

Interim report Q1 2018 of Spar Nord Bank

Net profit of DKK 311 million and
return on equity of 15.0%

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INTERIM REPORT Q1 2018

SPAR NORD GROUP

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Performance indicators and financial ratios – Group

CORE EARNINGS – QUARTERLY

INCOME STATEMENT	Q1 2018	Q1 2017	Change in %	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Full year 2017
DKKm									
Net interest income *)	389	392	-0.7	389	373	388	393	392	1,546
Net fee income	290	294	-1.5	290	279	264	279	294	1,116
Market value adjustments and dividends	119	164	-27.3	119	102	18	121	164	404
Other operating income	10	11	-3.0	10	15	12	14	11	51
Income from investments in associates and group enterprises	9	13	-26.9	9	5	7	7	13	32
Core income	818	874	-6.4	818	773	688	814	874	3,150
Salaries	277	285	-2.8	277	316	247	318	285	1,165
Operating expenses	183	176	4.0	183	195	168	171	176	710
Depreciation, amortisation and impairment	15	14	3.6	15	14	18	14	14	61
Costs and expenses	474	475	-0.1	474	525	433	502	475	1,936
Core earnings before impairment	344	399	-13.8	344	248	254	312	399	1,213
Loan impairment charges etc. *)	-23	1	-	-23	13	-42	-10	1	-38
Profit/loss before tax	367	398	-7.8	367	235	297	322	398	1,251
Tax	56	81	-31.0	56	44	73	64	81	262
Profit/loss	311	317	-1.8	311	190	224	258	317	989
Of which, share attributable to interest expenses to holders of additional tier 1 (AT1) capital	12	12	-1.3	12	12	12	12	12	49
BALANCE SHEET									
DKKm									
Total assets	80,934	78,329	3.3	80,934	80,367	80,372	79,595	78,329	80,367
Loans and advances	44,866	41,189	8.9	44,866	46,747	45,471	42,407	41,189	46,747
Lending, banking and leasing activities	37,551	35,761	5.0	37,551	37,272	36,630	36,351	35,761	37,272
Lending, reverse repo transactions	7,315	5,428	34.8	7,315	9,475	8,841	6,056	5,428	9,475
Deposits	62,874	60,455	4.0	62,874	64,266	63,296	62,782	60,455	64,266
Deposits, banking activities	47,765	45,581	4.8	47,765	48,668	48,092	47,610	45,581	48,668
Deposits, repo transactions	0	0	-	0	175	0	156	0	175
Deposits in pooled schemes	15,110	14,874	1.6	15,110	15,423	15,204	15,016	14,874	15,423
Subordinated debt	1,128	1,090	3.5	1,128	1,144	1,086	1,089	1,090	1,144
Holders of additional tier 1 (AT1) capital instruments	874	877	-0.3	874	861	872	863	877	861
Equity	8,220	8,071	1.8	8,220	8,114	7,920	7,702	8,071	8,114
Contingent liabilities	11,407	11,935	-4.4	11,407	11,961	11,742	12,304	11,935	11,961
Total risk exposure amount	51,559	47,741	8.0	51,559	49,546	49,243	49,672	47,741	49,546
Tier 1 capital **)	8,055	7,374	9.2	8,055	7,924	7,777	7,369	7,374	7,924
Impairment account and discount on commitments taken over ***)	1,874	1,992	-5.9	1,874	1,616	1,708	1,901	1,992	1,616
Contractual non-performing loans	393	401	-2.0	393	341	388	401	401	341
Business volume	239,196	232,335	3.0	239,196	241,393	238,807	236,185	232,335	241,393

*) In the core earnings format in 2017, an amount was reclassified between the items Net interest income and Impairment of loans, advances and receivables, etc., which relates to the share of the discount, recognised as income, on commitments taken over. See note 3.

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

***) Spar Nord's impairment account amounts to DKK 1,874 million (Q1 2017: DKK 1,919 million) (note 6) and the discount on commitments taken over amounts to DKK 0 million (Q1 2017: DKK 73 million).

In Q1 2018, the figure is inclusive of impairment of undrawn maximum.

In accordance with the accounting policies, the comparative figures have not been restated in connection with the implementation of IFRS 9 on financial instruments at 1 January 2018.

Performance indicators and financial ratios – Group

CORE EARNINGS – QUARTERLY

FINANCIAL RATIOS	Q1 2018	Q1 2017	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Full year 2017
OWN FUNDS								
Own funds ratio *)	17.8	17.6	17.8	18.2	17.9	16.9	17.6	18.2
Tier 1 capital ratio *)	15.6	15.4	15.6	16.0	15.8	14.8	15.4	16.0
Common equity tier 1 capital ratio *)	14.0	13.8	14.0	14.4	14.2	13.2	13.8	14.4
EARNINGS								
Return on equity before tax excl. additional tier 1 (AT1) capital, % **)	4.4	4.9	4.4	2.8	3.6	4.0	4.9	15.1
Return on equity after tax excl. additional tier 1 (AT1) capital, % **)	3.7	3.9	3.7	2.3	2.7	3.2	3.9	12.0
Cost share of core income	0.58	0.54	0.58	0.68	0.63	0.62	0.54	0.61
Cost share of core income - incl. loan impairment charges, etc.	0.55	0.54	0.55	0.70	0.57	0.60	0.54	0.60
Return on assets, %	0.4	0.4	0.4	0.2	0.3	0.3	0.4	1.2
MARKET RISK AND LIQUIDITY								
Interest rate risk, %	0.8	-0.2	0.8	0.7	1.3	0.2	-0.2	0.7
Foreign-exchange position, %	1.4	3.3	1.4	3.3	5.2	3.9	3.3	3.3
Foreign-exchange risk, %	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Liquidity Cover Ratio (LCR), %	173	168	173	187	165	176	168	187
CREDIT RISK								
Loans and advances plus impairment account and discount hereon as % of deposits	74.2	71.3	74.2	75.2	74.5	70.5	71.3	75.2
Loans and advances as % of equity	5.5	5.1	5.5	5.8	5.7	5.5	5.1	5.8
Increase in loans and advances for the period, %	1.3	1.9	1.3	1.8	0.8	1.6	1.9	6.2
Sum of large exposures, % ***)	74.1	17.1	74.1	17.2	18.7	17.5	17.1	17.2
Impairment ratio, %	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1
EMPLOYEES AND BRANCHES								
Number of employees (full-time equivalents, end of period)	1,520	1,528	1,520	1,538	1,557	1,555	1,528	1,538
Number of branches	50	56	50	50	51	55	56	50
SPAR NORD SHARE								
DKK PER SHARE OF DKK 10								
Share price, end of period	72	77	72	72	78	85	77	72
Net asset value (NAV), **)	67	66	67	66	64	63	66	66
Profit/loss for the period **)	2.5	2.5	2.5	1.5	1.7	2.0	2.5	7.7
Dividend	-	-	-	-	-	-	-	3.5
Return	-	-	-	-	-	-	-	-5
Price/earnings **)	-	-	-	-	-	-	-	9

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

***) Financial ratios have been calculated as if the additional tier 1 (AT1) capital were treated as a liability.

****) In 2018, financial ratios are calculated according to new rules.

In accordance with the accounting policies, the comparative figures have not been restated in connection with the implementation of IFRS 9 on financial instruments at 1 January 2018.

Executive Summary

Spar Nord is pleased to report the first-quarter profit of DKK 311 million and return on equity of 15%. Obviously, the strong performance is partly attributable to the non-recurring income from BankInvest of DKK 74 million, but other than that we are pleased that our net interest income would appear to have stabilised following an extended period of high pressure. The reason is that the interest margin fall has finally levelled off, and also that we have recorded decent growth in our lending volume. We continue to see strong developments in our net fee income – not because we have raised our prices but because we keep on winning market share. Finally, we are pleased that our customers are so financially sound that we recorded income of DKK 23 million in our impairment account, said Spar Nord's CEO Lasse Nyby.

Spar Nord achieved a profit after tax of DKK 311 million in Q1 2018, which corresponds to an annualised return on equity of 15.0%. On a level with Q1 2017, the profit is considered satisfactory by Management.

Core income amounted to DKK 818 million in Q1 2018, which is 6% lower than in the year-earlier period. At DKK 389 million, net interest income was on a level with the year-earlier period, and the same goes for net fee income at DKK 290 million. The lower core income is thus ascribable to a DKK 45 million (27%) reduction in market value adjustments, which amounted to DKK 119 million.

Total costs and expenses amounted to DKK 474 million, which is on a level with the same period of last year. As in the preceding quarters, costs were affected by investments, primarily in the IT area. A reduction in more or less all other cost items had the opposite effect.

Core earnings before impairment were DKK 344 million, which is DKK 55 million, or 14%, lower than in Q1 2017.

Loan impairment charges etc. were a net income of DKK 23 million, which is better than expected at the beginning of the year and should be compared with impairments of DKK 1 million in the year-earlier period.

The Group's total business volume (deposits, loans, advances and guarantees, mortgage credits arranged and customers' custodianship accounts) amounted to DKK 239.2 billion at 31 March 2018, which was DKK 6.9 billion higher than at 31 March 2017. The increase covers an increase in bank lending of 5% and in mortgage lending of 5%, while deposits rose 5%, deposits under pooled schemes rose 2%, and customers' custodianship accounts fell 2%.

INCOME FROM BANKINVEST AND VALUEINVEST

The Q1 financial statements are positively influenced by an extraordinary value adjustment of DKK 74 million with respect to Spar Nord's ownership interest in BI Holding A/S (BankInvest) as a result of a changed valuation principle in BankInvest.

Moreover, Spar Nord has announced that a sale of the company Valueinvest Asset Management SA to Macquarie would result in income of approximately DKK 150 million. The amount will be recognised on closing of the transaction and is currently expected to affect Spar Nord's financial statements for Q2 2018.

OUTLOOK

As a result of information on non-recurring income from market value adjustments of BI Holding A/S in Q1 and sales proceeds from Valueinvest Asset Management SA in Q2, Spar Nord has twice in Q1 upgraded its guidance for a profit before impairment for the full-year 2018 from "about DKK 1.1 billion" to "about DKK 1.3 billion".

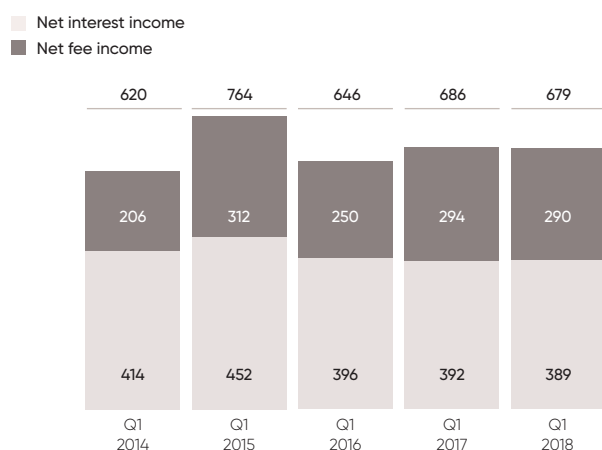
On the basis of the overall financial performance for Q1, Spar Nord retains its guidance. The net profit for the year after the two upgrades is still expected to be around DKK 1.0 billion.

Management commentary on Q1 2018

Spar Nord achieved a profit after tax of DKK 311 million in Q1 2018, which corresponds to an annualised return on equity of 15.0%. On a level with Q1 2017, the profit is considered satisfactory by Management.

Core income amounted to DKK 818 million in Q1 2018, which is 6% lower than in the year-earlier period.

