

# **Interim report for H1 2018**

## **of Spar Nord Bank**

**Net profit of DKK 630 million and  
return on equity of 15.3%**

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# Performance indicators and financial ratios – Group

## CORE EARNINGS – QUARTERLY

INCOME STATEMENT DKKm	H1 2018	H1 2017	Change in %	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
Net interest income *)	773	785	-2	384	389	373	388	393	1,546
Net fee income	563	573	-2	273	290	279	264	279	1,116
Market value adjustments and dividends	183	285	-36	64	119	102	18	121	404
Other operating income	179	25	-	169	10	15	12	14	51
Income from investments in associates and group enterprises	25	20	22	15	9	5	7	7	32
<b>Core income</b>	<b>1,723</b>	<b>1,688</b>	<b>2</b>	<b>905</b>	<b>818</b>	<b>773</b>	<b>688</b>	<b>814</b>	<b>3,150</b>
Salaries	589	602	-2	313	277	316	247	318	1,165
Operating expenses	366	347	6	183	183	195	168	171	710
Depreciation, amortisation and impairment	30	28	5	15	15	14	18	14	61
<b>Costs and expenses</b>	<b>985</b>	<b>977</b>	<b>1</b>	<b>510</b>	<b>474</b>	<b>525</b>	<b>433</b>	<b>502</b>	<b>1,936</b>
<b>Core earnings before impairment</b>	<b>739</b>	<b>711</b>	<b>4</b>	<b>395</b>	<b>344</b>	<b>248</b>	<b>254</b>	<b>312</b>	<b>1,213</b>
Loan impairment charges etc. *)	16	-9	-	39	-23	13	-42	-10	-38
<b>Profit/loss before tax</b>	<b>722</b>	<b>720</b>	<b>0</b>	<b>355</b>	<b>367</b>	<b>235</b>	<b>297</b>	<b>322</b>	<b>1,251</b>
Tax	93	145	-36	37	56	44	73	64	262
<b>Profit/loss</b>	<b>630</b>	<b>575</b>	<b>9</b>	<b>319</b>	<b>311</b>	<b>190</b>	<b>224</b>	<b>258</b>	<b>989</b>
Of which, share attributable to interest expenses to holders of additional tier 1 (AT1) capital	24	24	0	12	12	12	12	12	49
<b>BALANCE SHEET DKKm</b>									
Total assets	83,561	79,595	5	83,561	80,934	80,367	80,372	79,595	80,367
<b>Loans and advances</b>	<b>45,678</b>	<b>42,407</b>	<b>8</b>	<b>45,678</b>	<b>44,866</b>	<b>46,747</b>	<b>45,471</b>	<b>42,407</b>	<b>46,747</b>
Lending, banking and leasing activities	38,336	36,351	5	38,336	37,551	37,272	36,630	36,351	37,272
Lending, reverse repo transactions	7,342	6,056	21	7,342	7,315	9,475	8,841	6,056	9,475
<b>Deposits</b>	<b>64,866</b>	<b>62,782</b>	<b>3</b>	<b>64,866</b>	<b>62,874</b>	<b>64,266</b>	<b>63,296</b>	<b>62,782</b>	<b>64,266</b>
Deposits, banking activities	49,514	47,610	4	49,514	47,765	48,668	48,092	47,610	48,668
Deposits, repo transactions	0	156	-	0	0	175	0	156	175
Deposits in pooled schemes	15,352	15,016	2	15,352	15,110	15,423	15,204	15,016	15,423
Subordinated debt	1,522	1,089	40	1,522	1,128	1,144	1,086	1,089	1,144
Holders of additional tier 1 (AT1) capital instruments	860	863	0	860	874	861	872	863	861
Equity	8,100	7,702	5	8,100	8,220	8,114	7,920	7,702	8,114
Contingent liabilities	12,095	12,304	-2	12,095	11,407	11,961	11,742	12,304	11,961
Total risk exposure amount	51,493	49,672	4	51,493	51,559	49,546	49,243	49,672	49,546
Tier 1 capital **)	8,235	7,369	12	8,235	8,055	7,924	7,777	7,369	7,924
Impairment account and discount on commitments taken over ***)	1,894	1,901	0	1,894	1,874	1,616	1,708	1,901	1,616
Contractual non-performing loans	383	401	-5	383	393	341	388	401	341
Business volume	242,522	236,185	3	242,522	239,196	241,393	238,807	236,185	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 H1 2017 is exclusive of recognition of profit/loss for the period.

\*\*\*) Spar Nord's impairment account amounts to DKK 1,894 million (H1 2017: DKK 1,839 million) (note 6) and the discount on commitments taken over amounts to DKK 0 million (H1 2017: DKK 62 million).

The 2018 quarterly figures are 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 01.01.2018.

# Performance indicators and financial ratios – Group

## CORE EARNINGS – QUARTERLY

FINANCIAL RATIOS	H1 2018	H1 2017	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Full year 2017
<b>OWN FUNDS</b>								
Own funds ratio *)	18.9	16.9	18.9	17.8	18.2	17.9	16.9	18.2
Tier 1 capital ratio *)	16.0	14.8	16.0	15.6	16.0	15.8	14.8	16.0
Common equity tier 1 capital ratio *)	14.4	13.2	14.4	14.0	14.4	14.2	13.2	14.4
<b>EARNINGS</b>								
Return on equity before tax excl. additional tier 1 (AT1) capital, % **)	8.7	9.0	4.3	4.4	2.8	3.6	4.0	15.1
Return on equity after tax excl. additional tier 1 (AT1) capital, % **)	7.6	7.2	3.9	3.7	2.3	2.7	3.2	12.0
Cost share of core income	0.57	0.58	0.56	0.58	0.68	0.63	0.62	0.61
Cost share of core income – incl. loan impairment charges, etc.	0.58	0.57	0.61	0.55	0.70	0.57	0.60	0.60
Return on assets, %	0.8	0.7	0.4	0.4	0.2	0.3	0.3	1.2
<b>MARKET RISK AND LIQUIDITY</b>								
Interest rate risk, %	0.8	0.2	0.8	0.8	0.7	1.3	0.2	0.7
Foreign-exchange position, %	1.3	3.9	1.3	1.4	3.3	5.2	3.9	3.3
Foreign-exchange risk, %	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1
Liquidity Cover Ratio (LCR), %	176	176	176	173	187	165	176	187
Bank and leasing loans relative to bank deposits, %	77.4	76.4	77.4	78.6	76.6	76.2	76.4	76.6
<b>CREDIT RISK</b>								
Bank and leasing loans relative to shareholders' equity	4.7	4.7	4.7	4.6	4.6	4.6	4.7	4.6
Increase in loans and advances for the period, %	3.5	3.6	2.1	1.3	1.8	0.8	1.6	6.2
Sum of large exposures, % ***)	79.1	17.5	79.1	74.1	17.2	18.7	17.5	17.2
Impairment ratio, %	0.0	0.0	0.1	0.0	0.0	-0.1	0.0	-0.1
<b>EMPLOYEES AND BRANCHES</b>								
Number of employees (full-time equivalents, end of period)	1,527	1,555	1,527	1,520	1,538	1,557	1,555	1,538
Number of branches	49	55	49	50	50	51	55	50
<b>SPAR NORD SHARE</b>								
<b>DKK PER SHARE OF DKK 10</b>								
Share price, end of period	68	85	68	72	72	78	85	72
Net asset value (NAV), **)	66	63	66	67	66	64	63	66
Profit/loss for the period **)	5.0	4.5	2.5	2.5	1.5	1.7	2.0	7.7
Dividend	-	-	-	-	-	-	-	3.5
Return	-	-	-	-	-	-	-	-5
Price/earnings **)	-	-	-	-	-	-	-	9

\*) Own funds for H1 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 01.01.2018.

# Executive Summary

*"A profit after tax of DKK 630 million is on a level with the best half-year results in Spar Nord's history, and we are of course very pleased with the strong performance. Adding to performance was a decent profit on our shareholdings in Valueinvest Asset Management and BankInvest, but our ordinary banking operations also developed favourably. Net interest and fee income is more or less unchanged from the year-earlier period, and as a result of the favourable economic trends our loan losses remain at a very low level," said Spar Nord's CEO Lasse Nyby.*

Spar Nord achieved a satisfactory profit after tax of DKK 630 million in H1 2018, which corresponds to an annualised return on equity of 15.3%. The profit marks an increase of DKK 55 million, or 9%, on H1 2017 and is substantially above the Bank's strategic target of having a return on equity of 9–11% after tax.

Core income amounted to DKK 1,723 million, which is 2% higher than in the year-earlier period. Net interest income was DKK 773 million against DKK 785 million in H1 2017, net fee income was DKK 563 million against DKK 573 million, and market value adjustments were DKK 183 million against DKK 285 million. The strong income improvement was thus attributable to an increase in other operating income (sale of shares) in the amount of DKK 155 million.

Total costs and expenses amounted to DKK 985 million, which is on a level with the same period of last year. As in the preceding periods, costs were affected by investments in the IT area. A reduction in more or less all other cost items has the opposite effect.

Core earnings before impairment were DKK 739 million, which is DKK 28 million, or 4%, higher than in H1 last year and higher than expected at the beginning of the year. Loan impairment charges etc. were a net expense of DKK 16 million, which is also better than expected at the beginning of the year.

## BUSINESS VOLUME

The Group's total business volume (deposits, loans, advances and guarantees, mortgage credits arranged and customers' custodian-ship accounts) amounted to DKK 242.5 billion at 30 June 2018, which was DKK 1.4 billion higher than at the beginning of 2018.

The increase covers an increase in bank lending of DKK 1.3 billion (3%), an increase in mortgage lending of DKK 2.1 billion (3%) and a DKK 0.8 billion (2%) increase in deposits. Detracting from performance was a decline in customers' custodian accounts.

## INCOME FROM BANKINVEST AND VALUEINVEST

The financial statements for the first half of 2018 are positively influenced by an income of DKK 154 million concerning the sale of Spar Nord's shareholding in Valueinvest Asset Management SA to Macquarie.

In addition, the financial statements include an extraordinary value adjustment of DKK 82 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.

## OUTLOOK

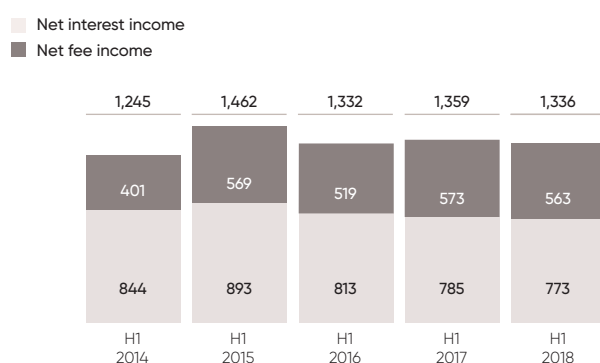
On the basis of developments and performance in H1, management has resolved to retain the full-year forecast for core earnings before impairment around DKK 1.3 billion, as announced in connection with the news about non-recurring income regarding Valueinvest and BankInvest. The net profit for the year is still expected to be around DKK 1.0 billion.

# Management commentary on H1 2018

Spar Nord achieved a profit after tax of DKK 630 million in H1 2018, which corresponds to an annualised return on equity of 15.3%. The profit is DKK 55 million, or 9%, higher than in H1 2017 and is considered satisfactory by management.

Core income amounted to DKK 1,723 million, which is 2% higher 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 773 million in H1 2018, against DKK 785 million in the same period of 2017. Compared with the year-earlier period, interest income from loans, bonds, etc. was DKK 24 million lower, while interest expenses were reduced by DKK 12 million.

The lending margin was 28 basis points lower in Q2 2018 than it was in Q2 2017. However, since the fourth quarter, the interest margin has been a mere 7 basis points, covering a fall in the lending margin of 13 basis points and a fall in the deposit margin of 6 basis point.

Net interest income for H1 2018 includes DKK 15 million of interest income from previous impairment exposures (H1 2017: DKK 21 million).

From Q1 to Q2, net interest income fell from DKK 389 million to DKK 384 million, primarily because there was no income due to one-off events in Q2.

## NET FEE INCOME AT A SATISFACTORY LEVEL

Net fee income was DKK 563 million in H1 2018, against DKK 573 million in the same period of 2017. Net income from fees, charges and commissions thus accounted for 42% of total net interest and fee income in the period.

Realised net fee income was adversely affected in the amount of DKK 24 million concerning a changed accruals principle.

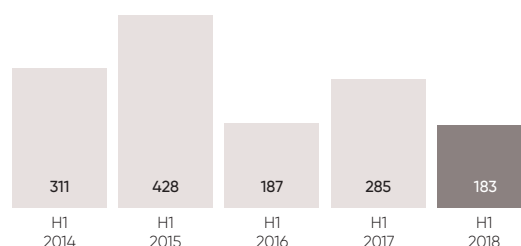
The underlying trends were thus positive, especially due to growth in income from mortgage loans arranged, insurance and pension. On a negative note, there was a small decline in fee income from securities trading.

## MARKET VALUE ADJUSTMENTS AFFECTED BY DIFFICULT BOND MARKET ENVIRONMENT

Market value adjustments and dividends amounted to DKK 183 million, which is DKK 102 million, or 36%, lower than in H1 2017.

The downward trend is ascribable to a sharp reduction in earnings from bonds and financial instruments. Moreover, there was a negative one-off effect of DKK 12 million concerning value adjustment of derivatives.

## Market value adjustments and dividends DKKM



On a positive note, market value adjustments and dividends concerning strategic shareholdings in financial sector companies rose by DKK 64 million, especially driven by BankInvest.

## INCOME OF DKK 154 MILLION FROM DIVESTMENT OF VALUEINVEST

Other operating income amounted to DKK 179 million in H1 2018, against DKK 25 million in the same period of 2017. The increase was driven by the sale of Spar Nord's shareholding in Valueinvest Asset Management SA to Macquarie.

