LIQUIDITY
(DKKBN)

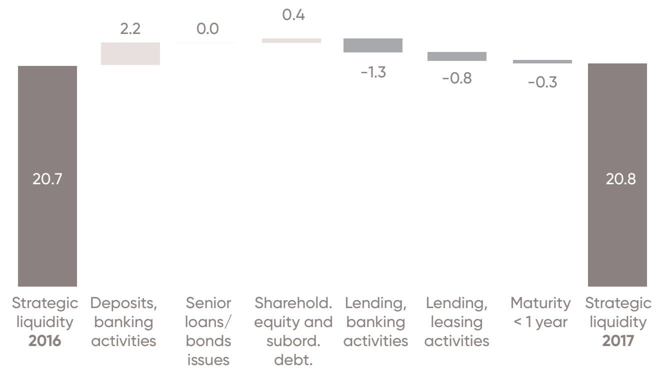


Figure 5.4

STRATEGIC LIQUIDITY
(DKKBN)

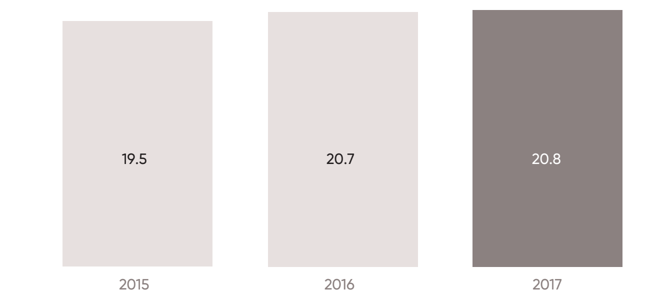


Figure 5.5

5.5 STRESS TESTING

In accordance with the Executive Order on Management and Control of Banks etc., Spar Nord prepares internal liquidity stress tests based on LCR. The stress tests span a 12-month period and are calculated using three permanently defined scenarios: A business-specific, a market-specific and a mixed scenario. The stress tests prepared have lived up to statutory requirements as well as internal targets throughout the period.

In addition, Spar Nord performs a stress test corresponding to Moody's "12-month scenario with no access to funding". This scenario operates on the assumption that Spar Nord has no access to capital markets during the period of calculation, for which reason senior loans, issued bonds and subordinated debt cannot be refinanced on maturity. Contractual due dates are used for money-market balances, while the stable deposit base remains an accessible source of funding in the period.

As appears from figure 5.6, Spar Nord has positive liquidity for the full 12-month period.

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

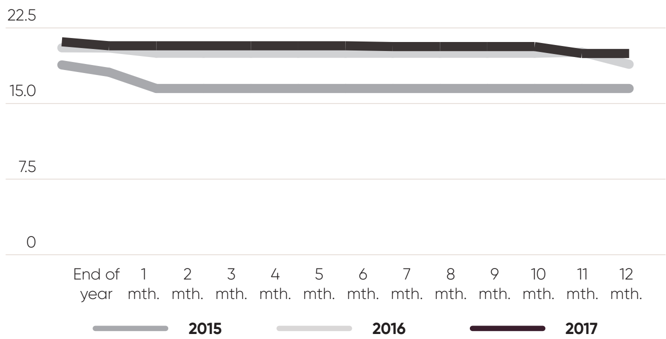


Figure 5.6

5.6 FUNDING AND MATURITY STRUCTURE

Spar Nord's operations are predominantly funded through four funding sources:

- Customer deposits
- Loans or repo transactions from other credit institutions and Danmarks Nationalbank (the central bank)
- Issued bonds and senior loans
- Subordinated debt and equity

From an overall perspective, Spar Nord's funding at end-2017 increased by DKK 2.3 billion to DKK 60.9 billion compared with end-2016. The principal change in Spar Nord's funding is a DKK 2.4 billion increase in deposits, which was primarily driven by deposits on demand. A net decline in the use of repos and repurchases and debt to central banks and credit institutions have to some degree affected the Bank's total funding at the end of 2017. Deposits remain Spar Nord's largest source of funding, and at end-2017 it represented 80.2% of Spar Nord's total funding.

In total, Spar Nord's long-term funding (deposits on demand and funding with a term to maturity of more than 12 months) amounts to 93.1%, which is 1.4 percentage points up on end-2016.

FUNDING STRUCTURE

DKKm/%	2017	2016	2017	2016
Central banks and credit institutions	1,377	981	2.3	1.7
Repos and repurchases with central banks and credit institutions	555	1,400	0.9	2.4
Senior loans < 1 year	2	0	0.0	0.0
Issued bonds < 1 year	0	0	0.0	0.0
Deposits < 1 year	2,262	2,483	3.7	4.2
Deposits > 1 year and on demand	46,582	43,981	76.5	75.0
Senior loans > 1 year	30	49	0.0	0.1
Issued bonds > 1 year	0	0	0.0	0.0
Subordinated debt	1,144	1,093	1.9	1.9
Equity	8,975	8,627	14.7	14.7
Total	**60,926**	**58,614**	**100.0**	**100.0**

Figure 5.7

FUNDING STRUCTURE
(DKKBN)

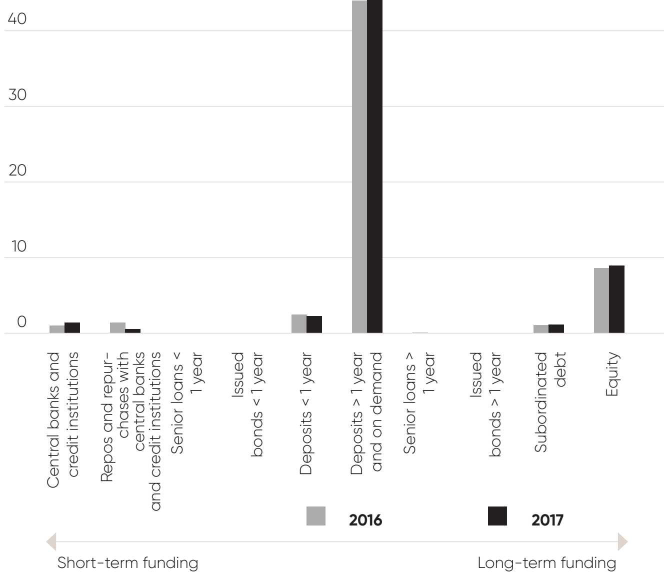


Figure 5.8

5.7 LIQUIDITY CONTINGENCY PLAN

Spar Nord has prepared a liquidity contingency plan pursuant to the Danish Executive Order on Management and Control of Banks. This plan contains a catalogue of possible courses of action for strengthening Spar Nord's liquidity in a critical situation. The catalogue contains a more detailed description of the expected impact and time span of the individual actions.

The liquidity contingency plan is applied if Spar Nord can only meet the predetermined liquidity instructions with difficulty and with resulting sharply increased funding costs.

5.8 ENCUMBERED ASSETS

Assets encumbrance may constitute a funding risk if the bank has many encumbered assets relative to its balance sheet total. Extensive asset encumbrance may also have a negative impact on the potential for procuring unsecured financing, as increased asset encumbrance contributes to deteriorate the position of this type of creditors.

As part of its business model, the Bank has for many years been active in the money and derivatives markets. One of the resulting effects is that some assets will be encumbered because market practice in interbank derivative transactions is to provide collateral for the market values or as collateral in connection with the procurement of funding in repo transactions. Moreover, the Bank provides collateral for numerous other purposes, including clearing activities and the raising of mortgage loans secured against the Bank's properties.

The primary sources of asset encumbrance are:

Encumbrance triggered by activities in the securities market:
- Repo and reverse repo transactions
- Repurchase transactions with Danmarks Nationalbank
- Securities lending

Collateral for derivative transactions:
- CSA collateral for the market value of derivative transactions
- CSA collateral for the clearing of derivative transactions
- Collateral for stock lending

Other assets:
- Collateral furnished with clearing systems
- Paid-in margins and default funds
- Offsetting, cf. netting agreements
- Security provided for mortgage loans

The primary collateral received derives from reverse repo transactions.

SHARE OF ENCUMBERED ASSETS

	Year-end		Average	
DKKm	**2017**	**2016**	**2017**	**2016**
Encumbered assets	1,503	2,387	1,954	4,339
Assets and collateral	90,430	86,197	88,525	85,299
Share of encumbered assets (%)	**1.7**	**2.8**	**2.2**	**5.1**

Figure 5.9

The average share of Spar Nord's total encumbered assets amounts to 2.2% of the total assets plus collateral received that can form the basis for encumbrance in 2017. This is a decrease of 2.9 percentage points from 5.1% in 2016.

The specifications regarding encumbered assets are set out in Appendix H.

5.9 FUTURE LEGISLATION REGARDING LIQUIDITY

The European Commission's final proposal for CRR II is expected to be finally adopted in mid-2018, after which time the liquidity requirement in the form of the Net Stable Funding Ratio (NSFR) is expected to apply from mid-2020. NSFR seeks to ensure stable funding profiles for the individual banks, the focus being the relationship between the term of individual assets and funding. The NSFR ratio is to be calculated for a 12-month horizon.

On the basis of preliminary calculations and assessments of the principles underlying the calculation of NSFR, Spar Nord is believed to be ready for a future NSFR liquidity requirement of 100%.

On 23 June 2017, the Danish FSA approved the updated liquidity benchmark for the Supervisory Diamond Test Model, which will replace the existing liquidity ratio calculated according to section 152 of the Danish Financial Business Act. The updated liquidity benchmark will enter into force on 30 June 2018.

At end-2017, Spar Nord already complied with the new liquidity benchmark.

6. Credit risk

Developments in 2017

In 2017, Spar Nord generally experienced satisfactory growth in its loan portfolio. In the past three years, the credit quality for both retail customers and business customers has been satisfactory, and in 2017, the credit quality for both customer groups improved even further. However, the risk level for agricultural customers remains high, which is due to a high default rate owing in part to poor earnings and a high debt burden in previous years.

In 2017, the Bank saw growth in both the retail and the business customer segment. The lending growth, representing DKK 1.8 billion and occurring after the trend had been negative for a few years, is attributable an inflow of new customers, among other factors. In addition, lending from reverse repo transactions rose by DKK 3.2 billion.

Mortgage loans arranged for retail and business customers also increased by DKK 3.6 billion in 2017.

Definition of credit risk

Credit risk is the risk of loss as a result of borrowers or other counterparties defaulting on their payment obligations, including the risks attaching to customers in financial difficulty, risks relating to large exposures, concentration risks and risks attaching to granted, unutilised credit lines.

Credit risk also includes settlement and counterparty risk. Settlement risk is the risk arising when payments are settled, such as payments in respect of currency transactions and transactions in financial instruments. The risk arises when Spar Nord transfers payments before it has attained full assurance that the counterparty has met all its obligations.

Counterparty risk is the risk of loss resulting from a customer's default on over-the counter derivatives and securities financing instruments.

TOTAL RISK EXPOSURE AMOUNT

DKK 40.7 bn

2016: DKK 38.2 bn

LOANS EXCL. REVERSE (GROSS)

DKK 38.8 bn

2016: DKK 37.0 bn

IMPAIRMENT RATIO (IMPACT ON OPERATIONS)

-0.1%

2016: 0.4%

TOTAL IMPAIRMENTS

2.7%

2016: 3.6%

PERCENTAGE IMPAIRED (GROSS)

5.2%

2016: 7.6%

NON-PERFORMING LOANS

0.6%

2016: 0.8%

UNSECURED SHARE, % (WITHOUT REVERSE)

41.5%

2016: 42.0%

6.1 CREDIT POLICY

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

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

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

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

In its endeavours to ensure sound risk diversification of its credit exposure, Spar Nord has introduced a number of internal targets.

In order not to lose its freedom of action towards a customer, the Bank generally aims not to increase its exposure towards a customer to such an extent that the customer would not be creditworthy in other banks. Consequently, Spar Nord has introduced a cap on individual exposures of DKK 500 million, of which basically the unsecured share of credit exposure may not exceed DKK 250 million in respect of any facility.

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

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

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

TARGETS FOR INDUSTRY DIVERSIFICATION

%	Maximum share of total exposure*
Agricultural sector	10
Property sector	15
of which speculative**) property financing	5
Financing and insurance	10
Industry and raw materials development	10
Trade	15
Utilities	8

* Excl. reverse repo transactions

** CRR 575/2013 Article 4(79)

Figure 6.1

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

6.2 MANAGEMENT, MONITORING AND REPORTING

Although Spar Nord's business model is characterised by decentralised decision-making powers, the credit process is managed centrally.

As concerns new customers, the facility authorisation right is generally half of that for existing customers. The powers of authority in the credit area are governed by two factors: The individual local managers' ability and requirements and the wish that a certain share of authorisations from the local banks is dealt with by Credit Rating. Decentralised facility authorisation rights are maximised at DKK 10 million for existing customers.

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

Overall monitoring of Spar Nord's credit risk exposure is managed by the Credit Quality Department. This department oversees changes in the credit quality of exposures and undertakes systematic credit quality control of the credit portfolio.

New retail customer exposures in excess of DKK 100,000 and business customer exposures in excess of DKK 300,000 are systematically screened with a view to being selected for a manual credit quality assessment. The selection is made on the basis of a combination of risk parameters, which combined, or separately, indicate an increased level of risk. New customers with weak credit quality are registered on an ongoing basis.

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

Every month a statistically-based rating of both retail and business customers is performed. Rating systems are used at the local level to grant credit facilities. Thus, customers in the rating groups accorded the least risk exposure are more likely to be given higher credit limits or extensions than those with the greatest risk exposure. The systems are also used for managing overdrafts and for pricing purposes to help ensure a correlation between the risk assumed by the customer and the price paid.

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

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

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

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

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

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

If a retail customer is flagged as having a weak credit quality and is not in default, the customer will be downgraded by one rating group; it should be noted that a customer flagged as having a weak credit quality does not qualify for rating in the best rating groups (1 and 2).

Business customers are rated based on two categories, customers flagged as having a weak credit quality and customers not flagged, using two different models. However, both models are based on the same components.

6.3 CREDIT EXPOSURE

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

Figure 6.2 shows Spar Nord's total credit exposure (carrying amount) as at end-2017 and end-2016.

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

DKKm	2017	2016
Reverse repo transactions with customers	9,475	6,253
Loans and advances at amortised cost	37,272	35,092
Loans, advances and other receivables at amortised cost	46,747	41,346
Contingent liabilities	11,961	12,334
Net credit exposure relating to loans, advances and guarantees	**58,708**	**53,680**
Impairments of loans and provisions against guarantees, etc.	1,616	1,877
Discount on commitments taken over	0	103
Gross credit exposure relating to loans, advances and guarantees	**60,324**	**55,660**
Net credit exposure relating to loans, advances and guarantees	**58,708**	**53,680**
Cash balances and demand deposits with central banks	1,298	595
Reverse repo transactions	570	1,453
Due from credit institutions and central banks	867	726
Credit exposure for financial reporting purposes relating to lending activities	**61,444**	**56,454**
Positive fair value of derivative instruments, etc.	1,030	1,284
Credit exposure relating to assets in the trading portfolio	11,059	15,148
Assets in strategic business partners	1,405	1,346
Associates	128	118
Credit exposure for financial reporting purposes	**75,066**	**74,350**

Figure 6.2

Spar Nord's impairment account amounted to a total of DKK 1,616 million at 31 December 2017.