NET INTEREST INCOME AND NET FEE INCOME (DKKM)



CONTINUED GROWTH IN LENDING AND REDUCED PRESSURE ON INTEREST MARGINS

Net interest income was DKK 389 million in Q1 2018, against DKK 392 million in the same period of 2017.

Adding to this income was continued growth in bank and leasing loans, which at 31 March 2018 were DKK 1.8 billion (5%) higher than at the same time last year and DKK 0.5 billion (1%) higher than at 1 January 2018.

The lending margin was 37 basis points lower in Q1 2018 than it was in Q1 2017. However, since the turn of the year the interest margin has been stable, covering a fall in the lending margin of just 2 basis points and a fall in the deposit margin of 1 basis point.

Net interest income for Q1 2018 includes DKK 15 million of interest income from previous impairment exposures (Q1 2017: DKK 12 million).

NET FEE INCOME AT SATISFACTORY LEVEL

Net fee income was DKK 290 million in Q1 2018, against DKK 294 million in the same period of 2017. Net income from fees, charges and commissions thus accounted for 43 % of total net interest and fee income in the period.

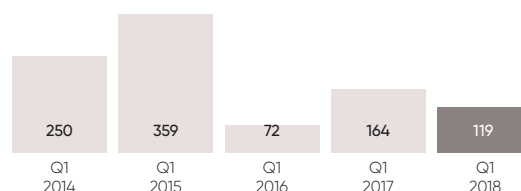
Realised net fee income was adversely affected in the amount of DKK 18 million concerning a changed accruals principle.

The underlying trends were thus positive, especially due to growth in income from mortgage loans arranged, insurance and pension.

LOWER MARKET VALUE ADJUSTMENTS DESPITE POSITIVE ONE-OFF ITEMS

Market value adjustments and dividends amounted to DKK 119 million, which is DKK 45 million, or 27 %, lower than in the same period of 2017.

MARKET VALUE ADJUSTMENTS AND DIVIDENDS (DKKM)



Market value adjustments and dividends on the Bank's shareholdings in financial sector companies rose DKK 90 million, driven by an extraordinary value adjustment of DKK 74 million with respect to BI Holding A/S (see company announcement no. 3).

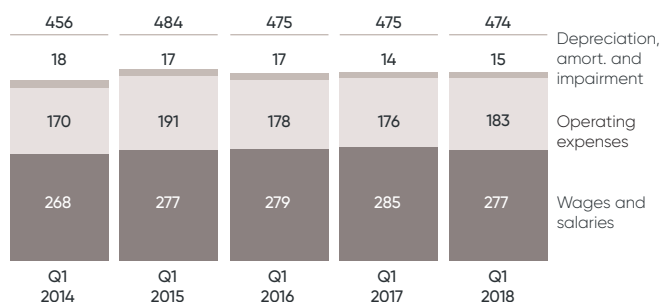
A sharp drop in market value adjustments on the Bank's share and bond portfolio due to less favourable market conditions had the opposite effect.

SMALL DECLINE IN OTHER INCOME

Other operating income amounted to DKK 10 million, against DKK 11 million in Q1 2017, and profit on investments in associates and group enterprises came to DKK 9 million, down from DKK 13 million last year. Later this year, when the sale of Valueinvest Asset Management SA has been finalised, the latter item is expected to be reduced to a very moderate level.

COSTS IN LINE WITH 2017

The Group's total costs and expenses amounted to DKK 474 million in Q1 2018, against DKK 475 million in the same period of 2017.

**TOTAL COSTS
(DKKM)**

Wages and salaries accounted for DKK 277 million of total costs and expenses. Realised payroll costs were DKK 8 million, or 3%, lower than in Q1 2017.

At 31 March 2018, Spar Nord employed 1,520 people (FTE), against 1,538 at year-end 2017 and 1,528 at the same time last year.

Relative to Q4 2017, payroll costs were DKK 39 million lower in Q1, among other things because of a Q4 provision of DKK 17 million for payroll costs and termination benefits in connection with organisational changes.

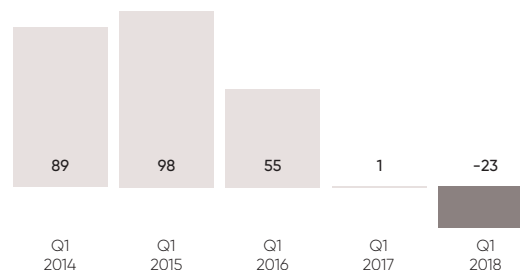
Other operating expenses came to DKK 183 million, which is DKK 7 million, or 4%, higher than in Q1 2017. The increase was mainly due to higher costs associated with strategic IT projects both with respect to the BEC data centre and in-house projects in Spar Nord. The increase was partly offset by lower costs of premises and marketing expenses.

The realised core income and costs corresponded to a Cost/Income Ratio of 0.58 (Q1 2017: 0.54).

NET REVERSAL OF LOAN IMPAIRMENT CHARGES

Loan impairment charges etc. were an income of DKK 23 million, which compares to an expense of DKK 1 million in the year-earlier period.

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

**IMPAIRMENTS
(DKKM)**

Implementation of the new IFRS 9 rules at 1 January 2018 has resulted in additional impairments of DKK 250 million in Spar Nord. This impact is recognised directly in the Bank's equity at 1 January 2018, which is thus reduced by DKK 195 million after tax, equal to 2.4% of shareholders' equity.

Individual impairment charges (stage 3) amounted to DKK 1,542 million at 31 March 2018, while stage 1 and 2 impairments totalled DKK 332 million.

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

Industry %	Loans and guarantees		Impairment account
	31.12.17	31.03.18	31.03.18
Agriculture, hunting and forestry	6.1	6.1	32.9
Fisheries	0.2	0.2	0.0
Industry and raw materials extraction	5.3	5.7	5.5
Utilities	3.1	2.5	1.2
Construction and engineering	4.8	4.7	4.4
Trade	7.2	7.7	4.2
Transport, hotels and restaurants	3.8	4.0	5.7
Information and communication	0.4	0.4	0.2
Financing and insurance	6.6	6.6	5.4
Real property	11.2	11.0	11.6
Other industries	5.8	6.1	5.8
Total business customers	54.5	55.0	76.9
Public authorities	0.0	0.0	0.0
Retail customers	45.5	45.0	23.1
Total	100.0	100.0	100.0

*) Excl. reverse repo transactions

Broken down by customer segment, the total impact was an income of DKK 10 million for retail customers and an income of DKK 13 million for business customers.

PROFIT BEFORE TAX OF DKK 367 MILLION AND NET PROFIT OF DKK 311 MILLION

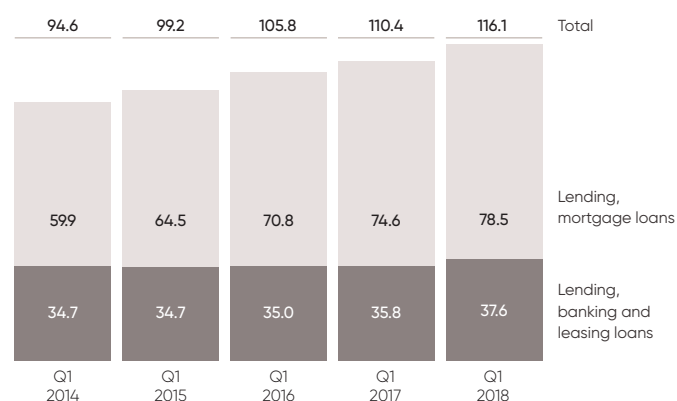
The profit before tax was DKK 367 million against DKK 398 million in Q1 2017. The Group's effective tax rate was 15%, bringing the net profit to DKK 311 million, against DKK 317 million in the same period last year. The relatively low tax rate is attributable to the tax-exempt income concerning BankInvest.

TOTAL BUSINESS VOLUME OF DKK 239 BILLION

The Group's total business volume (deposits, loans, advances and guarantees, mortgage credits arranged and customers' custodianship accounts) amounted to DKK 239.2 billion at 31 March 2018, which was DKK 2.0 billion lower than at 1 January 2018.

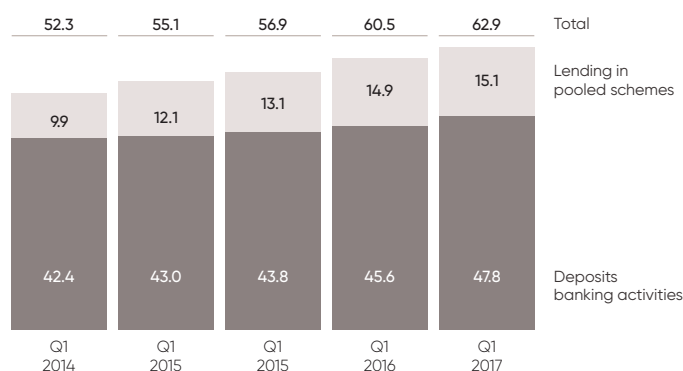
Compared with 1 January 2018, bank and leasing loans rose DKK 0.5 billion, or 1%.

TOTAL CREDITS ARRANGED (DKKBN)



In Q1 2018, the volume of mortgage loans arranged grew DKK 1.3 billion to DKK 78.5 billion, equal to 2%. In total, the volume of mortgage loans arranged from Totalkredit amounted to DKK 67.4 billion and from DLR Kredit DKK 11.1 billion.

TOTAL DEPOSITS (DKKBN)



Deposits, banking activities fell by DKK 0.9 billion, or 2%, in Q1 while deposits in pooled schemes fell DKK 0.3 billion, or 2%.

Lastly, customers' custodianship accounts have declined by DKK 2.0 billion, or 4%, since end-2017.

STRATEGIC LIQUIDITY OF DKK 19.8 BILLION

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

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

STRATEGIC LIQUIDITY

(DKKbn)	31.03.18	31.12.17	30.09.17	30.06.17	31.03.17
Deposits, banking activities	47.8	48.7	48.1	47.6	45.6
Senior loans/bond issues	0.0	0.0	0.0	0.0	0.0
Equity and subordinated debt	10.2	10.1	9.9	9.7	10.0
Liquidity procurement	58.0	58.8	58.0	57.3	55.6
Lending, banking and leasing activities	37.6	37.3	36.6	36.4	35.8
Maturity, senior issued bonds & subordinated debt <1 year	0.7	0.7	0.4	0.4	0.4
Strategic liquidity, total	19.8	20.8	21.0	20.5	19.4

At the end March 2018, Spar Nord's strategic liquidity amounted to DKK 19.8 billion, down DKK 1.0 billion compared with end-2017. The decline was attributable to the reduction in deposits, banking activities.

Spar Nord's LCR ratio at 31 March 2018 was 173.

STRONG CAPITAL POSITION

On the capital side, Spar Nord pursues the goal of having a common equity tier 1 (CET1) ratio of 13.0% and an own funds ratio of 16.5%. In connection with the expected assignment of SIFI status, Spar Nord expects to raise these targets to 13.5% and 17.5%.

At 31 March 2018, the common equity tier 1 (CET1) ratio was 14%, while the own funds ratio was 17.8%. This should be viewed relative to the individual solvency need calculated by Spar Nord at 9.2% plus the 1.9% combined buffer requirement, as a result of which the total capital requirement is 11.1%. Thus, Spar Nord has an excess capital coverage of 6.6 percentage points, equal to DKK 3.4 billion.