Income from investments in associates and group enterprises amounted to DKK 25 million compared with DKK 20 million in 2017.

## COSTS DRIVEN BY IT INVESTMENTS

The Group's total costs and expenses amounted to DKK 985 million in H1 2018, against DKK 977 million in the same period of 2017.

### Total costs DKKm

	925	964	948	977	985	
	35	33	35	28	30	Depreciation, amort. and impairment
	344	356	327	347	366	Other operating expenses
	546	575	586	602	589	Salaries
	H1 2014	H1 2015	H1 2016	H1 2017	H1 2018	

Wages and salaries accounted for DKK 589 million of total costs and expenses. Realised payroll costs were DKK 13 million, or 2%, lower than in H1 2017, primarily due to factors of a technical nature. As a result of pay rises under collective agreements, costs for basic salaries were thus slightly higher than in the year-earlier period, although Spar Nord employed 28 employees fewer at 30 June 2018 than one year before.

Other operating expenses came to DKK 366 million, which is DKK 19 million, or 6%, higher than in 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. A reduction in more or less all other material cost items has the opposite effect.

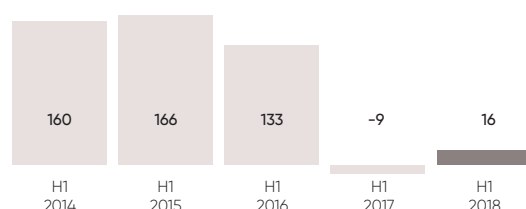
The realised core income and costs correspond to a Cost/Income Ratio of 0.57, which is better than Spar Nord's strategic target of 0.60.

From Q1 to Q2, costs and expenses rose from DKK 474 million to DKK 510 million. The increase was primarily due to higher payroll costs driven by adjustment of holiday pay obligations.

## LOAN IMPAIRMENTS REMAINING MODERATE

Loan impairment charges etc. was an expense of DKK 16 million, which compares to an income of DKK 9 million in the year-earlier period. Of the total H1 impact – an income of DKK 23 million in Q1 and an expense of DKK 39 million in Q2 – there was an income of DKK 11 million for retail customers, an income of DKK 69 million for business customers ex. agriculture and an expense of DKK 96 million for agriculture.

### Impairment DKKM



The overall positive trends for both retail and business customers reflect the continued improvement of macroeconomic conditions, which have resulted in a lower inflow of impairment exposures and better performance of loans already flagged as having weak credit quality. In the agricultural sector, however, the period was characterised by lower pork prices and more difficult conditions for plant cultivation. Against that background, loan impairment charges for the agricultural sector came to DKK 96 million, of which DKK 40 million is reserved for an anticipated higher liquidity requirement in Q3 for customers for which objective evidence of impairment has been established.

For Spar Nord, the implementation of the new IFRS 9 rules at 1 January 2018 has resulted in additional impairments of DKK 250 million, and the impact on the Bank's opening equity after tax is thus DKK 195 million, corresponding to 2.4% of shareholders' equity.

Individual impairment charges (stage 3) amounted to DKK 1,518 million at 30 June 2018, while stage 1 and 2 impairments totalled DKK 376 million.

## The Group's loans, advances and guarantees \*) Breakdown by industry

Industry %	Loans and guarantees		Impairment account
	31.12.17	30.06.18	30.06.18
Agriculture, hunting and forestry	6.1	6.3	34.9
Fisheries	0.2	0.2	0.0
Industry and raw materials extraction	5.3	5.7	4.9
Utilities	3.1	2.7	1.3
Construction and engineering	4.8	4.5	4.6
Trade	7.2	7.4	4.4
Transport, hotels and restaurants	3.8	3.9	5.4
Information and communication	0.4	0.4	0.2
Financing and insurance	6.6	6.4	5.7
Real property	11.2	10.8	11.0
Other industries	5.8	6.5	5.4
<b>Total business customers</b>	<b>54.5</b>	<b>54.8</b>	<b>77.9</b>
Public authorities	0	0.0	0.0
Retail customers	45.5	45.2	22.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\*) Excl. reverse repo transactions

## Agricultural exposures by production line

30.06.18	Loans, advances and guarantees	Non-performing loans	Of which impaired	Share impaired
DKKm/%				
Cattle producers	854	81	486	57.0
Pig producers	680	12	310	45.5
Plant cultivation	766	5	172	22.5
Mink farmers	99	8	39	39.4
Leasing	510	1	20	4.0
Miscellaneous	360	2	19	5.2
<b>Total</b>	<b>3,269</b>	<b>109</b>	<b>1,046</b>	<b>32.0</b>

## Agricultural impairment by production line

30.06.18	Impairment account	Written off	Impairment for the year	Impairment ratio of exposure	Percentage impaired
DKKm/%					
Cattle producers	315	0	8	36.9	64.8
Pig producers	202	0	46	29.7	65.1
Plant cultivation	68	0	30	8.8	39.4
Mink farmers	23	0	7	23	58.5
Leasing	5	0	4	1.0	24.3
Miscellaneous	8	0	2	2.2	42.5
<b>Total</b>	<b>620</b>	<b>0</b>	<b>96</b>	<b>19.0</b>	<b>59.3</b>

## PROFIT BEFORE TAX OF DKK 722 MILLION AND NET PROFIT OF DKK 630 MILLION

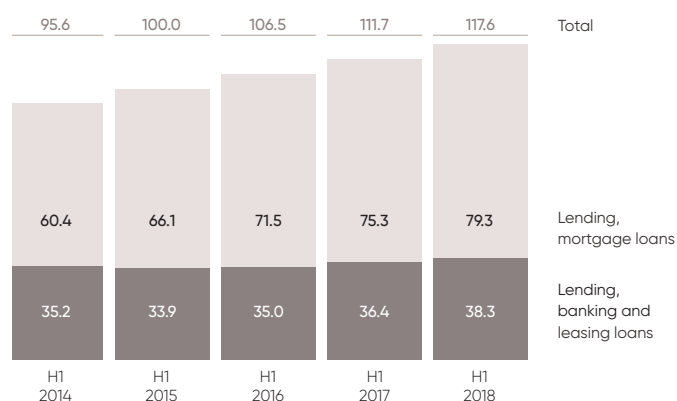
The profit before tax was DKK 722 million against DKK 720 million in H1 2017. The Group's effective tax rate was 13%, bringing the net profit to DKK 630 million, against DKK 575 million in the same period last year. The very low effective tax rate was due to tax exemption for income relating to both Valueinvest and BankInvest in H1.

## BUSINESS VOLUME GROWING TO DKK 243 BILLION

The Group's total business volume (deposits, loans, advances and guarantees, mortgage credits arranged and customers' custodianship accounts) amounted to DKK 242.5 billion at 30 June 2018, which was DKK 1.4 billion higher than at 1 January 2018.

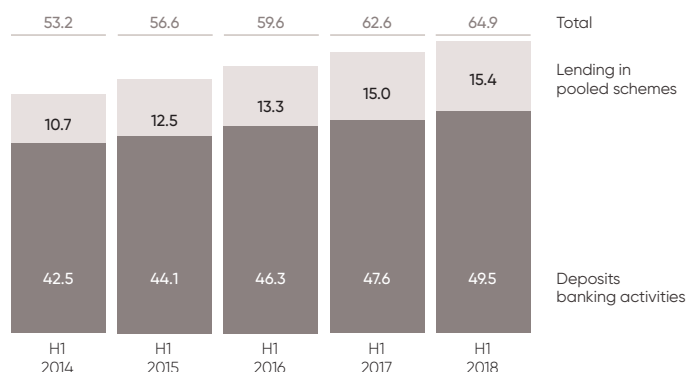
Compared with 1 January 2018, bank and leasing loans rose DKK 1.3 billion, or 3%.

### Total credits arranged (DKKbn)



In H1 2018, the volume of mortgage loans arranged grew DKK 2.1 billion to DKK 79.3 billion, equal to 3%. In total, the volume of mortgage loans arranged from Totalcredit amounted to DKK 68.2 billion and from DLR Kredit DKK 11.1 billion.

### Total deposits (DKKbn)



Deposits, banking activities increased by DKK 0.8 billion, or 2%, in H1 while deposits in pooled schemes were unchanged at DKK 15.4 billion.

Lastly, customers' custodianship accounts have declined by DKK 2.9 billion, or 6%, since 1 January.

## STRATEGIC LIQUIDITY OF DKK 21 BILLION

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

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

### Strategic liquidity

(DKKbn)	30.06.18	31.03.18	31.12.17	30.09.17	30.06.17
Deposits, banking activities	49.5	47.8	48.7	48.1	47.6
Senior loans/bond issues	0.0	0.0	0.0	0.0	0.0
Equity and subordinated debt	10.5	10.2	10.1	9.9	9.7
<b>Liquidity procurement</b>	<b>60.0</b>	<b>58.0</b>	<b>58.8</b>	<b>58.0</b>	<b>57.3</b>
Lending, banking and leasing activities	38.3	37.6	37.3	36.6	36.4
Maturity, senior issued bonds & subordinated debt <1 year	0.7	0.7	0.7	0.4	0.4
<b>Strategic liquidity, total</b>	<b>21.0</b>	<b>19.8</b>	<b>20.8</b>	<b>21.0</b>	<b>20.5</b>

At the end June 2018, Spar Nord's strategic liquidity amounted to DKK 21.0 billion, up DKK 0.2 billion on end-2017.

Spar Nord's LCR ratio at 30 June 2017 was 176.

## 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 (beginning of 2019), Spar Nord expects to raise these targets to 13.5% and 17.5%.

At 30 June 2018, the common equity tier 1 (CET1) ratio was 14.4%, while the own funds ratio was 18.9%. This should be viewed relative to the individual solvency need calculated by Spar Nord at 9.3% plus the 1.9% combined buffer requirement, as a result of which the total capital requirement is 11.2%. The excess capital coverage, which is calculated at 7.1 percentage points or DKK 3.7 billion, has been reduced by tier 2 capital of DKK 0.3 billion because Spar Nord currently has more tier 2 capital than what may be included in the excess coverage calculation.

In H1 2018, as part of ordinary refinancing initiatives, Spar Nord issued new tier 2 capital of DKK 400 million.

## PHASING IN OF MREL REQUIREMENTS

As Spar Nord is expected to be assigned SIFI status, the Bank must comply with the same requirements regarding eligible liabilities (MREL requirements) as other SIFIs. The requirements will be phased in from the beginning of 2019 to the beginning of 2022, and when they are fully phased in, Spar Nord must have total capital of about 30% of the total risk exposure amount.

Over the coming years, the phasing in of the new requirements is expected to lead to a need for issuing subordinated capital (senior non-preferred) to the tune of DKK 6 billion. The first issues are expected to be made in H2 2019, and efforts will be made to ensure an even distribution of issues during the period until the MREL requirements enter into force.



**IRB PROJECT STATUS**

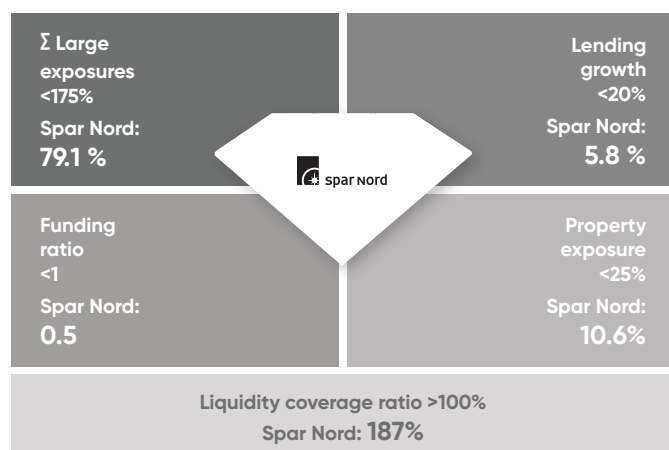
As described in Annual Report 2017, Spar Nord has, among other things due to the expected assignment of SIFI status, resolved to launch a project to facilitate the transition to internal ratings-based models for calculating risk.

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 30 June 2018, Spar Nord was comfortably within all threshold values in the Supervisory Authority Diamond Test Model. At 30 June 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 core earnings before impairment 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 BankInvest in Q1 and sales proceeds from Valueinvest Asset Management SA in Q2, Spar Nord upgraded its guidance twice in Q1 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 H1, Spar Nord retains this 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 30.06.18	At 31.03.18	Executive Board	At 30.06.18	At 31.03.18
Kjeld Johannesen	80,000	60,000	Lasse Nyby	51,161	50,143
Per Nikolaj Bukh	27,200	27,200	John Lundsgaard	74,274	72,355
Lene Aaen (took office on 19.04.2018)	2,593	2,431	Lars Møller	69,431	68,430
Kaj Christiansen	21,100	21,100			
Morten Bach Gaardboe	3,620	3,620			
Laila Mortensen	0	0			
Ole Skov (retired on 19.04.2018)	-	7,785			
Jannie Skovsen	8,151	7,963			
Gitte Holmgaard Sørensen	2,392	2,183			
John Sørensen	5,160	5,160			

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

## OVERVIEW OF GROUP COMPANIES

	Share capital end of period*) DKKm	Equity end of period*) DKKm	Profit/loss *) DKKm
<b>Consolidated subsidiaries</b>			
Aktieselskabet Skelagervej 15, Aalborg	27	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 hereon as % of deposits	Loans and advances plus impairment and discount as % of deposits
Loans and advances relative to shareholders' equity	Loans and advances as % of equity
Bank and leasing loans relative to bank deposits	Bank and leasing loans as a percentage of bank deposits
Bank and leasing loans relative to shareholders' equity	Bank and leasing loans / shareholders' equity

# Performance indicators and financial ratios – Group

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

INCOME STATEMENT DKKm	H1 2018	H1 2017	Change in %	H1 2018	H1 2017	H1 2016	H1 2015	H1 2014	Full year 2017
Net income from interest, fees, charges and commissions	1,381	1,404	-2	1,381	1,404	1,409	1,540	1,315	2,716
Market value adjustments	138	267	-48	138	267	138	374	284	381
Staff costs and administrative expenses	951	945	1	951	945	909	929	878	1,863
Loan impairment charges etc.	16	19	-12	16	19	162	188	194	-7
Income from investments in associates and group enterprises	25	20	22	25	20	15	13	53	32
Profit/loss	630	575	9	630	575	383	632	440	989
<b>BALANCE SHEET DKKm</b>									
Loans and advances	45,678	42,407	8	45,678	42,407	38,531	34,413	36,935	46,747
Equity	8,960	8,565	5	8,960	8,565	7,799	7,618	6,855	8,975
Total assets	83,561	79,595	5	83,561	79,595	77,476	77,832	77,933	80,367

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 01.01.2018.