IMPAIRMENT ACCOUNT AND DISCOUNT ON LOANS, ADVANCES AND GUARANTEES

	Impairment account		Discount on exposures taken over		Impairment account/ discount	
DKKm	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Spar Nord	1,616	1,877	0	103	1,616	1,980

Figure 6.3

6.4 LOANS, ADVANCES AND GUARANTEES

Spar Nord's total loans, advances and guarantees before offsetting of impairment losses amounted to DKK 60.3 billion at end-2017 compared with DKK 55.7 billion at end-2016, equal to an increase of 8%. The DKK 4.6 billion increase is attributable to a DKK 5.0 billion increase in lending and a DKK 0.4 billion decrease in guarantees.

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

The development in these customer groups appears from figure 6.4.

EXPOSURES BY CATEGORY
(DKK BN)

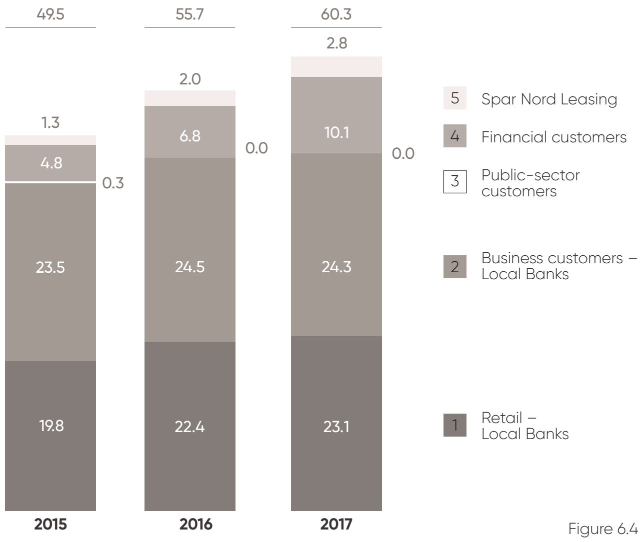


Figure 6.4

The credit exposure to retail customers at Spar Nord's Local Banks rose DKK 0.7 billion during 2017, equal to 3.6%. The increase was driven by loans, including at branches and through SparXpres, as the balance of guarantees remained unchanged.

The credit exposure of Spar Nord's Local Banks to business customers fell by DKK 0.2 billion during 2017, equal to 1%. The development covers a DKK 0.2 billion increase in lending and a DKK 0.4 billion decrease in guarantees. The total increase in bank and leasing loans to business customers amounted to DKK 1 billion in 2017, representing a 4.4% increase.

Credit exposure to financial customers climbed DKK 3.3 billion to DKK 10.1 billion. This increase is primarily attributable to growth in reverse repo transactions. Finally, the credit exposure to leasing customers increased 42% to DKK 0.8 billion.

6.4.1 BREAKDOWN BY INDUSTRY

Figure 6.5 shows the breakdown of Spar Nord's loans, advances and guarantees by industry at end-2017 and end-2016, and the most recent available figures for the average industry breakdown at sector level.

CUSTOMERS BY INDUSTRY

DKKm/%	Loans, advances and guarantees 2017	Loans, advances and guarantees 2017	2016	Loans and advances 2017	Loans, advances and guarantees The Sector 2016
Public authorities	9	0.0	0.1	0.0	5.3
Agriculture, hunting and forestry	3,096	5.1	6.1	6.0	4.2
Fisheries	113	0.2	0.2	0.2	0.0
Industry and raw materials extraction	2,679	4.5	4.8	4.7	6.6
Utilities	1,642	2.7	3.1	3.1	1.7
Building and construction	2,463	4.1	3.5	4.3	1.9
Trade	3,682	6.1	6.9	6.8	5.0
Transport, hotels and restaurants	1,920	3.2	3.0	3.6	3.1
Information and communication	200	0.3	0.3	0.3	0.8
Financing and insurance	12,735	21.1	16.2	25.0	21.1
Real property	5,703	9.5	10.9	9.5	10.8
Other industries	2,951	4.9	4.8	5.5	5.3
Total business customers	**37,194**	**61.7**	**59.9**	**69.0**	**65.8**
Total retail customers	**23,130**	**38.3**	**40.1**	**31.0**	**34.2**
Total	**60,324**	**100.0**	**100.0**	**100.0**	**100.0**

Figure 6.5

CUSTOMERS BY INDUSTRY NET OF REVERSE REPO TRANSACTIONS

DKKm/%	Loans, advances and guarantees 2017	2017	2016
Public authorities	9	0.0	0.1
Agriculture, hunting and forestry	3,096	6.1	6.9
Fisheries	113	0.2	0.2
Industry and raw materials extraction	2,679	5.3	5.4
Utilities	1,549	3.1	3.3
Building and construction	2,463	4.8	3.9
Trade	3,682	7.2	7.8
Transport, hotels and restaurants	1,920	3.8	3.4
Information and communication	200	0.4	0.4
Financing and insurance	3,353	6.6	5.8
Real property	5,703	11.2	12.2
Other industries	2,951	5.8	5.4
Total business customers	**27,719**	**54.5**	**54.8**
Total retail customers	**23,130**	**45.5**	**45.2**
Total	**50,849**	**100.0**	**100.0**

Figure 6.5

As appears from figure 6.5, retail customers account for a large share of Spar Nord's loans, advances and guarantees. As a result of developments in 2017, Spar Nord is now closer to the average sector distribution for many industries.

IMPAIRMENTS AND DISCOUNTS ON EXPOSURES TAKEN OVER – BY INDUSTRY

DKKm/%	2017	2016	2017	2016	The Sector 2016
Public authorities	0	0	0.0	0.0	0.0
Agriculture, hunting and forestry	522	755	32.3	38.1	24.5
Fisheries	0	2	0.0	0.1	0.0
Industry and raw materials extraction	65	51	4.1	2.6	4.5
Utilities	17	28	1.1	1.4	1.3
Building and construction	64	59	4.0	3.0	3.9
Trade	51	84	3.1	4.3	5.2
Transport, hotels and restaurants	95	64	5.9	3.2	5.6
Information and communication	2	7	0.1	0.3	0.6
Financing and insurance	85	113	5.3	5.7	5.8
Real property	203	336	12.5	17.0	13.1
Other industries	89	91	5.5	4.6	6.8
Total business customers	**1,194**	**1,591**	**73.9**	**80.3**	**71.3**
Total retail customers	**422**	**389**	**26.1**	**19.7**	**28.7**
Total	**1,616**	**1,980**	**100.0**	**100.0**	**100.0**

Figure 6.6

As shown in figure 6.6, Spar Nord's impairment balance amounted to DKK 1.6 billion, equal to 2.7% of Spar Nord's total loans, advances and guarantees at end-2017. The impairment balance fell by DKK 0.4 billion relative to 1 January. The decline was exclusively driven by a fall in impairment of exposures to business customers owing to the solid development in credit quality and the very favourable conditions enjoyed by Danish businesses throughout 2017. The decline in impairment charges was driven primarily by properties and agriculture.

The increase in impairment charges on retail customers was due to a management decision to make portfolio impairment charges on retail loans with a high debt factor and other signs of weakness at the end-2017 in the amount of DKK 67 million. Collective impairment charges on retail customers subsequently amount to DKK 91 million at end-2017. For business customers, portfolio impairment charges of DKK 73 million were made at end-2017 relating to debt-ridden customers in various industries, and collective impairment charges on business customers subsequently amount to DKK 160 million at end-2017. Agricultural customers account for DKK 91 million of the collective impairment charges.

Impairment of exposures to customers in the agricultural sector declined by DKK 233 million in 2017, ending at DKK 522 million, equal to 17% of exposures against 22% at the beginning of the year.

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

DKKm/%	Number 2017	Number 2016	Share 2017	Share 2016
0 - 0.1	51,286	50,124	1.2	1.3
0.1 - 0.5	35,594	34,992	11.2	11.2
0.5 - 1.0	13,334	12,445	12.6	11.9
1.0 - 5.0	8,033	8,017	25.0	26.4
5.0 - 10.0	913	891	9.6	9.5
10.0 - 20.0	414	388	8.9	8.7
20.0 - 50.0	227	248	10.8	12.1
50.0 - 100.0	78	66	8.4	7.2
100.0 -	48	47	12.3	11.7
Total	**109,927**	**107,218**	**100.0**	**100.0**

*) Excl. reverse repo transactions and SparXpres

Figure 6.7

As concerns size of exposures, Spar Nord's credit portfolio is considered to be well-diversified, for one thing because 60% of the total exposure is attributable to exposures below DKK 10 million each, and because Spar Nord only has 48 exposures that exceed DKK 100 million.

In relation to the new benchmark for large exposures in the Financial Supervisory Authority's Diamond Test Model, which may not exceed 175% of the institution's common equity tier 1 (CET1), Spar Nord's large exposures amounted to 76.2% at end-2017.

LOANS, ADVANCES AND GUARANTEES BROKEN DOWN BY REGION – 2017 *)

(%)

Figure 6.8

LOANS, ADVANCES AND GUARANTEES BROKEN DOWN BY REGION – 2016 *)

(%)

*) Excl. reverse repo transactions and SparXpres

Figure 6.8

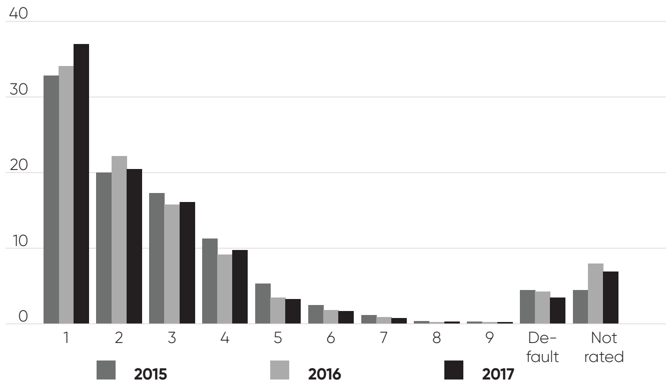
Spar Nord's credit portfolio is also considered to have an excellent geographical spread. At end-2017, the North Jutland Region accounted for 35.2% of Spar Nord's total loans, advances and guarantees, while the balance is spread over the other regions in the country.

6.4.2 RETAIL CUSTOMERS AT THE LOCAL BANKS

The total credit exposure to business customers at Spar Nord's Local Banks amounted to DKK 23.1 billion at end-2017 compared with DKK 22.4 billion at end-2016. The credit exposure to retail customers amounts to 38% of Spar Nord's total credit exposure. As appears from figure 6.9 below, the average credit quality of retail customers has improved over the past three years and are at a satisfactory level.

EXPOSURES TO RETAIL CUSTOMERS BY RISK GROUP *)

(%)



*) Excl. SparXpres.

Figure 6.9

AVERAGE RISK GROUP *)

	2015	2016	2017
Average risk group	2.8	2.7	2.6

*) Exposures after impairments

Figure 6.10

In 2017, there was an increase in exposures to the rating groups accorded the least risk exposure – rating group 1 – and a decline in the default group. These changes are the primary contributor to the improved credit quality.

The figures below show the share of retail customers who migrated into better rating groups, the share of retail customers with unchanged credit quality and the share of retail customers who migrated into higher-risk rating groups during 2017 and 2016.

As appears from the figures, more customers migrated towards better rating groups in 2017 than customers who migrated to weaker rating groups. In terms of volumes, developments are fairly stable.

MIGRATION – NUMBER RETAIL CUSTOMERS 2016-2017 **MIGRATION – NUMBER RETAIL CUSTOMERS 2015-2016**

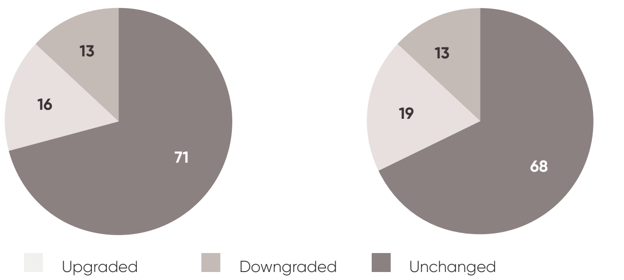


Figure 6.11

MIGRATION – EXPOSURES RETAIL CUSTOMERS 2016-2017 **MIGRATION – EXPOSURES RETAIL CUSTOMERS 2015-2016**

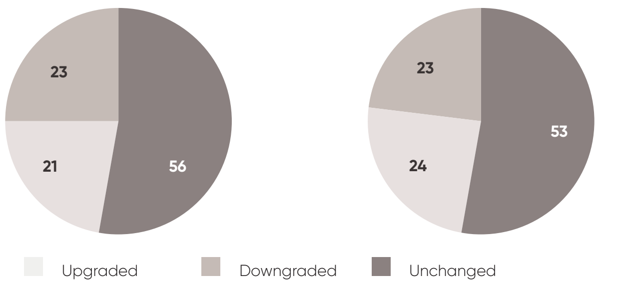


Figure 6.12

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

RETAIL CUSTOMERS - LOCAL BANKS - DEVELOPMENT IN UNAUTHORISED OVERDRAFTS/ARREARS
(%)

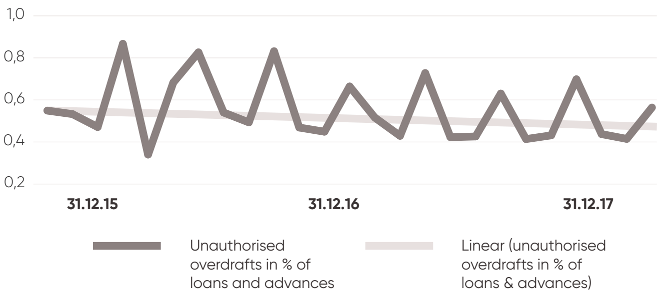


Figure 6.13

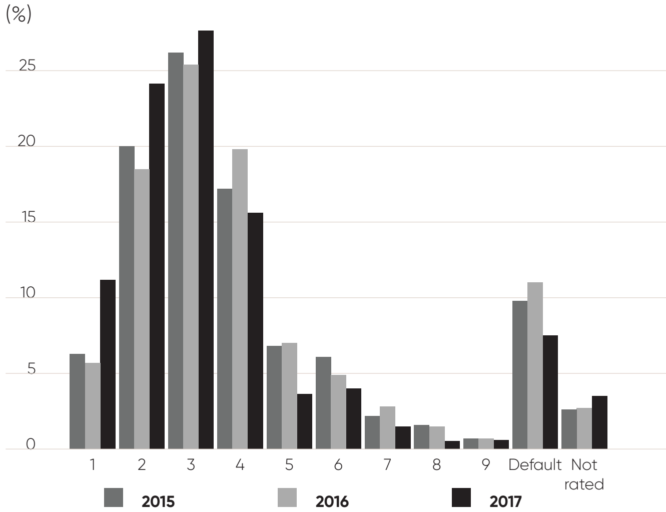
6.4.3 BUSINESS CUSTOMERS AT THE LOCAL BANKS

The total credit exposure to business customers at Spar Nord's Local Banks amounted to DKK 24.3 billion at end-2017 compared with DKK 24.5 billion at end-2016. The DKK 0.2 billion decline is attributable to a DKK 0.2 billion increase in lending and a DKK 0.4 billion decrease in guarantees.