IRB PROJECT STATUS

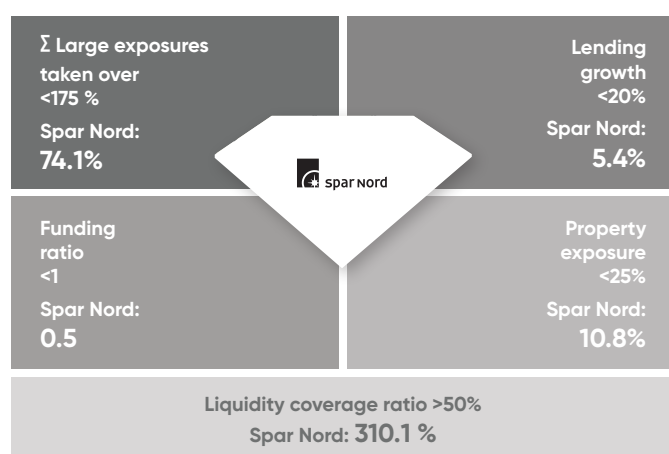
As described in Annual Report 2017, Spar Nord has, among other things due to the expected assignment of SIFI status, resolved to launch a project to facilitate the transition to internal ratings-based models for calculating risk.

The preparatory work is progressing according to plan, and Spar Nord has an ambition of transitioning to IRB Advanced for the entire loan portfolio. The time schedule and expected effects are unchanged from the disclosures in our annual report.

THE SUPERVISORY AUTHORITY DIAMOND TEST MODEL

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

At 31 March 2018, Spar Nord remained comfortably within all threshold values in the Supervisory Authority Diamond Test Model. At 31 March 2018, Spar Nord could report the following values in respect of the defined reference points:

**OUTLOOK FOR 2018**

At the beginning of 2018, Spar Nord forecast a profit before impairment of around the DKK 1.1 billion mark and a net profit of around DKK 0.8 billion.

As a result of information on non-recurring income from market value adjustments of BI Holding A/S in Q1 and sales proceeds from Valueinvest Asset Management SA in Q2, Spar Nord has twice in Q1 upgraded its guidance for a profit before impairment for the full-year 2018 from "about DKK 1.1 billion" to "about DKK 1.3 billion". On the basis of the overall financial performance for Q1, Spar Nord retains its guidance. The net profit for the year after the two upgrades is still expected to be around DKK 1.0 billion.

SPAR NORD SHARES HELD BY MEMBERS OF THE MANAGEMENT TEAM

BOARD OF DIRECTORS	At 31.03.18	At 31.12.17	EXECUTIVE BOARD	At 31.03.18	At 31.12.17
Kjeld Johannesen	60,000	60,000	Lasse Nyby	50,143	49,100
Per Nikolaj Bukh	27,200	27,200	John Lundsgaard	72,355	71,926
Lene Aaen (took office on 19 April 2018)	2,431	-	Lars Møller	68,430	67,404
Kaj Christiansen	21,100	21,100			
Morten Bach Gaardboe	3,620	3,620			
Laila Mortensen	0	0			
Ole Skov (retired on 19 April 2018)	7,785	7,533			
Jannie Skovsen	7,963	7,770			
Gitte Holmgaard Sørensen	2,183	1,970			
John Sørensen	5,160	5,160			

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

OVERVIEW OF GROUP COMPANIES

	Share capital end of period*) DKKm	Equity end of period*) DKKm	Profit/loss *) DKKm
Consolidated subsidiaries			
Aktieselskabet Skelagervej 15, Aalborg	27	402	18

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

The company is a wholly subsidiary in 2017 and 2018.

Alternative performance measures

Spar Nord's Management believes that the alternative performance measures (APMs) used in the Management's review provide valuable information to readers of the financial statements. The APMs provide a more consistent basis for comparing the results of financial periods and for assessing the performance of the Group. They are also an important aspect of the way in which Spar Nord's Management defines operating targets and monitors performance.

Throughout the Management's review, performance is assessed on the basis of the financial highlights and segment reporting, which represent the financial information regularly provided to Management. The differences between the financial highlights and the IFRS financial statements relate only to certain changes in the presentation. There are no adjusting items, which means that net profit is the same in the financial highlights and in the IFRS income statement. A reconciliation of the correlation between core income in the management commentary and the IFRS financial statements is shown in note 3 Segment information.

Spar Nord uses core earnings as a performance measure. From 2018, there is no difference between "Core earnings before impairment" in the core earnings format and "Profit/loss before loan impairment charges" in the IFRS financial statements, as there is no discount on commitments taken over. In the core earnings format, the recognised share of discount on commitments taken over was previously presented together with loan impairment charges, etc., whereas in the IFRS financial statements it was included in interest income.

In previous years, other items in the core earnings format comprised contributions to sector-wide solutions and special merger-related items.

Defined below are the additional key indicators shown on page 4 of the management commentary and in the other sections of the management commentary.

Return on equity before tax, excl. additional tier 1 (AT1) capital

Profit/loss before tax in per cent of shareholders' equity.
The average equity is calculated as a simple average of the shareholders' equity at the beginning of the year and at the end of the year. Profit/loss before tax and shareholders' equity are calculated as if the additional tier 1 (AT1) capital were treated as a liability.

Return on equity after tax excl. additional tier 1 (AT1) capital

Profit/loss after tax in per cent of shareholders' equity.
The average equity is calculated as a simple average of the shareholders' equity at the beginning of the year and at the end of the year. Profit/loss after tax and shareholders' equity are calculated as if the additional tier 1 (AT1) capital were treated as a liability.

Cost share of core income

Total costs/core income.

Cost share of core income – incl. loan impairment charges

Total costs plus loan impairment charges etc./core income.

Loans and advances plus impairment account and discount as % of deposits

Loans and advances plus impairment and discount as % of deposits

Loans and advances as % of equity

Loans and advances as % of equity

Performance indicators and financial ratios – Group

THE DANISH FSA'S LAYOUT AND RATIO SYSTEM 5-YEAR OVERVIEW

INCOME STATEMENT DKKm	Q1 2018	Q1 2017	Change in %	Q1 2018	Q1 2017	Q1 2016	Q1 2015	Q1 2014	Full year 2017
Interest income	407	436	-6.6	407	436	443	532	573	1,680
Interest expenses	18	27	-34.7	18	27	41	66	139	103
Net interest income	389	409	-4.7	389	409	402	466	434	1,577
Dividends on shares, etc.	6	3	75.0	6	3	1	8	12	23
Fees, charges and commissions received	331	324	2.0	331	324	270	330	219	1,265
Fees, charges and commissions paid	41	30	35.9	41	30	19	18	13	149
Net income from interest, fees, charges and commissions	686	707	-3.0	686	707	654	785	652	2,716
Market value adjustments	113	160	-29.5	113	160	71	351	249	381
Other operating income	10	11	-3.0	10	11	8	10	16	51
Staff costs and administrative expenses	458	458	-0.2	458	458	456	467	438	1,863
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	15	14	3.6	15	14	17	17	18	61
Other operating expenses	2	2	-9.4	2	2	2	25	24	13
Income from investments in associates and group enterprises	9	13	-26.9	9	13	8	7	21	32
Profit/loss before loan impairment charges	344	416	-17.2	344	416	265	645	459	1,244
Loan impairment charges etc.	-23	18	-	-23	18	61	111	109	-7
Profit/loss before tax	367	398	-7.8	367	398	204	533	349	1,251
Tax	56	81	-31.0	56	81	40	69	38	262
Profit/loss	311	317	-1.8	311	317	165	464	312	989
BALANCE SHEET									
DKKm									
Total assets	80,934	78,329	3.3	80,934	78,329	79,432	78,184	76,026	80,367
Loans and advances	44,866	41,189	8.9	44,866	41,189	40,404	35,089	35,778	46,747
Lending, banking and leasing activities	37,551	35,761	5.0	37,551	35,761	35,004	34,737	34,748	37,272
Lending, reverse repo transactions	7,315	5,428	34.8	7,315	5,428	5,400	352	1,030	9,475
Deposits	62,874	60,455	4.0	62,874	60,455	57,248	55,106	52,292	64,266
Deposits, banking activities	47,765	45,581	4.8	47,765	45,581	43,802	42,955	42,427	48,668
Deposits, repo transactions	0	0	-	0	0	364	0	0	175
Deposits in pooled schemes	15,110	14,874	1.6	15,110	14,874	13,082	12,151	9,865	15,423
Subordinated debt	1,128	1,090	3.5	1,128	1,090	1,092	1,352	2,992	1,144
Equity	9,094	8,948	1.6	9,094	8,948	8,030	7,498	6,854	8,975
Contingent liabilities	11,407	11,935	-4.4	11,407	11,935	9,373	9,270	5,312	11,961
Total risk exposure amount	51,559	47,741	8.0	51,559	47,741	46,943	47,601	44,672	49,546
Tier 1 capital *)	8,055	7,374	9.2	8,055	7,374	6,803	6,463	7,738	7,924
Loan impairment charges etc.	1,846	1,919	-3.8	1,846	1,919	1,861	1,868	1,657	1,616
Contractual non-performing loans	393	401	-2.0	393	401	472	502	708	341

*) Tier 1 capital for Q1 2017 is exclusive of recognition of profit/loss for the period.

In accordance with the accounting policies, the comparative figures have not been restated in connection with the implementation of IFRS 9 on financial instruments at 1 January 2018.

Performance indicators and financial ratios – Group

THE DANISH FSA'S LAYOUT AND RATIO SYSTEM 5-YEAR OVERVIEW

FINANCIAL RATIOS	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2016	Q1 2015	Q1 2014	Full year 2017
Own funds								
Own funds ratio *)	17.8	17.6	17.8	17.6	16.6	15.6	19.4	18.2
Tier 1 capital ratio *)	15.6	15.4	15.6	15.4	14.5	13.6	17.3	16.0
Earnings								
Return on equity before tax, %	4.1	4.5	4.1	4.5	2.6	7.3	5.2	14.2
Return on equity after tax, %	3.5	3.6	3.5	3.6	2.1	6.4	4.7	11.2
Income/cost ratio	1.81	1.81	1.81	1.81	1.38	1.86	1.59	1.65
Return on assets, %	0.4	0.4	0.4	0.4	0.2	0.6	0.4	1.2
Market risk and liquidity								
Interest rate risk, %	0.8	-0.2	0.8	-0.2	1.1	1.7	0.1	0.7
Foreign-exchange position, %	1.4	3.3	1.4	3.3	3.4	3.5	2.2	3.3
Foreign-exchange risk, %	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1
Excess coverage relative to statutory liquidity requirement, %	310.8	306.5	310.8	306.5	264.0	243.3	252.6	326.4
Credit risk								
Loans and advances as % of deposits	71.4	68.1	71.4	68.1	70.6	63.7	68.4	72.7
Loans and advances plus impairment as % of deposits	74.2	71.2	74.2	71.2	73.7	67.0	71.6	75.2
Loans and advances relative to equity	4.9	4.6	4.9	4.6	5.0	4.7	5.2	5.2
Increase in loans and advances for the period, %	1.3	1.9	1.3	1.9	3.3	-2.1	-3.1	6.2
Sum of large exposures, % **)	74.1	17.1	74.1	17.1	17.2	0.0	13.4	17.2
Impairment ratio for the period	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.0
THE SPAR NORD SHARE								
DKK per share of DKK 10								
Profit/loss for the period	2.5	2.6	2.5	2.6	1.3	3.7	2.5	8.0
Net asset value (NAV)	67	66	67	66	61	60	55	66
Dividend	-	-	-	-	-	2.0	-	3.5
Share price/profit/loss for the period	28.8	29.6	28.8	29.6	48.5	18.1	24.0	9.0
Share price/NAV	1.1	1.2	1.1	1.2	1.0	1.1	1.1	1.1

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

***) In 2018, financial ratios are calculated according to new rules.

In accordance with the accounting policies, the comparative figures have not been restated in connection with the implementation of IFRS 9 on financial instruments at 1 January 2018.