<b>FINANCIAL RATIOS</b>									
<b>OWN FUNDS</b>									
Own funds ratio *)	18.9	16.9		18.9	16.9	16.8	16.3	16.9	18.2
Tier 1 capital ratio *)	16.0	14.8		16.0	14.8	14.7	14.2	14.7	16.0
<b>EARNINGS</b>									
Return on equity before tax, %	8.1	8.4		8.1	8.4	6.0	10.1	7.6	14.2
Return on equity after tax, %	7.1	6.7		7.1	6.7	4.9	8.6	6.6	11.2
Income/cost ratio	1.72	1.72		1.72	1.72	1.42	1.62	1.44	1.65
Return on assets, %	0.8	0.7		0.8	0.7	0.5	0.8	0.6	1.2
<b>MARKET RISK AND LIQUIDITY</b>									
Interest rate risk, %	0.8	0.2		0.8	0.2	0.7	0.6	0.5	0.7
Foreign-exchange position, %	1.3	3.9		1.3	3.9	3.0	3.8	2.4	3.3
Foreign-exchange risk, %	0.1	0.1		0.1	0.1	0.1	0.1	0.0	0.1
Excess coverage relative to statutory liquidity requirement, %	323.0	321.3		323.0	321.3	283.1	268.0	230.2	326.4
Loans and advances as % of deposits	70.4	67.5		70.4	67.5	64.6	60.8	69.4	72.7
Loans and advances plus impairment as % of deposits	73.2	70.4		73.2	70.4	67.7	63.9	72.5	75.2
<b>CREDIT RISK</b>									
Loans and advances relative to equity	5.1	5.0		5.1	5.0	4.9	4.5	5.4	5.2
Increase in loans and advances for the period, %	3.5	3.6		3.5	3.6	3.3	-4.4	-1.9	6.2
Sum of large exposures, % **)	79.1	17.5		79.1	17.5	15.9	16.6	0.0	17.2
Impairment ratio for the period	0.0	0.0		0.0	0.0	0.3	0.4	0.4	0.0
<b>THE SPAR NORD SHARE DKK PER SHARE OF DKK 10</b>									
Profit/loss for the period	5.1	4.7		5.1	4.7	3.1	5.0	3.5	8.0
Net asset value (NAV)	66	63		66	63	60	58	55	66
Dividend	-	-		-	-	-	2.0	-	3.5
Share price/profit/loss for the period	13.3	18.1		13.3	18.1	17.4	14.8	17.1	9.0
Share price/NAV	1.0	1.3		1.0	1.3	0.9	1.3	1.1	1.1

\*) Own funds for H1 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 Spar Nord Bank for the period from 1 January to 30 June 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.

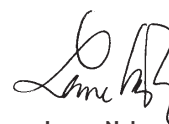
The interim financial statements are unaudited and have not been reviewed, but the external auditor has verified the profit. This verification included procedures consistent with the requirements relating to a review. Hence, it was ascertained that the conditions for ongoing recognition of the profit 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 and Parent Company's financial position at 30 June 2018 and of the results of the Group's and Parent Company's operations and the Group's cash flows for the period from 1 January to 30 June 2018.

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

Aalborg, 16 August 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  
Directors



**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

		H1 2018 DKK <sup>m</sup>	H1 2017 DKK <sup>m</sup>	Q2 2018 DKK <sup>m</sup>	Q2 2017 DKK <sup>m</sup>	Full year 2017 DKK <sup>m</sup>
4.1	Interest income	831	884	413	439	1,719
4.2	Interest expenses	58	71	29	34	141
	<b>Net interest income</b>	<b>773</b>	<b>813</b>	<b>384</b>	<b>404</b>	<b>1,577</b>
	Dividends on shares, etc.	45	18	39	15	23
4.3	Fees, charges and commissions received	640	638	309	314	1,265
4.3	Fees, charges and commissions paid	77	65	36	35	149
	<b>Net income from interest, fees, charges and commissions</b>	<b>1,381</b>	<b>1,404</b>	<b>695</b>	<b>698</b>	<b>2,716</b>
4.4	Market value adjustments	138	267	25	107	381
	Other operating income	179	25	169	14	51
4.5	Staff costs and administrative expenses	951	945	493	486	1,863
	Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	30	28	15	14	61
	Other operating expenses	4	5	2	2	13
	Income from investments in associates and group enterprises	25	20	15	7	32
	<b>Profit/loss before loan impairment charges (core earnings before impairment)</b>	<b>739</b>	<b>739</b>	<b>395</b>	<b>323</b>	<b>1,244</b>
6.2.1	Loan impairment charges etc.	16	19	39	1	-7
	<b>Profit/loss before tax</b>	<b>722</b>	<b>720</b>	<b>355</b>	<b>322</b>	<b>1,251</b>
	Tax	93	145	37	64	262
	<b>Profit/loss</b>	<b>630</b>	<b>575</b>	<b>319</b>	<b>258</b>	<b>989</b>
<b>APPROPRIATION:</b>						
	The shareholders of the Parent Company Spar Nord Bank A/S	605	551	306	246	940
	Holders of additional tier 1 (AT1) capital instruments	24	24	12	12	49
	<b>Profit/loss</b>	<b>630</b>	<b>575</b>	<b>319</b>	<b>258</b>	<b>989</b>
<b>EARNINGS PER SHARE</b>						
	Earnings per share (DKK)	5.0	4.5	2.5	2.0	7.7
	Diluted earnings per share (DKK)	5.0	4.5	2.5	2.0	7.7
<b>STATEMENT OF COMPREHENSIVE INCOME</b>						
	<b>Profit/loss for the period</b>	<b>630</b>	<b>575</b>	<b>319</b>	<b>258</b>	<b>989</b>
	<b>Other comprehensive income</b>					
	<b>Items that cannot be reclassified to the income statement:</b>					
	Net revaluation of domicile property	1	1	0	0	11
	<b>Other comprehensive income after tax</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>11</b>
	<b>Total comprehensive income</b>	<b>630</b>	<b>576</b>	<b>319</b>	<b>259</b>	<b>1,000</b>
	<i>Appropriation:</i>					
	The shareholders of the Parent Company Spar Nord Bank A/S	606	552	307	247	951
	Holders of additional tier 1 (AT1) capital instruments	24	24	12	12	49
	<b>Total comprehensive income</b>	<b>630</b>	<b>576</b>	<b>319</b>	<b>259</b>	<b>1,000</b>

## Balance sheet – Group

30.06.18  
DKKm

30.06.17  
DKKm

Full year  
2017  
DKKm

NOTE

### ASSETS

	Cash balances and demand deposits with central banks	1,352	1,393	1,298
6.4	Due from credit institutions and central banks	2,185	2,366	1,437
	Lending, banking and leasing activities	38,336	36,351	37,272
	Lending, reverse repo transactions	7,342	6,056	9,475
6.3	<b>Loans, advances and other receivables at amortised cost, total</b>	<b>45,678</b>	<b>42,407</b>	<b>46,747</b>
	Bonds at fair value	14,151	13,826	10,838
	Shares, etc.	1,738	1,552	1,626
	Investments in associates	64	111	128
	Assets linked to pooled schemes	15,352	15,016	15,423
	Intangible assets	180	189	184
	Investment properties	135	135	135
	Domicile property	527	526	487
	<b>Land and buildings, total</b>	<b>662</b>	<b>661</b>	<b>621</b>
	Other property, plant and equipment	125	106	119
	Current tax assets	172	24	45
	Temporary assets	9	27	21
5.1	Other assets	1,761	1,794	1,763
	Prepayments and deferred income	135	125	115
	<b>Total assets</b>	<b>83,561</b>	<b>79,595</b>	<b>80,367</b>

### LIABILITIES

#### PAYABLES

	Due to credit institutions and central banks	3,624	2,821	1,964
5.2	Deposits and other payables	49,514	47,766	48,843
	Deposits in pooled schemes	15,352	15,016	15,423
	Other non-derivative financial liabilities at fair value	1,619	1,232	934
5.3	Other liabilities	2,675	2,908	2,866
	Prepayments and deferred income	48	21	19
	<b>Total payables</b>	<b>72,832</b>	<b>69,765</b>	<b>70,049</b>

#### PROVISIONS

	Provisions for deferred tax	139	108	136
	Provision for losses on guarantees	74	41	41
	Other provisions	34	27	21
	<b>Total provisions</b>	<b>247</b>	<b>176</b>	<b>199</b>

#### SUBORDINATED DEBT

5.4	Subordinated debt	1,522	1,089	1,144
	<b>Total liabilities</b>	<b>74,601</b>	<b>71,030</b>	<b>71,392</b>

#### EQUITY

	Share capital	1,230	1,255	1,230
	Revaluation reserves	94	92	94
	Proposed dividend	-	-	431
	Retained earnings	6,776	6,355	6,359
	<b>Equity</b>	<b>8,100</b>	<b>7,702</b>	<b>8,114</b>
	Holders of additional tier 1 (AT1) capital instruments	860	863	861
	<b>Total equity</b>	<b>8,960</b>	<b>8,565</b>	<b>8,975</b>

	<b>Total equity and liabilities</b>	<b>83,561</b>	<b>79,595</b>	<b>80,367</b>
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#### OFF-BALANCE SHEET ITEMS

5.5	Contingent assets	15	8	13
5.6	Contingent liabilities	12,095	12,304	11,961
5.7	Other binding commitments	567	501	501

## Capital position – Group

## STATEMENT OF CHANGES IN EQUITY

Capital position – Group		The shareholders of the Parent Company Spar Nord Bank A/S							
STATEMENT OF CHANGES IN EQUITY		Share capital DKKk	Revaluation reserve DKKk	Statu- tory reserves DKKk	Proposed dividend DKKk	Retained earnings DKKk	Total DKKk	Additional tier 1 capital DKKk	Total DKKk
<b>EQUITY AT 30.06.18</b>									
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
<b>Equity at 01.01.18</b>		<b>1,230</b>	<b>94</b>	<b>0</b>	<b>431</b>	<b>6,164</b>	<b>7,919</b>	<b>861</b>	<b>8,780</b>
<i>Comprehensive income in 2018</i>									
Profit/loss for the period		-	-	25	-	581	605	24	630
<i>Other comprehensive income</i>									
Net revaluation of properties		-	0	-	-	1	1	-	1
<b>Other comprehensive income, total</b>		<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>0</b>	<b>25</b>	<b>-</b>	<b>582</b>	<b>606</b>	<b>24</b>	<b>630</b>
<i>Transactions with owners</i>									
Interest paid on additional tier 1 (AT1) capital		-	-	-	-	-	-	-24	-24
Dividends paid		-	-	-	-431	-	-431	-	-431
Dividends received, treasury shares		-	-	-	-	0	0	-	0
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital		-	-	-	-	-165	-165	-1	-166
Addition upon sale of treasury shares and additional tier 1 (AT1) capital		-	-	-	-	165	165	-	165
Revaluation reserves, associates		-	-	-23	-	23	0	-	0
Dividends received from associates recognised at net asset value		-	-	-2	-	2	0	-	0
Tax		-	-	-	-	5	5	-	5
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-25</b>	<b>-431</b>	<b>30</b>	<b>-425</b>	<b>-25</b>	<b>-450</b>
<b>Equity at 30.06.18</b>		<b>1,230</b>	<b>94</b>	<b>0</b>	<b>0</b>	<b>6,776</b>	<b>8,100</b>	<b>860</b>	<b>8,960</b>
The share capital consists of 123,002,526 shares with a nominal value of DKK 10.									
<b>EQUITY AT 30.06.17</b>									
<b>Equity at 01.01.17</b>		<b>1,255</b>	<b>91</b>	<b>22</b>	<b>628</b>	<b>5,768</b>	<b>7,765</b>	<b>862</b>	<b>8,627</b>
<i>Comprehensive income in 2017</i>									
Profit/loss for the period		-	-	20	-	531	551	24	575
<i>Other comprehensive income</i>									
Net revaluation of properties		-	1	-	-	-	1	-	1
<b>Other comprehensive income, total</b>		<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>1</b>	<b>20</b>	<b>-</b>	<b>531</b>	<b>552</b>	<b>24</b>	<b>576</b>
<i>Transactions with owners</i>									
Interest paid on additional tier 1 (AT1) capital		-	-	-	-		0	-24	-24
Dividends paid		-	-	-	-628		-628	-	-628
Dividends received, treasury shares		-	-	-	-	13	13	-	13
Disposal upon acquisition of treasury shares and additional tier 1 (AT1) capital		-	-	-	-	-258	-258	-	-258
Addition upon sale of treasury shares and additional tier 1 (AT1) capital		-	-	-	-	253	253	1	254
Revaluation reserves, associates		-	-	-14	-	14	0	-	0
Dividends received from associates recognised at net asset value		-	-	-29	-	29	0	-	0
Tax		-	-	-	-	5	5	-	5
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-42</b>	<b>-628</b>	<b>56</b>	<b>-614</b>	<b>-23</b>	<b>-638</b>
<b>Equity at 30.06.17</b>		<b>1,255</b>	<b>92</b>	<b>0</b>	<b>0</b>	<b>6,355</b>	<b>7,702</b>	<b>863</b>	<b>8,565</b>

The share capital consists of 125.529.918 shares with a nominal value of DKK 10.