The credit exposure to business customers amounted to 40% of Spar Nord's total credit exposure.

As shown in figure 6.14, the credit quality in the business customer portfolio improved substantially in 2017 with a growing number in the strongest rating groups, while there has been a decline in the volume of the weakest groups, including the "default" category. The migration also contributes a sharp overweight of both number of customers and exposures migrating towards better rating groups than vice versa.

EXPOSURES TO BUSINESS CUSTOMERS BY RATING GROUPS *)
(%)



*) Excl. public-sector customers

Figure 6.14

AVERAGE RISK GROUP *)

	2015	2016	2017
Average risk group	4.0	4.1	3.4

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

Figure 6.15

Figures 6.16 and 6.17 show the share of business customers who migrated into better rating groups during 2017 and 2016, as well as the share of business customers with unchanged credit quality and the share of business customers who migrated into higher-risk rating groups.

MIGRATION – NUMBER
BUSINESS CUSTOMERS 2016-2017

MIGRATION – NUMBER
BUSINESS CUSTOMERS 2015-2016

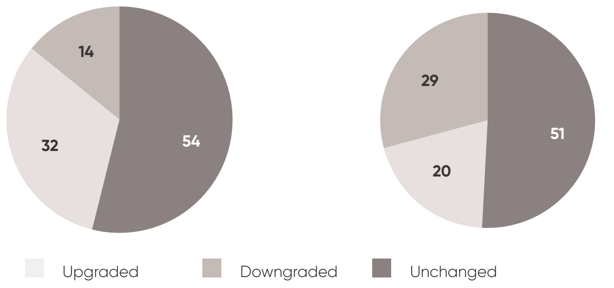


Figure 6.16

MIGRATION – EXPOSURES
BUSINESS CUSTOMERS 2016-2017

MIGRATION – EXPOSURES
BUSINESS CUSTOMERS 2015-2016

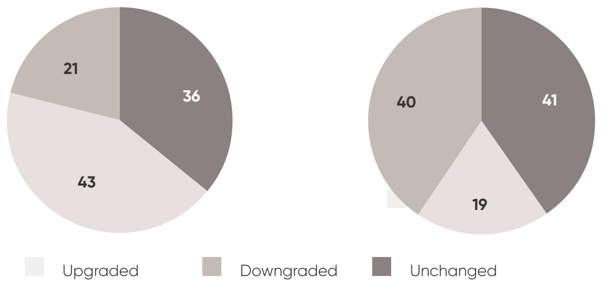


Figure 6.17

As was the case for retail customers, business customers' unauthorised overdrafts and past due exposures remained at a stable, low level of 0.3% during 2015 and 2017.

NON-AGRICULTURAL BUSINESS CUSTOMERS - LOCAL BANKS - DEVELOPMENT IN UNAUTHORISED OVERDRAFTS/ARREARS
(%)

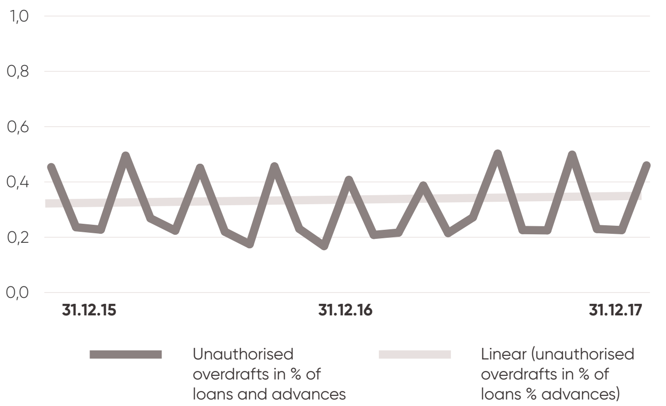


Figure 6.18

6.4.4 MORTGAGE LOANS ARRANGED

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

At end-2017, Spar Nord had arranged mortgage loans for a total of DKK 72.2 billion to its customers. Of this amount, mortgage loans to retail customers via Totalkredit amounted to DKK 65.6 billion, mortgage loans to business customers via DLR Kredit amounted to DKK 11.1 billion, and mortgage loans to business customers via Totalkredit amounted to DKK 0.5 billion.

The cooperation with Totalkredit and DLR Kredit is based on the principle that in case of losses on the loans arranged by Spar Nord, a setoff will be made against the commission paid to Spar Nord for its loan-arranging services, or that – for some exposure categories – Spar Nord will be asked to provide a direct guarantee. However, as Spar Nord pursues a practice of recording losses arisen on an ongoing basis, no losses are offset against future commission.

Figure 6.19 shows the breakdown on rating groups for customers who have taken out mortgage loans with Totalkredit and DLR Kredit. As appears, mortgage loans arranged for customers in the best rating groups represent the bulk of the group.

MORTGAGE LOANS ARRANGED
DLR AND TOTALKREDIT
(%)

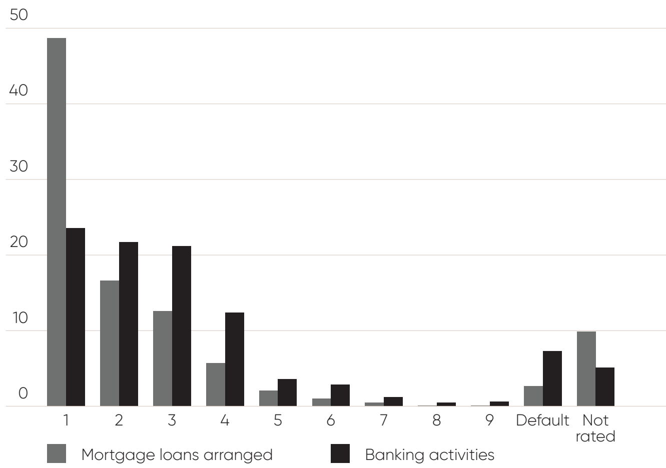


Figure 6.19

6.4.5 LEASING ACTIVITIES

Spar Nord's total credit exposure in the leasing area amounted to DKK 2.8 billion at end-2017, equal to 5% of total loans, advances and guarantees.

Figure 6.20 shows the breakdown by industry of Spar Nord's leasing loans.

LEASING

	Loans and advances		Impairment account/ discount	
%	**2017**	**2016**	**2017**	**2016**
Public authorities	0.0	0.0	0.0	0.0
Agriculture, hunting and forestry	16.0	18.3	20.5	12.0
Fisheries	0.0	0.0	0.0	0.0
Industry and raw materials extraction	15.1	17.3	26.3	44.9
Utilities	6.5	4.1	2.4	1.0
Building and construction	13.2	11.9	8.0	7.5
Trade	7.3	7.5	2.0	5.1
Transport, hotels and restaurants	20.6	18.2	18.2	17.4
Information and communication	0.7	1.4	0.3	0.0
Financing and insurance	1.1	2.6	0.1	0.0
Real property	2.6	1.0	1.0	0.7
Other industries	16.7	17.5	20.0	9.8
Total business customers	**99.8**	**99.8**	**98.8**	**98.4**
Total retail customers	**0.2**	**0.2**	**1.2**	**1.6**
Total	**100.0**	**100.0**	**100.0**	**100.0**

Figure 6.20

REPOSSESSED EQUIPMENT

DKKm	2017	2016
Repossessed equipment, total	2	14

Figure 6.21

Figure 6.21 shows developments in the volume of repossessed leasing equipment, which remains at a very low level.

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

6.4.6 FINANCIAL CUSTOMERS

Spar Nord's credit exposure to financial customers was DKK 10.1 billion at end-2017, equivalent to 17% of Spar Nord's total loans, advances and guarantees. The exposure consists primarily of reverse repo transactions of DKK 9.4 billion and own liabilities, etc.

Figure 6.22 shows Spar Nord's credit exposure to financial customers.

CREDIT EXPOSURE TO FINANCIAL CUSTOMERS

DKKm	2017	2016
Reverse repo transactions	9,475	6,253
Spar Nord's own commitments and key customers, etc.	669	544
Total financial customers	**10,144**	**6,797**

Figure 6.22

6.5 CREDIT QUALITY

Figure 6.23 shows a breakdown of Spar Nord's customers by the credit quality categories used by the Danish FSA. Categories 2a and 3 comprise low-risk customers, categories 2c and 2b comprise heightened-risk customers while customers in financial difficulty are placed in category 1 (OEI).

CREDIT QUALITY 2017

	Credit quality category				
%	1	2c	2b	2a/3	Exposure
Public authorities	0.0	0.0	0.0	0.0	0.0
Agriculture, hunting and forestry	2.3	0.1	0.3	2.4	5.1
Fisheries	0.0	0.0	0.0	0.2	0.2
Industry and raw materials extraction	0.4	0.1	0.6	3.4	4.5
Utilities	0.1	0.0	0.1	2.5	2.7
Building and construction	0.4	0.0	0.2	3.5	4.1
Trade	0.4	0.1	0.2	5.4	6.1
Transport, hotels and restaurants	0.5	0.1	0.2	2.5	3.3
Information and communication	0.0	0.0	0.0	0.3	0.3
Financing and insurance	0.4	0.0	0.1	20.6	21.1
Real property	1.1	0.2	0.3	7.8	9.4
Other industries	0.3	0.0	0.3	4.3	4.9
Total business customers	**5.8**	**0.6**	**2.3**	**52.9**	**61.6**
Total retail customers	**1.6**	**0.1**	**2.1**	**34.6**	**38.3**
Total	**7.4**	**0.7**	**4.4**	**87.5**	**100.0**

CREDIT QUALITY 2016

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

Figur 6.23

In a June 2017 report on the Bank, the Danish FSA noted that the Spar Nord's credit quality is higher than those of its peers and more on a level with that for group 1 institutions.

6.6 COLLATERAL

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

GEOGRAPHICAL BREAKDOWN OF MORTGAGES

(%)

Figure 6.24

MORTGAGES BROKEN DOWN BY PROPERTY TYPE

DKKm/%	2017	2017	2016	2016
Private housing	56.8	14,014	55.4	12,913
Holiday homes	4.0	980	4.1	953
Offices and businesses	14.7	3,618	16.1	3,757
Agriculture	9.5	2,353	10.4	2,434
Other	15.0	3,710	14.0	3,253
Total	**100.0**	**24,675**	**100.0**	**23,311**

Figure 6.25

An increase of DKK 3.2 billion in reverse repo transactions in 2017 reduced the average unsecured share by 2.0 percentage points.

Figures 6.26 and 6.27 show that the total unsecured share at end-2017 was 34.9%. Net of reverse loans, the total unsecured share at end-2017 amounted to 41.5%. At end-2016, the unsecured share without reverse lending was 42.0%.

UNSECURED SHARE OF EXPOSURE

%	2017	2016
<10	47.8	43.5
10-50	18.9	20.9
50-75	8.8	9.4
>75	24.4	26.2
Average unsecured share of credit exposure	**34.9**	**37.3**

Figure 6.26

UNSECURED SHARE OF CREDIT EXPOSURE

	2017		2016	
	DKKm	%	DKKm	%
Public authorities	9	98.8	37	99.6
Agriculture, hunting and forestry	873	28.2	1,142	33.6
Fisheries	32	28.8	46	43.3
Industry and raw materials extraction	819	30.6	913	34.4
Utilities	499	30.4	536	30.7
Construction and engineering	647	26.3	711	36.9
Trade	1,586	43.0	1,848	47.9
Transport, hotels and restaurants	431	22.4	488	29.2
Information and communication	94	46.8	93	47.4
Financing and insurance	2,214	17.4	1,780	19.7
Real property	2,390	41.9	2,444	40.3
Other industries	1,338	45.3	1,193	45.0
Total business customers	**10,932**	**29.4**	**11,231**	**33.7**
Total retail customers	**10,150**	**43.9**	**9,519**	**42.6**
Total	**21,082**	**34.9**	**20,750**	**37.3**

Figure 6.27

The property value under mortgages broken down by property type is calculated at DKK 24.7 billion, while only DKK 15.0 billion is recorded as security on properties in the figure below. This is because the former amount represents the amount mortgaged to Spar Nord and is recorded as collateral received, while the latter amount is the share actually used for calculating collateral regarding a specific exposure. Some exposures are smaller than the collateral value, and collateral has also been provided by customers who do not currently have any facilities.

CREDIT RISK MITIGATION BY VIRTUE OF COLLATERAL

DKKm	2017	2016
Real property	14,970	14,246
Custody accounts/securities	10,823	7,319
Guarantees/sureties	494	487
Vehicles	656	656
Cash	441	508
Other collateral	4,449	4,093
Other collateral, total	**31,833**	**27,308**
Spec. secured trans. (mortgage credit inst. guarantees)	5,077	5,927
Total collateral, excluding Spar Nord Leasing	**36,910**	**33,235**
Collateral accepted, Spar Nord Leasing	2,333	1,675
Total	**39,243**	**34,910**

Figure 6.28

6.7 LOAN IMPAIRMENT CHARGES

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

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

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

IMPAIRED CLAIMS

2017 DKKm	Exposure	Individually value-adjusted
Insolvent liquidation and bankruptcy	38	32
Debt collection and restructuring, etc.	100	44
Other financial difficulty	2,991	1,288
Total individual impairments	**3,130**	**1,365**
Collective impairments, Spar Nord		251
Impairment account and discount on commitments taken over		1,616

2016 DKKm	Exposure	Individually value-adjusted
Insolvent liquidation and bankruptcy	199	142
Debt collection and restructuring, etc.	189	126
Other financial difficulty	3,827	1,589
Total individual impairments	**4,216**	**1,857**
Collective impairments, Spar Nord		124
Impairment account and discount on commitments taken over		1,980

Figure 6.29

In 2017, Spar Nord recorded a decline in credit exposure to customers with individual impairment of DKK 1,086 million.