Management's statement on the Interim Report

The Board of Directors and the Executive Board have today discussed and adopted the Interim Financial Statements of the Spar Nord Bank Group for the period from 1 January to 31 March 2018.

The Consolidated Interim Financial Statements are presented in accordance with IAS 34 "Interim Financial Reporting", as adopted by the EU.

Moreover, the Interim Financial Statements are presented in accordance with additional Danish disclosure requirements regarding interim financial statements of listed financial institutions.

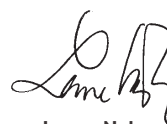
The interim financial statements are unaudited and have not been reviewed, but the external auditor has verified the profit. This verification included procedures consistent with the requirements relating to a review. Hence, it was ascertained that the conditions for on-going recognition of the profit for the period in own funds were met.

In our opinion, the Interim Financial Statements give a true and fair view of the Group's financial position at 31 March 2018 and of the results of the Group's operations and cash flows for the period from 1 January to 31 March 2018.

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

Aalborg, 2 May 2018

EXECUTIVE BOARD



Lasse Nyby

Chief Executive Officer



John Lundsgaard

Managing Director



Lars Møller

Managing Director

BOARD OF DIRECTORS



Kjeld Johannesen

Chairman of the Board of



Per Nikolaj Bukh

Deputy Chairman of the Board
of Directors



Lene Aaen



Kaj Christiansen



Morten Bach Gaardboe



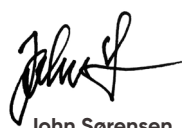
Laila Mortensen



Jannie Skovsen



Gitte Holmgaard Sørensen



John Sørensen

Income statement - Group

NOTE

	Q1 2018 DKKm	Q1 2017 DKKm	Full year 2017 DKKm
4.1 Interest income	407	436	1,680
4.2 Interest expenses	18	27	103
Net interest income	389	409	1,577
Dividends on shares, etc.	6	3	23
4.3 Fees, charges and commissions received	331	324	1,265
4.3 Fees, charges and commissions paid	41	30	149
Net income from interest, fees, charges and commissions	686	707	2,716
4.4 Market value adjustments	113	160	381
Other operating income	10	11	51
4.5 Staff costs and administrative expenses	458	458	1,863
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	15	14	61
Other operating expenses	2	2	13
Income from investments in associates and group enterprises	9	13	32
Profit/loss before loan impairment charges (core earnings before impairment)	344	416	1,244
6.2.1 Loan impairment charges etc.	-23	18	-7
Profit/loss before tax	367	398	1,251
Tax	56	81	262
Profit/loss	311	317	989

APPROPRIATION:

The shareholders of the Parent Company Spar Nord Bank A/S	299	305	940
Holders of additional tier 1 (AT1) capital instruments	12	12	49
Profit/loss	311	317	989

EARNINGS PER SHARE

Earnings per share (DKK)	2.5	2.5	7.7
Diluted earnings per share (DKK)	2.5	2.5	7.7

STATEMENT OF COMPREHENSIVE INCOME

Profit/loss for the period	311	317	989
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Other comprehensive income

Items that cannot be reclassified to the income statement:

Net revaluation of domicile property	0	0	11
Other comprehensive income after tax	0	0	11

Total comprehensive income	311	317	1,000
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Appropriation:

The shareholders of the Parent Company Spar Nord Bank A/S	299	305	951
Holders of additional tier 1 (AT1) capital instruments	12	12	49
Total comprehensive income	311	317	1,000

Balance sheet – Group

NOTE

	31.03.18 DKKm	31.03.2017 DKKm	Full year 2017 DKKm
ASSETS			
	451	1,146	1,298
6.4	1,316	2,199	1,437
	37,551	35,761	37,272
	7,315	5,428	9,475
6.3	44,866	41,189	46,747
	14,336	14,242	10,838
	1,705	1,530	1,626
	140	105	128
	15,110	14,874	15,423
	182	192	184
	135	135	135
	522	516	487
	657	651	621
	119	87	119
	202	86	45
	13	23	21
5.1	1,711	1,889	1,763
	127	117	115
Total assets	80,934	78,329	80,367
LIABILITIES			
PAYABLES			
	4,065	2,592	1,964
5.2	47,765	45,581	48,843
	15,110	14,874	15,423
	1,025	2,542	934
5.3	2,452	2,497	2,866
	44	27	19
Total payables	70,460	68,113	70,049
PROVISIONS			
	136	109	136
	82	43	41
	33	27	21
Total provisions	251	178	199
SUBORDINATED DEBT			
5.4	1,128	1,090	1,144
Total liabilities	71,839	69,381	71,392
EQUITY			
	1,230	1,255	1,230
	95	92	94
	431	628	431
	6,465	6,097	6,359
Equity	8,220	8,071	8,114
	874	877	861
Total equity	9,094	8,948	8,975
Total equity and liabilities	80,934	78,329	80,367
OFF-BALANCE SHEET ITEMS			
5.5	13	7	13
5.6	11,407	11,935	11,961
5.7	567	501	501

Capital position – Group

STATEMENT OF CHANGES IN EQUITY SPAR NORD GROUP

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

	Share capital DKKk	Revalua- tion reserve DKKk	Statutory reserves DKKk	Proposed dividend DKKk	Retained earnings DKKk	Total DKKk	Additional tier 1 capital DKKk	Total DKKk
EQUITY AT 31.03.18								
Equity at 31.12.17	1,230	94	0	431	6,359	8,114	861	8,975
Change in accounting policies, IFRS 9. See note 1.1	-	-	-	-	-195	-195	-	-195
Equity at 01.01.18	1,230	94	0	431	6,164	7,919	861	8,780
<i>Comprehensive income in 2018</i>								
Profit/loss for the period	-	-	9	-	290	299	12	311
<i>Other comprehensive income</i>								
Net revaluation of properties	-	0	-	-	-	0	-	0
Other comprehensive income, total	-	0	-	-	-	0	-	0
Total comprehensive income for the period	-	0	9	-	290	299	12	311
<i>Transactions with owners</i>								
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	-78	-78	-	-78
Addition upon sale of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	77	77	1	78
Revaluation reserves, associates	-	-	-9	-	9	0	-	0
Tax	-	-	-	-	3	3	-	3
Total transactions with owners	-	-	-9	-	11	2	1	3
Equity at 31.03.18	1,230	95	0	431	6,465	8,220	874	9,094
The share capital consists of 123,002,526 shares with a nominal value of DKK 10.								
Equity at 31.03.17								
Equity at 01.01.17	1,255	91	22	628	5,768	7,765	862	8,627
<i>Comprehensive income in 2017</i>								
Profit/loss for the period	-	-	13	-	292	305	12	317
<i>Other comprehensive income</i>								
Net revaluation of properties	-	0	-	-	-	0	-	0
Other comprehensive income, total	-	0	-	-	-	0	-	0
Total comprehensive income for the period	-	0	13	-	292	305	12	317
<i>Transactions with owners</i>								
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	-102	-102	-	-102
Addition upon sale of treasury shares and additional tier 1 (AT1) capital	-	-	-	-	101	101	2	103
Revaluation reserves, associates	-	-	-6	-	6	0	-	0
Dividends received from associates recognised at net asset value	-	-	-29	-	29	0	-	0
Tax	-	-	-	-	3	3	-	3
Total transactions with owners	-	-	-35	-	37	2	2	4
Equity at 31.03.17	1,255	92	0	628	6,097	8,071	877	8,948
The share capital consists of 125,529,918 shares with a nominal value of DKK 10.								

	Q1 2018	Q1 2017	Full year 2017
TREASURY SHARE PORTFOLIO			
Number of shares	49,048	2,603,399	38,048
Percentage of share capital	0.0	2.1	0.0

On 4 September 2017, the share capital was reduced by a nominal value of DKK 25,273,920 through the cancellation of 2,527,392 shares of the Bank's treasury share portfolio. These shares were bought back under the Bank's buyback programme for 2016.

Additional tier 1 (AT1) capital

Currency	Note	Principal DKKm	Interest rate	Received	Maturity	Q1 2018 DKKm	Q1 2017 DKKm	Full year 2017 DKKm
DKK	a	400.0	6.052%	2015	Perpetual	417	419	411
DKK	b	450.0	5.500%	2016	Perpetual	457	458	450
Additional tier 1 (AT1) capital issued under CRR, total						874	877	861

- a) Issued on 10.06.2015, with an option of early redemption as from 10.06.2020. The loan carries interest at a rate of 6.052 % p.a. until 10.06.2020, after which date interest will be fixed at CIBOR6 + a 5.400 % margin.
- b) Issued on 06.12.2016, with an option of early redemption as from 06.12.2021. The loan carries interest at a rate of 5.500 % p.a. until 06.12.2021, after which date interest will be fixed at CIBOR6 + a 5.166% margin.

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

	Q1 2018 DKKm	Q1 2017 DKKm	Full year 2017 DKKm
Additional Tier 1 (AT1) capital, specification of cash flows			
Cash flows, beginning of period	767	817	817
<i>Movement during the period:</i>			
Change in portfolio of own bonds	1	2	-1
Interest paid	0	0	-49
Total cash flows for the period	1	2	-50
Cash flows, end of period	768	819	767

OWN FUNDS

Equity	9,094	8,948	8,975
Phasing in of IFRS 9	185	-	-
Result not recognised	-	317	-
Additional tier 1 (AT1) capital included in equity	874	877	861
Proposed dividend, excl. share re. share buyback programme	586	615	431
Intangible assets, incl. share recognised in investments in associates	186	194	188
Other primary deductions	47	46	41
Deductions, equity investments	370	327	331
Common equity tier 1 (CET1) capital	7,217	6,572	7,123
Additional tier 1 (AT1) capital *)	843	843	843
Other deductions	5	41	41
Tier 1 capital	8,055	7,374	7,924
Subordinated debt, excl. Additional Tier 1 (AT1) capital *)	1,114	1,080	1,133
Other deductions	11	41	41
Own funds	9,159	8,414	9,016
Weighted risk exposure amount, credit risk etc.	41,124	38,572	40,658
Weighted risk exposure amount, market risk	4,730	3,478	3,196
Weighted risk exposure amount, operational risk	5,705	5,692	5,692
Total risk exposure amount	51,559	47,741	49,546
Common equity tier 1 capital ratio	14.0	13.8	14.4
Tier 1 capital ratio	15.6	15.4	16.0
Own funds ratio	17.8	17.6	18.2

The capital adequacy calculation for Q1 2017 is exclusive of recognition of profit/loss for the period.

*) Including portfolio of own bonds

As Spar Nord has adopted the transition rules according to CRD, any adverse impact of the IFRS 9 impairment rules will not take full effect on the capital base until after five years. Spar Nord has calculated the negative impact of IFRS 9 on own funds at DKK 10 million on entry into force of the rules at 1 January 2018.

