

Interim report for Q1–Q3 2017 of Spar Nord Bank A/S

Net profit of DKK 799 million and
return on equity of 13.1 %

Company announcement no. 9, 2017

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SPAR NORD GROUP

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Performance indicators and financial ratios – Group

CORE EARNINGS – QUARTERLY

INCOME STATEMENT DKKm	Q1-Q3 2017	Q1-Q3 2016	Change in %	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Full year 2016
Net interest income *)	1,173.1	1,225.9	-4.3	387.6	393.0	392.5	395.3	412.9	1,621.2
Net income from fees, charges and commissions	837.1	778.2	7.6	263.9	278.8	294.4	274.5	259.7	1052.7
Market value adjustments and dividends	302.7	329.3	-8.1	17.6	121.4	163.7	104.4	142.5	433.7
Other operating income	36.3	28.3	28.3	11.8	13.7	10.8	1.4	11.0	29.7
Profit/loss on investments in associates and group enterprises	27.3	22.5	21.3	7.1	7.3	12.9	7.1	7.5	29.6
Core income	2,376.5	2,384.2	-0.3	688.0	814.2	874.3	782.7	833.6	3,166.9
Salaries	849.7	834.8	1.8	247.2	317.9	284.6	306.9	248.5	1,141.7
Operating expenses	514.9	467.8	10.1	168.2	170.6	176.1	192.6	140.5	660.4
Depreciation, amortization and impairment	46.3	50.9	-9.0	18.1	13.9	14.3	43.4	16.5	94.3
Costs and expenses	1,410.9	1,353.5	4.2	433.5	502.4	475.0	542.9	405.5	1,896.4
Core earnings before impairment	965.6	1,030.7	-6.3	254.5	311.8	399.3	239.8	428.1	1,270.5
Loan impairment charges etc. *)	-50.9	187.8	-127.1	-42.2	-10.2	1.5	54.6	54.4	242.4
Profit/loss before tax	1,016.5	842.9	20.6	296.7	322.0	397.8	185.2	373.7	1,028.1
Tax	217.6	152.6	42.6	72.9	63.7	81.0	37.3	66.0	189.9
Profit/loss	798.9	690.3	15.7	223.8	258.3	316.8	147.9	307.7	838.2
Of which, share attributable to interest expenses to holders of Additional Tier 1 (AT1) capital	36.4	18.2	100.0	12.3	12.0	12.1	7.9	6.2	26.1
BALANCE SHEET DKKm									
Total assets	80,372	78,957	1.8	80,372	79,595	78,329	78,473	78,957	78,473
Loans and advances	45,471	39,697	14.5	45,471	42,407	41,189	41,346	39,697	41,346
Lending, banking and leasing activities	36,630	35,106	4.3	36,630	36,351	35,761	35,093	35,106	35,093
Lending, reverse repo transactions	8,841	4,591	92.6	8,841	6,056	5,428	6,253	4,591	6,253
Deposits	63,296	60,926	3.9	63,296	62,782	60,455	61,005	60,926	61,005
Deposits, banking activities	48,092	47,046	2.2	48,092	47,610	45,581	46,464	47,046	46,464
Deposits, repo transactions	0	0	-	0	156	0	0	0	0
Deposits in pooled schemes	15,204	13,880	9.5	15,204	15,016	14,874	14,541	13,880	14,541
Subordinated debt	1,086	1,095	-0.8	1,086	1,089	1,090	1,093	1,095	1,093
Holders of Additional Tier 1 (AT1) capital instruments	873	404	116.1	873	863	876	862	404	862
Equity	7,920	7,669	3.3	7,920	7,702	8,072	7,765	7,669	7,765
Contingent liabilities	11,742	11,885	-1.2	11,742	12,304	11,935	12,334	11,885	12,334
Total risk exposure amount	49,243	47,778	3.1	49,243	49,672	47,741	47,485	47,778	47,485
Tier 1 capital **)	7,777	6,943	12.0	7,777	7,369	7,374	7,427	6,943	7,427
Impairment account and discount on commitments taken over ***)	1,708	2,020	-15.5	1,708	1,901	1,992	1,994	2,020	1,994
Contractual non-performing loans	388	439	-11.6	388	401	401	443	439	443
Business volume	238,807	228,057	4.7	238,807	236,185	232,335	230,113	228,057	230,113

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

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

***) Spar Nord's impairment account amounts to DKK 1,651 million (Q2 2017: DKK 1,839 million) (note 10) and the discount on commitments taken over amounts to DKK 57 million (Q2 2017: DKK 62 million).

Performance indicators and financial ratios – Group

CORE EARNINGS – QUARTERLY

FINANCIAL RATIOS	Q1-Q3 2017	Q1-Q3 2016	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Full year 2016
OWN FUNDS								
Own funds ratio *)	17.9	16.6	17.9	16.9	17.6	17.7	16.6	17.7
Tier 1 capital ratio *)	15.8	14.5	15.8	14.8	15.4	15.6	14.5	15.6
Common equity tier 1 capital ratio *)	14.2	13.9	14.2	13.2	13.8	14.0	13.9	14.0
EARNINGS								
Return on equity before tax excl. Additional Tier 1 (AT1) capital, % **)	12.5	10.9	3.6	4.0	4.9	2.3	4.9	13.2
Return on equity after tax excl. Additional Tier 1 (AT1) capital, % **)	9.8	8.9	2.7	3.2	3.9	1.9	4.0	10.7
Cost share of core income	0.59	0.57	0.63	0.62	0.54	0.69	0.49	0.60
Cost share of core income - incl. loan impairment charges etc.	0.57	0.65	0.57	0.60	0.55	0.76	0.55	0.68
Return on assets, %	1.0	0.9	0.3	0.3	0.4	0.2	0.4	1.1
MARKET RISK AND LIQUIDITY								
Interest rate risk, %	1.3	0.4	1.3	0.2	-0.2	1.2	0.4	1.2
Foreign-exchange position, %	5.2	3.1	5.2	3.9	3.3	3.2	3.1	3.2
Foreign-exchange risk, %	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.1
Liquidity Cover Ratio (LCR), %	165	155	165	176	168	171	155	171
CREDIT RISK								
Loans and advances plus impairment account and discount hereon as % of deposits, %	74.5	68.3	74.5	70.5	71.3	70.9	68.3	70.9
Loans and advances as % of equity	5.7	5.2	5.7	5.5	5.1	5.3	5.2	5.3
Increase in loans and advances for the period, %	4.4	3.6	0.8	1.6	1.9	0.0	0.3	3.6
Sum of large exposures, %	18.7	15.8	18.7	17.5	17.1	14.5	15.8	14.5
Impairment ratio, %	-0.1	0.4	-0.1	0.0	0.0	0.1	0.1	0.4
EMPLOYEES AND BRANCHES								
Number of employees (full-time equivalents, end of period)	1,557	1,548	1,557	1,555	1,528	1,540	1,548	1,540
Number of branches	51	66	51	55	56	58	66	58
SPAR NORD SHARE								
DKK PER SHARE OF DKK 10								
Share price, end of period	78	64	78	85	77	81	64	81
Net asset value (NAV), **)	64	62	64	63	66	63	62	63
Profit/loss for the period **)	6.3	5.4	1.7	2.0	2.5	1.2	2.4	6.6
Dividend	-	-	-	-	-	-	-	5.0
Return	-	-	-	-	-	-	-	38
Price/earnings **)	-	-	-	-	-	-	-	12

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

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

Executive Summary

The first nine months of 2017 was a period in which the Danish economy finally started to show signs of a recovery and thus a more sustainable improvement in investment appetite and demand for funding. Interest margins remain under pressure, but we are now witnessing decent growth in lending volumes and good progress in our activity-driven income. Combined with a reversal of impairment charges of some DKK 50 million, this has ensured that our overall financial performance is more than satisfactory, says Spar Nord's CEO Lasse Nyby.

Spar Nord achieved a profit after tax of DKK 799 million in Q1-Q3 2017, which corresponds to an annualized return on equity of 13.1%. The profit is DKK 109 million, or 16%, higher than in the year-earlier period and is considered satisfactory by Management.

Core income amounted to DKK 2,377 million, which is on a level with the same period of last year. Net interest income fell 4% to DKK 1,173 million, net income from fees, charges and commissions rose 8% to DKK 837 million, while market value adjustments fell 8% to DKK 303 million. Net income from fees, charges and commissions developed in line with the preceding quarters, while the decline in market value adjustments from Q2 to Q3 was especially due to non-recurring factors as the value of Spar Nord's ownership interest in the data centre BEC was adjusted due to impairment of development assets.

Total costs and expenses amounted to DKK 1,411 million, which is DKK 57 million, or 4%, higher than in Q1-Q3 2016. As was the case in the first two quarters of the year, costs were affected by investment in strategic measures, including in the IT area, that are intended to lead to the realisation of gains in the upcoming period. Investments have also been made in a refurbishment of the Bank's branches in accordance with the strategy The Personal Bank in a Digital World.