At end-2017, the impaired claims represented 5.2% of total credit exposure compared with 7.6% in 2016.

In 2017, the total impairment account/discount account fell by DKK 364 million. This development breaks down into an increase of DKK 32.5 million on retail customers and a DKK 396.7 million decline on business customers.

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

MOVEMENTS IN LOSSES AND INDIVIDUAL IMPAIRMENT

2017

DKKm	In default and impaired	Impairment account/ discount *)	Recognised losses
Public authorities	0	0	0
Agriculture, hunting and forestry	919	431	218
Fisheries	0	0	0
Industry and raw materials extraction	144	60	19
Utilities	48	16	10
Construction and engineering	223	61	12
Trade	150	46	32
Transport, hotels and restaurants	131	52	19
Information and communication	9	2	5
Financing and insurance	169	83	24
Real property	508	198	72
Other industries	150	86	21
Total business customers	**2,449**	**1,034**	**432**
Total retail customers	**681**	**331**	**102**
Total	**3,130**	**1,365**	**534**

2016

DKKm	In default and impaired	Impairment account/ discount *)	Recognised losses
Public authorities	0	0	0
Agriculture, hunting and forestry	1,280	695	226
Fisheries	4	2	0
Industry and raw materials extraction	103	44	4
Utilities	52	25	1
Construction and engineering	197	56	13
Trade	205	77	12
Transport, hotels and restaurants	158	61	3
Information and communication	17	7	0
Financing and insurance	225	110	7
Real property	994	325	51
Other industries	171	87	19
Total business customers	**3,409**	**1,490**	**336**
Total retail customers	**807**	**367**	**85**
Total	**4,216**	**1,857**	**421**

*) Spar Nord's total value adjustments should be supplemented by collective impairments in the amount of DKK 251 million (2016: DKK 124 million) including portfolio impairment of small retail customers with exposures of less than DKK 250,000 and SparXpres.

Figure 6.30

IMPAIRMENT ACCOUNT

2017

DKKm	Impairment account/ discount	Discount on exposures taken over	Impairment account
Public authorities	0	0	0
Agriculture, hunting and forestry	522	0	522
Fisheries	0	0	0
Industry and raw materials extraction	65	0	65
Utilities	17	0	17
Construction and engineering	64	0	64
Trade	51	0	51
Transport, hotels and restaurants	95	0	95
Information and communication	2	0	2
Financing and insurance	85	0	85
Real property	203	0	203
Other industries	89	0	89
Total business customers	**1,194**	**0**	**1,194**
Total retail customers	**422**	**0**	**422**
Total	**1,616**	**0**	**1,616**

2016

DKKm	Impairment account/ discount	Discount on exposures taken over	Impairment account
Publicauthorities	0	0	0
Agriculture, hunting and forestry	755	0	755
Fisheries	2	0	2
Industry and raw materials extraction	51	5	46
Utilities	28	0	28
Construction and engineering	59	3	57
Trade	84	1	83
Transport, hotels and restaurants	64	1	63
Information and communication	7	1	6
Financing and insurance	113	16	98
Real property	336	58	278
Other industries	91	9	83
Total business customers	**1,591**	**93**	**1,498**
Total retail customers	**389**	**11**	**379**
Total	**1,980**	**103**	**1,877**

Figure 6.31

Total collective impairment losses of DKK 251 million break down into losses of DKK 91 million on retail customers and DKK 160 million on business customers, of which DKK 91 million is attributable to agricultural customers.

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

DKKm	2017	2016
Public authorities	0	0
Agriculture and forestry	-38	121
Fisheries	-2	0
Industry and raw materials extraction	31	-6
Utilities	-1	15
Building and construction	14	9
Trade	-5	12
Transport, hotels and restaurants	46	18
Information and communication	0	3
Financing and insurance	-90	12
Real property	-76	43
Other business customers	8	20
Total business customers	**-113**	**247**
Total retail customers	**75**	**-5**
Total	**-38**	**242**

Figure 6.32

The impact on Spar Nord's profits from impairment amounted to an income of DKK 38 million in 2017, equal to 0.1% of total loans, advances and guarantees.

The impact on profits breaks down into an expense of DKK 75 million attributable to retail customers, equal to a profit impact ratio of 0.3%. Agricultural customers represented an income of DKK 38 million in 2017. An additional income of DKK 75 million was recorded on other business customers in 2017.

Spar Nord's rating systems constitute the primary source of the breakdown into groups and the recognition of OEI by group. Exposures with suspended interest accrual are subjected to particularly critical review, and if a loss is considered unavoidable, the loan is written off, either partly or fully. No interest accrues on the part of the exposure that has been written down for impairment.

Exposures for which interest accrual has been suspended fell from DKK 443 million at end-2016 to DKK 341 million at end-2017.

Forbearance

A loan facility is defined as being subject to forbearance if the conditions regarding interest payments and/or repayments have been relaxed on account of the borrower's financial difficulty or if the loan has been refinanced on more lenient terms.

At Spar Nord, forbearance is considered objective evidence of impairment (OEI), and the terms are deemed to have been relaxed if business customers with OEI are granted an interest rate of less than 3%. For retail customers, the terms are considered to have been relaxed if they are granted an interest rate of less than 3.5%. Moreover, repayment terms are considered to be relaxed for retail customers if the term to maturity exceeds 20 years. The terms of a home loan will typically have been fixed prior to any OEI and will therefore not be included for the purpose of identifying facilities with relaxed terms, regardless of whether the above criteria have been met.

Non-performing loans (NPL) are defined as the category of exposures that are in default (in terms of the Basel criteria) and/or impaired, i.e. exposures towards customers whose balances have been written off, written down or are past due by 90 days.

Figure 6.33 shows a breakdown of loans and advances for which the terms have been relaxed.

LOANS AND ADVANCES SUBJECT TO FORBEARANCE

2017

DKKm	Business customers	Agricultural customers	Retail customers	Total
Non-Performing	555	565	215	1,335
Performing	48	5	11	63
Total	**603**	**570**	**226**	**1,398**

2016

DKKm	Business customers	Agricultural customers	Retail customers	Total
Non-Performing	591	617	187	1,394
Performing	85	5	22	112
Total	**676**	**622**	**209**	**1,507**

Figure 6.33

LOSSES AND IMPAIRMENT ON LOANS, ADVANCES AND GUARANTEES

DKKm	2017	2016
Losses, incl. losses covered by provisions/impairment and impairment losses taken over	533	424
Covered by provisions/impairment and impairment losses taken over	-441	-313
Losses not covered by provisions/impairment charges	**93**	**111**
New provisions/impairment charges, excluding sector-targeted solutions	457	650
Reversal of provisions/impairment charges	-349	-291
Interest accrued on loans subject to impairment charges	-44	-65
Net provisions/impairment charges	**64**	**294**
Recoveries of prior losses	**-167**	**-116**
Losses and impairment charges for the year	**-11**	**289**
Other losses	4	3
Total losses and impairment charges for the year	**-7**	**292**
Total amount recognised in the income statement	**-7**	**292**
Adjustment of discount on exposures taken over from Sparbank	31	50
Impact on income statement	**-38**	**242**

Figure 6.34

MOVEMENTS IN LOSSES AND VALUE ADJUSTMENTS AND NON-PERFORMING LOANS

DKKm	2017	2016
Gross loans, advances and guarantees, end of year	60,324	55,660
Total losses and impairment charges for the year	**-38**	**242**
– in % of loans, advances and guarantees	0	0
Impairment account and discount on commitments taken over	**1,616**	**1,980**
– in % of loans, advances and guarantees	3	4
Contractual non-performing loans, year-end	**341**	**443**
– in % of loans, advances and guarantees	1	1
Impairment account and discount on exposures taken over in % of contractual non-performing loans	**474**	**447**

Figure 6.35

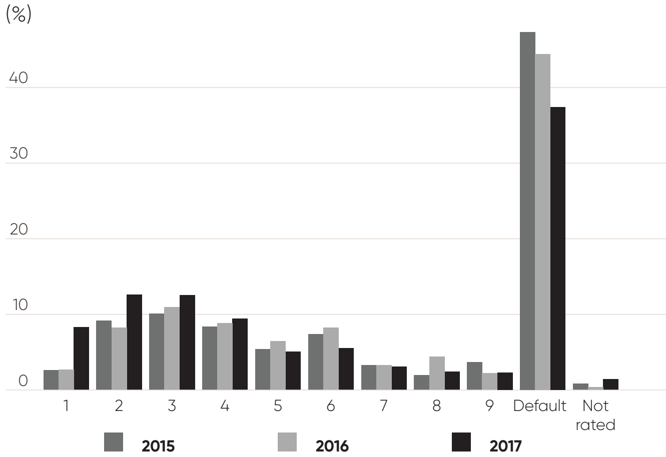
At end-2017, the impairment and discount account amounted to DKK 1,616 million, equal to 2.7% of loans, advances and guarantees, compared with 3.6% at end-2016.

6.7.1 AGRICULTURE

Loans, advances and guarantees to agricultural customers amounted to DKK 3.1 billion, equal to 5% of Spar Nord's total loans, advances and guarantees. Of this amount, leasing loans account for DKK 0.5 billion and guarantees for DKK 0.2 billion.

Figure 6.36 shows developments in credit quality among agricultural customers at Spar Nord's local banks in the period from 2015 to 2017.

AGRICULTURAL EXPOSURE BY RATING GROUP *)



*) Excl. leasing

Figure 6.36

AVERAGE RISK LEVEL – AGRICULTURE*)

	2015	2016	2017
Average risk group	6.6	6.3	5.6

*) Exposure after impairment

Figure 6.37

As appears from figures 6.36 and 6.37, the average credit quality improved during 2017. The improvement in 2017 is primarily attributable to a reduction in exposures in "Default".

The impact on profits from impairment of agricultural loans amounted to an income of DKK 38 million in 2017 compared with an expense of DKK 121 million in 2016.

Settlement prices in Danish agriculture in 2017 were generally at a high and satisfactory level. However, many agricultural customers continue to suffer from a high debt burden and are finding it difficult to reduce their debts.

Spar Nord's total impairment of agricultural loans amounted to DKK 522 million at end-2017, equal to 16.9% of Spar Nord's total loans, advances and guarantees to the industry.

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

The total exposure to milk and pig producers was reduced by DKK 0.4 billion in 2017, equal to a reduction of 23%.

AGRICULTURAL EXPOSURES BY PRODUCTION LINE

	2017				2016			
DKKm	Loans and advances and guarantees	Non-performing loans	Of which impaired	Share impaired	Loans and advances and guarantees	Non-performing loans	Of which impaired	Share impaired
Cattle producers	875	45	526	60.1	1,113	60	685	61.6
Pig producers	595	7	264	44.3	799	60	414	51.8
Plant cultivation	738	4	57	7.7	685	8	103	15.0
Mink farmers	106	0	41	38.6	114	3	41	36.3
Leasing	452	0	24	5.2	361	1	17	4.6
Miscellaneous	330	3	8	2.4	322	0	21	6.4
Total	**3,096**	**59**	**919**	**29.7**	**3,394**	**132**	**1,280**	**37.7**

Figure 6.38

AGRICULTURAL IMPAIRMENT BY PRODUCTION LINE

	2017					2016				
DKKm/%	Impairment account	Impaired	Impairment for the year	Impairment ratio of exposure	Percentage impaired	Impairment account	Impaired	Impairment for the year	Impairment ratio of exposure	Percentage impaired
Cattle producers	326	88	-26	37.3	62.0	425	84	103	38.2	62.1
Pig producers	145	88	-23	24.4	54.9	248	120	0	31.0	59.9
Plant cultivation	27	30	9	3.7	47.6	50	18	7	7.3	48.7
Mink farmers	15	2	1	13.9	36.0	16	1	11	14.0	38.6
Leasing	4	1	2	0.9	17.7	2	3	0	0.5	11.7
Miscellaneous	5	9	-1	1.6	68.8	14	0	2	4.4	68.4
Total	**522**	**218**	**-38**	**16.9**	**56.8**	**755**	**226**	**121**	**22.2**	**59.0**

Figure 6.39

Spar Nord pursues the principle that if agricultural customers fail to deliver positive returns at the breakeven prices fixed by Spar Nord of DKK 9.50/kg (without supplementary payment) for pork, and DKK 2.20/kg for milk (without supplementary payment), this is defined as OEI. Breakeven prices are calculated based on financing at a 4% average interest rate for all the interest-bearing debt, regardless of the concrete financing chosen. If realistic budgets cannot be drawn up on these conditions, the exposure will be subjected to an impairment calculation.

Spar Nord anticipates that in 2018 the settlement prices for milk will fall slightly compared with the average prices for 2017, and that pork settlement prices will decline noticeably relative to realised average prices in 2017.

Spar Nord's calculation of collateral values of agricultural properties is in accordance with the Danish FSA's most recent guidelines, which means that the land values in Spar Nord's market area range between DKK 125,000 and DKK 160,000 per hectare.

Farm buildings are assessed in relation to their age, condition, etc. Farm buildings are measured at their fair value, which means that obsolete buildings are measured at DKK 0.

Other agricultural assets such as livestock, stocks, equipment, etc. are recognised at 80% of their carrying amount.

A 5% haircut is applied to all of the above-mentioned values.

6.8 CREDIT RISK EXPOSURE TO FINANCIAL COUNTERPARTIES

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

Spar Nord's Management allocates lines for credit risk exposure to financial counterparties, based on the specific counterparty's risk profile, rating, amount of exposure and solvency. The risks and lines of financial instruments are monitored on a day-to-day basis.

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

DUE FROM CREDIT INSTITUTIONS BY PRODUCT TYPE

DKKm/%	2017	2016	2017	2016
Certificates of deposit	0	0	0.0	0.0
Reverse repo transactions	570	1,453	34.2	58.9
Deposits and unlisted bonds	175	73	10.5	3.0
Current accounts	272	126	16.3	5.1
CSA accounts, etc.	420	527	25.2	21.4
Commercial foreign business	231	285	13.8	11.6
Market value, derivatives	0	0	0.0	0.0
Due from credit institutions	**1,668**	**2,464**	**100.0**	**100.0**

Figure 6.40

87.8% of Spar Nord's receivables from credit institutions concerns banks with an A rating or higher. Of the total receivables from credit institutions in the amount of DKK 1.7 billion, 34.2% is attributable to exposures with an AAA rating. Balances with unrated credit institutions are attributable primarily to Danish credit institutions.

DUE FROM CREDIT INSTITUTIONS BY RATING

DKKm/%	2017	2016	2017	2016
AAA	570	1,453	34.2	58.9
AA	242	192	14.5	7.8
A	652	512	39.1	20.8
BBB	117	204	7.0	8.3
BB	1	2	0.1	0.1
Not rated	85	102	5.1	4.1
Unallocated	0	0	0.0	0.0
Due from credit institutions	**1,668**	**2,464**	**100.0**	**100.0**

Figure 6.41

6.9 COUNTERPARTY RISK

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

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

Spar Nord's business procedures specify the maximum term to maturity for the individual financial transactions, and compliance is followed up on a daily basis, as is compliance with the granted lines.