	H1 2018	H1 2017	Full year 2017
<b>TREASURY SHARE PORTFOLIO</b>			
Number of shares	40,148	2,647,586	38,048
Percentage of share capital	0.0	2.1	0.0

On 04.09.2017, 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	H1 2018 DKKm	H1 2017 DKKm	Full year 2017 DKKm
DKK	a	400.0	6.052%	2015	Perpetual	400	400	411
DKK	b	450.0	5.500%	2016	Perpetual	460	463	450
<b>Additional tier 1 (AT1) capital issued under CRR, total</b>						<b>860</b>	<b>863</b>	<b>861</b>

- 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.

#### ADDITIONAL TIER 1 (AT1) CAPITAL, SPECIFICATION OF CASH FLOWS

<b>Cash flows, beginning of period</b>	<b>767</b>	<b>817</b>	<b>817</b>
<i>Movement during the period:</i>			
Change in portfolio of own bonds	-1	1	-1
Interest paid	-24	-24	-49
<b>Total cash flows for the period</b>	<b>-25</b>	<b>-23</b>	<b>-50</b>
<b>Cash flows, end of period</b>	<b>742</b>	<b>794</b>	<b>767</b>

#### OWN FUNDS

Equity	8,960	8,565	8,975
Phasing in of IFRS 9	185	-	-
Result not recognised	-	575	-
Additional tier 1 (AT1) capital included in equity	860	863	861
Proposed dividend, excl. share re. share buyback programme	315	0	431
Intangible assets, incl. share recognised in investments in associates	148	192	188
Other primary deductions	48	40	41
Deductions, equity investments	379	328	331
<b>Common equity tier 1 (CET1) capital</b>	<b>7,396</b>	<b>6,567</b>	<b>7,123</b>
Additional tier 1 (AT1) capital *)	843	843	843
Other deductions	4	41	41
<b>Tier 1 capital</b>	<b>8,235</b>	<b>7,369</b>	<b>7,924</b>
Subordinated debt, excl. Additional Tier 1 (AT1) capital *)	1,507	1,081	1,133
Other deductions	10	41	41
<b>Own funds</b>	<b>9,732</b>	<b>8,409</b>	<b>9,016</b>
Weighted risk exposure amount, credit risk etc.	42,152	39,873	40,658
Weighted risk exposure amount, market risk	3,636	4,108	3,196
Weighted risk exposure amount, operational risk	5,705	5,692	5,692
<b>Total risk exposure amount</b>	<b>51,493</b>	<b>49,672</b>	<b>49,546</b>
Common equity tier 1 capital ratio	14.4	13.2	14.4
Tier 1 capital ratio	16.0	14.8	16.0
Own funds ratio	18.9	16.9	18.2

The capital adequacy calculation for H1 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 01.01.2018.

NOTE

## Cash Flow Statement – Group

	H1 2018 DKK m	H1 2017 DKK m	Full year 2017 DKK m
<b>OPERATING ACTIVITIES</b>			
Profit/loss before tax	722	720	1,251
Fair value changes, investment properties and temporary assets	0	0	0
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	30	28	61
Gains and losses on the sale of intangible assets and property, plant and equipment	0	-2	-1
Gains and losses on sale of associates	-154	0	0
Adjustment of loan impairment charges etc.	13	28	275
Provisions	12	-25	-31
Income from investments in associates and group enterprises	-25	-20	-32
Corporate income tax paid	-155	-146	-251
<b>Operating activities, total</b>	<b>442</b>	<b>582</b>	<b>1,273</b>
<b>WORKING CAPITAL</b>			
Movement in credit institutions and central banks, net	1,664	402	-456
Movement in loans, advances and other receivables at amortised cost	841	-1,089	-5,677
Movement in bonds at fair value	-3,313	1,110	4,099
Movement in equity portfolio	-111	5	-69
Movement in other assets and other liabilities, net	505	-663	-965
Movement in deposits and other payables	671	1,302	2,379
<b>Working capital, total</b>	<b>257</b>	<b>1,066</b>	<b>-689</b>
<b>Cash generated from operations, total</b>	<b>699</b>	<b>1,649</b>	<b>583</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of associates and group enterprises	-3	-3	-14
Sale of associates and group enterprises	244	2	5
Acquisition of intangible assets	0	0	-1
Acquisition of property, plant and equipment	-63	-51	-94
Sale of property, plant and equipment	6	17	72
Dividends from associates and group enterprises	2	29	31
<b>Investing activities, total</b>	<b>186</b>	<b>-7</b>	<b>0</b>
<b>FINANCING ACTIVITIES</b>			
5.4 Subordinated debt	378	-4	51
Additional Tier 1 (AT1) capital recognised in equity (see specification in Capital position)	-25	-23	-50
Dividends paid, excluding dividends on treasury shares	-430	-615	-615
Acquisition of treasury shares	-165	-258	-454
Sale of treasury shares	165	253	457
<b>Financing activities, total</b>	<b>-77</b>	<b>-647</b>	<b>-612</b>
<b>Movements in cash and cash equivalents for the period</b>	<b>808</b>	<b>995</b>	<b>-29</b>
Cash and cash equivalents, beginning of year	2,672	2,701	2,701
Movements in cash and cash equivalents for the period	808	995	-29
<b>Cash and cash equivalents, end of year</b>	<b>3,480</b>	<b>3,696</b>	<b>2,672</b>
<b>Cash and cash equivalents, end of period</b>			
Cash, cash equivalents and demand deposits with central banks	1,352	1,393	1,298
Due from credit institutions and central banks within less than 3 months	2,129	2,303	1,374
<b>Total</b>	<b>3,480</b>	<b>3,696</b>	<b>2,672</b>

## 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 DKKm	Effect of changed measure- ment *) DKKm	IFRS 9 Amount 01.01.18 DKKm
<b>Financial assets</b>			
Cash in hand 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
<b>Loans, advances and other receivables at amortised cost, total</b>	<b>46,747</b>	<b>-216</b>	<b>46,531</b>
<b>Non-financial assets</b>			
Current tax assets	45	55	100
<b>Total assets</b>	<b>49,528</b>	<b>-162</b>	<b>49,367</b>
<b>Financial liabilities</b>			
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
<b>Non-financial liabilities</b>			
Provisions for losses on guarantees	41	27	68
Other provisions (provision for undrawn maximum)	15	7	21
<b>Total liabilities</b>	<b>52,007</b>	<b>33</b>	<b>52,041</b>
<b>One-off effect which is recognised in shareholders' equity at 01.01.18</b>		<b>-195</b>	
<b>Off-balance sheet items</b>			
Guarantees	11,961	-27	11,934
Undrawn maximum and loan commitments	20,802	-7	20,795
<b>Total</b>	<b>32,763</b>	<b>-33</b>	<b>32,730</b>

\*) Recognised in retained earnings in shareholders' equity at 01.01.18.

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 01.01.18 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 01.01.18.

### 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 addition, 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	<p>1.1.2 <b>Impact of IFRS 15</b></p> <p>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.</p>
	<p>1.2 <b>Information about standards not yet effective</b></p> <p>IFRS 16 – Leasing</p> <p>IFRS 16 Leasing, which is approved by the EU, is effective for financial years beginning on or after 1 January 2019. The standard changes the accounting for those leases which are today treated as operating leases.</p> <p>The analysis of the implications of the new standard for Spar Nord has still not been completed. At 30.06.2018, Spar Nord had operating leases with minimum lease liabilities corresponding to maximum 1.0% of the balance sheet total, which are to be recognised in the balance sheet going forward.</p>
	<p>2 <b>JUDGMENTS AND ESTIMATES</b></p> <p>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.</p> <p>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. See note 1.</p> <p>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.</p> <p>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.</p>

NOTE

3

## Segment information

### 3.1 BUSINESS SEGMENTS H1 2018

DKKm	Spar Nord's Local Banks	Trading, Financial Markets & the Int. division	Other Areas	Core earnings *) and Group
<b>INCOME STATEMENT</b>				
Net interest income	705	23	45	773
Net fee income	564	0	-1	563
Market value adjustments and dividends	171	-4	16	183
Other operating income	12	1	166	179
Income from investments in associates and group enterprises	0	0	25	25
<b>Core income/revenue, total</b>	<b>1,452</b>	<b>20</b>	<b>251</b>	<b>1,723</b>
Operating expenses, depreciation and amortisation	787	35	163	985
<b>Core earnings before impairment</b>	<b>665</b>	<b>-15</b>	<b>88</b>	<b>739</b>
Loan impairment charges etc.	16	1	-1	16
<b>Profit/loss before tax</b>	<b>649</b>	<b>-16</b>	<b>89</b>	<b>722</b>

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

	Spar Nord's Local Banks	Trading, Financial Markets & the Int. division	Other Areas	Group, total
<b>BALANCE SHEET</b>				
Loans, advances and other receivables at amortised cost	38,184	7,481	13	45,678
Investments in associates and group enterprises	0	0	64	64
Intangible assets and property, plant and equipment *)	249	0	718	967
Other assets **)	16,797	18,673	1,382	36,852
<b>Allocated assets, total</b>	<b>55,230</b>	<b>26,154</b>	<b>2,177</b>	<b>83,561</b>
Deposits and other payables	48,593	380	541	49,514
Equity (allocated capital)	5,459	967	2,534	8,960
Other liabilities	15,833	5,830	3,424	25,087
<b>Allocated equity and liabilities, total</b>	<b>69,885</b>	<b>7,177</b>	<b>6,499</b>	<b>83,561</b>
<b>Disclosures – income/revenue, total</b>				
Internal income/revenue	-79	35	313	269
Internal income and eliminations, offset against costs	0	-23	-246	-269
Income/revenue, external customers	1,531	8	184	1,723
<b>Income/revenue, total</b>	<b>1,452</b>	<b>20</b>	<b>251</b>	<b>1,723</b>
<b>Financial ratios</b>				
Return on equity, % ***)	24.5	-3.5	-	-
Cost share of core income	0.54	1.73	-	-
Total risk exposure, end of period	41,991	7,435	2,067	51,493
Number of employees (full-time equivalents, end of period)	1,030	74	423	1,527

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 9 million, of which DKK 1 million relates to the Group's leasing activities and DKK 8 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 H1 2017

DKKm	Spar Nord's Local Banks	Trading, Financial Markets & the Int. division	Other Areas	Core earnings <sup>*)</sup>	Reclassifi- cations <sup>**)</sup>	Group, total
<b>INCOME STATEMENT</b>						
Net interest income	732	20	33	785	28	813
Net fee income	571	0	2	573	0	573
Market value adjustments and dividends	83	151	51	285	0	285
Other operating income	10	1	14	25	0	25
Income from investments in associates and group enterprises	0	0	20	20	0	20
<b>Core income/revenue, total</b>	<b>1,397</b>	<b>172</b>	<b>120</b>	<b>1,688</b>	<b>28</b>	<b>1,716</b>
Operating expenses, depreciation and amortisation	798	29	150	977	0	977
<b>Core earnings before impairment</b>	<b>599</b>	<b>143</b>	<b>-30</b>	<b>711</b>	<b>28</b>	<b>739</b>
Loan impairment charges etc.	-8	0	-1	-9	28	19
<b>Profit/loss before tax</b>	<b>607</b>	<b>143</b>	<b>-29</b>	<b>720</b>	<b>0</b>	<b>720</b>

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

<sup>\*\*)</sup> The relation to the Group is specified in the column Reclassifications. Reclassifications have impacted the items Net interest income and Loan impairment charges etc. in the amount of DKK 28 million.

	Spar Nord's Local Banks	Trading, Financial Markets & the Int. division	Other Areas	Group, total
<b>BALANCE SHEET</b>				
Loans, advances and other receivables at amortised cost	36,181	6,077	148	42,407
Investments in associates and group enterprises	0	0	111	111
Intangible assets and property, plant and equipment <sup>*)</sup>	257	0	698	955
Other assets <sup>**)</sup>	16,424	18,331	1,368	36,123
<b>Allocated assets, total</b>	<b>52,862</b>	<b>24,408</b>	<b>2,325</b>	<b>79,595</b>
Deposits and other payables	46,757	495	514	47,766
Equity (allocated capital)	4,797	670	3,099	8,565
Other liabilities	15,397	4,578	3,289	23,264
<b>Allocated equity and liabilities, total</b>	<b>66,950</b>	<b>5,743</b>	<b>6,902</b>	<b>79,595</b>
<b>Disclosures – income/revenue, total</b>				
Internal income/revenue	-65	35	298	269
Internal income and eliminations, offset against costs	0	-26	-243	-269
Income/revenue, external customers	1,462	162	92	1,716
<b>Income/revenue, total</b>	<b>1,397</b>	<b>172</b>	<b>148</b>	<b>1,716</b>
<b>Financial ratios</b>				
Return on equity, % <sup>***)</sup>	26.3	45.6	-	-
Cost share of core income	0.57	0.17	-	-
Total risk exposure, end of period	39,971	7,374	2,327	49,672
Number of employees (full-time equivalents, end of period)	1,067	74	414	1,555

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

The reporting segments correspond to the Group's 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.

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

<sup>\*\*)</sup> Temporary assets amount to DKK 27 million, of which DKK 13 million relates to the Group's leasing activities and DKK 14 million relates to Other areas.