Core earnings before impairment were DKK 966 million, which is DKK 65 million, or 6%, lower than in Q1-Q3 2016.

Loan impairment charges etc. were a net income of DKK 51 million, which is notably better than expected at the beginning of the year and should be compared with impairments of DKK 188 million in the year-earlier period.

Impairment of BEC development assets

In order to comply with the new guidelines from the Danish FSA triggered by the MREL requirements concerning costs of withdrawal from data centres, the board of directors of Spar Nord's data centre, BEC, has resolved to carry out an extraordinary write-down in 2017 of BEC's development assets of DKK 483 million. Furthermore, it was resolved to expense development projects in progress on an accelerated basis. The effect of these matters for Spar Nord is that the Bank's investments in BEC were written down by DKK 54 million in Q3.

Positive business volume developments

At 30 September 2017, Spar Nord's total business volume was DKK 8.7 billion, or 4%, higher than at end-2016. Of this amount, DKK 1.5 billion was attributable to growth in lending to the Bank's retail and business customers, which corresponds to a satisfactory 4% increase in lending. The volume of mortgage-credit loans arranged grew DKK 3.1 billion, equal to an increase of 4%.

Outlook

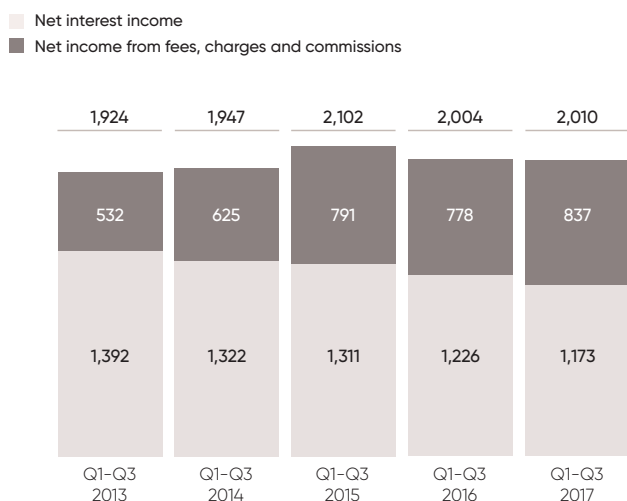
Based on developments in Q3 and due to the negative market value adjustment relating to BEC, Spar Nord forecasts core earnings before impairment of around DKK 1,200 million, against the previous forecast of around DKK 1,250 million. Also, full-year impairment charges are now expected to be around DKK 0, and Spar Nord maintains its full-year pre-tax financial guidance.

Management commentary on Q1-Q3 2017

Spar Nord achieved a profit after tax of DKK 799 million in Q1-Q3 2017, which corresponds to an annualized return on equity of 13.1%. The profit is DKK 109 million, or 16%, higher than in the year-earlier period and is considered satisfactory by Management.

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NET INTEREST INCOME AND NET FEE INCOME (DKKM)



Persistent pressure on net interest income

Net interest income was DKK 1,173 million in Q1-Q3 2017, against DKK 1,226 million in the same period of 2016.

Adding to this income was a DKK 1.5 billion (4%) increase in bank and leasing lending since 1 January, while a 34 basis point decline in the lending margin and a 30 basis point decline in the overall interest rate margin since 1 January year weighed on this item.

Of the total decline in interest income of DKK 89 million relative to the same period of last year, DKK 31 million was attributable to the Bank's bond portfolio.

Interest expenses on deposits were reduced by DKK 37 million relative to Q1-Q3 2016. The reduction was driven by a lower interest rate on deposits, partly due to the expiry of high-interest deposits, partly due to interest changes implemented.

From Q2 to Q3, net interest income fell 1% from DKK 393 million to DKK 388 million. In Q3, net interest income was positively impacted by DKK 10 million in non-recurring income from a previous impairment exposure, against a DKK 9 million impact in Q2.

Net fee income at a satisfactory level

Net income from fees, charges and commissions amounted to DKK 837 million, which is DKK 59 million, or 8%, higher than in the year-earlier period. Net income from fees, charges and commissions thus accounted for 42% of total net interest and fee income in the period.

The increase was attributable especially to continued growth in income from mortgage loans arranged – driven by both volume growth and price adjustments. In addition, there was a decent increase in net fee income relating to insurance, the "daily banking" area and payment services.

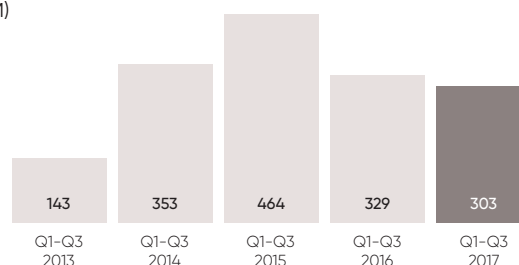
Net fee income from securities trading and asset management fell by a total of DKK 13 million relative to the same period of 2016, reflecting lower income from unit trusts, among other things as a consequence of MiFID II. The fall was partly offset by higher income from securities trading and asset management.

From Q2 to Q3 net income from fees, charges and commissions fell from DKK 279 million to DKK 264 million. One of the reasons for the decline is that fees regarding Netbank Erhverv are collected in Q2.

Market value adjustments marked by BEC writedown

Market value adjustments and dividends amounted to DKK 303 million, which is DKK 26 million, or 8%, lower than in the same period of 2016.

MARKET VALUE ADJUSTMENTS AND DIVIDENDS (DKKM)



Market value adjustments on the Bank's equity and bond portfolio improved by DKK 35 million relative to the same period last year. Market value adjustments were adversely impacted by a DKK 54 million writedown on the investment in the BEC data centre (see more on page 9).

From Q2 to Q3, market value adjustments and dividends fell from DKK 121 million to DKK 18 million. The decline was primarily attributable to the BEC writedown and lower market value adjustments on bonds.

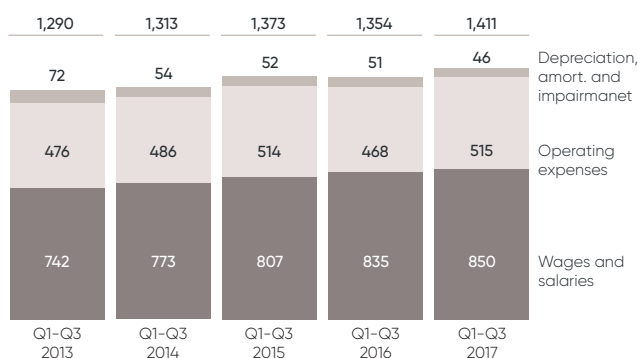
Decent increase in other income

Other operating income amounted to DKK 36 million, against DKK 28 million in Q1-Q3 2016 and profit on investments in associates and group enterprises came to DKK 27 million, up from DKK 23 million last year.

Costs and expenses influenced by strategic initiatives

The Group's total costs and expenses amounted to DKK 1,411 million, which is DKK 57 million, or 4%, higher than in the year-earlier period.

TOTAL COSTS (DKKM)



Wages and salaries accounted for DKK 850 million of total costs and expenses. Realized payroll costs were DKK 15 million, or 2%, higher than in the year-earlier period, which is ascribable to pay rises under collective agreements and increasing payroll taxes and the fact that 2016 included a positive one-off effect of DKK 17 million concerning the outcome of a legal action.

At 30 September 2017, the Group employed 1,557 employees, which is 9 more than at the same time in 2016. The Bank has 51 branches, which is 15 fewer than a year ago. The reason the number of employees has not been reduced concurrently with the number of branches is, among other things, that resources have been channelled to areas such as the central customer service centre and IT & Processes as part of the strategic projects referred to below.

Other operating expenses came to DKK 515 million, which is DKK 47 million, or 10%, higher than in Q1-Q3 2016. Expenses were favourably impacted by the lack of last year's non-recurring costs for IT migration and a drop in ongoing IT expenses.

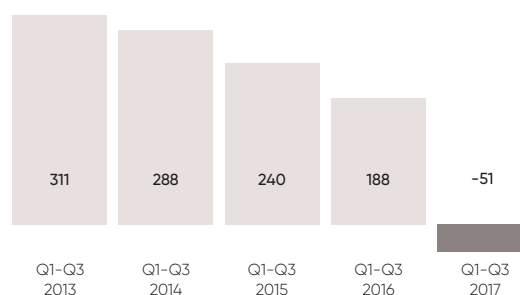
Weighing on expenses were a number of new costs related to strategic IT projects in BEC and at sector level and an increase in items such as marketing expenses because customer-facing activities in 2016 were lower than usual because of the efforts to prepare and implement the IT migration from SDC to BEC.