In connection with lines granting and registration of lines, a check is performed to verify whether the registered lines accord with the authorisation details. Additionally, Spar Nord has a controller department that conducts random sampling of compliance as concerns granting of lines, procedures and business procedures.

COUNTERPARTY RISK

DKKm	2017	2016
Derivatives with positive market value	1,030	1,284
Netting	215	250
Exposure after netting	**815**	**1,034**
Collateral received	44	13
Exposure after netting and collateral	**771**	**1,021**

Figure 6.42

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

COUNTERPARTY RISK – REGULATORY EXPOSURE

DKKm	2017	2016
Public-sector entities	8	7
Exposures secured by mortgages on real property	34	45
Retail customers	274	279
Business customers	832	951
Institutions	790	1,159
Regional and local authorities	41	47
High-risk exposures	4	6
Exposures in arrears or overdrawn	18	17
Total	**2,001**	**2,513**

Figure 6.43

6.9.1 COUNTERPARTY RISK AGAINST CUSTOMERS

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

6.9.2 COUNTERPARTY RISK AGAINST FINANCIAL AND INSTITUTIONAL CUSTOMERS

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

6.9.3 FRAMEWORK AND COLLATERAL AGREEMENTS

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

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

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

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

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

6.10 ECAI

Spar Nord has appointed Standard % Poor's Ratings Services as its external credit assessment institution (ECAI) to provide credit assessment information on countries, counterparties and issues.

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

An IT update of credit rating from Standard & Poor's Ratings Services is undertaken on an ongoing basis.

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

ECAI EXPOSURE BEFORE AND AFTER DEDUCTIONS

2017

DKKm	Exposure	Exposure after ECAI risk weighting
Institutions	2,435	487
Other exposures	173	44
Total	**2,608**	**531**

2016

DKKm	Exposure	Exposure after ECAI risk weighting
Institutions	2,568	542
Other exposures	68	14
Total	**2,635**	**555**

Figure 6.44

TOTAL CREDIT EXPOSURE

DKKm	2017	2016	Average 2017	Average 2016
Sovereigns or central banks	1,016	325	1,244	749
Regional or local authorities	1,284	1,290	1,285	1,738
Public-sector entities	276	189	251	159
Institutions	7,045	5,461	5,494	8,476
Business entities etc.	34,109	30,073	32,256	27,603
Retail customers	39,584	39,128	39,300	37,895
Exposures secured by mortgage on real property	6,660	5,838	6,347	5,624
Exposures in arrears or overdrawn	2,090	750	3,975	939
High-risk exposures	1,084	1,090	977	782
Exp. with short-term rating	0	0	0	25
Exposure in units or CIU	1	3	4	2
Equities	1,217	1,072	1,173	1,525
Other exposures	1,879	1,776	1,862	1,791
Total	**96,245**	**86,995**	**94,168**	**87,311**

Figure 6.45

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

The total credit exposure is the sum total of:

- Loans, advances and receivables
- Guarantees
- Unutilised credit limits
- Credit commitments
- Equity investments
- Non-current assets
- Intangible assets
- Other property, plant and equipment
- Counterparty risk
- Shares and corporate bonds

A total statement of Spar Nord's credit exposure shows an exposure of DKK 96.3 billion. This calculation corresponds to Spar Nord's credit risk, which is treated according to the standardised approach.

In general, exposures rose by DKK 9.3 billion in 2017, equal to an 11% increase. Measured on the basis of average figures, this amounts to an increase of DKK 6.7 billion, equal to 8%.

Spar Nord's credit exposure is predominantly limited to Denmark. In 2017, debtors based in Denmark accounted for more than 92% of Spar Nord's credit exposure.

The geographical breakdown is shown in figure 6.46.

EXPOSURE CATEGORIES BY COUNTRY

	2017					2016				
DKKm	Denmark	EU	Rest of Europe	Rest of world	Total	Denmark	EU	Rest of Europe	Rest of world	Total
Sovereigns or central banks	1,016	0	0	0	1,016	325	0	0	0	325
Regional or local authorities	1,283	0	0	1	1,284	1,290	0	0	0	1,290
Public-sector entities	276	0	0	0	276	189	0	0	0	189
Institutions	6,037	788	168	53	7,045	4,426	1,001	19	15	5,461
Business entities etc.	28,225	5,127	440	317	34,109	25,427	2,279	497	1,871	30,073
Retail customers	39,279	156	44	105	39,584	38,810	146	50	121	39,128
Exposures secured by mortgage on real property	6,617	22	8	13	6,660	5,799	16	8	15	5,838
Exposures in arrears or overdrawn	2,032	54	2	2	2,090	726	15	6	3	750
High-risk exposures	1,082	3	0	0	1,084	1,086	4	0	0	1,090
Exp. with short-term rating	0	0	0	0	0	0	0	0	0	0
Exposure in units or CIU	1	0	0	0	1	0	3	0	0	3
Equities	1,171	20	0	26	1,217	1,064	8	0	0	1,072
Other exposures	1,878	0	0	0	1,879	1,776	0	0	0	1,776
Total	**88,897**	**6,170**	**662**	**516**	**96,245**	**80,918**	**3,472**	**580**	**2,025**	**86,995**

Figure 6.46

CREDIT RISK MITIGATION BY VIRTUE OF COLLATERAL

	2017		2016	
DKKm	**Exp. covered by guarantee**	**Other financial collateral**	**Exp. covered by guarantee**	**Other financial collateral**
Institutions	0	1,095	0	2,732
Business entities etc.	106	10,374	108	6,911
Retail customers	37	458	60	547
Exposures secured by mortgage on real property	0	12	4	12
Exposures in arrears or overdrawn	19	16	14	18
High-risk exposures	0	6	0	71
Total	**163**	**11,960**	**187**	**10,290**

Figure 6.47

A major share of Spar Nord's business exposure is towards small and medium-sized enterprises (SMEs). At end-2017, the exposure to SMEs represented 35% of the total exposure.

EXPOSURES TO SMES

DKKm	2017	2016
Business entities etc.	18,152	17,921
Retail customers	14,447	14,478
Exposures secured by mortgage on real property	1,237	1,333
Total	**33,836**	**33,732**

Figure 6.48

7. Market risk

Developments in 2017

In 2017, the net interest rate risk was mainly positive, averaging around DKK 65 million, which is about DKK 20 million lower than in 2016.

Compared with end-2016, the net interest rate risk was reduced by DKK 26 million to DKK 55 million at end-2017. The change was driven by a decline in net interest rate risk in the trading book of DKK 44 million and a DKK 18 million increase in net interest rate risk outside the trading book.

The net portfolio of bonds was reduced by DKK 3.4 billion in 2017. In 2017, the portfolio of mortgage bonds was reduced by DKK 3.0 billion, while bonds issued by financial issuers were reduced by DKK 0.4 billion.

In addition, there was a decrease in the foreign exchange risk in 2017 compared with 2016.

Shares outside the trading book were increased by DKK 69 million to DKK 1,533 million in 2017, primarily driven by value appreciation in shares in credit and financing institutions. The shares held in the trading book increased by DKK 10 million to DKK 223 million in 2017.

TOTAL RISK EXPOSURE AMOUNT

DKK 3.2 bn

2016: DKK 3.5 bn

INTEREST RATE RISK

DKK 55 million

2016: DKK 81 million

FOREIGN EXCHANGE RISK

DKK 0.8 million

2016: DKK 2.2 million

EQUITY RISK

DKK 1,756 million

2016: DKK 1,677 million

Definition of market risk

Market risk is an umbrella heading for the risk of loss caused by changes in the value of a portfolio of financial instruments due to fluctuations in exchange rates or prices in financial markets.

Market risk breaks down into:

- Interest rate risk
- Foreign exchange risk
- Equity risk
- Commodity risk
- Option risk
- Own properties

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

7.1 MARKET RISK POLICY

The market risk policy determines Spar Nord's overall risk profile for market risk, as well as the overall organisational delegation of responsibilities in the market risk area with a view to profitably supporting Spar Nord's business model.

The policy identifies and sets limits for the various types of market risk, setting out specific limits for how much risk Spar Nord is prepared to assume. The principal market risks for Spar Nord are the credit spread risk on the Bank's bond portfolio and the Bank's interest rate risk, followed by equity risk in and outside the trading book and, lastly, very limited foreign exchange, option and commodity risks. The policy establishes the methods to be used in calculating the various risk targets.

7.2 Management, monitoring and reporting

For its management of market risks, the Bank has established a three-tier instruction hierarchy. At the first tier, the Board of Directors issues the definition of the limits for Spar Nord, which are delegated to the Executive Board. At the second tier, the Executive Board delegates limits to the other entities of Spar Nord, with Trading, Financial Markets & the International Division being the distinctly largest entity. At the third and last tier, the executives of Trading, Financial Markets & the International Division are granted the limits within which they may operate.
The Finance & Accounts Department is responsible for estimating, monitoring, controlling and reporting market risks. Market risk is calculated for the following purposes:

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

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

7.3 INTEREST RATE RISK

The interest rate risk is the risk of loss due to interest rate fluctuations. Most of Spar Nord's interest rate risks derive from activities involving ordinary banking transactions, such as deposits and lending, as well as trading and position-taking in fixed income products. Most of these activities incorporate fixed income products such as interest swaps, bonds, futures and standard interest rate options.

Spar Nord's interest-rate risk both within and outside the trading book is calculated on the basis of duration and agreed cash flow. For managing its portfolio of callable Danish mortgage bonds, Spar Nord uses model-based key risk indicators that provide for the inherent option component. As concerns interest rate options, the above-mentioned key indicators are supplemented by the most important risk factors expressing sensitivity of the option premium on changes in the underlying parameters.

The interest rate risk is assessed on a daily basis, and decisions are made in light of expectations for macroeconomic developments and cyclical trends. Spar Nord converts the interest rate risk in foreign currencies into Danish kroner and offsets the negative interest rate risk against the positive one to calculate the net interest rate risk.

7.3.1 INTEREST RATE RISK DEVELOPMENTS

Figure 7.1 shows the total net interest rate risk that Spar Nord will encounter if interest rates rise by 1 percentage point. This implies a parallel shift of all yield curves.

DEVELOPMENTS IN NET INTEREST RATE RISK
(DKKM)

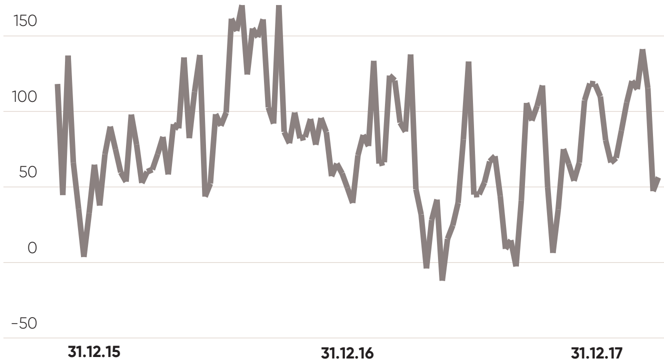


Figure 7.1

Spar Nord's net interest rate risk was mainly positive in 2017 as Spar Nord was exposed to a drop in market interest rates.

Figure 7.2 shows the percentage impact of Spar Nord's interest rate risk on shareholders' equity on a 1 percentage point upward shift in the yield curve. A positive interest rate risk will have a negative impact on equity.

IMPACT OF INTEREST RATE RISK ON SHAREHOLDERS' EQUITY
(%)

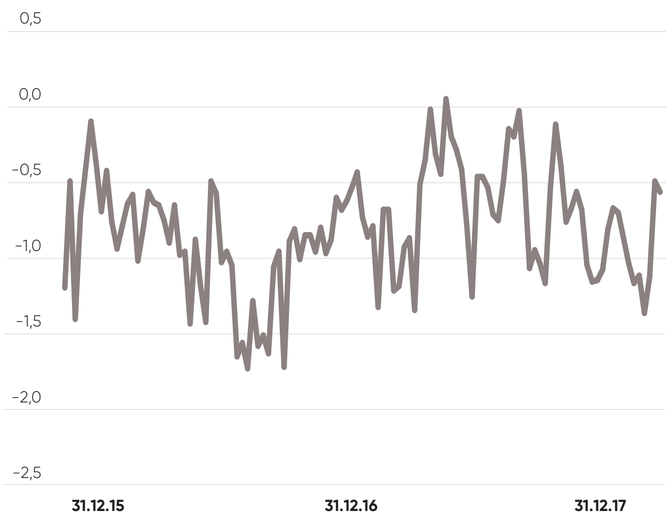


Figure 7.2

In addition, Spar Nord calculates the interest rate risk relative to duration and exchange rates. This shows the risk of changes for a given time interval on the yield curve. Figure 7.3 shows the interest rate risk broken down on the individual time intervals, given a 1 percentage point increase in interest rates.

INTEREST-RATE RISK BY DURATION AND CURRENCY

2017 Millions	Less than 3 months	3 months – 1 year	1 year – 3 years	3 years – 7 years	More than 7 years	Total
DKK	8	6	19	30	14	77
EUR	-1	-1	-6	-10	-10	-28
Other	2	1	1	1	0	5
Total	**10**	**6**	**14**	**21**	**4**	**55**

2016 Millions	Less than 3 months	3 months – 1 year	1 year – 3 years	3 years – 7 years	More than 7 years	Total
DKK	13	-8	6	14	55	79
EUR	3	4	-13	-1	7	0
Other	2	0	0	1	0	2
Total	**18**	**-4**	**-8**	**13**	**62**	**81**

Figure 7.3

As shown in figure 7.3, at end-2017, Spar Nord was exposed to a positive interest rate risk in DKK and a negative interest rate risk in EUR.

7.3.2 INTEREST RATE RISK IN THE TRADING BOOK

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

INTEREST RATE RISK IN THE TRADING BOOK

2017 Millions	Less than 3 months	3 months – 1 year	1 year – 3 years	3 years – 7 years	More than 7 years	Total
DKK	6	8	17	22	14	67
EUR	-1	-1	-7	-11	-11	-30
Other	3	0	1	1	0	4
Total	**8**	**8**	**10**	**12**	**3**	**41**

2016 Millions	Less than 3 months	3 months – 1 year	1 year – 3 years	3 years – 7 years	More than 7 years	Total
DKK	11	-3	8	13	54	83
EUR	3	4	-13	-2	7	0
Other	2	0	0	1	0	2
Total	**16**	**1**	**-5**	**12**	**61**	**85**

Figure 7.4

As appears from figure 7.4, the interest rate risk attaching to the trading book amounted to DKK 41 million at end-2017, which is a DKK 44 million reduction of the positive net interest rate risk compared with end-2016.