NOTE

Cash Flow Statement – Group

	Q1 2018 DKKm	Q1 2017 DKKm	Full year 2017 DKKm
OPERATING ACTIVITIES			
Profit/loss before tax	367	398	1,251
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	15	14	61
Gains and losses on the sale of intangible assets and property, plant and equipment	0	0	-1
Adjustment of loan impairment charges etc.	-6	28	275
Provisions	19	-23	-31
Income from investments in associates and group enterprises	-9	-13	-32
Corporate income tax paid	-155	-147	-251
Operating activities, total	230	257	1,272
WORKING CAPITAL			
Movement in credit institutions and central banks, net	2,105	173	-456
Movement in loans, advances and other receivables at amortised cost	1,672	129	-5,677
Movement in bonds at fair value	-3,498	694	4,099
Movement in equity portfolio	-79	27	-69
Movement in other assets and other liabilities, net	-256	155	-965
Movement in deposits and other payables	-1,079	-883	2,379
Working capital, total	-1,135	294	-689
Cash generated from operations, total	-904	550	583
INVESTING ACTIVITIES			
Acquisition of associates and group enterprises	-2	-2	-14
Sale of associates and group enterprises	0	0	5
Acquisition of intangible assets	0	0	-1
Acquisition of property, plant and equipment	-40	-5	-94
Sale of property, plant and equipment	0	12	72
Dividends from associates and group enterprises	0	29	31
Investing activities, total	-41	34	0
FINANCING ACTIVITIES			
5.4 Subordinated debt	-16	-4	51
Additional Tier 1 (AT1) capital recognised in equity (see specification in Statement of changes in equity)	1	2	-50
Dividends paid, excluding dividends on treasury shares	0	0	-615
Acquisition of treasury shares	-78	-102	-454
Sale of treasury shares	77	101	457
Financing activities, total	-16	-3	-612
Movements in cash and cash equivalents for the period	-962	581	-29
Cash and cash equivalents, beginning of year	2,672	2,701	2,701
Movements in cash and cash equivalents for the period	-962	581	-29
Cash and cash equivalents, end of year	1,711	3,283	2,672
Cash and cash equivalents, end of period			
Cash, cash equivalents and demand deposits with central banks	451	1,146	1,298
Due from credit institutions and central banks within less than 3 months	1,260	2,137	1,374
Total	1,711	3,283	2,672

Notes – Group

NOTE

1 ACCOUNTING POLICIES

The interim report is presented in accordance with IAS 34, "Interim Financial Reporting", as adopted by the EU, and additional Danish disclosure requirements for interim reports. The application of IAS 34 means that the presentation is limited relative to the presentation of an annual report and that the recognition and measurement principles of the International Financial Reporting Standards (IFRS) have been applied.

Other than as set out below, the accounting policies are unchanged from those applied in Annual Report 2017.

Annual Report 2017 contains the full description of the accounting policies.

Figures in the interim 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 to the reader.

1.1 CHANGES IN ACCOUNTING POLICIES

The following amendments to IFRS were implemented effective 1 January 2018:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from Contracts with Customers

Of these, only IFRS 9 has affected recognition and measurement in the interim report. Shown below is the impact in connection with the transition at 1 January 2018.

1.1.1 Impact of IFRS 9

IFRS 9 "Financial Instruments", which replaces IAS 39, changes the classification and related measurement of certain financial assets and liabilities and, to some extent, the rules on hedge accounting.

The standard is effective for financial years beginning on or after 1 January 2018 from which date Spar Nord is going to implement it.

In accordance with the transition requirements of IFRS 9, comparative figures are not restated as retrospective application of the impairment requirements is not possible without the use of hindsight. The accounting impact is shown below:

	IAS 39 Amount 31.12.17	Effect of changed measure- ment *)	IFRS 9 Amount 01.01.18
Financial assets			
Cash balances and demand deposits with central banks	1,298	0	1,298
Due from credit institutions and central banks	1,437	-1	1,437
Lending, banking and leasing activities	37,272	-216	37,056
Lending, reverse repo transactions	9,475	0	9,475
Loans, advances and other receivables at amortised cost, total	46,747	-216	46,531
Non-financial assets			
Current tax assets	45	55	100
Total assets	49,528	-162	49,367
Financial liabilities			
Due to credit institutions and central banks	1,964	0	1,964
Deposits and other payables	48,843	0	48,843
Subordinated debt	1,144	0	1,144
Non-financial liabilities			
Provisions for losses on guarantees	41	27	68
Other provisions (provision for undrawn maximum)	15	7	21
Total liabilities	52,007	33	52,041
One-off effect which is recognised in shareholders' equity at 1 January 2018		-195	
Off-balance sheet items			
Guarantees	11,961	-27	11,934
Undrawn maximum and loan commitments	20,802	-7	20,795
Total	32,763	-33	32,730

*) Recognised in retained earnings in shareholders' equity at 1 January 2018.

As shown, the changed method for determining credit losses is estimated to result in an increase of the Bank's impairment losses and provisions at 1 January 2018 of DKK 250 million. Reduced by the tax impact of 22 per cent, this equals a one-off effect of DKK -195 million, or a reduction in shareholders' equity of 2.4%.

The effect after tax has been recognised as a reduction of shareholders' equity at 1 January 2018.

General provisions in IFRS 9 on classification and measurement

In accordance with IFRS 9, a more logical approach to classification and measurement of financial assets is introduced, driven by Spar Nord's business model and the underlying contractual cash flows related to the characteristics of the financial assets:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

Subsequent to initial recognition, financial assets held with the objective of collecting contractual cash flows, and where the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, are measured at amortised cost. Spar Nord's loans and advances at amortised cost and receivables from credit institutions are part of this classification.

Subsequent to initial recognition, financial assets held within a combined business model where some financial assets are held with the objective of collecting contractual cash flows and other financial assets are held with the objective of selling before expiry, and where the contractual cash flows from the financial assets in the combined business model are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. When the financial asset is derecognised in the balance sheet, the cumulative gains and losses recognised in other comprehensive income are reclassified to the income statement.

Subsequent to initial recognition, financial assets that do not meet the above-mentioned business model criteria, or where the contractual cash flows are not solely payments of principal and interest on the principal amount outstanding, are measured at fair value through profit or loss. This residual category includes financial assets held for trading. The use of the IFRS 9 measurement categories for financial assets on the basis of the business model and on the basis of the contractual cash flows characteristics has led to insignificant changes in measurement principles relative to those applied in Spar Nord's 2017 Annual Report.

The principles applicable to financial liabilities are largely unchanged from IAS 39. Generally, financial liabilities are still measured at amortised cost with bifurcation of embedded derivatives not closely related to a host contract. Financial liabilities recognised at fair value consist of derivatives and the trading book.

Impairment model

IFRS 9 introduces a new model for impairment of certain financial assets, stipulating that impairments must be recognised for expected credit losses for all financial assets recognised at amortised cost or at fair value through other comprehensive income, lease receivables and certain loan commitments and financial guarantees. For financial assets recognised at amortised cost, the impairment for expected credit losses is recognised in the income statement and set off against the asset in the balance sheet. However, on loan commitments and financial guarantee contracts impairments are recognised as a liability.

The above impairment model implies that impairment losses must be recognised on all Spar Nord's credit exposures measured at amortised cost based on statistically expected credit losses ("expected loss" model). Based on the previous rules, impairment losses were not recognised until there was objective evidence of impairment ("incurred loss" model). In future, forward-looking information will be taken into consideration.

Under the new expected loss model, on initial recognition of a financial asset, a loss allowance will be recognised in an amount equivalent to the 12-month expected credit losses (stage 1). If, on measurement subsequent to initial recognition, the credit risk increases significantly, a loss allowance will be recognised in an amount equivalent to the lifetime expected credit losses of the asset (stage 2). Where it is established that the asset is credit-impaired (stage 3), a loss allowance will be recognised in an amount equivalent to the lifetime expected credit losses of the asset, while revenue will be recognised in the income statement using the effective interest method relative to the recognised impairment loss.

The classification into stages and the calculation of expected credit losses are largely based on Spar Nord's rating models.

The expected credit loss is measured for each facility. Newly developed impairment models support the calculation of expected credit losses based on loss ratios and the concepts of PD (Probability-of-Default), LGD (Loss-Given-Default) and EAD (Exposure-at-Default).

The calculation of the expected credit losses on exposures in stages 1 and 2 is based on a model calculation, whereas the calculation in respect of exposures from the weak part of stage 2 as well as stage 3 exposures is made as a combination of an individual assessment and a modal calculation. For the above exposures exceeding DKK 250,000, the Bank performs an individual assessment of the expected credit losses and the pertaining probabilities. For facilities below DKK 250,000, model-based calculations will be used. The model calculation is based on the Bank's model, which has been part of the basis for Spar Nord's credit control for a number of years, supplemented by a macro-economic module, which adjusts the calculated PD values. A smaller, delimited portfolio is classified as being exposed to low credit risk. Exposures to these counterparties are maintained in stage 1.

On transition from stage 1 to stage 2, a substantial increase in the credit risk is defined as follows:

The credit risk is assessed based on the development in the customers' PD level. Accordingly, the credit risk has increased significantly subsequent to initial recognition in the following situations:

- A 100% increase in the PD for the expected remaining life of the financial asset and a 0.5 % point increase in the 12-month PD where the 12-month PD was below 1% on initial recognition.
- A 100% increase in the PD for the expected remaining life of the financial asset or a 2.0% point increase in the 12-month PD where the 12-month PD was 1% or higher on initial recognition.
- The credit quality department oversees changes in the credit quality of exposures and undertakes systematic credit quality control of the credit portfolio. A "weak list" for high-risk customers is used for credit control purposes. If a customer is marked "weak", the customer's PD will be re-calculated.
- If a financial asset has been in arrears for more than 30 days, the credit risk will be considered to have increased significantly as well. Exposures with customers whose ability to pay shows considerable signs of weakness will be categorised as the weak part of stage 2. Generally, a customer's ability to pay in this category shows a PD that exceeds 5.0 per cent.

The prospective information which is part of the calculation of expected losses is based on macroeconomic forecasts. The model is structured around a number of regression models determining the historical correlation between default and a number of explanatory macroeconomic variables such as unemployment, GDP, house price trends, industry indices, etc. Stress scenarios are used as the underlying basis for calculating the weighed expected losses. Macroeconomic scenarios are created: worst case, base case, best case, including an assessment of the probability for each scenario. The scenarios are approved by the Credit Committee with the involvement of specialists.

An exposure to a counterparty is considered to have defaulted if

- The counterparty's exposures are credit-impaired, and the counterparty is not considered to be able to settle its credit liabilities as agreed.
- The counterparty's liabilities have been put on hold, or significantly relaxed terms have been granted with respect to interest rate, repayment profile or respite
- The counterparty's exposure has for a long period of time (90 days) been in arrears or overdrawn and the amount concerned is considered to be significant.

The lifetime expected credit losses cover the expected remaining lifetime of the facility. For most facilities, the expected lifetime is limited to the remaining contractual maturity, however, capped at five years. For facilities comprising both a loan and an undrawn loan commitment, Spar Nord's exposure to credit losses is not limited to the contractual notice period. For such facilities, the expected lifetime is assumed to be the period during which Spar Nord expects to be exposed to credit losses. For facilities, for which the expected lifetime is longer than the remaining contractual maturity, an expected maturity of one year has been applied. This includes for example credit cards and overdraft facilities.

All impairments will be allocated to individual impairments and Spar Nord will cease to recognise collective impairments under IFRS 9. Existing collective impairments aimed at capturing specific high-risk areas are incorporated as forward-looking elements and used in the expected credit losses of the individual exposures.

Hedge accounting

The new rules on hedge accounting widen the scope for hedge accounting in order to align business entities' financial reporting with its actual risk management.

As Spar Nord has not adopted the changed rules on hedge accounting, they do not affect Spar Nord's financial reporting.

Capital phasing in

As Spar Nord has decided to adopt the transition rules according to CRD, any adverse impact of the IFRS 9 impairment rules will not take full effect on the capital base until after five years.