Costs were generally affected by Spar Nord's implementation of its new strategy launched at the end of 2016, which is still at a stage of investment in measures, including in the IT area, that are intended to lead to the realization of gains in the upcoming period. Investments have also been made in a refurbishment of the Bank's branches in accordance with the strategy The Personal Bank in a Digital World. From Q2 to Q3, costs fell from DKK 502 million to DKK 434 million. The decline was mainly driven by the usual adjustment of holiday pay obligations during the summer holiday period.

Net reversal of loan impairment charges

Loan impairment charges etc. were an income of DKK 51 million, which compares to an expense of DKK 188 million in the year-earlier period.

IMPAIRMENTS (DKKM)



Individual impairment charges were an income of DKK 50 million, while collective impairment charges rose by DKK 133 million. The collective impairment charges consist of a decline in rating-based and calculated collective impairment charges totalling DKK 17 million and Management estimates of DKK 85 million concerning retail customers and a total of DKK 65 million concerning agricultural and business customers, of which DKK 40 million relates to Q3. Finally, DKK 132 million was recovered on previously impaired receivables in Q1-Q3 2017, which is notably higher than in the year-earlier period.

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

Industry %	Loans and guarantees		Impairment account and discount on exposures taken over
	31.12.16	30.09.17	
Agriculture, hunting and forestry	6.9	6.5	33.5
Fisheries	0.2	0.2	0.0
Industry and raw materials extraction	5.4	5.8	3.8
Energy supply	3.3	3.1	1.7
Construction and engineering	3.9	4.7	3.7
Trade	7.8	7.8	3.3
Transport, hotels and restaurants	3.4	3.7	5.3
Information and communication	0.4	0.4	0.2
Financing and insurance	5.8	6.0	6.1
Real property	12.2	11.2	14.1
Other industries	5.4	5.8	4.2
Total business customers	54.7	55.2	75.9
Public authorities	0.1	0.0	0.0
Retail customers	45.2	44.8	24.1
Total	100.0	100.0	100.0

*) Excl. reverse repo transactions

AGRICULTURAL EXPOSURES BY PRODUCTION LINE

30.09.17 DKKm	Loans and advances and guarantees	Non-accrual loans	Of which impaired	Share impaired
Cattle producers	957.0	56.9	605.6	63.3
Pig producers	691.2	9.6	338.4	49.0
Plant cultivation	739.4	3.8	62.0	8.4
Mink farmers	88.3	0.2	33.8	38.3
Leasing	447.1	0.4	8.6	1.9
Andet	334.6	3.4	20.4	6.1
Total	3,257.6	74.3	1,068.8	32.8

AGRICULTURAL IMPAIRMENTS BY PRODUCTION LINE

30.09.17 DKKm/%	Impairment account	Impaired	Impairment for the year	Impairment ratio of exposure	Percentage impaired
Cattle producers	356.6	72.3	-6.6	37.3	58.9
Pig producers	160.0	85.8	-10.5	23.2	47.3
Plant cultivation	26.9	30.3	9.8	3.6	43.3
Mink farmers	9.8	2.2	-4.3	11.1	29.1
Leasing	2.1	0.7	-0.3	0.5	23.9
Andet	17.4	0.0	2.8	5.2	85.4
Total	572.8	191.3	-9.1	17.6	53.6

Broken down by customer segment and including the Management estimates, the total impact was DKK 58 million for retail customers, DKK -100 million for business customers ex. agriculture and DKK -9 million for agriculture.

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

Loan impairment charges etc. in Q3 were an income of DKK 42 million, against an income of DKK 10 million in Q2. The positive trend was driven by amounts recovered on previously impaired receivables.

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

Profit before tax of DKK 1,017 million and net profit of DKK 799 million

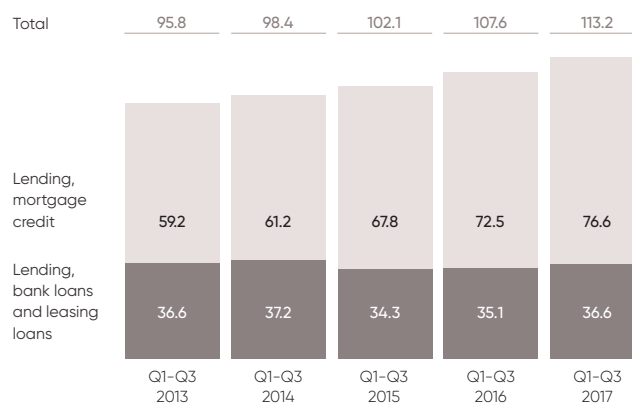
The profit before tax was DKK 1,017 million against DKK 843 million in Q1-Q3 2016. The Group's effective tax rate was 21%, bringing the net profit to DKK 799 million, up from DKK 690 million in the same period last year.

Business volume growing to DKK 239 billion

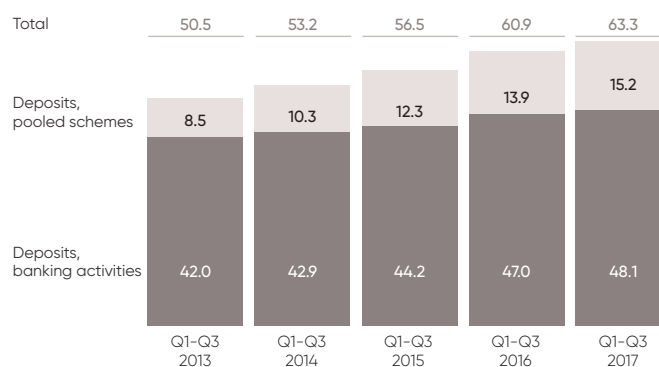
The Group's total business volume (deposits, loans, advances and guarantees, mortgage credits arranged and customers' custodianship accounts) amounted to DKK 238.8 billion at 30 September 2017, which was DKK 8.7 billion, or 4%, higher than at end-2016.

Compared with end-2016, bank and leasing loans rose DKK 1.5 billion, or 4%, and of this increase DKK 0.4 billion was attributable to retail customers and DKK 1.1 billion to business customers.

The de-facto increase in lending growth in continuing activities was DKK 1.8 billion, as there was a DKK 0.3 billion drop in the resolution portfolio which Spar Nord took over in connection with the merger with Sparbank.

TOTAL CREDITS ARRANGED (DKKBN)

In Q1-Q3 2017, the volume of mortgage-credit loans arranged grew DKK 3.1 billion to DKK 76.6 billion, equal to 4%. In total, the volume of mortgage-credit loans arranged from Totalkredit amounted to DKK 65.3 billion and from DLR Kredit DKK 11.3 billion.

TOTAL DEPOSITS (DKKBN)

Deposits, banking activities increased by DKK 1.6 billion, or 4%, in Q1-Q3 while deposits in pooled schemes climbed DKK 0.7 billion, or 5%.

Finally, customers' custodianship accounts have increased DKK 2.4 billion, or 5%, since end-2016.

Strategic liquidity of DKK 21.0 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)	30.09.16	31.12.16	31.03.17	30.06.17	30.09.17
Deposits, banking activities	47.0	46.5	45.6	47.6	48.1
Senior loans/bond issues	0.0	0.0	0.0	0.0	0.0
Equity and subordinated debt	9.2	9.7	10.0	9.7	9.9
Liquidity procurement	56.2	56.2	55.6	57.3	58.0
Lending, banking and leasing activities	35.1	35.1	35.8	36.4	36.6
Maturity, senior issued bonds & subordinated debt <1 year	0.0	0.4	0.4	0.4	0.4
Strategic liquidity, total	21.1	20.7	19.4	20.5	21.0

At the end September 2017, Spar Nord's strategic liquidity amounted to DKK 21.0 billion, up DKK 0.3 billion compared with end-2016.

Spar Nord's LCR ratio at 30 September 2017 was 165%.

Strong capital position

At 30 September 2017, the Common Equity Tier 1 (CET1) ratio was 14.2%, while the own funds ratio was 179%. This should be viewed relative to the individual solvency need calculated by Spar Nord at 9.1% plus the 1.3% combined buffer requirement, as a result of which the total capital requirement is 10.4%. Thus, Spar Nord has an excess capital coverage of 7.5 percentage points, equal to DKK 3.7 billion.

On the basis of fully phased-in CRD IV rules, the current capital position would correspond to a Common Equity Tier 1 (CET1) ratio of 14.0%.

In Q3, Spar Nord resumed its previous practice of consolidating its profit for the year, which is reflected in the key ratios set out above.

In continuation of the description in the most recent interim report about Spar Nord's expectations of the coming MREL rules, the Danish FSA has now stated that Spar Nord will have to comply with the same MREL as the SIFI institutions. As a result of this and other factors, Spar Nord is in the process of identifying options with a view to a transition to risk-weighting based on internal, rating-based models. Spar Nord expects to be able to provide an update on its preparatory work and expectations of the further process in Annual Report 2017.

At the beginning of Q4, Spar Nord has issued new Tier 2 capital in the amount of DKK 470 million and cancelled Tier 2 capital for DKK 400 million for repayment in November 2017.