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



NOTE

4	Notes to the Income Statement	H1 2018 DKK m	H1 2017 DKK m	Full year 2017 DKK m
4.1	<b>INTEREST INCOME</b>			
	Due from credit institutions and central banks	2	1	3
	Loans, advances and other receivables	785	821	1,611
	Bonds	36	42	84
	Foreign-exchange contracts	4	2	3
	Interest-rate contracts	-23	-30	-59
	<b>Derivative financial instruments, total</b>	<b>-20</b>	<b>-28</b>	<b>-56</b>
	Other interest income	0	28	31
	<b>Total interest income after offsetting negative interest income</b>	<b>804</b>	<b>864</b>	<b>1,674</b>
	Negative interest income offset against interest income	18	12	30
	Negative interest expenses offset against interest expenses	10	8	15
	<b>Total interest income before offsetting negative interest income</b>	<b>831</b>	<b>884</b>	<b>1,719</b>
	<i>Of which, income from genuine reverse repo transactions booked under</i>			
	Due from credit institutions and central banks	-3	-5	-9
	Loans, advances and other receivables	-14	-7	-20
	Negative interest income amounts to DKK 18 million (30.06.2017: DKK 12 million, 2017: DKK 30 million) and relates to repo transactions. In the table above, negative interest income is offset against interest income. In the income statement, negative interest income is presented as interest expenses, and negative interest expenses are presented as interest income.			
4.2	<b>INTEREST EXPENSES</b>			
	Credit institutions and central banks	-1	-1	-3
	Deposits and other payables	12	25	47
	Subordinated debt	18	26	52
	Other interest expenses	1	1	1
	<b>Total interest expenses after offsetting negative interest expenses</b>	<b>30</b>	<b>51</b>	<b>97</b>
	Negative interest expenses offset against interest expenses	10	8	15
	Negative interest income offset against interest income	18	12	30
	<b>Total interest expenses before offsetting negative interest expenses</b>	<b>58</b>	<b>71</b>	<b>141</b>
	<i>Of which, interest expenses from genuine repo transactions booked under</i>			
	Due to credit institutions and central banks	-5	-4	-8
	Negative interest expenses amount to DKK 10 million (30.06.2017: DKK 8 million, 2017: DKK 15 million) and relate partly to deposits, partly to repo transactions. In the table above, negative interest expenses are offset against interest expenses. In the income statement, negative interest expenses are presented as interest income, and negative interest income is presented as interest expenses.			
4.3	<b>FEES, CHARGES AND COMMISSIONS RECEIVED</b>			
	Securities trading and custody accounts	208	215	439
	Payment services	83	76	166
	Loan transaction fees	256	238	493
	of which mortgage credit institutions	198	187	380
	Guarantee commission	13	15	30
	Other fees, charges and commissions	81	94	138
	<b>Total fees, charges and commissions received</b>	<b>640</b>	<b>638</b>	<b>1,265</b>
	<b>Total fees, charges and commissions paid</b>	<b>77</b>	<b>65</b>	<b>149</b>
	<b>Total net fees, charges and commissions received</b>	<b>563</b>	<b>573</b>	<b>1,116</b>
4.4	<b>MARKET VALUE ADJUSTMENTS</b>			
	Other loans, advances and receivables at fair value	-2	0	0
	Bonds	-7	43	91
	Shares, etc.	131	115	165
	Foreign currency	27	16	36
	Foreign exchange, interest, share, commodity and other contracts and derivative financial instruments	-11	93	89
	Assets linked to pooled schemes	-228	503	566
	Deposits in pooled schemes	228	-503	-566
	<b>Total</b>	<b>138</b>	<b>267</b>	<b>381</b>

NOTE

	H1 2018 DKKm	H1 2017 DKKm	Full year 2017 DKKm
4.5 <b>STAFF COSTS AND ADMINISTRATIVE EXPENSES</b>			
Staff costs	589	603	1,165
Administrative expenses	362	342	698
<b>Total</b>	<b>951</b>	<b>945</b>	<b>1,863</b>
<i>Staff costs:</i>			
Salaries	471	481	930
Pensions	51	53	106
Social security costs	67	68	129
<b>Total</b>	<b>589</b>	<b>603</b>	<b>1,165</b>
Remuneration to members of the Executive Board and Board of Directors amounts to:			
<i>Board of Directors</i>			
Number	9	9	9
Fixed pay	1.9	1.6	3.5
Pension	–	–	–
<b>Total remuneration</b>	<b>1.9</b>	<b>1.6</b>	<b>3.5</b>
<i>Executive Board</i>			
Number	3	3	3
Base salary *)	6.0	5.7	11.4
– less fees received from directorships	0.5	0.4	1.5
<b>The Bank's expense, base salary</b>	<b>5.5</b>	<b>5.3</b>	<b>9.9</b>
Pension, ordinary contribution	0.9	0.7	1.7
<b>Total remuneration earned and paid</b>	<b>6.4</b>	<b>6.0</b>	<b>11.6</b>
Breakdown of remuneration to Executive Board			
<i>Lasse Nyby</i>			
Base salary*)	2.2	2.1	4.2
– less fees received from directorships	0.2	0.1	0.5
<b>The Bank's expense, base salary</b>	<b>2.1</b>	<b>2.0</b>	<b>3.7</b>
Pension, ordinary contribution	0.3	0.3	0.6
<b>Total remuneration earned and paid</b>	<b>2.4</b>	<b>2.3</b>	<b>4.3</b>
<i>John Lundsgaard</i>			
Base salary	1.9	1.8	3.6
– less fees received from directorships	0.1	0.1	0.4
<b>The Bank's expense, base salary</b>	<b>1.8</b>	<b>1.7</b>	<b>3.2</b>
Pension, ordinary contribution	0.3	0.2	0.5
<b>Total remuneration earned and paid</b>	<b>2.1</b>	<b>1.9</b>	<b>3.7</b>
<i>Lars Møller</i>			
Base salary*)	1.9	1.8	3.6
– less fees received from directorships	0.2	0.2	0.6
<b>The Bank's expense, base salary</b>	<b>1.7</b>	<b>1.6</b>	<b>3.0</b>
Pension, ordinary contribution	0.3	0.2	0.5
<b>Total remuneration earned and paid</b>	<b>2.0</b>	<b>1.8</b>	<b>3.5</b>
*) 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>			
<b>The average number of employees converted into full-time equivalents</b>	<b>1,524</b>	<b>1,538</b>	<b>1,546</b>

NOTE

	H1 2018 DKKm	H1 2017 DKKm	Full year 2017 DKKm
4.5 <b>STAFF COSTS AND ADMINISTRATIVE EXPENSES, CONTINUED</b>			
<i>Administrative expenses:</i>			
IT expenses	203	167	354
Marketing costs	51	55	111
Cost of premises	40	48	99
Staff and travelling expenses	27	26	56
Office expenses	11	12	21
Other administrative expenses	31	34	57
<b>Total</b>	<b>362</b>	<b>342</b>	<b>698</b>

## 5 Notes to the balance sheet

5.1 <b>OTHER ASSETS</b>			
Positive fair value of derivative instruments, etc.	922	1,056	1,030
Miscellaneous receivables	296	150	296
Interest and commissions receivable	45	205	51
Capital contribution to Bankernes EDB Central a.m.b.a.	445	316	316
Other assets	53	67	70
<b>Total</b>	<b>1,761</b>	<b>1,794</b>	<b>1,763</b>

5.2 <b>DEPOSITS AND OTHER PAYABLES</b>			
Demand deposits	44,113	41,392	43,132
Subject to notice	1,735	1,548	1,456
Time deposits	377	1,169	896
Special types of deposits	3,289	3,657	3,359
<b>Total</b>	<b>49,514</b>	<b>47,766</b>	<b>48,843</b>

5.3 <b>OTHER LIABILITIES</b>			
Miscellaneous payables	1,708	1,873	1,799
Negative fair value of derivative financial instruments, etc.	627	679	691
Interest and commissions payable	22	46	12
Other liabilities	318	311	365
<b>Total</b>	<b>2,675</b>	<b>2,908</b>	<b>2,866</b>

5.4 <b>SUBORDINATED DEBT</b>								
Currency	Note	Principal DKKm	Interest rate	Received	Maturity			
DKK	a	400	2.535 %	2018	19.06.28	400	-	-
SEK	b	600	Floating	2017	18.10.27	426	-	452
DKK	c	700	Floating	2013	18.12.23	700	699	699
DKK	d	400	6.043 %	2012	-	-	402	-
<b>Supplementary capital contributions, total</b>						<b>1,525</b>	<b>1,100</b>	<b>1,151</b>

Portfolio of own bonds relating to subordinated debt	-3	-11	-7
<b>Subordinated debt, total</b>	<b>1,522</b>	<b>1,089</b>	<b>1,144</b>

Interest on subordinated debt	18	25	50
Costs of raising subordinated debt	1	1	2

a The loan is redeemable as from 19.06.2023. If the loan is not redeemed, interest will remain fixed at CIBOR3 + a 2.100% margin.

b Redeemable as from 18.10.2022. If the loan is not redeemed, interest will remain fixed at STIBOR3 + a 2.500 % margin.

c Redeemable as from 18.12.2018. If the loan is not redeemed, interest will remain fixed at CIBOR3 + a 3.900 % margin.

d Redeemed at 28.11.2017

### Subordinated debt, specification of cash flows

<b>Beginning of period</b>	<b>1,144</b>	<b>1,093</b>	<b>1,093</b>
<i>Movement during the period:</i>			
New loans	400	-	466
Redeemed	-	-	-400
Change in exchange rate adjustments	-26	-	-12
Change in interest rate hedging	0	-2	-4
Change in amortised costs	1	1	-1
Change in portfolio of own bonds	4	-3	1
<b>Total cash flows for the period</b>	<b>378</b>	<b>-4</b>	<b>51</b>
<b>Carrying amount, end of period</b>	<b>1,522</b>	<b>1,089</b>	<b>1,144</b>

## NOTE

5.5 **CONTINGENT ASSETS**

Deferred tax assets not recognised in the balance sheet amounted to DKK 15 million at 30.06.2018 (30.06.2017: DKK 8 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.

	H1 2018 DKK m	H1 2017 DKK m	Full year 2017 DKK m
Financial guarantees	4,604	4,563	4,092
Loss guarantees for mortgage loans	5,158	4,817	4,983
Registration and refinancing guarantees	1,500	1,928	2,011
Other contingent liabilities	834	996	876
<b>Total</b>	<b>12,095</b>	<b>12,304</b>	<b>11,961</b>

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 30.06.2018 and 30.06.2017. The corporate income tax receivable within the group of jointly taxed companies amounted to DKK 172 million at 30.06.2018 (30.06.2017: DKK 24 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 30.06.2018 amounted to DKK 4 million (30.06.2017: DKK 4 million, 2017: DKK 8 million.).

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

	H1 2018 DKK m	H1 2017 DKK m	Full year 2017 DKK m
<b>5.7 Other binding commitments</b>			
Miscellaneous	567	501	501
<b>Total</b>	<b>567</b>	<b>501</b>	<b>501</b>

*Miscellaneous is composed of:*

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

Spar Nord is the lessee in a number of operating leases. Under such leases, Spar Nord has the right of use of an asset for a specific period of time against lease payments without assuming the significant risks and rewards of ownership of the asset. The leases concern the lease of properties and operating equipment. The leases are not 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 DKKm	Collective impairments 31.12.17 DKKm	Total 31.12.17 DKKm	Change IAS 39 to IFRS 9 01.01.18 DKKm	Total 01.01.18 DKKm
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
<b>Total</b>	<b>1,379</b>	<b>251</b>	<b>1,631</b>	<b>250</b>	<b>1,881</b>

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 DKKm	Stage 2 Significant increase in credit risk 01.01.18 DKKm	Stage 3 Credit impaired 01.01.18 DKKm	Total 01.01.18 DKKm
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
<b>Total</b>	<b>96</b>	<b>291</b>	<b>1,494</b>	<b>1,881</b>

## 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 DKKm	Stage 2 Significant increase in credit risk 01.01.18 DKKm	Stage 3 Credit impaired 01.01.18 DKKm	Total 01.01.18 DKKm
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
<b>Total</b>	<b>67,479</b>	<b>11,590</b>	<b>3,510</b>	<b>82,579</b>

## 6.2 EXPOSURES AT 30.06.18

## 6.2.1 SUMMARY OF ACCOUNTING VALUE OF EXPOSURES AND RECOGNISED IMPAIRMENTS ETC.

	Exposure before impairments, see 6.2.3 DKKm	Impairments, see 6.2.2 DKKm	Recognised impair- ments DKKm
Loans and advances at amortised cost (note 6.3)	47,467	1,790	3
Due from credit institutions and central banks (note 6.4)	2,185	1	0
Guarantees (note 6.5)	12,169	74	6
Drawn maximum and loan commitments (note 6.3)	22,200	30	8
<b>Total</b>	<b>84,021</b>	<b>1,894</b>	<b>16</b>

Recognised impairments etc. are specified in notes 6.3, 6.4.1 and 6.5.