The impact of IFRS 9 on Spar Nord's own funds was DKK 10 million when the rules became effective on 1 January 2018, while the impact on the own funds going forward will be slightly adverse as the transition rules are being phased out.

- NOTE
- 1.1.2 **Impact of IFRS 15**
IFRS 15 Revenue from Contracts with Customers replaces existing revenue standards (IAS 11 and 18) and relevant interpretations. IFRS 15 introduces a new model for recognition and measurement of revenue concerning sales contracts with customers. The new model comprises five steps that must be applied to all contracts with customers to determine when and how revenue is to be recognised in the income statement. The standard does not change the recognition and measurement of Spar Nord's sales contracts with customers and will therefore not have any impact.
- 2 **JUDGMENTS AND ESTIMATES**
Measuring certain assets and liabilities requires Management to make an estimate of how future events will affect the value of such assets and liabilities. Estimates considered material in presenting the financial statements are, among other things, those made when determining loan impairments, the fair values of unlisted financial instruments as well as provisions. The applied estimates are based on assumptions deemed reasonable by Management but which are inherently uncertain.
- In the presentation of the condensed Interim Financial Statements, the critical judgments made by Management in the application of the Group's accounting policies, and the considerable uncertainty related thereto, are identical to those applying to the presentation of the Financial Statements at 31 December 2017. However, there have been changes to financial assets and financial liabilities due to the transition to IAS 39 and IFRS 9.
- Significant estimates related to classification and measurement of financial assets, including in particular Spar Nord's bond portfolio and shares in sector-related companies, concern the use of the fair value option.
- In accordance with both IAS 39 and IFRS 9, Spar Nord applies the fair value option concerning shares and bonds, where returns are managed and reported consistently for all bonds on a daily, weekly and monthly basis irrespective of trading volume in the individual ISIN codes. Spar Nord's business model has not been changed, and Spar Nord continues to recognise and measure bonds and shares at fair value through profit or loss.

NOTE

3 Segment information

3.1 BUSINESS SEGMENTS – Q1 2018

DKKm	Spar Nord's Local Banks	Trading, Financial Markets & the International division	Other Areas	Core earnings *) and Group
INCOME STATEMENT				
Net interest income	355	12	22	389
Net fee income	292	1	-3	290
Market value adjustments and dividends	119	-9	9	119
Other operating income	5	1	5	10
Income from investments in associates and group enterprises	0	0	9	9
Core income/revenue, total	771	5	42	818
Operating expenses, depreciation and amortisation	389	20	66	474
Core earnings before impairment	383	-15	-24	344
Loan impairment charges etc.	-24	1	0	-23
Profit/loss before tax	406	-16	-24	367

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

	Spar Nord's Local Banks	Trading, Financial Markets & the International division	Other Areas	Group, total
BALANCE SHEET				
Loans, advances and other receivables at amortised cost	37,389	7,452	25	44,866
Investments in associates and group enterprises	0	0	140	140
Intangible assets and property, plant and equipment *)	245	0	712	958
Other assets **)	16,570	17,106	1,294	34,970
Allocated assets, total	54,205	24,558	2,171	80,934
Deposits and other payables	46,812	430	523	47,765
Equity (allocated capital)	5,286	1,117	2,691	9,094
Other liabilities	15,572	5,647	2,857	24,075
Allocated equity and liabilities, total	67,632	6,995	6,308	80,934
Disclosures – income/revenue, total				
Internal income/revenue	-39	17	161	139
Internal income and eliminations, offset against costs	0	-11	-128	-139
Income/revenue, external customers	811	-2	9	818
Income/revenue, total	771	5	42	818
Financial ratios				
Return on equity, % ***)	31.7	-7.0	-	-
Cost share of core income	0.50	4.21	-	-
Total risk exposure, end of period	40,664	8,593	2,302	51,559
Number of employees (full-time equivalents, end of period)	1,027	75	418	1,520

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

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

DESCRIPTION OF BUSINESS AREA ACTIVITIES:

- For a description of the activities of Spar Nord's Local Banks and Trading, Financial Markets & the International Division, please see page 57 of Annual Report 2017.
- The activities of the Local Banks include the Group's leasing activities, and the activities of Other areas include central staffs and support functions.

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

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

*) All assets are located in Denmark.

***) Temporary assets amount to DKK 13 million, of which DKK 2 million relates to the Group's leasing activities and DKK 11 million relates to Other areas.

***) The rate of return on equity per annum has been calculated on allocated capital, which amounts to 13% of the average total risk exposure amount.

NOTE

Segment information

3.2 **BUSINESS SEGMENTS – Q1 2017**

DKK m	Spar Nord's Local Banks	Trading, Financial Markets & the International division	Other Areas	Core earnings ^{*)}	Reclassifi- cations ^{**)}	Group, total
INCOME STATEMENT						
Net interest income	368	9	16	393	16	409
Net fee income	295	0	-1	294	0	294
Market value adjustments and dividends	39	107	18	164	0	164
Other operating income	5	0	6	11	0	11
Income from investments in associates and group enterprises	0	0	13	13	0	13
Core income/revenue, total	706	116	52	874	16	891
Operating expenses, depreciation and amortisation	398	18	60	475	0	475
Core earnings before impairment	308	98	-8	399	16	416
Loan impairment charges etc.	2	0	-1	1	16	18
Profit/loss before tax	307	98	-7	398	0	398

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

^{**)} The relation to the Group is specified in the column Reclassifications. Reclassifications have impacted the items Net interest income and Loan impairment charges etc. in the amount of DKK 17 million.

	Spar Nord's Local Banks	Trading, Financial Markets & the International division	Other Areas	Group, total
BALANCE SHEET				
Loans, advances and other receivables at amortised cost	35,596	5,437	156	41,189
Investments in associates and group enterprises	0	0	105	105
Intangible assets and property, plant and equipment ^{*)}	252	0	677	929
Other assets ^{**)}	16,271	18,470	1,365	36,106
Allocated assets, total	52,119	23,908	2,302	78,329
Deposits and other payables	44,705	369	507	45,581
Equity (allocated capital)	4,592	804	3,552	8,948
Other liabilities	15,246	5,709	2,844	23,800
Allocated equity and liabilities, total	64,543	6,882	6,904	78,329
Disclosures – income/revenue, total				
Internal income/revenue	-32	18	150	136
Internal income and eliminations, offset against costs	0	-13	-123	-136
Income/revenue, external customers	738	112	41	891
Income/revenue, total	706	116	68	891
Financial ratios				
Return on equity, % ^{***)}	27.1	64.2	-	-
Cost share of core income	0.57	0.16	-	-
Total risk exposure, end of period	38,619	6,776	2,346	47,741
Number of employees (full-time equivalents, end of period)	1,079	74	375	1,528

As in previous years, the Group uses core earnings as a performance measure. The reporting segments correspond to the Group's organisational entities, and an internal follow-up is carried out in this regard.

DESCRIPTION OF BUSINESS AREA ACTIVITIES:

- For a description of the activities of Spar Nord's Local Banks and Trading, Financial Markets & the International Division, please see page 57 of Annual Report 2017.
- The activities of the Local Banks include the Group's leasing activities, and the activities of Other areas include central staffs and support functions.

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

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

^{*)} All assets are located in Denmark.

^{**)} Temporary assets amount to DKK 23 million, of which DKK 11 million relates to the Group's leasing activities and DKK 12 million relates to Other areas.

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

NOTE

4	Notes to the income statement	Q1 2018 DKKm	Q1 2017 DKKm	Full year 2017 DKKm
4.1	INTEREST INCOME			
	Due from credit institutions and central banks	2	1	3
	Loans, advances and other receivables	398	414	1,617
	Bonds	18	21	84
	Foreign-exchange contracts	3	0	3
	Interest-rate contracts	-14	-17	-59
	Derivative financial instruments, total	-11	-17	-56
	Other interest income	0	17	31
	Total	407	436	1,680
	<i>Of which, income from genuine reverse repo transactions booked under</i>			
	Due from credit institutions and central banks	-1	-3	-9
	Loans, advances and other receivables	-7	-3	-20
4.2	INTEREST EXPENSES			
	Credit institutions and central banks	-1	-1	-3
	Deposits and other payables	10	15	53
	Subordinated debt	9	13	52
	Other interest expenses	0	0	1
	Total	18	27	103
	<i>Of which, interest expenses from genuine repo transactions booked under</i>			
	Due to credit institutions and central banks	-3	-3	-8
4.3	FEES, CHARGES AND COMMISSIONS RECEIVED			
	Securities trading and custody accounts	111	107	439
	Payment services	40	38	166
	Loan transaction fees	127	117	493
	of which mortgage credit institutions	99	92	380
	Guarantee commission	7	7	30
	Other fees, charges and commissions	46	55	138
	Total fees, charges and commissions received	331	324	1,265
	Total fees, charges and commissions paid	41	30	149
	Total net fees, charges and commissions received	290	294	1,116
4.4	MARKET VALUE ADJUSTMENTS			
	Other loans, advances and receivables at fair value	-1	-1	0
	Bonds	-10	28	91
	Shares, etc.	120	54	165
	Foreign currency	9	7	36
	Foreign exchange, interest, share, commodity and other contracts and derivative financial instruments	-5	72	89
	Assets linked to pooled schemes	-317	466	566
	Deposits in pooled schemes	317	-466	-566
	Other liabilities	0	1	0
	Total	113	160	381

NOTE

	Q1 2018 DKKm	Q1 2017 DKKm	Full year 2017 DKKm
4.5 STAFF COSTS AND ADMINISTRATIVE EXPENSES			
Staff costs	277	285	1,165
Administrative expenses	181	174	698
Total	458	458	1,863
<i>Staff costs:</i>			
Salaries	220	225	930
Pensions	25	27	106
Social security costs	31	33	129
Total	277	285	1,165
Remuneration to members of the Executive Board and Board of Directors amounts to:			
<i>Board of Directors</i>			
Number	9	9	9
Fixed pay	1.0	0.8	3.5
Pension	-	-	-
Total remuneration	1.0	0.8	3.5
<i>Executive Board</i>			
Number	3	3	3
Base salary *)	2.9	2.8	11.4
- less fees received from directorships	0.1	0.1	1.5
The Bank's expense, base salary	2.8	2.7	9.9
Pension, ordinary contribution	0.5	0.4	1.7
Total remuneration earned and paid	3.2	3.1	11.6
Breakdown of remuneration to Executive Board			
<i>Lasse Nyby</i>			
Base salary*)	1.1	1.0	4.2
- less fees received from directorships	0.0	0.0	0.5
The Bank's expense, base salary	1.1	1.0	3.7
Pension, ordinary contribution	0.2	0.2	0.6
Total remuneration earned and paid	1.2	1.2	4.3
<i>John Lundsgaard</i>			
Base salary	0.9	0.9	3.6
- less fees received from directorships	0.0	0.0	0.4
The Bank's expense, base salary	0.9	0.9	3.2
Pension, ordinary contribution	0.1	0.1	0.5
Total remuneration earned and paid	1.0	1.0	3.7
<i>Lars Møller</i>			
Base salary*)	0.9	0.9	3.6
- less fees received from directorships	0.1	0.1	0.6
The Bank's expense, base salary	0.8	0.8	3.0
Pension, ordinary contribution	0.1	0.1	0.5
Total remuneration earned and paid	1.0	0.9	3.5
*) The amount includes the value of a company car etc.			
The members of the Executive Board receive no variable pay.			
Members of the Executive Board receive remuneration for their Group executive board duties based on the management agreement with the subsidiary.			
<i>Termination rules</i>			
The members of the Executive Board have a term of notice of 12 months and will receive compensation on termination of employment corresponding to two years' pay.			
<i>Pension obligation</i>			
Like the other employees, members of the Executive Board are comprised by defined contribution pension plans.			
<i>Number of employees:</i>			
The average number of employees converted into full-time equivalents	1,522	1,533	1,546