Impairment of BEC development assets

In connection with the new requirements for own funds in Danish banks (MREL), the Danish FSA has prepared an interpretation that stipulates that costs of withdrawal from data centres are considered an obstacle to resolvability in a situation in which a bank fails to comply with its capital requirement, as a result of which resolution measures must be initiated.

To comply with the new rules, BEC has resolved to initiate a process aimed at minimizing the future financial obligations of its members in case a member withdraws from the cooperation. The aim of the process is to ensure that banks expense developments costs closer to the period in which such costs were incurred.

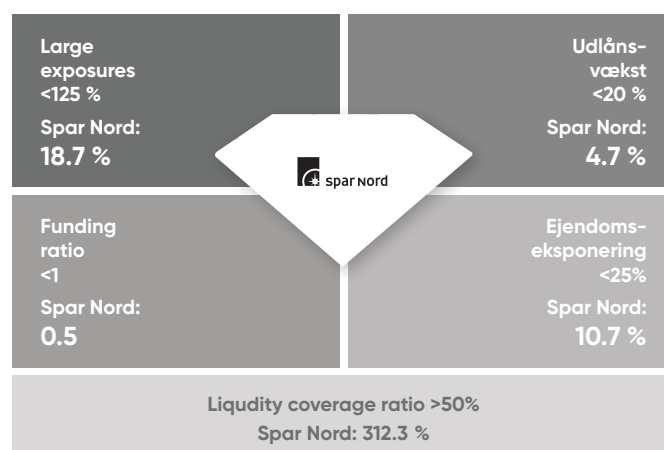
Specifically, BEC has resolved to carry out an extraordinary write-down in 2017 of its development assets of DKK 483 million, while on-going development projects of DKK 54 million will be expensed on an accelerated basis. As a result, the cooperative accounts of BEC's members will be written off.

The effect for Spar Nord of these measures is that the Bank's investments in BEC were written down by DKK 54 million in Q3.

The Supervisory Authority Diamond Test Model

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

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



With reference to the calculation method for the reference point Large exposures specified by the Danish FSA, with the benchmark for the 20 largest exposures being fixed at 175% of the Common Equity Tier 1 (CET1), Spar Nord's 20 largest exposures amounted to 96.9% at 30 September 2017.

Outlook for 2017

At the beginning of 2017, Spar Nord forecast core earnings before impairment of around the DKK 1.1-1.2 billion mark, and after Q2 this forecast was upgraded to around DKK 1,250 million.

At the beginning of the year, loan impairments were expected to be "lower than in 2016", but after Q2 this forecast was revised to "substantially lower than in 2016".

Based on developments in Q3 and due to the write-down relating to BEC, Spar Nord forecasts core earnings before impairment of around DKK 1,200 million. Also, full-year impairment charges are now expected to be around DKK 0, and Spar Nord maintains its full-year pre-tax financial guidance.

Spar Nord shares held by members of the Management team

BOARD OF DIRECTORS	At 30.09.17	At 30.06.17	EXECUTIVE BOARD	At 30.09.17	At 30.06.17
Kjeld Johannesen	50,000	50,000	Lasse Nyby	48,716	47,784
Per Nikolaj Bukh	27,200	27,200	John Lundsgaard	71,496	71,113
Kaj Christiansen	21,100	21,100	Lars Møller	66,376	65,460
Morten Bach Gaardboe	3,620	3,620			
Laila Mortensen	0	0			
Ole Skov	7,279	7,054			
Jannie Skovsen	7,576	7,404			
Gitte Holmgaard Sørensen	1,756	1,566			
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*)	Profit/loss *) DKKm
Consolidated subsidiaries			
Aktieselskabet Skelagervej 15, Aalborg	27.0	1,583.7	74.9

*) According to the most recent annual report.

The company is a wholly subsidiary in 2016 and 2017.

Performance indicators and financial ratios – Group

THE DANISH FSA'S LAYOUT AND RATIO SYSTEM

INCOME STATEMENT	Q1-Q3 2017	Q1-Q3 2016	Change in %	Q1-Q3 2017	Q1-Q3 2016	Q1-Q3 2015	Q1-Q3 2014	Q1-Q3 2013	Full year 2016
DKKm									
Interest income	1,281.5	1,378.2	-7.0	1,281.5	1,378.2	1,498.1	1,732.2	2,145.3	1,815.5
Interest expenses	78.9	114.8	-31.3	78.9	114.8	158.4	365.9	506.8	144.7
Net interest income	1,202.6	1,263.4	-4.8	1,202.6	1,263.4	1,339.7	1,366.3	1,638.5	1,670.8
Dividends on shares, etc.	22.6	49.3	-54.2	22.6	49.3	54.6	39.1	20.9	47.9
Fees, charges and commissions received	943.4	867.3	8.8	943.4	867.3	852.2	668.5	577.3	1,174.8
Fees, charges and commissions paid	106.3	89.1	19.3	106.3	89.1	61.1	43.4	45.5	122.1
Net income from interest, fees, charges and commissions	2,062.3	2,090.9	-1.4	2,062.3	2,090.9	2,185.4	2,030.5	2,191.2	2,771.4
Market value adjustments	280.1	280.0	0.0	280.1	280.0	408.9	335.0	148.1	385.8
Other operating income	36.3	28.3	28.3	36.3	28.3	39.9	36.3	71.0	29.7
Staff costs and administrative expenses	1,357.9	1,295.4	4.8	1,357.9	1,295.4	1,315.5	1,247.1	1,243.3	1,788.8
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	46.3	50.9	-9.0	46.3	50.9	52.2	53.5	87.1	94.3
Other operating expenses	6.7	7.2	-6.9	6.7	7.2	79.9	84.8	81.0	13.3
Loan impairment charges etc.	-21.4	225.3	-109.5	-21.4	225.3	278.2	334.4	562.4	292.0
Profit/loss on equity investments in associates and group enterprises	27.3	22.5	21.3	27.3	22.5	20.5	79.0	54.7	29.6
Profit/loss before tax	1,016.5	842.9	20.6	1,016.5	842.9	928.9	761.0	491.2	1,028.1
Tax	217.6	152.6	42.6	217.6	152.6	149.5	125.7	107.8	189.9
Profit/loss	798.9	690.3	15.7	798.9	690.3	779.4	635.3	383.4	838.2
BALANCE SHEET									
DKKm									
Total assets	80,372	78,957	1.8	80,372	78,957	79,958	78,816	75,080	78,473
Loans and advances	45,471	39,697	14.5	45,471	39,697	38,223	37,362	37,166	41,346
Lending, banking and leasing activities	36,630	35,106	4.3	36,630	35,106	34,300	37,187	36,624	35,093
Lending, reverse repo transactions	8,841	4,591	92.6	8,841	4,591	3,923	175	542	6,253
Deposits	63,296	60,926	3.9	63,296	60,926	56,986	53,199	50,463	61,005
Deposits, banking activities	48,092	47,046	2.2	48,092	47,046	44,206	42,930	41,998	46,464
Deposits, repo transactions	0	0	-	0	0	464	0	0	0
Deposits in pooled schemes	15,204	13,880	9.5	15,204	13,880	12,316	10,269	8,465	14,541
Subordinated debt	1,086	1,095	-0.8	1,086	1,095	1,154	1,711	2,319	1,093
Equity	8,793	8,073	8.9	8,793	8,073	7,768	7,047	6,377	8,627
Contingent liabilities	11,742	11,885	-1.2	11,742	11,885	9,426	8,021	5,435	12,334
Total risk exposure amount	49,243	47,778	3.1	49,243	47,778	47,507	48,698	43,111	47,485
Tier 1 capital	7,777	6,943	12.0	7,777	6,943	6,865	6,619	7,400	7,427
Loan impairment charges etc.	1,651	1,904	-13.3	1,651	1,904	1,877	1,776	1,557	1,891
Contractual non-performing loans	388	439	-11.6	388	439	672	624	761	443