## 6.2.2 IMPAIRMENTS AT 30.06.18 BY STAGES

	Stage 1 Lack of significant increase in credit risk 30.06.18 DKKm	Stage 2 Significant increase in credit risk 30.06.18 DKKm	Stage 3 Credit- impaired 30.06.18 DKKm	Total 30.06.18 DKKm
Loans and advances at amortised cost	87	263	1,440	1,790
Due from credit institutions and central banks	1	0	0	1
Guarantees	13	5	55	74
Undrawn maximum and loan commitments	4	3	22	30
<b>Total</b>	<b>105</b>	<b>271</b>	<b>1,518</b>	<b>1,894</b>

NOTE

## 6.2.3 EXPOSURES BEFORE IMPAIRMENTS AT 30.06.18 BY STAGES

	Stage 1 Lack of significant increase in credit risk 30.06.18 DKKm	Stage 2 Significant increase in credit risk 30.06.18 DKKm	Stage 3 Credit- impaired 30.06.18 DKKm	Total 30.06.18 DKKm
Loans and advances at amortised cost	33,777	10,509	3,181	47,467
Due from credit institutions and central banks	2,185	0	0	2,185
Guarantees	11,324	516	329	12,169
Undrawn maximum and loan commitments	20,229	1,820	151	22,200
<b>Total</b>	<b>67,515</b>	<b>12,845</b>	<b>3,661</b>	<b>84,021</b>

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 30.06.18 DKKm	Stage 2 Significant increase in credit risk 30.06.18 DKKm	Stage 3 Credit- impaired 30.06.18 DKKm	Total 30.06.18 DKKm	Recognised impair- ments DKKm
Impairments at 01.01.18 under IFRS 9, loans at amortised cost	79	279	1,433	1,791	-
Impairments at 01.01.18 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	13	21	45	79	79
Reversed impairments re. repaid accounts	-6	-16	-55	-77	-77
Change in impairments at 1 January, transfer to/from stage 1	90	-53	-37	-	-
Change in impairments at 1 January, transfer to/from stage 2	-12	35	-22	-	-
Change in impairments at 1 January, transfer to/from stage 3	-8	-33	41	-	-
Impairments during the year due to change in credit risk	-69	29	66	25	25
Previously impaired, now finally lost	0	0	-40	-40	-
Other movements (interest rate correction etc.)	0	0	19	19	-
Loss without prior impairment	-	-	-	-	23
Amounts recovered on previously impaired receivables	-	-	-	-	-40
<b>Impairments at 30.06.18</b>	<b>91</b>	<b>266</b>	<b>1,462</b>	<b>1,819</b>	<b>11</b>
Impairments at 30.06.18 under IFRS 9, loans at amortised cost	87	263	1,440	1,790	3
Impairments at 30.06.18 under IFRS 9, undrawn maximum and loan commitment	4	3	22	30	8
<b>Impairments at 30.06.18</b>	<b>91</b>	<b>266</b>	<b>1,462</b>	<b>1,819</b>	<b>11</b>

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 30.06.18 DKKm	Stage 2 Significant increase in credit risk 30.06.18 DKKm	Stage 3 Credit- impaired 30.06.18 DKKm	Total 30.06.18 DKKm	Recognised impair- ments DKKm
Impairments at 01.01.18 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	0
<b>Impairments at 30.06.18</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>

	H1 2018 DKKm	H1 2017 DKKm	Full year 2017 DKKm
6.4.2 <b>DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS, OTHER SPECIFICATIONS</b>			
Balances at notice with central banks	0	425	0
Due from credit institutions	2,185	1,941	1,437
<b>Total</b>	<b>2,185</b>	<b>2,366</b>	<b>1,437</b>

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 30.06.18 DKKm	Stage 2 Significant increase in credit risk 30.06.18 DKKm	Stage 3 Credit- impaired 30.06.18 DKKm	Total 30.06.18 DKKm	Recognised impair- ments DKKm
Provisions for losses at 01.01.18 under IFRS 9	13	7	48	68	-
Provisions for losses re. new exposures during the year	6	1	47	54	54
Reversed provision for losses re. repaid exposures	-3	-3	-9	-15	-15
Change in provisions for losses at 1 January, transfer to/from stage 1	7	-5	-2	0	-
Change in provisions for losses at 1 January, transfer to/from stage 2	0	1	-1	0	-
Change in provisions for losses at 1 January, transfer to/from stage 3	-1	-1	2	0	-
Provisions for losses during the year due to change in credit risk	-7	4	-31	-33	-33
<b>Provisions for losses at 30.06.18</b>	<b>13</b>	<b>5</b>	<b>55</b>	<b>74</b>	<b>6</b>

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 30.06.17 AND 31.12.17 (IAS 39)	H1 2018 DKKm	H1 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	-	204	310
	Reversal of individual impairment charges	-	216	326
	Previously impaired, now finally lost	-	135	383
	Other movements	-	23	36
	<b>Individual impairment, end of period</b>	<b>-</b>	<b>1,562</b>	<b>1,323</b>
	<i>Collective loan impairment charges</i>			
	Collective impairment, beginning of period	-	124	124
	New collective impairment charges	-	98	128
	Reversal of collective impairment charges	-	4	9
	Other movements	-	4	9
	<b>Collective impairment, end of period</b>	<b>-</b>	<b>221</b>	<b>251</b>
	<i>Total loan impairment charges, etc.</i>			
	Impairment, beginning of year	-	1,810	1,810
	New impairment charges	-	301	438
	Reversed impairment charges	-	220	334
	Previously impaired, now finally lost	-	135	383
	Other movements	-	27	44
	<b>Impairment, end of period</b>	<b>-</b>	<b>1,783</b>	<b>1,575</b>
	<i>Impairment recognised in the income statement</i>			
	New impairment charges	-	301	438
	Reversed impairment charges	-	220	334
	Loss without prior impairment	-	23	96
	Amounts recovered on previously impaired receivables	-	59	167
	<b>Recognised in the income statement</b>	<b>-</b>	<b>45</b>	<b>33</b>
	<i>Provisions for losses on guarantees</i>			
	Provisions, beginning of period	-	67	67
	New provisions	-	7	19
	Reversed provisions	-	33	45
	<b>Provisions for losses on guarantees, end of period</b>	<b>-</b>	<b>41</b>	<b>41</b>
	<i>Provisions for losses on guarantees recognised in the income statement</i>			
	New provisions	-	7	19
	Reversed provisions	-	33	45
	<b>Recognised in the income statement</b>	<b>-</b>	<b>-26</b>	<b>-26</b>
	<b>Impairment account for loans and provisions for losses on guarantees, total</b>	<b>-</b>	<b>1,825</b>	<b>1,616</b>
	<i>Impairment, other credit risks</i>			
	Impairment, other credit risks, beginning of period	-	14	14
	Reversed impairment charges	-	1	14
	Other movements	-	1	-
	<b>Impairment, other credit risks, total</b>	<b>-</b>	<b>14</b>	<b>0</b>
	<b>Impairment account for loans, provisions for losses on guarantees and other credit risks, total</b>	<b>-</b>	<b>1,839</b>	<b>1,616</b>
	<b>Loan impairment charges etc.</b>			
	<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.	-	45	33
	Provision for losses on guarantees	-	-26	-26
	Impairment, credit institutions	-	-1	-14
	<b>Total impairment of loans and receivables etc.</b>	<b>-</b>	<b>19</b>	<b>-7</b>
	<b>Loans with suspended interest payments</b>	<b>-</b>	<b>127</b>	<b>143</b>
	<i>Interest on impaired receivables is calculated on the impaired balance only.</i>			
	<b>Recognised interest on impaired loans and receivables</b>	<b>-</b>	<b>28</b>	<b>44</b>

## 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 – Group**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 3 million at 30.06.2018 (30.06.2017: DKK 4 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
<b>30.06.18</b>				
<i>Financial assets</i>				
Bonds at fair value	11,353	2,798	0	14,151
Shares, etc.	205	35	1,498	1,738
Assets linked to pooled schemes	10,767	4,258	328	15,352
Positive fair value of derivative financial instruments	0	906	16	922
<b>Total</b>	<b>22,325</b>	<b>7,996</b>	<b>1,841</b>	<b>32,162</b>
<i>Financial liabilities</i>				
Deposits in pooled schemes	0	15,352	0	15,352
Other non-derivative financial liabilities at fair value	1,388	231	0	1,619
Negative fair value of derivative financial instruments	0	627	0	627
<b>Total</b>	<b>1,388</b>	<b>16,209</b>	<b>0</b>	<b>17,597</b>
<b>30.06.17</b>				
<i>Financial assets</i>				
Bonds at fair value	10,896	2,930	0	13,826
Shares, etc.	187	13	1,352	1,552
Assets linked to pooled schemes	10,118	4,595	304	15,016
Positive fair value of derivative financial instruments	0	1,056	0	1,056
<b>Total</b>	<b>21,201</b>	<b>8,593</b>	<b>1,656</b>	<b>31,450</b>
<i>Financial liabilities</i>				
Deposits in pooled schemes	0	15,016	0	15,016
Other non-derivative financial liabilities at fair value	927	306	0	1,232
Negative fair value of derivative financial instruments	0	679	0	679
<b>Total</b>	<b>927</b>	<b>16,001</b>	<b>0</b>	<b>16,928</b>
<b>31.12.17</b>				
<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
<b>Total</b>	<b>19,534</b>	<b>7,663</b>	<b>1,719</b>	<b>28,916</b>
<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
<b>Total</b>	<b>476</b>	<b>16,571</b>	<b>0</b>	<b>17,047</b>

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

- In case of quoted prices, the fair value is fixed as a quoted price or a price quotation by a 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

	30.06.18 DKKm	30.06.18 DKKm	30.06.17 DKKm	30.06.17 DKKm
<b>Level 3</b>	<b>Fair value based on net asset value, cf. shareholders' agreements</b>	<b>Other</b>	<b>Fair value based on net asset value, cf. shareholders' agreements</b>	<b>Other</b>
Equities	1,136	362	995	358
Assets linked to pooled schemes	-	328	-	304
Positive fair value of derivative financial instruments	-	16	-	-
<b>Sensitivities</b>				
Change in fair value of shares if the profit/loss of the companies changes by 10% (annualised)	12	-	9	-

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.

	H1 2018 DKKm	H1 2017 DKKm	Full year 2017 DKKm
<b>Financial instruments measured at fair value based on non-observable inputs (Level 3)</b>			
Carrying amount, beginning of period	1,719	1,550	1,550
Value adjustments through profit or loss	121	93	136
Market value adjustments in other comprehensive income	0	0	0
Purchase	29	109	131
Sale	62	96	99
Transferred to/from Level 3	35	0	0
<b>Carrying amount, end of period</b>	<b>1,841</b>	<b>1,656</b>	<b>1,719</b>
Market-value adjustments in the income statement of assets held at the reporting date	117	48	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	97	114	105
Collateral provided for the market value of derivatives transactions	319	452	424
Positive market value of derivative contracts subject to netting	196	200	215
Collateral provided as part of repo transactions	1,313	1,375	729
Other collateral provided	0	44	30
<b>Total</b>	<b>1,925</b>	<b>2,185</b>	<b>1,503</b>

NOTE

7.3	HEDGE ACCOUNTING	H1 2018 DKKm	H1 2017 DKKm	Full year 2017 DKKm
	<b>Assets</b>			
	Loans and advances			
	Carrying amount	75	79	77
	Fair value	75	79	77
	Nominal value	75	75	75
	Interest risk-hedging financial instruments			
	Derivatives (swap contracts)			
	Carrying amount	0	-4	-2
	Fair value	0	-4	-2
	Synthetic principal/nominal value	75	75	75
	<b>Liabilities</b>			
	Subordinated debt			
	Carrying amount	-	394	-
	Fair value	-	402	-
	Nominal value	-	400	-
	Interest risk-hedging financial instruments			
	Derivatives (swap contracts)			
	Carrying amount	-	2	-
	Fair value	-	2	-
	Synthetic principal/nominal value	-	400	-

## 7.4 OWNERSHIP AT 30.06.18

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

# Performance indicators and financial ratios – Parent Company

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

INCOME STATEMENT DKKm	H1 2018	H1 2017	Change in %	H1 2018	H1 2017	H1 2016	H1 2015	H1 2014	Full year 2017
Net interest and fee income	1,381	1,401	-1	1,381	1,401	1,388	1,504	1,293	2,711
Market value adjustments	138	266	-48	138	266	115	374	106	379
Staff costs and administrative expenses	953	948	1	953	948	913	933	881	1,869
Loan impairment charges etc.	16	19	-12	16	19	162	188	194	-7
Income from investments in associates and group enterprises	30	30	-1	30	30	61	47	251	51
Profit/loss	630	576	9	630	576	383	633	441	991
<b>BALANCE SHEET DKKm</b>									
Loans and advances	45,678	42,280	8	45,678	42,280	38,404	34,286	36,808	46,747
Equity	8,960	8,565	5	8,960	8,565	7,799	7,618	6,855	8,975
Total assets	83,690	79,686	5	83,690	79,686	78,632	80,941	78,678	80,597
<b>FINANCIAL RATIOS</b>									
<b>OWN FUNDS</b>									
Own funds ratio *)	18.9	16.9		18.9	16.9	16.5	16.1	16.7	18.1
Tier 1 capital ratio *)	16.0	14.8		16.0	14.8	14.4	14.0	14.6	15.9
<b>EARNINGS</b>									
Return on equity before tax, %	8.1	8.4		8.1	8.4	5.9	10.0	7.6	14.2
Return on equity after tax, %	7.1	6.7		7.1	6.7	4.9	8.6	6.6	11.3
Income/cost ratio	1.72	1.72		1.72	1.72	1.42	1.61	1.43	1.65
Return on assets, %	0.8	0.7		0.8	0.7	0.5	0.8	0.6	1.2
<b>MARKET RISK AND LIQUIDITY</b>									
Interest rate risk, %	0.8	0.2		0.8	0.2	0.7	0.3	0.4	0.7
Foreign-exchange position, %	1.3	3.9		1.3	3.9	3.0	3.6	2.3	3.3
Foreign-exchange risk, %	0.1	0.1		0.1	0.1	0.1	0.1	0.0	0.1
Excess coverage relative to statutory liquidity requirement, %	322.4	320.8		322.4	320.8	277.6	263.1	227.0	325.2
Loans and advances as % of deposits	70.3	67.2		70.3	67.2	63.1	59.4	68.1	72.4
Loans and advances plus impairment as % of deposits	73.0	70.0		73.0	70.0	66.1	62.4	71.2	74.9
<b>CREDIT RISK</b>									
Loans and advances relative to equity	5.1	4.9		5.1	4.9	4.9	4.5	5.4	5.2
Increase in loans and advances for the period, %	3.5	3.6		3.5	3.6	3.3	-4.4	-2.3	6.6
Sum of large exposures, % **)	79.1	14.0		79.1	14.0	14.6	15.3	0.0	17.2
Impairment ratio for the period	0.0	0.0		0.0	0.0	0.3	0.4	0.4	0.0
<b>THE SPAR NORD SHARE DKK PER SHARE OF DKK 10</b>									
Profit/loss for the period	5.1	4.7		5.1	4.7	3.1	5.0	3.5	8.1
Net asset value (NAV)	66	63		66	63	60	58	55	66
Dividend	-	-		-	-	-	2.0	-	3.5
Share price/profit/loss for the period	13.3	18.1		13.3	18.1	17.4	14.8	17.1	8.9
Share price/NAV	1.0	1.3		1.0	1.3	0.9	1.3	1.1	1.1

\*) Own funds for H1 2017 are 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 01.01.2018.