NOTE

4.5	STAFF COSTS AND ADMINISTRATIVE EXPENSES, CONTINUED	Q1 2018 DKKm	Q1 2017 DKKm	Full year 2017 DKKm
	<i>Administrative expenses:</i>			
	IT expenses	103	79	354
	Marketing costs	27	31	111
	Cost of premises	19	26	99
	Staff and travelling expenses	13	15	56
	Office expenses	7	6	21
	Other administrative expenses	11	18	57
	Total	181	174	698

5 Notes to the balance sheet

5.1	OTHER ASSETS			
	Positive fair value of derivative instruments, etc.	959	1,146	1,030
	Miscellaneous receivables	338	148	296
	Interest and commissions receivable	51	218	51
	Capital contribution to Bankernes EDB Central a.m.b.a.	316	316	316
	Other assets	47	61	70
	Total	1,711	1,889	1,763

5.2	DEPOSITS AND OTHER PAYABLES			
	Demand deposits	42,261	39,276	43,132
	Subject to notice	1,561	1,480	1,456
	Time deposits	606	1,226	896
	Special types of deposits	3,336	3,598	3,359
	Total	47,765	45,581	48,843

5.3	OTHER LIABILITIES			
	Miscellaneous payables	1,498	1,466	1,799
	Negative fair value of derivative financial instruments, etc.	630	672	691
	Interest and commissions payable	16	40	12
	Other liabilities	309	320	365
	Total	2,452	2,497	2,866

SUBORDINATED DEBT

Currency	Note	Principal DKKm	Interest rate	Received	Maturity			
SEK	a	600	2.078 %	2017	18.10.27	433	-	452
DKK	b	700	Floating	2013	18.12.23	699	699	699
DKK	c	400	6.043 %	2012	-	-	402	-
Supplementary capital contributions, total						1,132	1,101	1,151

Portfolio of own bonds relating to subordinated debt	-5	-11	-7
Subordinated debt, total	1,128	1,090	1,144

Interest on subordinated debt	8	12	50
Costs of raising subordinated debt	0	1	2

- a Redeemable as from 18.10.2022
b Redeemable as from 18.12.2018, after which date interest is fixed at CIBOR3 + a 3.900 % margin.
c Redeemed at 28.11.2017

Subordinated debt, specification of cash flows

Beginning of period	1,144	1,093	1,093
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Movement during the period:

New loans	-	-	466
Redeemed	-	-	-400
Change exchange rate adjustments	-19	-	-12
Change in interest rate hedging	-	-1	-4
Change in amortised costs	0	0	-1
Change in portfolio of own bonds	2	-3	1
Total cash flows for the period	-16	-4	51

Carrying amount, end of period	1,128	1,090	1,144
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NOTE

5.5 **CONTINGENT ASSETS**

Deferred tax assets not recognised in the balance sheet amounted to DKK 13 million at 31 March 2018 (31 March 2017: DKK 7 million, 2017: DKK 13 million).

5.6 **CONTINGENT LIABILITIES**

The Bank and all major wholly-owned subsidiaries are jointly registered for payroll tax and VAT and are jointly and severally liable for the payroll tax and VAT payable.

	Q1 2018 DKKm	Q1 2017 DKKm	Full year 2017 DKKm
Financial guarantees	4,082	4,029	4,092
Loss guarantees for mortgage loans	5,126	4,719	4,983
Registration and refinancing guarantees	1,407	2,285	2,011
Other contingent liabilities	791	902	876
Total	11,407	11,935	11,961

Reference is made to note 4.5 regarding the Executive Board's notice of termination and the associated compensation.

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

Spar Nord is taxed jointly with its Danish subsidiary in the Spar Nord Group. As management company, Spar Nord has unlimited, joint and several liability together with the other jointly taxed companies for the Danish corporate income tax payable. Due to the payment of tax on account, no tax was payable at 31.03.18 and 31.03.17. The corporate income tax receivable within the group of jointly taxed companies amounted to DKK 202 million at 31 March 2018 (31 March 2017: DKK 86 million; 2017: DKK 45 million). Any adjustments to the taxable income subject to joint taxation might entail an increase in the Parent Company's liability.

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

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

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

The Resolution Fund is to be used pursuant to the Act on Restructuring and Resolution of Certain Financial Enterprises for the purpose of covering the associated costs.

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

The Bank's costs for the Resolution Fund for 2018 have been included as a pro-rata share of the annual contributions. The Bank's costs for the Resolution Fund at 31.03.2018 amounted to DKK 2 million (31.03.2017: DKK 2 million, 2017: DKK 8 million).

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

	Q1 2018 DKKm	Q1 2017 DKKm	Full year 2017 DKKm
5.7 OTHER BINDING COMMITMENTS			
Miscellaneous	567	501	501
Total	567	501	501

Miscellaneous is composed of:

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

Spar Nord is the lessee in a number of operating leases. Under such leases, Spar Nord has the right of use of an asset for a specific period of time against lease payments without assuming the significant risks and rewards of ownership of the asset. The leases concern the lease of properties and operating equipment. The leases are not recognised in the balance sheet. The leases represent an amount of DKK 115 million until the legal notice of termination.

Data-processing centre

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

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

The Spar Nord Group has no other significant binding agreements.

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

NOTE

6 **Credit risk**6.1 **IMPAIRMENTS – TRANSITION FROM IAS 39 TO IFRS 9**6.1.1 **IMPAIRMENTS – TRANSITION FROM IAS 39 TO IFRS 9 BY EXPOSURE CATEGORY**

	Individual impairments 31.12.17 DKKkm	Collective impairments 31.12.17 DKKkm	Total 31.12.17 DKKkm	Change IAS 39 to IFRS 9 01.01.18 DKKkm	Total 01.01.18 DKKkm
Loans and advances at amortised cost	1,323	251	1,575	216	1,791
Due from credit institutions and central banks	0	0	0	1	1
Guarantees	41	0	41	27	68
Undrawn maximum and loan commitments	15	0	15	7	21
Total	1,379	251	1,631	250	1,881

The increase in impairments from IAS 39 to IFRS 9 is explained by the fact that impairments under IFRS 9 must be recognised on all Spar Nord's credit exposures measured at amortised cost based on statistically expected credit losses ("expected loss" model).

Based on the previous rules under IAS 39, impairment losses were not recognised until there was objective evidence of impairment ("incurred loss" model). In future, forward-looking information will be taken into consideration.

6.1.2 **IMPAIRMENTS AT 01.01.18 UNDER IFRS 9 BY STAGES**

	Stage 1 Lack of significant increase in credit risk 01.01.18 DKKkm	Stage 2 Significant increase in credit risk 01.01.18 DKKkm	Stage 3 Credit- impaired 01.01.18 DKKkm	Total 01.01.18 DKKkm
Loans and advances at amortised cost	79	279	1,433	1,791
Due from credit institutions and central banks	1	0	0	1
Guarantees	13	7	48	68
Undrawn maximum and loan commitments	4	5	12	21
Total	96	291	1,494	1,881

6.1.3 **EXPOSURES BEFORE IMPAIRMENTS AT 01.01.18 UNDER IFRS 9 BY STAGES**

	Stage 1 Lack of significant increase in credit risk 01.01.18 DKKkm	Stage 2 Significant increase in credit risk 01.01.18 DKKkm	Stage 3 Credit- impaired 01.01.18 DKKkm	Total 01.01.18 DKKkm
Loans and advances at amortised cost	35,592	9,667	3,078	48,337
Due from credit institutions and central banks	1,437	0	0	1,437
Guarantees	10,978	763	261	12,002
Undrawn maximum and loan commitments	19,472	1,159	171	20,802
Total	67,479	11,590	3,510	82,579

6.2 **EXPOSURES AT 31.03.18**6.2.1 **SUMMARY OF ACCOUNTING VALUE OF EXPOSURES AND RECOGNISED IMPAIRMENTS ETC.**

	Exposure before impairment see 6.2.3 DKKkm	Impairment see 6.2.2 DKKkm	Recognised impairment etc. DKKkm
Loans and advances at amortised cost (note 6.3)	46,628	1,763	-45
Due from credit institutions and central banks (note 6.4)	1,317	1	0
Guarantees (note 6.5)	11,489	82	14
Drawn maximum and loan commitments (note 6.3)	22,825	29	7
Total	82,260	1,874	-23

Recognised impairments etc. are specified in notes 6.3.1, 6.4.1 and 6.5.1

6.2.2 **IMPAIRMENTS AT 31.03.18 BY EXPOSURE CATEGORY**

	Stage 1 Lack of significant increase in credit risk 31.03.18 DKKkm	Stage 2 Significant increase in credit risk 31.03.18 DKKkm	Stage 3 Credit- impaired 31.03.18 DKKkm	Total 31.03.18 DKKkm
Loans and advances at amortised cost	61	246	1,457	1,763
Due from credit institutions and central banks	1	0	0	1
Guarantees	11	6	65	82
Undrawn maximum and loan commitments	4	3	21	29
Total	77	255	1,542	1,874

NOTE

6.2.3 EXPOSURE BEFORE IMPAIRMENT 31.03.18 BY EXPOSURE CATEGORY

	Stage 1 Lack of significant increase in credit risk 31.03.18 DKKkm	Stage 2 Significant increase in credit risk 31.03.18 DKKkm	Stage 3 Credit- impaired 31.03.18 DKKkm	Total 31.03.18 DKKkm
Loans and advances at amortised cost	33,317	10,404	2,908	46,628
Due from credit institutions and central banks	1,317	0	0	1,317
Guarantees	10,402	857	230	11,489
Undrawn maximum and loan commitments	21,410	1,157	259	22,825
Total	66,445	12,418	3,397	82,260

Spar Nord does not have the categories "Financial assets at fair value through other comprehensive income" and "Loans at fair value through profit or loss".

6.3 LOANS AT AMORTISED COST AND UNDRAWN MAXIMUM AND LOAN COMMITMENT IMPAIRMENTS AND PROVISIONS FOR LOSSES

Analysis of changes in impairments for the period broken down by stages and correlated to recognised impairments, etc. Summary of combined recognised impairments, etc. is provided in note 6.2.1.

	Stage 1 Lack of significant increase in credit risk 31.03.18 DKKkm	Stage 2 Significant increase in credit risk 31.03.18 DKKkm	Stage 3 Credit- impaired 31.03.18 DKKkm	Total 31.03.18 DKKkm	Recognised impairments DKKkm
Impairments at 1 January 2018 under IFRS 9, loans at amortised cost	79	279	1,433	1,791	-
Impairments at 1 January 2018 under IFRS 9, undrawn maximum and loan commitment	4	5	12	21	-
Impairments re. new exposures during the year, including new accounts to existing customers	4	13	32	50	50
Reversed impairments re. repaid accounts	-4	-6	-33	-43	-43
Change in impairments at 1 January, transfer to/from stage 1	42	-30	-12	-	-
Change in impairments at 1 January, transfer to/from stage 2	-5	15	-11	-	-
Change in impairments at 1 January, transfer to/from stage 3	-14	-41	55	-	-
Impairments during the year due to change in credit risk	-42	15	-6	-33	-33
Previously impaired, now finally lost	0	0	-4	-4	-
Other movements (interest rate correction etc.)	0	0	10	10	-
Loss without prior impairment	-	-	-	-	11
Amounts recovered on previously impaired receivables	-	-	-	-	-22
Impairment losses at 31.03.2018	65	249	1,477	1,791	-37
Impairments at 31.03.2018 under IFRS 9, loans at amortised cost	61	246	1,457	1,763	-45
Impairments at 31.03.2018 under IFRS 9, undrawn maximum and loan commitment	4	3	21	29	7
Impairment losses at 31.03.2018	65	249	1,477	1,791	-37

The change in portfolio impairments was driven by an increase in gross lending and movements between the stages as illustrated in the table, which is the result of a change in customers' credit risk. In addition, impairments are affected by impaired macroeconomic factors.