Performance indicators and financial ratios – Group

THE DANISH FSA'S LAYOUT AND RATIO SYSTEM

FINANCIAL RATIOS	Q1-Q3 2017	Q1-Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q3 2015	Q1-Q3 2014	Q1-Q3 2013	Full year 2016
Own funds								
Own funds ratio	17.9	16.6	17.9	16.6	16.5	15.5	17.4	17.7
Tier 1 capital ratio	15.8	14.5	15.8	14.5	14.5	13.6	17.2	15.6
Earnings								
Return on equity before tax, %	11.7	10.6	11.7	10.6	12.6	11.2	8.0	12.5
Return on equity after tax, %	9.2	8.7	9.2	8.7	10.5	9.4	6.2	10.2
Income/cost ratio	1.73	1.53	1.73	1.53	1.54	1.44	1.25	1.47
Return on assets, %	1.0	0.9	1.0	0.9	1.0	0.8	0.5	1.1
Market risk and liquidity								
Interest rate risk, %	1.3	0.4	1.3	0.4	1.2	1.9	0.1	1.2
Foreign-exchange position, %	5.2	3.1	5.2	3.1	4.0	3.4	3.4	3.2
Foreign-exchange risk, %	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.1
Excess coverage relative to statutory liquidity requirement, %	313.4	298.8	313.4	298.8	263.7	194.3	211.8	308.3
Credit risk								
Loans and advances as % of deposits, %	71.8	65.2	71.8	65.2	67.1	70.2	73.7	67.8
Loans and advances plus impairment as % of deposits, %	74.4	68.2	74.4	68.2	70.3	73.6	76.7	70.7
Loans and advances as % of equity, %	5.2	4.9	5.2	4.9	4.9	5.3	5.8	4.8
Increase in loans and advances for the period, %	4.4	3.6	4.4	3.6	-3.3	3.7	-6.0	3.6
Sum of large exposures, %	18.7	15.8	18.7	15.8	15.9	30.9	16.8	14.5
Impairment ratio for the period	0.0	0.4	0.0	0.4	0.6	0.7	1.3	0.5
THE SPAR NORD SHARE								
DKK per share of DKK 10								
Profit/loss for the period	6.5	5.5	6.5	5.5	6.2	5.1	3.1	6.8
Net asset value (NAV)	64	62	64	62	59	56	51	63
Dividend	-	-	-	-	2.0	-	-	5.0
Share price/profit/loss for the period	12.0	11.6	12.0	11.6	12.3	11.8	13.5	11.9
Share price/NAV	1.2	1.0	1.2	1.0	1.3	1.1	0.8	1.3

Management's statement on the Interim Report

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

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.

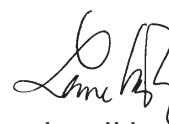
The interim financial statements are unaudited and have not been reviewed, but the external auditor has verified the profit. This verification included procedures consistent with the requirements relating to a review. Hence, it was ascertained that the conditions for ongoing recognition of the profit 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 financial position at 30 September 2017 and of the results of the Group's operations and cash flows for the period from 1 January to 30 September 2017.

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

Aalborg, 1 November 2017

EXECUTIVE BOARD



Lasse Nyby

Chief Executive Officer



John Lundsgaard


Managing Director



Lars Møller

Managing Director

BOARD OF DIRECTORS



Kjeld Johannesen

Chairman



Per Nikolaj Bukh

Deputy Chairman of the Board
of Directors



Kaj Christiansen



Morten Bach Gaardboe



Laila Mortensen



Ole Skov

Elected by the employees



Jannie Skovsen

Elected by the employees



Gitte Holmgaard Sørensen

Elected by the employees



John Sørensen

Income statement – Group

NOTE

	Q1-Q3 2017 DKKkm	Q1-Q3 2016 DKKkm	Q3 2017 DKKkm	Q3 2016 DKKkm	Full year 2016 DKKkm
4 Interest income	1,281.5	1,378.2	414.5	460.4	1,815.5
5 Interest expenses	78.9	114.8	24.9	38.5	144.7
Net interest income	1,202.6	1,263.4	389.6	421.9	1,670.8
Dividends on shares, etc.	22.6	49.3	4.4	0.4	47.9
6 Fees, charges and commissions received	943.4	867.3	305.2	295.9	1,174.8
6 Fees, charges and commissions paid	106.3	89.1	41.3	36.2	122.1
Net income from interest, fees, charges and commissions	2,062.3	2,090.9	657.9	682.0	2,771.4
7 Market value adjustments	280.1	280.0	13.2	142.1	385.8
Other operating income	36.3	28.3	11.8	11.0	29.7
8 Staff costs and administrative expenses	1,357.9	1,295.4	413.3	386.7	1,788.8
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	46.3	50.9	18.1	16.5	94.3
Other operating expenses	6.7	7.2	2.1	2.3	13.3
10 Loan impairment charges etc.	-21.4	225.3	-40.2	63.4	292.0
Profit/loss on investments in associates and group enterprises	27.3	22.5	7.1	7.5	29.6
Profit/loss before tax	1,016.5	842.9	296.7	373.7	1,028.1
Tax	217.6	152.6	72.9	66.0	189.9
Profit/loss	798.9	690.3	223.8	307.7	838.2
APPROPRIATION:					
The shareholders of the Parent Company Spar Nord Bank A/S	762.5	672.1	211.5	301.5	812.1
Holders of Additional Tier 1 (AT1) capital instruments	36.4	18.2	12.3	6.2	26.1
Profit/loss	798.9	690.3	223.8	307.7	838.2
EARNINGS PER SHARE					
Earnings per share (DKK)	6.3	5.4	1.7	2.4	6.6
Diluted earnings per share (DKK)	6.3	5.4	1.7	2.4	6.6
STATEMENT OF COMPREHENSIVE INCOME					
Profit/loss for the period	798.9	690.3	223.8	307.7	838.2
Other comprehensive income					
Items that cannot be reclassified to the income statement:					
Net revaluation of domicile property	1.2	1.2	0.4	0.4	-5.0
Other comprehensive income after tax	1.2	1.2	0.4	0.4	-5.0
Total comprehensive income	800.1	691.5	224.2	308.1	833.2
<i>Appropriation:</i>					
The shareholders of the Parent Company Spar Nord Bank A/S	763.7	673.3	211.9	301.9	807.1
Holders of Additional Tier 1 (AT1) capital instruments	36.4	18.2	12.3	6.2	26.1
Total comprehensive income	800.1	691.5	224.2	308.1	833.2

Balance sheet – Group

NOTE

	30.09.17 DKKm	30.09.16 DKKm	Full year 2016 DKKm	
ASSETS				
	Cash balances and demand deposits with central banks	1,346.8	744.3	595.3
9	Due from credit institutions and central banks	1,823.7	2,679.5	2,178.8
	Lending, banking and leasing activities	36,630.4	35,105.9	35,092.2
	Lending, reverse repo transactions	8,840.8	4,591.5	6,253.4
	Loans, advances and other receivables at amortized cost, total	45,471.2	39,697.4	41,345.6
	Bonds at fair value	11,980.0	16,908.9	14,936.1
	Shares, etc.	1,518.5	1,627.3	1,557.2
	Investments in associates	120.4	82.0	118.4
	Assets linked to pooled schemes	15,203.9	13,879.8	14,541.5
	Intangible assets	186.1	206.4	194.4
	Investment properties	135.1	145.4	135.0
	Domicile property	523.9	539.4	518.5
	Land and buildings, total	659.0	684.8	653.5
	Other property, plant and equipment	107.5	101.0	91.1
	Current tax assets	0.0	0.0	17.9
	Temporary assets	23.1	16.0	33.9
11	Other assets	1,820.3	2,224.5	2,086.3
	Prepayments	111.7	104.9	123.5
	Total assets	80,372.2	78,956.8	78,473.5
EQUITY AND LIABILITIES				
DEBT				
	Due to credit institutions and central banks	2,855.0	3,671.7	2,429.8
12	Deposits and other payables	48,092.1	47,046.3	46,464.2
	Deposits in pooled schemes	15,203.9	13,879.8	14,541.5
	Other non-derivative financial liabilities at fair value	1,400.5	1,946.2	2,007.8
	Current tax liabilities	45.0	16.7	0.0
13	Other liabilities	2,694.7	3,019.7	3,084.1
	Deferred income	19.3	17.6	24.0
	Total debt	70,310.5	69,598.0	68,551.4
PROVISIONS				
	Provision for deferred tax	108.3	118.1	108.5
	Provision for losses on guarantees	49.4	64.5	67.0
	Other provisions	25.1	8.0	26.3
	Total provisions	182.8	190.6	201.8
SUBORDINATED DEBT				
14	Subordinated debt	1,086.4	1,094.7	1,093.2
	Total liabilities	71,579.7	70,883.3	69,846.4
EQUITY				
	Share capital	1,230.0	1,255.3	1,255.3
	Revaluation reserves	92.5	97.5	91.3
	Statutory reserves	0.0	8.1	22.3
	Proposed dividend	0.0	0.0	627.7
	Retained earnings	6,597.6	6,308.2	5,768.1
	Equity	7,920.1	7,669.1	7,764.7
	Holders of Additional Tier 1 (AT1) capital instruments	872.4	404.4	862.4
	Total equity	8,792.5	8,073.5	8,627.1
	Total equity and liabilities	80,372.2	78,956.8	78,473.5
OFF-BALANCE SHEET ITEMS				
15	Contingent assets	7.5	5.4	6.9
16	Contingent liabilities	11,741.9	11,884.6	12,334.1
17	Other binding commitments	500.9	469.5	500.9