7.3.3 INTEREST RATE RISK OUTSIDE THE TRADING BOOK

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

INTEREST RATE RISK OUTSIDE THE TRADING BOOK

2017 Millions	Less than 3 months	3 months – 1 year	1 year – 3 years	3 years – 7 years	More than 7 years	Total
DKK	3	-2	2	7	0	10
EUR	0	0	1	1	0	2
Other	0	0	0	1	0	1
Total	**3**	**-2**	**3**	**9**	**1**	**14**

2016 Millions	Less than 3 months	3 months – 1 year	1 year – 3 years	3 years – 7 years	More than 7 years	Total
DKK	2	-4	-3	1	1	-4
EUR	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	**2**	**-4**	**-3**	**1**	**1**	**-4**

Figure 7.5

Figure 7.5 shows the net interest rate risk outside the trading book, given a 1 percentage point increase in interest rates broken down by duration and currency. The interest rate risk outside Spar Nord's trading book was positive in the amount of DKK 14 million at end-2017, against a negative interest rate risk of DKK 4 million at end-2016, equal to a change of DKK 18 million.

7.3.4 OTHER INTEREST RATE RISK TARGETS

Spar Nord has defined targets for changes in the yield structure as the general interest rate risk target assumes a parallel shift of the entire yield curve. Spar Nord also measures the convexity risk on interest-bearing debt instruments. Duration as a basis for the general interest rate risk target expresses the slope of the price curve, and convexity expresses the slope of the yield curve.

Spar Nord measures the inherent credit spread risk on the bond portfolio using a stress scenario relative to the duration of the individual bond or the option-adjusted duration.

7.3.5 BOND PORTFOLIO

Spar Nord's bond portfolio is composed of 87.0% mortgage bonds, 5.9% bonds from financial issuers, 2.5% from corporate bonds and 4.6% government bonds.

The overall reduction in the bond portfolio of about DKK 3.4 billion is composed of proceeds from the net sale of mortgage worth a total of DKK 3.0 billion, while bonds from financial issuers were reduced by DKK 0.4 billion.

BOND PORTFOLIO BY ISSUER TYPE *)

DKKm/%	2017	2016	2017	2016
Mortgage bonds	9,339	12,299	87.0	86.8
Financial issuers	637	1,068	5.9	7.5
Credit bonds	271	271	2.5	1.9
Government bonds	494	543	4.6	3.8
Total bonds	**10,741**	**14,181**	**100.0**	**100.0**

*) Bond portfolio plus spot and forward purchases and sales

Figure 7.6

At end-2017, 87.9% of the Spar Nord's bond portfolio had an AA rating or better.

BOND PORTFOLIO BY RATING *)

DKKm/%	2017	2016	2017	2016
AAA	9,207	12,584	85.7	88.8
AA	232	158	2.2	1.1
A	984	824	9.2	5.8
BBB	97	388	0.9	2.7
BB	76	73	0.7	0.5
B	10	15	0.1	0.1
CCC	1	1	0.0	0.0
CC	0	0	0.0	0.0
C	0	0	0.0	0.0
Not rated	133	138	1.2	1.0
Unallocated	0	0	0.0	0.0
Total	**10,741**	**14,181**	**100.0**	**100.0**

*) Bond portfolio plus spot and forward purchases and sales

Figure 7.7

BREAKDOWN OF BONDS

2017

DKKm/%	Origin	Rating group		
Mortgage bonds	Danmark	AAA	8,721	81.2
		A	404	3.8
		Unrated	6	0.1
	Sverige	AAA	148	1.4
	Norge	AAA	61	0.6
			9,339	**87.0**
Financial issuers	Danmark	AA-A	584	5.4
		BBB-Unrated	35	0.3
	Norge	BBB	7	0.1
	Sverige	AA-BBB	4	0.0
	Tyskland	A	3	0.0
	Østrig	BB	2	0.0
	Frankrig	BBB	1	0.0
	Andre	A-Unrated	2	0.0
			637	**5.9**
Credit bonds	Danmark	BBB-Unrated	96	0.9
	Andre	AA-Unrated	175	1.6
			271	**2.5**
Government bonds	Danmark	AAA-AA	417	3.9
	Europa	AAA-AA	77	0.7
			494	**4.6**
Total			**10,741**	**100.0**
Own bonds	Danmark	Unrated	11	

BREAKDOWN OF BONDS

2016

DKKm/%	Origin	Rating group		
Mortgage bonds	Danmark	AAA	11,984	84.6
		A	104	0.7
		Unrated	7	0.0
	Sverige	AAA	205	1.5
			12,299	**86.8**
Financial issuers	Danmark	AA-A	579	4.1
		BBB-Unrated	309	2.2
	Sverige	AA-BBB	11	0.1
	Norge	BBB	3	0.0
	Finland	A-BBB	156	1.1
	Luxembourg	A	6	0.0
	Tyskland	A	1	0.0
	Andre	BBB-Unrated	2	0.0
			1,068	**7.5**
Credit bonds	Danmark	BBB-Unrated	113	0.8
	Andre	BBB-Unrated	157	1.1
			271	**1.9**
Government bonds	Danmark	AAA-AA	515	3.6
	Europa	AAA	28	0.2
			543	**3.8**
Total			**14,181**	**100.0**
Own bonds	Danmark	Unrated	11	

Figure 7.8

7.4 FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk of loss on positions in foreign currency due to exchange rate fluctuations. Currency options are included in the calculation at the Delta-adjusted position.

The foreign exchange risk is illustrated in figure 7.9. The calculation is based on the assumption that all exchange rates develop unfavourably for Spar Nord by 2%.

CURRENCY

DKKm	Currency position 2017	Currency position 2016	Currency position 2017	Currency position 2016
EUR	15	42	0.3	0.8
SEK	0	1	0.0	0.0
USD	2	29	0.0	0.6
GBP	2	6	0.0	0.1
CHF	1	3	0.0	0.1
NOK	7	10	0.1	0.2
JPY	4	1	0.1	0.0
Other currencies	7	20	0.1	0.4
Total	**38**	**112**	**0.8**	**2.2**

Figure 7.9

Figure 7.9 shows that the foreign exchange risk at end-2017 amounted to DKK 0.8 million, equal to a risk reduction of DKK 1.4 million compared with end-2016. The change was caused by a reduced foreign exchange position in most currencies.

7.5 EQUITY RISK

Equity risk is the risk of losses caused by changes in equity prices. Equity positions are the calculated net value of long and short equity positions and equity-related instruments.

The calculation of equity positions is broken down by positions in and outside the trading book.

7.5.1 SHARES IN THE TRADING BOOK

Shares in the trading book are held for trading purposes.

Figure 7.10 shows that the holding of shares in the trading book increased from DKK 213 million at end-2016 to DKK 223 million at end-2017. The increase in the Bank's portfolio of unlisted shares was due to a change in MIFID regulation, with unit certificates now often being available both as listed and unlisted securities.

EQUITY RISK IN THE TRADING BOOK

DKKm	2017	2016
Listed shares forming part of the trading portfolio	199	206
Unlisted shares forming part of the trading portfolio	24	7
Total	**223**	**213**

Figure 7.10

7.5.2 SHARES OUTSIDE THE TRADING BOOK

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

Shares in strategic partners in the financial sector are shares in companies whose purpose is to support financial institutions' transactions in the fields of mortgage credit, payment services, unit trusts, etc. Participation in the companies in question is considered a prerequisite for Spar Nord's operations.

In several of the sector companies, the shares are reallocated to the effect that the ownership interest of the respective institution will reflect its business volume with the sector company.

The shares are typically reallocated on the basis of the sector company's equity value. In light of this, Spar Nord adjusts the recognised value of these shares when new information is available that warrants a change of fair value measurement. In other sector companies, the shares are not reallocated, but are measured based on a fair value corresponding to the net asset value or another recognised valuation method (including discounting of cash flows and market expectations with respect to equity return requirements). The adjustments of the values of the shares in these companies are recognised in the income statement.

EQUITY RISK OUTSIDE THE TRADING BOOK

DKKm	2017	2016
Shares in credit and financing institutions	1,251	1,135
Shares in unit trust man. companies	88	78
Shares in pension institutions	2	2
Shares in data supplier	0	42
Other equities	65	88
Total shares in strategic business partners	**1,405**	**1,346**
Realised gain	46	46
Unrealised gain	91	65
Associates	128	118
Total	**1,533**	**1,464**

Figure 7.11

The total holding of shares outside the trading book increased by DKK 69 million to DKK 1,533 million at end-2017.

7.6 COMMODITY RISK

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

7.7 OPTION RISK

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

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

7.8 SENSITIVITY ANALYSIS

Figure 7.12 shows how Spar Nord's income statement will be impacted if interest rates change, if share prices drop or if all exchange rates develop unfavourably.

SENSITIVITY ANALYSIS *)

	Impact on equity		Impact on operating profit	
	% 2017	% 2016	DKKm 2017	DKKm 2016
Interest rate increase of 1 %-point	-0.4	-0.9	-32	-66
Interest rate decrease of 1 %-point	0.4	0.9	32	66
Share price decrease of 10%	-0.2	-0.2	-17	-16
Decline in fair value of 10% for shares outside the trading book	-1.5	-1.5	-120	-114
Unfavourable 2% exchange rate fluctuation	0.0	0.0	-1	-2

*) The sensitivity information shows the impact of isolated changes in interest rates in the trading book, while the impact of changes in exchange rates and the share portfolio is shown for positions both in and outside the trading book. The impact on the operating profit and the impact on equity are calculated after tax.

Figure 7.12

It appears from figure 7.12 that the impact of an interest rate increase will be a loss equal to 0.4% of shareholders' equity. Furthermore, the effect of a 10% decline in the value of the share portfolio both in and outside the trading book will be a loss equal to 1.7% of shareholders' equity.

7.9 OWN PROPERTIES

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

Operating expenses and maintenance costs are calculated based on the condition of the individual property, construction year, materials used, etc. The fair value of the property is determined based on the calculated return on its operation and the individually determined rate of return. The return rate is fixed on the basis of the location of the individual property, potential use, the state of maintenance, etc.

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

In 2017, positive value adjustments totalling DKK 11 million were made on domicile properties, such adjustments being recognised directly in equity under other comprehensive income. Impairment losses totalling DKK 4 million (net) have been recognised under depreciation and impairment in the income statement. Reference is made to Spar Nord's Annual Report for a more detailed description of the accounting treatment of properties.

Figure 7.13 shows Spar Nord's properties broken down by the rates of return.

YIELD/RETURN

	2017		2016	
	No. of properties	Year-end value	No. of properties	Year-end value
-> 7%	11	165	10	154
7% - 8%	15	333	18	345
8% - 9%	12	122	15	147
9% ->	1	2	3	7
Total	**39**	**621**	**46**	**654**

Figure 7.13

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

Other things being equal, an increase of the required rate of return of 0.5 percentage point will reduce the fair value by DKK 41 million at end-2017 against DKK 43 million at end-2016.

Other things being equal, an increase of the rent level of 5% will reduce the fair value by DKK 28 million at end-2017 against DKK 29 million at end-2016.

8. Operational risk

Developments in 2017

In 2017, the Bank focused on improving the level of competencies and increasing awareness of new systems with a view to reducing operational risk.

In 2017, there was an overall decline in external fraud, although there was a substantial increase in card abuse. Developments in the world around us include increased digitalisation, and for Spar Nord this calls for enhanced focus on cyber crime and external fraud on Spar Nord's self-service systems.

TOTAL RISK EXPOSURE AMOUNT

DKK 5.7 bn

2016: DKK 5.7 bn

Definition of operational risk

Operational risk is understood as the risk of loss that results from inefficient or deficient internal procedures, from human or systemic errors or from external events, including legal risks.

Model risk, which is the risk of loss as a consequence of decisions based mainly on output from internal models and occurring due to errors in the development, implementation or use of such models, is also defined as operational risk.

Operational risks are categorised on the basis of the seven event types defined by Basel III:

- employment practices and workplace safety
- external fraud
- business disruption and systems failures
- internal fraud
- clients, products and business practice
- execution/delivery and process management
- damage to physical assets

8.1 OPERATIONAL RISK POLICY

Spar Nord's Board of Directors has defined a policy for operational risk, the aim of which is to provide an overview of Spar Nord's operational risk and thus to minimise the number of errors and losses.

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

8.2 MANAGEMENT, MONITORING AND REPORTING

All of Spar Nord's activities are subject to operational risk. The Bank strives to limit the operational risk level as much as possible.

Operational risk is managed across Spar Nord through a comprehensive system of business procedures and control measures developed to ensure an optimum process environment. Efforts to minimise operational risks include separating the execution and the management of activities.

The Legal Department is charged with handling operational risk, a responsibility that includes the role as risk facilitator.

Responsibility for dealing with risks lies with the units responsible for the relevant business activities, the risk owners.

Throughout Spar Nord, events that result in a loss of more than DKK 10,000 are recorded and categorised, and identified risks are recorded on an ongoing basis, followed up by reporting to the Chief Risk Officer, the Executive Board and the Board of Directors.

Scenarios are prepared for risks that may result in potential losses of more than DKK 10 million.

Reports are submitted quarterly to the Executive Board and the risk owners, and an annual risk report is submitted to the Board of Directors. Actual and potential loss events exceeding DKK 1 million are reported on an ongoing basis to both the Executive Board and the Board of Directors.

In the quarterly reports, the risk owners are informed about the loss events and new risks identified for the relevant business area during the period under review.

The systematic registration and categorisation of loss events provide an overview of sources of loss and the experience base which the Bank uses proactively in its management of operational risks.

8.3 LOSS EVENTS

Spar Nord's operational loss events are primarily the result of external fraud; clients, products and business practices; and execution/delivery and process management.

External fraud accounted for 49% in 2017; clients, products and business practice represented 18%; and execution/delivery and process management made up 33% of the Bank's loss events. The breakdown on these loss events was 54%, 28% and 18%, respectively, in 2016. The majority of loss events consist of events with a minor financial impact. External fraud includes events like card abuse and online banking fraud.