The figures concerning newly established and repaid accounts may include administrative movements in which the balance is moved between two accounts for the same customer.

NOTE

6.4 **DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS**
6.4.1 **IMPAIRMENTS**

Analysis of changes in impairments for the period broken down by stages and correlated to recognised impairments, etc. Summary of combined recognised impairments, etc. is provided in note 6.2.1.

	Stage 1 Lack of significant increase in credit risk 31.03.2018 DKKm	Stage 2 Significant increase in credit risk 31.03.2018 DKKm	Stage 3 Credit impaired 31.03.2018 DKKm	Total 31.03.2018 DKKm	Recognised impairments DKKm
Impairments at 1 January 2018 under IFRS 9	1	0	0	1	-
Impairments re. new exposures during the year, including new accounts to existing customers	0	0	0	0	0
Reversed impairments re. repaid accounts	0	0	0	0	0
Change in impairments at 1 January, transfer to/from stage 1	0	0	0	-	-
Change in impairments at 1 January, transfer to/from stage 2	0	0	0	-	-
Change in impairments at 1 January, transfer to/from stage 3	0	0	0	-	-
Impairments during the year due to change in credit risk	0	0	0	0	-
Impairment losses at 31.03.2018	1	0	0	1	0

	Q1 2018 DKKm	Q1 2017 DKKm	Full year 2017 DKKm
6.4.2 DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS, OTHER SPECIFICATIONS			
Balances at notice with central banks	0	0	0
Due from credit institutions	1,316	2,199	1,437
Total	1,316	2,199	1,437

6.5 **GUARANTEES**
PROVISIONS FOR LOSSES

Analysis of changes in provisions for losses during the period broken down by stages and correlated to recognised impairments, etc. Summary of combined recognised impairments, etc. is provided in note 6.2.1.

	Stage 1 Lack of significant increase in credit risk 31.03.2018 DKKm	Stage 2 Significant increase in credit risk 31.03.2018 DKKm	Stage 3 Credit impaired 31.03.2018 DKKm	Total 31.03.2018 DKKm	Recognised impairments DKKm
Provisions for losses at 1 January 2018 under IFRS 9	13	7	48	68	-
Provisions for losses re. new exposures during the year	2	1	43	46	46
Reversed provision for losses re. repaid exposures	-2	-1	-5	-8	-8
Change in provisions for losses at 1 January, transfer to/from stage 1	3	-1	-2	-	-
Change in provisions for losses at 1 January, transfer to/from stage 2	0	1	0	-	-
Change in provisions for losses at 1 January, transfer to/from stage 3	-2	0	2	-	-
Provisions for losses during the year due to change in credit risk	-4	1	-21	-24	-24
Provisions for losses at 31 March 2018	11	6	65	82	14

The change in portfolio impairments was driven by an increase in gross lending and movements between the stages as illustrated in the table, which is the result of a change in customers' credit risk. In addition, impairments are affected by impaired macroeconomic factors.

NOTE

6.6	IMPAIRMENT ACCOUNT AT 31.03.17 AND 31.12.17 (IAS 39)	Q1 2018 DKKm	Q1 2017 DKKm	Full year 2017 DKKm
	<i>Individual loan impairment charges</i>			
	Individual impairment, beginning of period	-	1.686	1.686
	New individual impairment charges	-	140	310
	Reversal of individual impairment charges	-	170	326
	Previously impaired, now finally lost	-	28	383
	Other movements	-	16	36
	Individual impairment, end of period	-	1.644	1.323
	<i>Collective loan impairment charges</i>			
	Collective impairment, beginning of period	-	124	124
	New collective impairment charges	-	94	128
	Reversal of collective impairment charges	-	2	9
	Other movements	-	2	9
	Collective impairment, end of period	-	218	251
	<i>Total loan impairment charges, etc.</i>			
	Impairment, beginning of year	-	1.810	1.810
	New impairment charges	-	234	438
	Reversed impairment charges	-	172	334
	Previously impaired, now finally lost	-	28	383
	Other movements	-	17	44
	Impairment, end of period	-	1.861	1.575
	<i>Impairment recognised in the income statement</i>			
	New impairment charges	-	234	438
	Reversed impairment charges	-	172	334
	Loss without prior impairment	-	13	96
	Amounts recovered on previously impaired receivables	-	33	167
	Recognised in the income statement	-	42	33
	<i>Provisions for losses on guarantees</i>			
	Provisions, beginning of period	-	67	67
	New provisions	-	4	19
	Reversed provisions	-	28	45
	Provisions for losses on guarantees, end of period	-	43	41
	<i>Provisions for losses on guarantees recognised in the income statement</i>			
	New provisions	-	4	19
	Reversed provisions	-	28	45
	Recognised in the income statement	-	-24	-26
	Impairment account for loans and provisions for losses on guarantees, total	-	1.904	1.616
	<i>Impairment, other credit risks</i>			
	Impairment, other credit risks, beginning of period	-	14	14
	Reversed impairment charges	-	0	14
	Impairment, other credit risks, total	-	14	0
	Impairment account for loans, provisions for losses on guarantees and other credit risks, total	-	1.919	1.616
	Loan impairment charges etc.			
	<i>The total recognition in the income statement under impairment of loans and receivables etc. can be broken down as follows:</i>			
	Loan impairment charges etc.	-	42	33
	Provision for losses on guarantees	-	-24	-26
	Impairment, credit institutions	-	0	-14
	Total impairment of loans and receivables etc.	-	18	-7
	Loans with suspended interest payments	-	123	143
	<i>Interest on impaired receivables is calculated on the impaired balance only.</i>			
	Recognised interest on impaired loans and receivables	-	18	44

6.7 CREDIT RISK POLICY

Spar Nord's credit policy is unchanged relative to the description in note 51 in the annual report for 2017.

NOTE

7 Notes without reference**7.1 FAIR-VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS****Financial instruments recognised at fair value**

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

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

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

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

The credit valuation adjustment (CVA) amounted to DKK 2 million at 31 March 2018 (31 March 2017: DKK 7 million; end-2017: DKK 4 million).

Breakdown of financial instruments relative to the fair-value hierarchy classification and carrying amount	Quoted prices Level 1 DKKm	Observable input Level 2 DKKm	Non- observable Input Level 3 DKKm	Total DKKm
31.03.18				
<i>Financial assets</i>				
Bonds at fair value	11,843	2,493	0	14,336
Shares, etc.	182	35	1,488	1,705
Assets linked to pooled schemes	10,343	4,441	326	15,110
Positive fair value of derivative financial instruments	0	939	20	959
Total	22,367	7,908	1,835	32,110
<i>Financial liabilities</i>				
Deposits in pooled schemes	0	15,110	0	15,110
Other non-derivative financial liabilities at fair value	814	211	0	1,025
Negative fair value of derivative financial instruments	0	630	0	630
Total	814	15,950	0	16,764
31.03.2017				
<i>Financial assets</i>				
Bonds at fair value	11,593	2,649	0	14,242
Shares, etc.	164	1	1,366	1,530
Assets linked to pooled schemes	9,879	4,793	202	14,874
Positive fair value of derivative financial instruments	0	1,146	0	1,146
Total	21,635	8,589	1,568	31,792
<i>Financial liabilities</i>				
Deposits in pooled schemes	0	14,874	0	14,874
Other non-derivative financial liabilities at fair value	1,102	1,440	0	2,542
Negative fair value of derivative financial instruments	0	672	0	672
Total	1,102	16,985	0	18,087
31.12.17				
<i>Financial assets</i>				
Bonds at fair value	8,732	2,106	0	10,838
Shares, etc.	197	21	1,408	1,626
Assets linked to pooled schemes	10,604	4,508	310	15,423
Positive fair value of derivative financial instruments	0	1,030	0	1,030
Total	19,534	7,663	1,719	28,916
<i>Financial liabilities</i>				
Deposits in pooled schemes	0	15,423	0	15,423
Other non-derivative financial liabilities at fair value	476	458	0	934
Negative fair value of derivative financial instruments	0	691	0	691
Total	476	16,571	0	17,047

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

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

Shares are valued according to the following principles:

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

The fair values are based on shareholders' agreements for the individual companies and share transactions completed. The fair value is often based on the companies' book equity (intrinsic value), which is used as a basis for the transaction price between shareholders.

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

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

In 2018, assets recognised under positive fair value of derivative financial instruments were transferred observable inputs (Level 2) to non-observable inputs (Level 3). The adjustment to fair value is recognised in market value adjustments.

NOTE

	31.03.2018 DKKm	31.03.2018 DKKm	31.03.2017 DKKm	31.03.2017 DKKm
Level 3	Fair value based on net asset value, cf. shareholders' agreements	Other	Fair value based on net asset value, cf. shareholders' agreements	Other
Equities	1,129	359	999	367
Assets linked to pooled schemes	-	326	-	202
Positive fair value of derivative financial instruments	-	20	-	-
Sensitivities				
Change in fair value of shares if the profit/loss of the companies changes by 10% (annualised)	14	-	8	-

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

Financial instruments measured at fair value based on non-observable inputs (Level 3)	Q1 2018 DKKm	Q1 2017 DKKm	Full year 2017 DKKm
Carrying amount, beginning of period	1,719	1,550	1,550
Value adjustments through profit or loss	115	39	136
Market value adjustments in other comprehensive income	0	0	0
Purchase	18	7	131
Sale	51	28	99
Transferred to/from Level 3	35	0	0
Carrying amount, end of period	1,835	1,568	1,719
Market-value adjustments in the income statement of assets held at the reporting date	112	37	91

Dividends on shares are recognised in the income statement and are not included in the above statement.

7.2 COLLATERAL PROVIDED

Collateral provided through clearing systems, with central counterparties and other infrastructure institutions:

Deposits, clearing	116	138	105
Collateral provided for the market value of derivatives transactions	348	428	424
Positive market value of derivative contracts subject to netting	196	241	215
Collateral provided as part of repo transactions	2,507	1,462	729
Other collateral provided	30	44	30
Total	3,198	2,313	1,503

NOTE

7.3 HEDGE ACCOUNTING	Q1 2018 DKKm	Q1 2017 DKKm	Full year 2017 DKKm
Assets			
Loans and advances			
Carrying amount	76	80	77
Fair value	76	80	77
Nominal value	75	75	75
Interest risk-hedging financial instruments			
Derivatives (swap contracts)			
Carrying amount	-1	-5	-2
Fair value	-1	-5	-2
Synthetic principal/nominal value	75	75	75
Liabilities			
Subordinated debt			
Carrying amount	-	396	-
Fair value	-	403	-
Nominal value	-	400	-
Interest risk-hedging financial instruments			
Derivatives (swap contracts)			
Carrying amount	-	3	-
Fair value	-	3	-
Synthetic principal/nominal value	-	400	-

7.4 OWNERSHIP at 31.03.2018

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

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The Interim 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.