Capital position – Group

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

CHANGES IN EQUITY

	Share capital DKKm	Revalua- tion reserve DKKm	Statutory reserves DKKm	Proposed dividend DKKm	Retained earnings DKKm	Total DKKm	Additional Tier 1 (AT1) capital *) DKKm	Total DKKm
Equity 30.09.17								
Equity 01.01.17	1,255.3	91.3	22.3	627.7	5,768.1	7,764.7	862.4	8,627.1
<i>Comprehensive income in 2017</i>								
Profit/loss for the period	-	-	27.2	-	735.3	762.5	36.4	798.9
<i>Other comprehensive income</i>								
Net revaluation of properties	-	1.2	-	-	-	1.2	-	1.2
Other comprehensive income, total	-	1.2	-	-	-	1.2	-	1.2
Total comprehensive income for the period	-	1.2	27.2	-	735.3	763.7	36.4	800.1
<i>Transactions with owners</i>								
Interest paid on Additional Tier 1 (AT1) capital	-	-	-	-	-	-	-24.2	-24.2
Dividends paid	-	-	-	-627.7	-	-627.7	-	-627.7
Dividends received, treasury shares	-	-	-	-	12.8	12.8	-	12.8
Reduction of share capital	-25.3	-	-	-	25.3	0.0	-	0.0
Disposal upon acquisition of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	-348.9	-348.9	-2.2	-351.1
Addition upon sale of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	347.5	347.5	-	347.5
Revaluation reserves, associates	-	-	-18.5	-	18.5	0.0	-	0.0
Dividends received from associates recognized at net asset value	-	-	-31.0	-	31.0	0.0	-	0.0
Tax	-	-	-	-	8.0	8.0	-	8.0
Total transactions with owners	-25.3	-	-49.5	-627.7	94.2	-608.3	-26.4	-634.7
Equity 30.09.17	1,230.0	92.5	0.0	0.0	6,597.6	7,920.1	872.4	8,792.5
<i>The share capital consists of 123,002,526 shares with a nominal value of DKK 10.</i>								
Equity 30.09.16								
Equity 01.01.16	1,255.3	96.3	23.2	376.6	5,723.3	7,474.7	412.3	7,887.0
<i>Comprehensive income in 2016</i>								
Profit/loss for the period	-	-	22.5	-	649.6	672.1	18.2	690.3
<i>Other comprehensive income</i>								
Net revaluation of properties	-	1.2	-	-	-	1.2	-	1.2
Other comprehensive income, total	-	1.2	-	-	-	1.2	-	1.2
Total comprehensive income for the period	-	1.2	22.5	-	649.6	673.3	18.2	691.5
<i>Transactions with owners</i>								
Interest paid on Additional Tier 1 (AT1) capital	-	-	-	-	-	-	-24.2	-24.2
Dividends paid	-	-	-	-376.6	-	-376.6	-	-376.6
Dividends received, treasury shares	-	-	-	-	1.9	1.9	-	1.9
Disposal upon acquisition of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	-418.2	-418.2	-1.9	-420.1
Addition upon sale of treasury shares and Additional Tier 1 (AT1) capital	-	-	-	-	310.0	310.0	-	310.0
Dividends received from associates recognized at net asset value	-	-	-37.6	-	37.6	0.0	-	0.0
Tax	-	-	-	-	4.0	4.0	-	4.0
Total transactions with owners	-	-	-37.6	-376.6	-64.7	-478.9	-26.1	-505.0
Equity 30.09.16	1,255.3	97.5	8.1	0.0	6,308.2	7,669.1	404.4	8,073.5

The share capital consists of 125,529,918 shares with a nominal value of DKK 10.

TREASURY SHARE PORTFOLIO

	Q1-Q3 2017	Q1-Q3 2016	Full year 2016
Number of shares	81,678	2,044,851	2,591,335
Percentage of share capital	0.0	1.6	2.1

On 04.09.17, 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		Received	Maturity	Q1-Q3	Q1-Q3	Full year
		DKK	Interest rate			2017	2016	2016
						DKK	DKK	DKK
DKK	a	400.0	6.052%	2015	Perpetual	403.2	404.4	412.7
DKK	b	450.0	5.500%	2016	Perpetual	469.2	-	449.7
Additional Tier 1 (AT1) capital issued under CRR, total						872.4	404.4	862.4

- a** Issued on 10.06.15, with an option of early redemption as from 10.06.20. The loan carries interest at a rate of 6.052% p.a. until 10.06.20, after which date interest will be fixed at CIBOR6 + a 5.400% margin.
- b** Issued on 06.12.16, with an option of early redemption as from 06.12.21. The loan carries interest at a rate of 5.500% p.a. until 06.12.21, 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	Q1-Q3 2017 DKK	Q1-Q3 2016 DKK	Full year 2016 DKK
Cash flows, beginning of period	816.9	395.9	395.9
<i>Movement during the period:</i>			
Issue of Additional Tier 1 (AT1) capital	-	-	450.0
Net transaction costs	-	-	-3.0
Change in portfolio of own bonds	-2.2	-1.9	-1.8
Interest paid	-24.2	-24.2	-24.2
Total cash flows for the period	-26.4	-26.1	421.0
Cash flows, end of period	790.5	369.8	816.9

NOTE

Cash Flow Statement – Group

	Q1-Q3 2017 DKKm	Q1-Q3 2016 DKKm	Full year 2016 DKKm
OPERATING ACTIVITIES			
Profit/loss before tax	1,016.5	842.9	1,028.1
Fair value changes, investment properties and temporary assets	0.3	1.0	11.1
Amortization, depreciation and impairment of intangible assets and property, plant and equipment	46.3	50.9	94.3
Gains and losses on the sale of intangible assets and property, plant and equipment	-2.3	-0.5	3.0
Adjustment of loan impairment charges etc.	240.2	67.9	54.4
Provisions	-18.8	-3.5	17.3
Profit/loss on investments in associates and group enterprises	-27.3	-22.5	-29.6
Corporate income tax paid	-146.9	-40.0	-118.5
Operating activities, total	1,108.0	896.2	1,060.1
WORKING CAPITAL			
Movement in credit institutions and central banks, net	546.4	-63.5	-1,326.2
Movement in loans, advances and other receivables at amortized cost	-4,478.5	-1,176.4	-2,811.2
Movement in bonds at fair value	2,956.1	-855.3	1,117.5
Movement in equity portfolio	38.7	31.0	82.8
Movement in other assets and other liabilities, net	-723.4	-9.4	241.4
Movement in deposits and other payables	1,627.9	2,310.0	1,727.9
Working capital, total	-32.8	236.4	-967.8
Cash generated from operations, total	1,075.2	1,132.6	92.3
INVESTING ACTIVITIES			
Acquisition of activities from FIH Erhvervsbank	0.0	-549.5	-549.5
Acquisition of associates and group enterprises	-8.2	-14.8	-25.8
Sale of associates and group enterprises	2.4	0.0	0.0
Acquisition of intangible assets	-0.3	-5.6	-5.6
Sale of intangible assets	0.0	1.6	2.5
Acquisition of property, plant and equipment	-69.5	-43.8	-73.4
Sale of property, plant and equipment	23.8	21.4	22.9
Dividends from associates and group enterprises	31.0	37.6	37.6
Investing activities, total	-20.8	-553.1	-591.3
FINANCING ACTIVITIES			
Subordinated debt	-6.8	5.9	4.4
Additional Tier 1 (AT1) capital recognized in equity (see specification in Capital position)	-26.4	-26.1	421.0
Dividends paid, excluding dividends on treasury shares	-614.9	-374.7	-374.7
Share buyback programme	0.0	0.0	-150.0
Acquisition of treasury shares	-348.9	-418.2	-508.2
Sale of treasury shares	347.5	310.0	512.4
Financing activities, total	-649.5	-503.1	-95.1
Movements in cash and cash equivalents for the period	404.9	76.4	-594.1
Cash and cash equivalents, beginning of period	2,701.1	3,295.2	3,295.2
Movements in cash and cash equivalents for the period	404.9	76.4	-594.1
Cash and cash equivalents, end of period	3,106.0	3,371.6	2,701.1
Cash and cash equivalents, end of period			
Cash, cash equivalents and demand deposits with central banks	1,346.8	744.3	595.3
Due from credit institutions and central banks within less than 3 months	1,759.2	2,627.3	2,105.8
Total	3,106.0	3,371.6	2,701.1

14

Notes to the financial statements

NOTE

1 ACCOUNTING POLICIES

The Interim Financial Statements of the Spar Nord Group covering the period from 1 January to 30 September 2017 have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the EU, and additional Danish disclosure requirements for interim reports of listed financial institutions.