NO. OF OPERATIONAL LOSS EVENTS BROKEN DOWN BY RISK TYPE
(%)

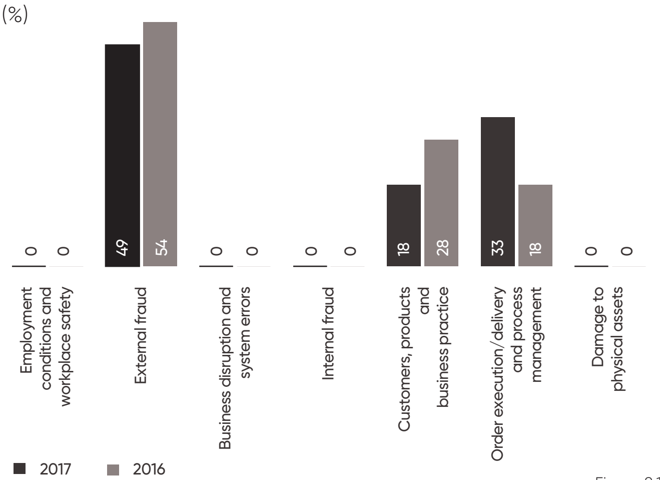


Figure 8.1

A breakdown of the Bank's operational risk events by amounts in 2017 shows that external fraud accounted for 34%, clients products and business practice 31% and order execution and process management 35%. The breakdown on these loss events in 2016 was 37%, 37% and 22%, respectively.

OPERATIONAL LOSS AMOUNTS BROKEN DOWN BY RISK TYPE
(%)

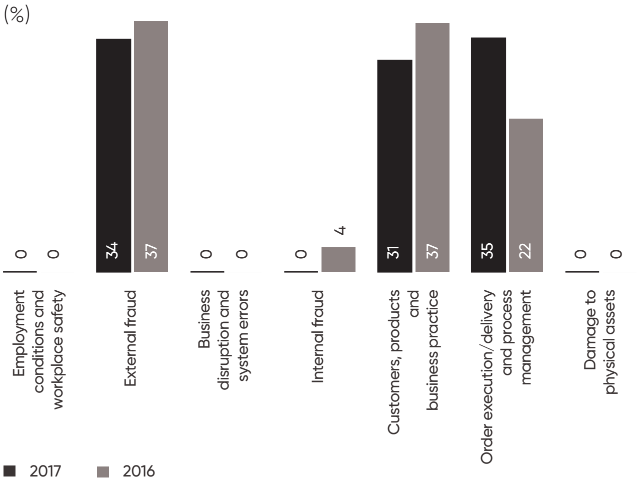


Figure 8.2

In view of the regular reporting provided to Spar Nord's Board of Directors and Executive Board, Management believes that the Bank has satisfactory measures to counter the risk of being exposed to fraud.

8.4. IT SECURITY

Information and information systems are vital to Spar Nord, and IT security is therefore essential to the Bank's credibility and continued existence. An IT security function has been established, and Spar Nord's Executive Board and Board of Directors regularly review the Bank's IT security.

The work of the IT security function is based on a defined security and risk level aimed at ensuring that the Bank's day-to-day business and activities are consistently supported by a secure and reliable IT infrastructure. The IT security function is responsible for complying with the adopted IT security level and the Spar Nord Group's IT contingency plan. The IT security function contributes to ensuring and controlling that Spar Nord's IT activities to the best possible extent are protected against internal and external threats. The IT security function is thus charged with ensuring compliance with legislative and sector-specific requirements, Spar Nord's own requirements and customer expectations in terms of Spar Nord's availability, confidentiality and integrity.

Spar Nord's activity in the area of IT security is based on regulatory requirements as well as considerations for day-to-day operations. All IT installations running at Spar Nord and its service providers must operate according to documented schedules and guidelines. The operation must be secure and stable, a requirement ensured through the highest possible degree of automation and ongoing capacity adjustments. IT services run by external service providers must be based on written agreements. The Bank's IT security efforts include the preparation of contingency plans and recovery procedures and periodic test of such measures aimed to ensure continued operation at a satisfactory level in the case of extraordinary events.

The IT security function also promotes in-house knowledge of IT security by regularly arranging awareness activities. In 2017, the function teamed up with the HR department to conduct a large-scale awareness event involving all of the Bank's employees and dedicated to general IT security and cyber security. In addition, the IT security function held an event for a representative group of employees focusing on phishing.

8.5 COMPLIANCE RISK

Operational risk also includes compliance risk, which is the risk associated with non-compliance with applicable legislation, market standards and ethical standards. The compliance function is thus charged with assisting the Management in identifying compliance risks in order to mitigate the risk of sanctions being imposed on the Bank, a risk of loss of reputation or that the Bank or its customers suffer material financial losses. The Bank has defined a policy for the compliance function setting out the function's objective, risk profile and strategy.

The Bank also retains a strong focus on anti-money-laundering (AML) measures, including the risk-mitigating measures that must be implemented to prevent the Bank from being used for money-laundering activities and terrorism financing purposes.

The Bank's AML function is charged with ensuring that the Bank complies with the Danish Act on Measures to Prevent Money Laundering and Financing of Terrorism, EU Funds Transfer Regulation and EU anti-terrorism regulations. The AML function is anchored in the Legal Department and reports directly to the Executive Board and Board of Directors.

In 2017, the AML function focused on optimising the Bank's existing KYC systems and processes, increased transaction monitoring, training of the Bank's employees and registration of beneficial owners as a result of new requirements under the new act on anti-money laundering.

9. Risk statement

Spar Nord's Board of Directors approved Spar Nord's 2017 Risk Report on 8 February 2018.

The Board of Directors believes Spar Nord's risk management complies with applicable rules and standards, is appropriate and effective, and is consistent with Spar Nord's business model. In addition, in the opinion of the Board of Directors, Spar Nord's risk management systems are appropriate given Spar Nord's risk appetite and strategy, thus ensuring a going concern.

We believe that Spar Nord's general risk profile with respect to the business strategy, business model and key performance indicators provides a fair representation of Spar Nord's risk management, including of the adopted risk profile and risk appetite.

The Board of Directors' assessment is based on the business model and strategy adopted by it, and materials and reports submitted to it by the Executive Board, the Internal Audit Department, Spar Nord's Risk Review Officer and Compliance Officer.

The core of Spar Nord's strategy, vision and fundamental values is for Spar Nord to be a strong and attractive bank for retail customers and small and medium-sized businesses in the local communities in which the Bank is present. Spar Nord strives to run a profitable business based on a pricing of its products that reflects the risk and capital tie-up that Spar Nord assumes. Spar Nord wants to maintain suitable and robust own funds supporting the business model at all times, based on an overall assessment of the business volume with customers and counterparties.

The Board of Directors' review of Spar Nord's business model and policies shows that the general requirements in respect of the individual risk areas are appropriately reflected in policies and specified limits, including in the Board of Directors' guidelines to the Executive Board, and powers delegated to other organisational units. The specified limits are believed to be defined in a way making them transparent and controllable.

In addition, the review shows that the actual risks are within the limits laid down in the individual policies and powers delegated, and in this light the Board of Directors believes that there is a correlation between business model, policies, guidelines and the actual risks within the individual areas.

More information and key performance indicators for Spar Nord's risk profile can be found in this Risk Report and in the risk sections of the Annual Report.

BOARD OF DIRECTORS

Kjeld Johannesen
Chairman of the Board of Directors

Per Nikolaj Bukh
Deputy Chairman of the Board of Directors

Kaj Christiansen

Morten Bach Gaardboe

Laila Mortensen

Ole Skov

Jannie Skovsen

Gitte Holmgaard Sørensen

John Sørensen

10. Appendix

APPENDIX A

Spar Nord's disclosure obligations

Subject	Location of information
Risk and risk management	Annual report 2017, pp. 23-24 https://www.sparnord.com/en/investor-relations/financial-communication/risk-reports/
Organisation and corporate governance	Annual report 2017, pp. 25-30 https://www.sparnord.com/en/investor-relations/financial-communication/risk-reports/
Remuneration policy	https://www.sparnord.com/investor-relations/organisation/governance/

APPENDIX B

Balance Sheet Reconciliation Methodology

Capital base	31 December
DKK m	**2017**
Shareholders' equity according to balance sheet	8,960
Regulation according to limit for holdings own capital instruments	-25
Provision for dividend	-431
Deduction Tier 1 capital included in equity	-846
Indirect holdings of own capital instruments	-1
Additional value adjustments	-16
Goodwill	-196
Tax - Goodwill	27
Deferred tax assets	0
Intangible assets	-25
Tax - Intangible assets	6
Deduction insignificant capital shares - CET1	-331
Common Equity Tier 1 capital	**7,123**
Tier 1 capital	843
Deduction insignificant capital shares - Tier 1	-41
Total Tier 1 capital	**7,924**
Tier 2 instruments	1,133
Deduction insignificant capital shares - Tier 2	-41
Total Tier 2 capital	**1,092**
Total capital base	**9,016**

APPENDIX C

Capital instruments

Capital instruments' main features template (1)					
1	Issuer	Spar Nord Bank A/S	Spar Nord Bank A/S	Spar Nord Bank A/S	Spar Nord Bank A/S
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement	DK0030362512	DK0030330311	NO0010808033	DK0030386297
3	Governing law(s) of the instrument	Danish	Danish	Danish	Danish
	Regulatory treatment				
4	Transitional CRR rules	Additional Tier 1	Tier 2	Tier 2	Additional Tier 1
5	Post-transitional CRR rules	Additional Tier 1	Tier 2	Tier 2	Additional Tier 1
6	Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated	Solo & Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 51, 52	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Additional Tier 1 as published in Regulation (EU) No 575/2013 article 51, 52
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	DKK 400m	DKK 700m	DKK 454m	DKK 450m
9	Nominal amount of instrument	DKK 400m	DKK 700m	SEK 600m	DKK 450m
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost
11	Original date of issuance	10/Jun/15	18/Dec/13	18/Oct/17	06/Dec/16
12	Perpeptual or dated	Perpetual	Dated	Dated	Perpetual
13	Original maturity date	No maturity	18/Dec/23	18/Oct/27	No maturity
14	Issuer call subjet to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	10-Jun-20 100 per cent of Nominal amount In addition Tax/Regulatory call	18-Dec-18 100 per cent of Nominal amount In addition Tax/Regulatory call	18-Oct-22 100 per cent of Nominal amount In addition Tax/Regulatory call	6-Dec-21 100 per cent of Nominal amount In addition Tax/Regulatory call
16	Subsequent call dates, if applicable	10-Jun and 10-Dec each year after first call date	18-Mar, 18-Jun, 18-Sep and 18-Dec each year after first call date	18-Jan, 18-Apr, 18-Jul and 18-Oct each year after first call date	6-Jun and 6-Dec each year after first call date
	Coupons / dividends				
17	Fixed or floating dividend/coupon	Fixed to floating	Floating	Floating	Fixed to floating
18	Coupon rate and any related index	Fixed 6.052 per cent per annum, until first call date. Thereafter floating Cibor 6-month +5.40 per cent per annum	Floating Cibor 3-month + 3.90 per cent per annum	Floating Stibor 3-month + 2.50 per cent per annum	Fixed 5.5 per cent per annum, until first call date. Thereafter floating Cibor 6-month +5.166 per cent per annum
19	Existence of a dividend stopper	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing	Fully discretionary	Mandatory	Mandatory	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specifiy instrument type convertible into	N/A	N/A	N/A	N/A
29	If convertible, specifiy issuer of instrument it converts into	N/A	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes	Yes

Fortsættes næste side

APPENDIX C

Capital instruments

31	If write-down, write-down trigger (s)	When core tier 1 ratio ti below 5 1/8 percent.	When the point of non-viability is reached. The national reslution authority determines if the institution meets the condition: a i The institution has incurred/ is likely to incur in a near future losses depleting all or subsantially all its own funds; and/or ii. the asset are/will be in a near future less than its liabilities; and/ or iii. The institution is/will be in a near future unable to pay its obligations; and/ or iv. the institution requires public financial support; b. there is no reasonable prospect that a private action would prevent the failure; and c. a resolution action is necessary in the public interest.	When the point of non-viability is reached. The national reslution authority determines if the institution meets the condition: a i The institution has incurred/ is likely to incur in a near future losses depleting all or subsantially all its own funds; and/or ii. the asset are/ will be in a near future less than its liabilities; and/or iii. The institution is/will be in a near future unable to pay its obligations; and/or iv. the institution requires public financial support; b. there is no reasonable prospect that a private action would prevent the failure; and c. a resolution action is neces-sary in the public interest.	When core tier 1 ratio is below 5 1/8 percent.
32	If write-down, full or partial	Full or Partially	Full or Partially	Full or Partially	Full or Partially
33	If write-down, permanent or temporary	Temporary	Permanent	Permanent	Temporary
34	If temporary write-down, description of write-up mechanism	The notes may be reinstated at the Issuer's discretion out of relevant profits, subject to certain restrictions	N/A	N/A	The notes may be reinstated at the Issuer's discretion out of relevant profits, subject to certain restrictions
35	Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Tier 2	Senior debt	Senior debt	Tier 2
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specifiy non-compliant features	N/A	N/A	N/A	N/A

(1) 'N/A' inserted if the question is not applicable

APPENDIX D

Transitional own funds

Common Equity Tier 1 capital: Instruments and reserves (1)		31 December 2017 DKKm	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1	Capital instruments and the related share premium accounts	1,230	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: Instrument type 1		EBA list 26 (3)	
	of which: Instrument type 2		EBA list 26 (3)	
	of which: Instrument type 3		EBA list 26 (3)	
2	Retained earnings	5,806	26 (1) (c)	
3	Accumulated other comprehensive income (and any other reserves)	94	26 (1)	
3a	Funds for general banking risk		26 (1) (f)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
	Public sector capital injections grandfathered until 1 January 2018		483 (2)	
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	559	26 (2)	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	7,689		
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-16	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-188	36 (1) (b), 37, 472 (4)	
9	Empty set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 472 (5)	
11	Fair value reserves related to gains or losses on cash flow hedges		33 (a)	
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b) (c)	
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-31	36 (1) (f), 42, 472 (8)	
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-331	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	

APPENDIX D

Transitional own funds

19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91	
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
24	Empty set in the EU			
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Forseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre CRR treatment			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468			
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR		481	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-566		
29	Common Equity Tier 1 (CET1) capital	7,123		
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	850	51, 52	
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
	Public sector capital injections grandfathered until 1 january 2018		483 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	

APPENDIX D

Transitional own funds

35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	850		
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-7	52 (1) (b), 56 (a), 57, 475 (2)	
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	56 (b), 58, 475 (3)	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-41	56 (c), 59, 60, 79, 475 (4)	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (ie. CRR residual amounts)			
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)	
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR		467, 468, 481	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-48		
44	Additional Tier 1 (AT1) capital	802		
45	Tier 1 capital (T1 = CET1 + AT1)	7,924		
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	1,151	62, 63	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
	Public sector capital injections grandfathered until 1 january 2018		483 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88, 480	
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)	
50	Credit risk adjustments		62 (c) & (d)	