## Income statement – Parent Company

NOTE

		H1 2018 DKK m	H1 2017 DKK m	Q2 2018 DKK m	Q2 2017 DKK m	Full year 2017 DKK m
2.1	Interest income	831	880	413	437	1,713
2.2	Interest expenses	58	71	29	34	141
	<b>Net interest income</b>	<b>773</b>	<b>809</b>	<b>384</b>	<b>402</b>	<b>1,572</b>
	Dividends on shares, etc.	45	18	39	15	23
2.3	Fees, charges and commissions received	640	638	309	314	1,265
2.3	Fees, charges and commissions paid	77	65	36	35	149
	<b>Net income from interest, fees, charges and commissions</b>	<b>1,381</b>	<b>1,401</b>	<b>696</b>	<b>696</b>	<b>2,711</b>
2.4	Market value adjustments	138	266	25	107	379
	Other operating income	175	20	167	11	42
2.5	Staff costs and administrative expenses	953	948	495	488	1,869
	Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	29	27	14	14	59
	Other operating expenses	4	5	2	2	13
4.2.1	Loan impairment charges etc.	16	19	39	1	-7
	Income from investments in associates and group enterprises	30	30	18	12	51
	<b>Profit/loss before tax</b>	<b>722</b>	<b>718</b>	<b>355</b>	<b>321</b>	<b>1,249</b>
	Tax	91	142	36	62	258
	<b>Profit/loss</b>	<b>630</b>	<b>576</b>	<b>319</b>	<b>259</b>	<b>991</b>
<b>APPROPRIATION:</b>						
	The shareholders of the Parent Company Spar Nord Bank A/S	606	552	307	247	942
	Holders of additional tier 1 (AT1) capital instruments	24	24	12	12	49
	<b>Profit/loss</b>	<b>630</b>	<b>576</b>	<b>319</b>	<b>259</b>	<b>991</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>						
	<b>Profit/loss for the period</b>	<b>630</b>	<b>576</b>	<b>319</b>	<b>259</b>	<b>991</b>
	<b>Other comprehensive income</b>					
	<b>Items that cannot be reclassified to the income statement:</b>					
	Net revaluation of domicile property	0	0	0	0	9
	<b>Other comprehensive income after tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>
	<b>Total comprehensive income</b>	<b>630</b>	<b>576</b>	<b>319</b>	<b>259</b>	<b>1,000</b>
<i>Appropriation:</i>						
	The shareholders of the Parent Company Spar Nord Bank A/S	606	552	307	247	951
	Holders of additional tier 1 (AT1) capital instruments	24	24	12	12	49
	<b>Total comprehensive income</b>	<b>630</b>	<b>576</b>	<b>319</b>	<b>259</b>	<b>1,000</b>

## Balance sheet – Parent Company

NOTE

		30.06.18 DKKm	30.06.17 DKKm	Full year 2017 DKKm
<b>ASSETS</b>				
	Cash balances and demand deposits with central banks	1,352	1,393	1,298
4.4	Due from credit institutions and central banks	2,184	2,366	1,435
	Lending, banking and leasing activities	38,336	36,224	37,272
	Lending, reverse repo transactions	7,342	6,056	9,475
4.3	<b>Loans, advances and other receivables at amortised cost, total</b>	<b>45,678</b>	<b>42,280</b>	<b>46,747</b>
	Bonds at fair value	14,151	13,826	10,838
	Shares, etc.	1,738	1,552	1,626
	Investments in associates	64	111	128
	Investments in group enterprises	307	394	402
	Assets linked to pooled schemes	15,352	15,016	15,423
	Intangible assets	180	189	184
	Investment properties	70	70	70
	Domicile property	411	424	384
	<b>Land and buildings, total</b>	<b>481</b>	<b>494</b>	<b>454</b>
	Other property, plant and equipment	125	106	119
	Current tax assets	177	27	50
	Temporary assets	9	27	21
3.1	Other assets	1,754	1,782	1,756
	Prepayments and deferred income	138	125	116
	<b>Total assets</b>	<b>83,690</b>	<b>79,686</b>	<b>80,597</b>
<b>LIABILITIES</b>				
<b>PAYABLES</b>				
	Due to credit institutions and central banks	3,624	2,791	1,934
3.2	Deposits and other payables	49,642	47,891	49,105
	Deposits in pooled schemes	15,352	15,016	15,423
	Other non-derivative financial liabilities at fair value	1,619	1,233	934
3.3	Other liabilities	2,675	2,907	2,864
	Prepayments and deferred income	48	18	19
	<b>Total payables</b>	<b>72,959</b>	<b>69,854</b>	<b>70,278</b>
<b>PROVISIONS</b>				
	Provisions for deferred tax	140	109	137
	Provision for losses on guarantees	74	41	41
	Other provisions	34	26	21
	<b>Total provisions</b>	<b>248</b>	<b>177</b>	<b>199</b>
<b>SUBORDINATED DEBT</b>				
	Subordinated debt	1,522	1,089	1,144
	<b>Total liabilities</b>	<b>74,729</b>	<b>71,120</b>	<b>71,622</b>
<b>EQUITY</b>				
	Share capital	1,230	1,255	1,230
	Revaluation reserves	89	89	90
	Proposed dividend	-	-	431
	Retained earnings	6,781	6,358	6,364
	<b>Equity</b>	<b>8,100</b>	<b>7,702</b>	<b>8,114</b>
	Holders of additional tier 1 (AT1) capital instruments	860	863	861
	<b>Total equity</b>	<b>8,960</b>	<b>8,565</b>	<b>8,975</b>
	<b>Total equity and liabilities</b>	<b>83,690</b>	<b>79,686</b>	<b>80,597</b>
<b>OFF-BALANCE SHEET ITEMS</b>				
	Contingent assets	13	6	11
3.4	Contingent liabilities	12,095	12,304	11,961
3.5	Other binding commitments	584	530	518





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

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

	PROFIT/LOSS		EQUITY	
	H1 2018 DKKm	H1 2017 DKKm	H1 2018 DKKm	H1 2017 DKKm
Spar Nord Bank Group	630	575	8,960	8,565
Depreciation, domicile property	1	1	0	0
Spar Nord Bank, Parent Company	630	576	8,960	8,565

	H1 2018	H1 2017	Full year 2017
<b>TREASURY SHARE PORTFOLIO</b>			
Number of shares	40,148	2,647,586	38,048
Percentage of share capital	0.0	2.1	0.0

On 04.09.2017, 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

Principal						H1 2018 DKKm	H1 2017 DKKm	Full year 2017 DKKm
Currency	Note	DKKm	Interest rate	Received	Maturity			
DKK	a	400.0	6.052%	2015	Perpetual	400	400	411
DKK	b	450.0	5.500%	2016	Perpetual	460	463	450
<b>Additional tier 1 (AT1) capital issued under CRR, total</b>						<b>860</b>	<b>863</b>	<b>861</b>

**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.

#### OWN FUNDS

Equity	8,960	8,565	8,975
Phasing in of IFRS 9	185	-	-
Result not recognised	-	576	-
Additional tier 1 (AT1) capital included in equity	860	863	861
Proposed dividend, excl. share re. share buyback programme	315	0	431
Intangible assets, incl. share recognised in investments in associates	148	192	188
Other primary deductions	48	40	41
Deductions, equity investments	379	328	331
<b>Common equity tier 1 (CET1) capital</b>	<b>7,396</b>	<b>6,566</b>	<b>7,123</b>
Additional tier 1 (AT1) capital *)	843	843	843
Other deductions	4	41	41
<b>Tier 1 capital</b>	<b>8,235</b>	<b>7,368</b>	<b>7,924</b>
Subordinated debt, excl. Additional Tier 1 (AT1) capital *)	1,507	1,081	1,133
Other deductions	10	41	41
<b>Own funds</b>	<b>9,732</b>	<b>8,408</b>	<b>9,016</b>
Weighted risk exposure amount, credit risk etc.	42,275	39,961	40,886
Weighted risk exposure amount, market risk	3,636	4,108	3,196
Weighted risk exposure amount, operational risk	5,639	5,605	5,605
<b>Total risk exposure amount</b>	<b>51,551</b>	<b>49,674</b>	<b>49,687</b>
Common equity tier 1 capital ratio	14.3	13.2	14.3
Tier 1 capital ratio	16.0	14.8	15.9
Own funds ratio	18.9	16.9	18.1

The capital adequacy calculation for H1 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 01.01.2018.

## Notes – Parent Company

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.

For a description of the effect in connection with the transition to IFRS 9 and IFRS 15 at 1 January 2018, please see the Group's accounting policies in note 1.

NOTE

## 2 NOTES TO THE INCOME STATEMENT

	H1 2018 DKKm	H1 2017 DKKm	Full year 2017 DKKm
<b>2.1 INTEREST INCOME</b>			
Due from credit institutions and central banks	2	1	3
Loans, advances and other receivables	785	817	1,606
Bonds	36	42	84
Foreign-exchange contracts	4	2	3
Interest-rate contracts	-23	-30	-59
<b>Derivative financial instruments, total</b>	<b>-20</b>	<b>-28</b>	<b>-56</b>
Other interest income	0	28	31
<b>Total interest income after offsetting negative interest income</b>	<b>804</b>	<b>860</b>	<b>1,669</b>
Negative interest income offset against interest income	18	12	30
Negative interest expenses offset against interest expenses	10	8	15
<b>Total interest income before offsetting negative interest income</b>	<b>831</b>	<b>880</b>	<b>1,713</b>
<i>Of which, income from genuine reverse repo transactions booked under</i>			
Due from credit institutions and central banks	-3	-5	-9
Loans, advances and other receivables	-14	-7	-20
Negative interest income amounts to DKK 18 million (30.06.2017: DKK 12 million, 2017: DKK 30 million) and relates to repo transactions. In the table above, negative interest income is offset against interest income. In the income statement, negative interest income is presented as interest expenses, and negative interest expenses are presented as interest income.			
<b>2.2 INTEREST EXPENSES</b>			
Credit institutions and central banks	-1	-1	-3
Deposits and other payables	12	25	47
Subordinated debt	18	26	52
Other interest expenses	1	1	1
<b>Total interest expenses after offsetting negative interest expenses</b>	<b>30</b>	<b>51</b>	<b>97</b>
Negative interest expenses offset against interest expenses	10	8	15
Negative interest income offset against interest income	18	12	30
<b>Total interest expenses before offsetting negative interest expenses</b>	<b>58</b>	<b>71</b>	<b>141</b>
<i>Of which, interest expenses from genuine repo transactions booked under</i>			
Due to credit institutions and central banks	-5	-4	-8
Negative interest expenses amount to DKK 10 million (30.06.2017: DKK 8 million, 2017: DKK 15 million) and relate partly to deposits, partly to repo transactions. In the table above, negative interest expenses are offset against interest expenses. In the income statement, negative interest expenses are presented as interest income, and negative interest income is presented as interest expenses.			
<b>2.3 FEES, CHARGES AND COMMISSIONS RECEIVED</b>			
Securities trading and custody accounts	208	215	439
Payment services	83	76	166
Loan transaction fees	256	238	493
of which mortgage credit institutions	198	187	380
Guarantee commission	13	15	30
Other fees, charges and commissions	81	94	138
<b>Total fees, charges and commissions received</b>	<b>640</b>	<b>638</b>	<b>1,265</b>
<b>Total fees, charges and commissions paid</b>	<b>77</b>	<b>65</b>	<b>149</b>
<b>Total net fees, charges and commissions received</b>	<b>563</b>	<b>573</b>	<b>1,116</b>
<b>2.4 MARKET VALUE ADJUSTMENTS</b>			
Other loans, advances and receivables at fair value	-2	0	0
Bonds	-7	43	91
Shares, etc.	131	114	163
Foreign currency	27	16	36
Foreign exchange, interest, share, commodity and other contracts and derivative financial instruments	-11	93	89
Assets linked to pooled schemes	-228	503	566
Deposits in pooled schemes	228	-503	-566
<b>Total</b>	<b>138</b>	<b>266</b>	<b>379</b>