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

Accounting policy changes

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

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

Information about standards not yet in force

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

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

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

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

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

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

2 JUDGMENTS AND ESTIMATES

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

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

NOTE

3 **Segment information****BUSINESS SEGMENTS – Q1-Q3 2017**

DKKm	Spar Nord's Local Banks	Trading, Financial Markets & the International Division	Other Areas	Core earnings*)	Reklassi- fications**)	Group, total
INCOME STATEMENT						
Net interest income	1,092.0	31.7	49.4	1,173.1	29.5	1,202.6
Net income from fees, charges and commissions	841.4	-0.9	-3.4	837.1	0.0	837.1
Market value adjustments and dividends	114.0	183.7	5.0	302.7	0.0	302.7
Other operating income	14.3	0.8	21.2	36.3	0.0	36.3
Profit/loss on investments in associates and group enterprises	0.0	0.0	27.3	27.3	0.0	27.3
Core income/revenue, total	2,061.7	215.3	99.5	2,376.5	29.5	2,406.0
Operating expenses, depreciation and amortization	1,174.7	43.2	193.0	1,410.9	0.0	1,410.9
Core earnings before impairment	887.0	172.1	-93.5	965.6	29.5	995.1
Loan impairment charges etc.	-35.7	-14.0	-1.2	-50.9	29.5	-21.4
Profit/loss before tax	922.7	186.1	-92.3	1,016.5	0.0	1,016.5

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

***) The relation to the Group is specified in the column Reclassifications. Reclassifications have impacted the items Net interest income and Loan impairment charges etc. in the amount of DKK 295 million.

	Spar Nord's Local Banks	Trading, Financial Markets & the International Division	Other Areas	Group, total
BALANCE SHEET				
Loans, advances and other receivables at amortized cost	36,469.6	8,975.2	26.4	45,471.2
Investments in associates and group enterprises	0.0	0.0	120.4	120.4
Intangible assets and property, plant and equipment *)	252.5	0.1	700.0	952.6
Other assets **)	16,607.9	15,992.2	1,227.9	33,828.0
Allocated assets, total	53,330.0	24,967.5	2,074.7	80,372.2
Deposits and other payables	47,322.3	268.3	501.5	48,092.1
Equity (allocated capital)	5,191.2	933.0	2,668.3	8,792.5
Other liabilities	15,612.3	4,835.2	3,040.1	23,487.6
Allocated equity and liabilities, total	68,125.8	6,036.5	6,209.9	80,372.2
Disclosures – income/revenue, total				
Internal income/revenue	-99.6	52.8	444.4	397.6
Internal income and eliminations, offset against costs	0.0	-37.4	-360.2	-397.6
Income/revenue, external customers	2,161.3	199.9	44.8	2,406.0
Income/revenue, total	2,061.7	215.3	129.0	2,406.0
Financial ratios				
Return on equity, % ***)	25.6	34.6	-	-
Cost share of core income	0.57	0.20	-	-
Total risk exposure, end of period	39,932	7,177	2,134	49,243
Number of employees (full-time equivalents, end of period)	1,066	75	416	1,557

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

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

DESCRIPTION OF BUSINESS AREA ACTIVITIES:

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

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

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

*) All assets are located in Denmark.

**) Temporary assets amount to DKK 23.1 million, of which DKK 10.1 million relates to the Group's leasing activities and DKK 13.0 million relates to Other areas.

***) The rate of return on equity per annum has been calculated on allocated capital, which amounts to 12% of the average total risk exposure amount until and including 30.06.17, and 13% after this date.

NOTE

3 **Segment information****BUSINESS SEGMENTS – Q1-Q3 2016**

DKKm	Spar Nord's Local Banks	Trading, Financial Markets & the International Division	Other Areas	Core earnings ^{*)}	Reklassi- fications ^{**)}	Group, total
INCOME STATEMENT						
Net interest income	1,112.5	52.5	60.9	1,225.9	37.5	1,263.4
Net income from fees, charges and commissions	776.6	4.0	-2.4	778.2	0.0	778.2
Market value adjustments and dividends	111.2	157.1	61.0	329.3	0.0	329.3
Other operating income	12.3	0.3	15.7	28.3	0.0	28.3
Profit/loss on investments in associates and group enterprises	0.0	0.0	22.5	22.5	0.0	22.5
Core income/revenue, total	2,012.6	213.9	157.7	2,384.2	37.5	2,421.7
Operating expenses, depreciation and amortization	1,179.6	39.4	134.5	1,353.5	0.0	1,353.5
Core earnings before impairment	833.0	174.5	23.2	1,030.7	37.5	1,068.2
Loan impairment charges etc.	185.8	-0.2	2.2	187.8	37.5	225.3
Profit/loss before tax	647.2	174.7	21.0	842.9	0.0	842.9

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

^{**)} The relation to the Group is specified in the column Reclassifications. Reclassifications have impacted the items Net interest income and Loan impairment charges etc. in the amount of DKK 375 million.

	Spar Nord's Local Banks	Trading, Financial Markets & the International Division	Other Areas	Group, total
BALANCE SHEET				
Loans, advances and other receivables at amortized cost	34,948.5	4,668.6	80.3	39,697.4
Investments in associates and group enterprises	0.0	0.0	82.0	82.0
Intangible assets and property, plant and equipment ^{*)}	250.2	0.2	741.8	992.2
Other assets ^{**)}	15,272.2	21,697.7	1,215.3	38,185.2
Allocated assets, total	50,470.9	26,366.5	2,119.4	78,956.8
Deposits and other payables	46,101.5	480.7	464.1	47,046.3
Equity (allocated capital)	4,395.7	674.9	3,002.9	8,073.5
Other liabilities	14,277.0	6,566.4	2,993.6	23,837.0
Allocated equity and liabilities, total	64,774.2	7,722.0	6,460.6	78,956.8
Disclosures – income/revenue, total				
Internal income/revenue	-899	37.8	469.6	417.5
Internal income and eliminations, offset against costs	0.0	-33.6	-383.9	-417.5
Income/revenue, external customers	2,102.5	209.7	109.5	2,421.7
Income/revenue, total	2,012.6	213.9	195.2	2,421.7
Financial ratios				
Return on equity, % ^{***)}	20.2	35.8	-	-
Cost share of core income	0.59	0.18	-	-
Total risk exposure, end of period	36,630	5,625	5,523	47,778
Number of employees (full-time equivalents, end of period)	1,113	65	370	1,548

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

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

DESCRIPTION OF BUSINESS AREA ACTIVITIES:

- For a description of the activities of Spar Nord's Local Banks and Trading, Financial Markets & the International Division, please see page 55 of 2016 Annual Report.
- The activities of the Local Banks include the Group's leasing activities, and the activities of Other areas include central 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 16.0 million, of which DKK 1.6 million relates to the Group's leasing activities and DKK 14.4 million relates to Other areas.

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

NOTE

	Q1-Q3 2017 DKKm	Q1-Q3 2016 DKKm	Full year 2016 DKKm
4 INTEREST INCOME			
Due from credit institutions and central banks	1.7	1.9	2.8
Loans, advances and other receivables	1,227.3	1,277.2	1,688.3
Bonds	64.0	94.6	117.9
Foreign-exchange contracts	2.8	3.2	3.2
Interest-rate contracts	-44.1	-55.5	-69.9
Derivative financial instruments, total	-41.3	-52.3	-66.7
Other interest income	29.8	56.8	73.2
Total interest income	1,281.5	1,378.2	1,815.5
<i>Of which, income from genuine reverse repo transactions booked under</i>			
Due from credit institutions and central banks	-7.4	-7.3	-9.8
Loans, advances and other receivables	-13.0	-7.5	-10.0
5 INTEREST EXPENSES			
Credit institutions and central banks	-2.2	-3.5	-4.1
Deposits and other payables	41.7	78.7	95.7
Subordinated debt	38.8	39.3	52.4
Other interest expenses	0.6	0.3	0.7
Total interest expenses	78.9	114.8	144.7
<i>Of which, interest expenses from genuine repo transactions booked under</i>			
Due to credit institutions and central banks	-6.6	-8.5	-11.0
Deposits and other payables	0.0	-0.2	-0.2
6 FEES, CHARGES AND COMMISSIONS RECEIVED			
Securities trading and custody accounts	316.7	327.0	454.8
Payment services	121.9	101.6	140.5
Loan transaction fees	365.7	338.8	458.2
of which mortgage credit institutions	284.3	247.4	339.1
Guarantee commission	22.6	28.9	35.5
Other fees, charges and commissions	116.5	71.0	85.8
Total fees, charges and commissions received	943.4	867.3	1,174.8
Total fees, charges and commissions paid	106.3	89.1	122.1
Total net fees, charges and commissions received	837.1	778.2	1,052.7
7 MARKET VALUE ADJUSTMENTS			
Other loans, advances and receivables at fair value	0.6	-2.0	-2.9
Bonds	88.3	148.5	163.3
Shares, etc.	97.8	105.3	131.7
Foreign currency	24.3	195.2	51.8
Foreign exchange, interest, share, commodity and other contracts and derivative financial instruments	69.1	-168.5	39.5
Assets linked to pooled schemes	569.7	-33.7	380.6
Deposits in pooled schemes	-569.7	33.7	-380.6
Other assets	0.0	0.2	0.2
Other liabilities	0.0	1.3	2.2
Total market value adjustments	280.1	280.0	385.8