APPENDIX D

Transitional own funds

51	Tier 2 (T2) capital before regulatory adjustment	1,151		
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-18	63 (b) (i), 66 (a), 67, 477 (2)	
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-41	66 (c), 69, 70, 79, 477 (4)	
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)		66 (d), 69, 79, 477 (4)	
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)	
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
57	Total regulatory adjustments to Tier 2 (T2) capital	-59		
58	Tier 2 (T2) capital	1,092		
59	Total capital (TC = T1 + T2)	9,016		
60	Total risk-weighted assets	49,546		
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	14.4%	92 (2) (a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	16.0%	92 (2) (b), 465	
63	Total capital (as a percentage of total risk exposure amount)	18.2%	92 (2) (c)	
64	Institution-specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	1.3%	CRD 128, 129, 140	
65	of which: capital conservation buffer requirement	1.3%		
66	of which: countercyclical buffer requirement	0.0%		
67	of which: systemic risk buffer requirement	0.0%		

APPENDIX D

Transitional own funds

67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	9.9%	CRD 128	
69	[non-relevant in EU regulation]			
70	[non-relevant in EU regulation]			
71	[non-relevant in EU regulation]			
Amounts below the thresholds for deduction (before risk-weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	745	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	418	36 (1) (i), 45, 48, 470, 472 (11)	
74	Empty set in the EU			
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)		62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)				
80	- Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) & (5)	
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (3), 486 (2) & (5)	
82	- Current cap on AT1 instruments subject to phase-out arrangements		484 (4), 486 (3) & (5)	
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	
84	- Current cap on T2 instruments subject to phase-out arrangements		484 (5), 486 (4) & (5)	
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	
(1) 'N/A' inserted if the question is not applicable				

APPENDIX E

Institution-specific countercyclical capital buffer 2017

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

	Breakdown by country:	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
		Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
		010	020	030	040	050	060	070	080	090	100	110	120
010	Denmark	51,906,170,814		12,766,011,363				3,161,527,520	120,783,371		3,282,310,891	0.976	0.0%
	Sweden	504,034,736		154,071,606				21,195,671	1,546,041		22,741,711	0.007	2.0%
	Germany	448,654,519		573,793,337				8,725,304	2,610,397		11,335,700	0.003	0.0%
	Norway	158,564,188		86,195,902				4,291,822	2,472,567		6,764,389	0.001	2.0%
	United Kingdom	135,071,043		103,343,341				5,784,656	2,838,720		8,623,377	0.002	0.0%
	Luxembourg	129,675,742		11,084,472				9,991,918	686,500		10,678,418	0.003	0.0%
	USA	96,048,199		13,449,446				4,172,787	959,689		5,132,476	0.001	0.0%
	Switzerland	94,624,980		4,435,482				4,165,008	291,708		4,456,716	0.001	0.0%
	Spain	51,402,843						3,769,884	-		3,769,884	0.001	0.0%
	Faroe islands	39,011,002						3,077,367	-		3,077,367	0.001	0.0%
	Netherlands	25,701,407		175,267				1,270,708	14,021		1,284,729	0.000	0.0%
	Poland	25,061,872						2,227,289	-		2,227,289	0.001	0.0%
	Belgium	22,606,601						613,900	-		613,900	0.000	0.0%
	Finland	15,415,296						872,555	-		872,555	0.000	0.0%
	France	13,379,437						884,878	-		884,878	0.000	0.0%
	Czech Republic	646,368						159,150	-		159,150	0.000	0.5%
	Slovakia	30,380						1,823	-		1,823	0.000	0.5%
	Hong Kong	1,918,434						49,306	-		49,306	0.000	1.5%
	Iceland	2,727,720						209,940	-		209,940	0.000	1.3%
	Other countries	89,797,161		1,923,963				5,419,314	153,917		5,573,231	0.002	0.0%
020		**53,760,542,744**		**13,714,484,179**				**3,238,410,800**	**132,356,931**		**3,370,767,731**	**1.000**	

	Amount of institution-specific countercyclical capital buffer	010
010	Total risk exposure amount	49,545,643,904
020	Institution specific countercyclical buffer rate	0.02%
030	**Institution specific countercyclical buffer requirement**	**8,697,668**

APPENDIX F

CRR Leverage Ratio

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		
		Applicable Amounts
1	Total assets as per published financial statements	80,366,590,567
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	0
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	0
4	Adjustments for derivative financial instruments	720,136,081
5	Adjustments for securities financing transactions "SFTs"	12,766,335
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	13,175,216,489
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	0
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0
7	Other adjustments	-614,627,072
8	Total leverage ratio exposure	**93,660,082,401**
Table LRCom: Leverage ratio common disclosure		
		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	68,264,621,312
2	(Asset amounts deducted in determining Tier 1 capital)	-614,627,072
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	67,649,994,240
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	1,029,512,718
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	720,136,081
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	374,999,090
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-44,077,614
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	Total derivative exposures (sum of lines 4 to 10)	2,080,570,275
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	10,741,535,061
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	12,766,335
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	10,754,301,397
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	41,080,459,516
18	(Adjustments for conversion to credit equivalent amounts)	-27,905,243,027
19	Other off-balance sheet exposures (sum of lines 17 to 18)	13,175,216,489

APPENDIX F

CRR Leverage Ratio

Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposures		
20	Tier 1 capital	7,924,183,445
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	93,660,082,401
Leverage ratio		
22	Leverage ratio	8.5%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	
Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		
		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	68,264,621,312
EU-2	Trading book exposures	25,880,586,636
EU-3	Banking book exposures, of which:	42,384,034,676
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	1,025,948,837
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	160,921,256
EU-7	Institutions	799,710,789
EU-8	Secured by mortgages of immovable properties	3,287,635,285
EU-9	Retail exposures	16,018,527,520
EU-10	Corporate	16,185,626,685
EU-11	Exposures in default	1,787,579,715
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	3,118,084,589
Table LRQua: Free format text boxes for disclosure on qualitative items		

1	Description of the processes used to manage the risk of excessive leverage	Spar Nord has made several initiatives to avoid excessive leverage risk. Besides having a threshold value and procedures for calculating the leverage ratio, there are defined guidelines for the actions, that will be taken, if the leverage ratio drops to a level below the threshold. In addition, there are methods to measure the risks of excessive leverage and methods to evaluate significant changes to the leverage ratio. Excessive leverage is the risk resulting from an institution's vulnerability due to leverage or potential leverage, that may require unforeseen changes. This includes sale of assets which could result in losses or adjustments in the value of its remaining assets .
2	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers	The balance is considered stable through 2017. The Leverage Ratio has been positively affected by increased core capital, which is mainly affected by the profit of the year.

APPENDIX G

LCR disclosure

Scope of consolidation - Consolidated		Total unweighted value	Total weighted value
Currency and units - DKK			
Quarter ending on 31 Dec. 2017			
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		17,342,367,339
CASH-OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	38,745,722,408	2,617,283,786
3	Stable deposits	28,029,945,595	1,401,497,280
4	Less stable deposits	10,715,776,813	1,215,786,506
5	Unsecured wholesale funding	10,393,198,990	4,981,799,141
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0
7	Non-operational deposits (all counterparties)	10,393,198,990	4,981,799,141
8	Unsecured debt	0	0
9	Secured wholesale funding		56,584,453
10	Additional requirements	25,597,226,302	2,461,427,112
11	Outflows related to derivative exposures and other collateral requirements	93,343,744	93,343,744
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	25,503,882,558	2,368,083,368
14	Other contractual funding obligations	3,910,618,204	3,910,618,204
15	Other contingent funding obligations	153,206,656	153,206,656
16	TOTAL CASH OUTFLOWS		14,180,919,352
CASH-INFLOWS			
17	Secured lending (eg reverse repos)	10,026,200,587	1,476,048,478
18	Inflows from fully performing exposures	613,538,689	494,287,205
19	Other cash inflows	7,622,910,341	2,928,822,851
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)		0
EU-19b	(Excess inflows from a related specialised credit institution)		0
20	**TOTAL CASH INFLOWS**	18,262,649,617	4,899,158,534
EU-20a	Fully exempt inflows	0	0
EU-20b	Inflows Subject to 90% Cap	0	0
EU-20c	Inflows Subject to 75% Cap	18,262,649,617	4,899,158,534
			TOTAL ADJUSTED VALUE
21	LIQUIDITY BUFFER		17,342,367,339
22	TOTAL NET CASH OUTFLOWS		9,281,760,818
23	LIQUIDITY COVERAGE RATIO (%)		187

APPENDIX H

Asset encumbrance

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

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
130	**Collateral received by the reporting institution**	**90**	**6,633**
150	Equity instruments	0	23
160	Debt securities	90	6,600
230	Other collateral received	0	10
240	Own debt securities issued other than own covered bonds or ABSs	0	0

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**4,190**	**4,339**

APPENDIX |

Credit exposure

Credit exposure												
TERM TO MATURITY BY EXPOSURE CATEGORY	**2017**						**2016**					
	On demand	**0 - 3 mths**	**3 mths - 1 years**	**1 - 5 years**	**Over 5 years**	**Total**	**On demand**	**0 - 3 mths**	**3 mths - 1 years**	**1 - 5 years**	**Over 5 years**	**Total**
Central gov. or central banks	1,016	0	0	0	0	**1,016**	325	0	0	0	0	**325**
Regional or local authorities	0	394	818	23	49	**1,284**	6	458	312	460	55	**1,290**
Public-sector entities	0	0	111	32	133	**276**	49	0	15	113	13	**189**
Institutions	2,928	2,733	443	92	850	**7,046**	628	3,340	459	116	919	**5,461**
Corporates	359	10,391	16,684	3,075	3,600	**34,109**	4,228	5,714	12,792	2,789	4,550	**30,073**
Retail	934	3,314	10,348	16,239	8,750	**39,584**	2,187	3,034	9,118	16,464	8,326	**39,128**
Exp. secured by mortg. on imm. prop.	58	87	877	940	4,697	**6,660**	117	70	902	978	3,772	**5,838**
Exp. in default	125	40	1,076	417	433	**2,090**	257	38	239	85	131	**750**
High-risk exposures	35	16	912	66	56	**1,084**	173	33	537	293	55	**1,090**
Exp. with short-term rating	0	0	0	0	0	**0**	0	0	0	0	0	**0**
Exp. in units or CIU	0	0	0	0	1	**1**	0	0	0	0	3	**3**
Equity exposure	0	0	0	0	1,217	**1,217**	0	0	0	0	1,071	**1,072**
Other exposures	455	289	446	0	689	**1,879**	447	111	501	0	718	**1,776**
Total	**5,909**	**17,262**	**31,716**	**20,884**	**20,474**	**96,245**	**8,418**	**12,796**	**24,873**	**21,297**	**19,611**	**86,995**

APPENDIX |

Credit exposure

TOTAL CREDIT EXPOSURE BY INDUSTRY	Exposure category												
2017 Line of business - DKK m	**Central gov. or central banks**	**Regional or local authorities**	**Public-sector entities**	**Institu-tions**	**Corpo-rates**	**Retail**	**Exp. se-cured by mortg. on imm. prop.**	**Exp. in default**	**High-risk expo-sures**	**Exp. with short-term rating**	**Exp. in units or CIU**	**Equity exposure**	**Other exposures**	**Total**
Public authorities	0	1,248	0	0	4	5	0	0	0		0	0	0	**1,257**
Agriculture, hunting and forestry	0	0	0	0	1,224	1,593	214	418	65		0	1	0	**3,516**
Fisheries	0	0	0	0	46	58	8	3	2		0	0	0	**117**
Industry and raw materials extraction	0	0	0	0	2,647	1,374	37	347	1		0	29	0	**4,435**
Energy supply	0	35	271	0	1,539	765	50	26	3		0	7	0	**2,695**
Building and construction	0	0	0	0	1,820	1,493	116	161	383		0	0	0	**3,973**
Trade	0	0	0	2	3,549	2,218	117	209	1		0	4	0	**6,100**
Transport, hotels and restaurants	0	0	0	0	1,349	1,026	71	60	29		0	0	0	**2,535**
Information and communication	0	0	0	0	123	288	13	4	1		0	9	0	**439**
Financing and insurance	1,016	0	0	7,041	12,540	1,113	101	128	29		1	1,032	1,791	**24,791**
Real estate	0	0	0	0	4,157	2,155	369	373	479		0	9	0	**7,540**
Other business areas	0	0	5	0	2,450	3,131	146	76	38		0	96	0	**5,942**
Business customers, total	**1,016**	**1,283**	**276**	**7,044**	**31,448**	**15,220**	**1,243**	**1,802**	**1,031**	**0**	**1**	**1,187**	**1,791**	**63,340**
Retail customers	0	1	0	2	2,661	24,365	5,417	288	54		0	30	88	**32,905**
Total	**1,016**	**1,284**	**276**	**7,046**	**34,109**	**39,584**	**6,660**	**2,090**	**1,084**	**0**	**1**	**1,217**	**1,879**	**96,245**

TOTAL CREDIT EXPOSURE BY INDUSTRY	Exposure category												
2016 Line of business - DKK m	**Central gov. or central banks**	**Regional or local authorities**	**Public-sector entities**	**Institu-tions**	**Corpo-rates**	**Retail**	**Exp. secured by mortg. on imm. prop.**	**Exp. in default**	**High-risk expo-sures**	**Exp. with short-term rating**	**Exp. in units or CIU**	**Equity exposure**	**Other exposures**	**Total**
Public authorities	0	647	0	0	34	5	0	0	0	0	0	0	0	**686**
Agriculture, hunting and forestry	0	0	0	0	1,460	1,869	264	89	51	0	0	1	0	**3,735**
Fisheries	0	0	0	0	46	58	8	3	2	0	0	0	0	**117**
Industry and raw materials extraction	0	0	0	0	2,552	1,444	37	26	1	0	0	0	0	**4,060**
Energy supply	0	35	184	0	1,794	579	53	13	3	0	0	0	0	**2,660**
Building and construction	0	0	0	0	1,287	1,380	123	13	418	0	0	0	0	**3,221**
Trade	0	0	0	0	4,192	2,051	127	23	4	0	0	0	0	**6,397**
Transport, hotels and restaurants	0	0	0	0	1,221	983	63	13	31	0	0	0	0	**2,311**
Information and communication	0	0	0	0	78	327	13	2	0	0	0	43	0	**463**
Financing and insurance	325	0	0	5,461	8,606	504	132	45	97	0	3	947	1,776	**17,895**
Real estate	0	0	0	0	5,054	2,255	399	370	436	0	0	6	0	**8,519**
Other business areas	0	608	5	0	2,109	3,125	120	37	4	0	0	73	0	**6,082**
Business customers, total	**325**	**1,290**	**189**	**5,461**	**28,433**	**14,580**	**1,338**	**633**	**1,046**	**0**	**3**	**1,070**	**1,776**	**56,145**
Retail customers	0	0	0	0	1,640	24,548	4,500	117	45	0	0	1	0	**30,850**
Total	**325**	**1,290**	**189**	**5,461**	**30,073**	**39,128**	**5,838**	**750**	**1,090**	**0**	**3**	**1,072**	**1,776**	**86,995**

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