NOTE

	H1 2018 DKKm	H1 2017 DKKm	Full year 2017 DKKm
<b>2.5 STAFF COSTS AND ADMINISTRATIVE EXPENSES</b>			
Staff costs	589	603	1,165
Administrative expenses	364	345	704
<b>Total</b>	<b>953</b>	<b>948</b>	<b>1,869</b>
<i>Staff costs:</i>			
Salaries	471	481	930
Pensions	51	53	106
Social security costs	67	68	129
<b>Total</b>	<b>589</b>	<b>603</b>	<b>1,165</b>
Remuneration to members of the Executive Board and Board of Directors amounts to:			
<i>Board of Directors</i>			
Number	9	9	9
Fixed pay	1.9	1.6	3.5
Pension	–	–	–
<b>Total remuneration</b>	<b>1.9</b>	<b>1.6</b>	<b>3.5</b>
<i>Executive Board</i>			
Number	3	3	3
Base salary *)	6.0	5.7	11.4
– less fees received from directorships	0.5	0.4	1.5
<b>The Bank's expense, base salary</b>	<b>5.5</b>	<b>5.3</b>	<b>9.9</b>
Pension, ordinary contribution	0.9	0.7	1.7
<b>Total remuneration earned and paid</b>	<b>6.4</b>	<b>6.0</b>	<b>11.6</b>
Breakdown of remuneration to Executive Board			
<i>Lasse Nyby</i>			
Base salary*)	2.2	2.1	4.2
– less fees received from directorships	0.2	0.1	0.5
<b>The Bank's expense, base salary</b>	<b>2.1</b>	<b>2.0</b>	<b>3.7</b>
Pension, ordinary contribution	0.3	0.3	0.6
<b>Total remuneration earned and paid</b>	<b>2.4</b>	<b>2.3</b>	<b>4.3</b>
<i>John Lundsgaard</i>			
Base salary	1.9	1.8	3.6
– less fees received from directorships	0.1	0.1	0.4
<b>The Bank's expense, base salary</b>	<b>1.8</b>	<b>1.7</b>	<b>3.2</b>
Pension, ordinary contribution	0.3	0.2	0.5
<b>Total remuneration earned and paid</b>	<b>2.1</b>	<b>1.9</b>	<b>3.7</b>
<i>Lars Møller</i>			
Base salary*)	1.9	1.8	3.6
– less fees received from directorships	0.2	0.2	0.6
<b>The Bank's expense, base salary</b>	<b>1.7</b>	<b>1.6</b>	<b>3.0</b>
Pension, ordinary contribution	0.3	0.2	0.5
<b>Total remuneration earned and paid</b>	<b>2.0</b>	<b>1.8</b>	<b>3.5</b>
*) 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>			
<b>The average number of employees converted into full-time equivalents</b>	<b>1,524</b>	<b>1,538</b>	<b>1,546</b>

NOTE

	H1 2018 DKKm	H1 2017 DKKm	Full year 2017 DKKm
2.5 <b>STAFF COSTS AND ADMINISTRATIVE EXPENSES, CONTINUED</b>			
<i>Administrative expenses:</i>			
IT expenses	203	167	354
Marketing costs	51	55	111
Cost of premises	43	51	105
Staff and travelling expenses	27	26	56
Office expenses	11	12	21
Other administrative expenses	30	34	57
<b>Total</b>	<b>364</b>	<b>345</b>	<b>704</b>

### 3 Notes to the balance sheet

3.1 <b>OTHER ASSETS</b>			
Positive fair value of derivative instruments, etc.	922	1,056	1,030
Miscellaneous receivables	289	142	289
Interest and commissions receivable	45	201	51
Capital contribution to Bankernes EDB Central a.m.b.a.	445	316	316
Other assets	53	67	70
<b>Total</b>	<b>1,754</b>	<b>1,782</b>	<b>1,756</b>
3.2 <b>DEPOSITS AND OTHER PAYABLES</b>			
Demand deposits	44,241	41,517	43,393
Subject to notice	1,735	1,548	1,456
Time deposits	377	1,169	896
Special types of deposits	3,289	3,657	3,359
<b>Total</b>	<b>49,642</b>	<b>47,891</b>	<b>49,105</b>
3.3 <b>OTHER LIABILITIES</b>			
Miscellaneous payables	1,709	1,872	1,798
Negative fair value of derivative financial instruments, etc.	627	679	691
Interest and commissions payable	22	46	12
Other liabilities	317	310	364
<b>Total</b>	<b>2,675</b>	<b>2,907</b>	<b>2,864</b>
3.4 <b>CONTINGENT LIABILITIES</b>			
The Bank and all major wholly-owned subsidiaries are jointly registered for payroll tax and VAT and are jointly and severally liable for the payroll tax and VAT payable.			
Financial guarantees	4,604	4,563	4,092
Loss guarantees for mortgage loans	5,158	4,817	4,983
Registration and refinancing guarantees	1,500	1,928	2,011
Other contingent liabilities	834	996	876
<b>Total</b>	<b>12,095</b>	<b>12,304</b>	<b>11,961</b>
3.5 <b>OTHER BINDING AGREEMENTS</b>			
Miscellaneous	584	530	518
<b>Total</b>	<b>584</b>	<b>530</b>	<b>518</b>

*Miscellaneous is composed of:*

*Lease obligations, with the Parent 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 132 million until the legal notice of termination.

#### **Data-processing centre**

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

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

The Spar Nord Group has no other significant binding agreements.

\*) According to the most recent annual report.

NOTE

## 4 Credit risk

## 4.1 IMPAIRMENTS – TRANSITION FROM IAS 39 TO IFRS 9

## 4.1.1 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
<b>Total</b>	<b>1,379</b>	<b>251</b>	<b>1,631</b>	<b>250</b>	<b>1,881</b>

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.

## 4.1.2 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
<b>Total</b>	<b>96</b>	<b>291</b>	<b>1,494</b>	<b>1,881</b>

## 4.1.3 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
<b>Total</b>	<b>67,479</b>	<b>11,590</b>	<b>3,510</b>	<b>82,579</b>

## 4.2 EXPOSURES AT 30.06.18

## 4.2.1 SUMMARY OF ACCOUNTING VALUE OF EXPOSURES AND RECOGNISED IMPAIRMENTS ETC.

	Exposure before impairments, see 4.2.3 DKKkM	Impairments, see 4.2.2 DKKkM	Recognised impair- ments DKKkM
Loans and advances at amortised cost (note 4.3)	47,467	1,790	3
Due from credit institutions and central banks (note 4.4)	2,184	1	0
Guarantees (note 4.5)	12,169	74	6
Drawn maximum and loan commitments (note 4.3)	22,200	30	8
<b>Total</b>	<b>84,021</b>	<b>1,894</b>	<b>16</b>

Recognised impairments etc. are specified in notes 4.3, 4.4.1 and 4.5.

## 4.2.2 IMPAIRMENTS AT 30.06.18 BY STAGES

	Stage 1 Lack of significant increase in credit risk 30.06.18 DKKkM	Stage 2 Significant increase in credit risk 30.06.18 DKKkM	Stage 3 Credit- impaired 30.06.18 DKKkM	Total 30.06.18 DKKkM
Loans and advances at amortised cost	87	263	1,440	1,790
Due from credit institutions and central banks	1	0	0	1
Guarantees	13	5	55	74
Undrawn maximum and loan commitments	4	3	22	30
<b>Total</b>	<b>105</b>	<b>271</b>	<b>1,518</b>	<b>1,894</b>

NOTE

4.2.3

**EXPOSURE BEFORE IMPAIRMENT 30.06.18 BY STAGES**

	Stage 1 Lack of significant increase in credit risk 30.06.18 DKKm	Stage 2 Significant increase in credit risk 30.06.18 DKKm	Stage 3 Credit- impaired 30.06.18 DKKm	Total 30.06.18 DKKm
Loans and advances at amortised cost	33,777	10,509	3,181	47,467
Due from credit institutions and central banks	2,184	0	0	2,184
Guarantees	11,324	516	329	12,169
Undrawn maximum and loan commitments	20,229	1,820	151	22,200
<b>Total</b>	<b>67,514</b>	<b>12,845</b>	<b>3,661</b>	<b>84,021</b>

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".

4.3

**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 4.2.1.

	Stage 1 Lack of significant increase in credit risk 30.06.18 DKKm	Stage 2 Significant increase in credit risk 30.06.18 DKKm	Stage 3 Credit- impaired 30.06.18 DKKm	Total 30.06.18 DKKm	Recognised impair- ments DKKm
Impairments at 01.01.18 under IFRS 9, loans at amortised cost	79	279	1,433	1,791	-
Impairments at 01.01.18 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	13	21	45	79	79
Reversed impairments re. repaid accounts	-6	-16	-55	-77	-77
Change in impairments at 1 January, transfer to/from stage 1	90	-53	-37	-	-
Change in impairments at 1 January, transfer to/from stage 2	-12	35	-22	-	-
Change in impairments at 1 January, transfer to/from stage 3	-8	-33	41	-	-
Impairments during the year due to change in credit risk	-69	29	66	25	25
Previously impaired, now finally lost	0	0	-40	-40	-
Other movements (interest rate correction etc.)	0	0	19	19	-
Loss without prior impairment	-	-	-	-	23
Amounts recovered on previously impaired receivables	-	-	-	-	-40
<b>Impairments at 30.06.18</b>	<b>91</b>	<b>266</b>	<b>1,462</b>	<b>1,819</b>	<b>11</b>
Impairments at 30.06.18 under IFRS 9, loans at amortised cost	87	263	1,440	1,790	3
Impairments at 30.06.18 under IFRS 9, undrawn maximum and loan commitment	4	3	22	30	8
<b>Impairments at 30.06.18</b>	<b>91</b>	<b>266</b>	<b>1,462</b>	<b>1,819</b>	<b>11</b>

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

4.4 **DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS**  
 4.4.1 **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 4.2.1.

	Stage 1 Lack of significant increase in credit risk 30.06.18 DKKm	Stage 2 Significant increase in credit risk 30.06.18 DKKm	Stage 3 Credit- impaired 30.06.18 DKKm	Total 30.06.18 DKKm	Recognised impair- ments DKKm
Impairments at 01.01.18 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	0
<b>Impairments at 30.06.18</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>

	H1 2018 DKKm	H1 2017 DKKm	Full year 2017 DKKm
4.4.2 <b>DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS, OTHER SPECIFICATIONS</b>			
Balances at notice with central banks	0	425	0
Due from credit institutions	2,184	1,941	1,435
<b>Total</b>	<b>2,184</b>	<b>2,366</b>	<b>1,435</b>

4.5 **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 4.2.1.

	Stage 1 Lack of significant increase in credit risk 30.06.18 DKKm	Stage 2 Significant increase in credit risk 30.06.18 DKKm	Stage 3 Credit- impaired 30.06.18 DKKm	Total 30.06.18 DKKm	Recognised impair- ments DKKm
Provisions for losses at 01.01.18 under IFRS 9	13	7	48	68	-
Provisions for losses re. new exposures during the year	6	1	47	54	54
Reversed provision for losses re. repaid exposures	-3	-3	-9	-15	-15
Change in provisions for losses at 1 January, transfer to/from stage 1	7	-5	-2	0	-
Change in provisions for losses at 1 January, transfer to/from stage 2	0	1	-1	0	-
Change in provisions for losses at 1 January, transfer to/from stage 3	-1	-1	2	0	-
Provisions for losses during the year due to change in credit risk	-7	4	-31	-33	-33
<b>Provisions for losses at 30.06.18</b>	<b>13</b>	<b>5</b>	<b>55</b>	<b>74</b>	<b>6</b>

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

4.6	IMPAIRMENT ACCOUNT AT 30.06.17 AND 31.12.17 (IAS 39)	H1 2018 DKKm	H1 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	-	204	310
	Reversal of individual impairment charges	-	216	326
	Previously impaired, now finally lost	-	135	383
	Other movements	-	23	36
	<b>Individual impairment, end of period</b>	<b>-</b>	<b>1,562</b>	<b>1,323</b>
	<i>Collective loan impairment charges</i>			
	Collective impairment, beginning of period	-	124	124
	New collective impairment charges	-	98	128
	Reversal of collective impairment charges	-	4	9
	Other movements	-	4	9
	<b>Collective impairment, end of period</b>	<b>-</b>	<b>221</b>	<b>251</b>
	<i>Total loan impairment charges, etc.</i>			
	Impairment, beginning of year	-	1,810	1,810
	New impairment charges	-	301	438
	Reversed impairment charges	-	220	334
	Previously impaired, now finally lost	-	135	383
	Other movements	-	27	44
	<b>Impairment, end of period</b>	<b>-</b>	<b>1,783</b>	<b>1,575</b>
	<i>Impairment recognised in the income statement</i>			
	New impairment charges	-	301	438
	Reversed impairment charges	-	220	334
	Loss without prior impairment	-	23	96
	Amounts recovered on previously impaired receivables	-	59	167
	<b>Recognised in the income statement</b>	<b>-</b>	<b>45</b>	<b>33</b>
	<i>Provisions for losses on guarantees</i>			
	Provisions, beginning of period	-	67	67
	New provisions	-	7	19
	Reversed provisions	-	33	45
	<b>Provisions for losses on guarantees, end of period</b>	<b>-</b>	<b>41</b>	<b>41</b>
	<i>Provisions for losses on guarantees recognised in the income statement</i>			
	New provisions	-	7	19
	Reversed provisions	-	33	45
	<b>Recognised in the income statement</b>	<b>-</b>	<b>-26</b>	<b>-26</b>
	<b>Impairment account for loans and provisions for losses on guarantees, total</b>	<b>-</b>	<b>1,825</b>	<b>1,616</b>
	<i>Impairment, other credit risks</i>			
	Impairment, other credit risks, beginning of period	-	14	14
	Reversed impairment charges	-	1	14
	Other movements	-	1	-
	<b>Impairment, other credit risks, total</b>	<b>-</b>	<b>14</b>	<b>0</b>
	<b>Impairment account for loans, provisions for losses on guarantees and other credit risks, total</b>	<b>-</b>	<b>1,839</b>	<b>1,616</b>
	<b>Loan impairment charges etc.</b>			
	<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.	-	45	33
	Provision for losses on guarantees	-	-26	-26
	Impairment, credit institutions	-	-1	-14
	<b>Total impairment of loans and receivables etc.</b>	<b>-</b>	<b>19</b>	<b>-7</b>
	<b>Loans with suspended interest payments</b>	<b>-</b>	<b>127</b>	<b>143</b>
	<i>Interest on impaired receivables is calculated on the impaired balance only.</i>			
	<b>Recognised interest on impaired loans and receivables</b>	<b>-</b>	<b>28</b>	<b>44</b>

## 4.7

## CREDIT RISK POLICY

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

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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.