NOTE

	Q1-Q3 2017 DKKm	Q1-Q3 2016 DKKm	Full year 2016 DKKm
8 STAFF COSTS AND ADMINISTRATIVE EXPENSES			
Staff costs	849.6	834.8	1,141.7
Administrative expenses	508.3	460.6	647.1
Total staff costs and administrative expenses	1,357.9	1,295.4	1,788.8
<i>Staff costs:</i>			
Salaries	668.5	683.9	933.3
Pensions	80.9	78.8	106.9
Social security costs	100.2	72.1	101.5
Total staff costs	849.6	834.8	1,141.7

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

Board of Directors

Number	9	9	9
Fixed pay	2.5	2.4	3.2
Pension	-	-	-
Total remuneration	2.5	2.4	3.2

Executive Board

Number	3	3	3
Base salary *)	8.6	8.3	11.0
- less fees received from directorships	0.8	0.7	1.4
The Bank's expense, base salary	7.8	7.6	9.6
Pension, ordinary contribution	1.2	1.0	1.6
Total remuneration earned and paid	9.0	8.6	11.2

Breakdown of remuneration to Executive Board

<i>Lasse Nyby</i>			
Base salary*)	3.2	3.1	4.1
- less fees received from directorships	0.2	0.2	0.4
The Bank's expense, base salary	3.0	2.9	3.7
Pension, ordinary contribution	0.4	0.4	0.6
Total remuneration earned and paid	3.4	3.3	4.3

<i>John Lundsgaard</i>			
Base salary	2.7	2.6	3.5
- less fees received from directorships	0.2	0.2	0.4
The Bank's expense, base salary	2.5	2.4	3.1
Pension, ordinary contribution	0.4	0.3	0.5
Total remuneration earned and paid	2.9	2.7	3.6

<i>Lars Møller</i>			
Base salary*)	2.7	2.6	3.4
- less fees received from directorships	0.4	0.3	0.6
The Bank's expense, base salary	2.3	2.3	2.8
Pension, ordinary contribution	0.4	0.3	0.5
Total remuneration earned and paid	2.7	2.6	3.3

*) The amount includes the value of a company car, etc. (comparative figures for Q1-Q3 2016 have been restated)

The members of the Executive Board receive no variable pay.

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

Termination rules

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

Pension obligation

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

Number of employees:

Average number of employees in the financial year converted into full-time equivalents	1,545.3	1,550.4	1,547.8
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NOTE

	Q1-Q3 2017 DKKm	Q1-Q3 2016 DKKm	Full year 2016 DKKm
<i>Administrative expenses:</i>			
IT expenses	251.5	238.7	332.9
Marketing costs	79.1	64.5	90.6
Cost of premises	75.7	61.5	85.8
Staff and travelling expenses	41.0	37.2	55.5
Office expenses	16.4	17.7	24.2
Other administrative expenses	44.6	41.0	58.1
Total administrative expenses	508.3	460.6	647.1
9 DUE FROM CREDIT INSTITUTIONS AND CENTRAL BANKS			
Balances at notice with central banks	393.0	0.0	0.0
Due from credit institutions	1,430.7	2,679.5	2,178.8
Total due from credit institutions and central banks	1,823.7	2,679.5	2,178.8
10 IMPAIRMENT ACCOUNT			
<i>Individual loan impairment charges</i>			
Individual impairment, beginning of period	1,686.3	1,645.6	1,645.6
New individual impairment charges	230.2	633.6	600.7
Reversal of individual impairment charges	279.7	500.7	318.9
Previously impaired, now finally lost	323.3	193.2	304.2
Other movements	31.4	51.0	63.1
Individual impairment, end of period	1,344.9	1,636.3	1,686.3
<i>Collective loan impairment charges</i>			
Collective impairment, beginning of period	123.6	137.5	137.5
New collective impairment charges	132.9	54.4	0.0
Reversal of collective impairment charges	6.0	0.0	15.2
Other movements	6.0	1.3	1.3
Collective impairment, end of period	256.5	193.2	123.6
<i>Total impairment of loans and advances</i>			
Impairment, beginning of period	1,809.9	1,783.1	1,783.1
New impairment charges	363.1	688.0	600.7
Reversed impairment charges	285.7	500.7	334.1
Previously impaired, now finally lost	323.3	193.2	304.2
Other movements	37.4	52.3	64.4
Impairment, end of period	1,601.4	1,829.5	1,809.9
<i>Impairment recognized in the income statement</i>			
New impairment charges	363.1	688.0	600.7
Reversed impairment charges	285.7	500.7	334.1
Loss without prior impairment	64.8	101.5	114.3
Amounts recovered on previously impaired receivables	131.9	84.6	115.9
Recognized in the income statement	10.3	204.2	265.0
<i>Provision for losses on guarantees</i>			
Provisions, beginning of period	67.0	42.9	42.9
New provisions	18.0	42.7	45.8
Reversed provisions	35.7	21.1	21.7
Provisions for losses on guarantees, end of period	49.3	64.5	67.0
<i>Provisions for losses on guarantees recognized in the income statement</i>			
New provisions	18.0	42.7	45.8
Reversed provisions	35.7	21.1	21.7
Recognized in the income statement	-17.7	21.6	24.1
Impairment account for loans and provisions for losses on guarantees, total	1,650.7	1,894.0	1,876.9
<i>Impairment, other credit risks</i>			
Impairment, other credit risks, beginning of period	14.0	10.5	10.5
New impairment charges	0.0	0.0	3.5
Reversed impairment charges	14.0	0.5	0.6
Other movements	0.0	0.3	0.6
Impairment, other credit risks, total	0.0	10.3	14.0
Impairment account for loans, provisions for losses on guarantees and other credit risks, total	1,650.7	1,904.3	1,890.9

NOTE

Loan impairment charges etc.

The total recognition in the income statement under impairment of loans and reivables etc. can be broken down as follows:

	Q1-Q3 2017 DKKkm	Q1-Q3 2016 DKKkm	Full year 2016 DKKkm
Loan impairment charges etc.	10.3	204.2	265.0
Provision for losses on guarantees	-17.7	21.6	24.1
Impairment, credit institutions	-14.0	-0.5	2.9
Total impairment of loans and receivables etc.	-21.4	225.3	292.0

Loans with suspended interest payments

	147.0	191.0	176.9
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Interest on impaired receivables is calculated on the impaired balance only.

Recognised interest on impaired loans and receivables	37.4	52.6	65.0
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11 **OTHER ASSETS**

Positive fair value of derivative instruments, etc.	1,066.8	1,381.6	1,284.2
Miscellaneous receivables	308.7	186.8	194.0
Interest and commissions receivable	65.3	277.5	229.0
Capital contribution to Bankernes EDB Central a.m.b.a.	316.0	316.0	316.0
Other assets	63.5	62.6	63.1
Total other assets	1,820.3	2,224.5	2,086.3

12 **DEPOSITS AND OTHER PAYABLES**

Demand deposits	41,971.9	39,696.7	39,798.2
Subject to notice	1,701.8	1,495.3	1,410.2
Time deposits	952.1	2,334.0	1,714.1
Special types of deposits	3,466.3	3,520.3	3,541.7
Total deposits and other payables	48,092.1	47,046.3	46,464.2

13 **OTHER LIABILITIES**

Miscellaneous payables	1,609.0	1,634.4	1,856.8
Negative fair value of derivative financial instruments, etc.	682.7	921.7	865.5
Interest and commissions payable	58.3	108.0	18.8
Other liabilities	344.7	355.6	343.0
Total other liabilities	2,694.7	3,019.7	3,084.1

14 **SUBORDINATED DEBT**

Currency	Note	Principal		Received	Maturity			
		DKKkm	Interest rate					
DKK	a	400.0	6.043 %	2012	28.11.22	400.7	403.8	403.1
DKK	b	700.0	Floating	2013	18.12.23	699.0	698.2	698.4
Supplementary capital contributions, total						1,099.7	1,102.0	1,101.5
Portfolio of own bonds relating to subordinated debt						-13.3	-7.3	-8.3
Subordinated debt, total						1,086.4	1,094.7	1,093.2
Interest on subordinated debt						37.6	38.1	50.8
Costs of raising subordinated debt						1.2	1.2	1.6

a The loan is redeemable as from 28.11.17. If the loan is not redeemed, interest will be fixed at CIBOR3 + a 5.000% margin. In accordance with a stock exchange announcement dated 26.10.17, the loan is expected to be repaid on 28.11.17.

a The loan is redeemable as from 18.12.18. If the loan is not redeemed, interest will remain fixed at CIBOR3 + a 3.900% margin.

Subordinated debt, specification of cash flows

Beginning of period	1,093.2	1,088.8	1,088.8
<i>Movement during the period:</i>			
Change in interest rate hedging	-3.0	-1.3	-2.2
Change in amortized costs	1.2	1.2	1.6
Change in portfolio of own bonds	-5.0	6.0	5.0
Total cash flows for the period	-6.8	5.9	4.4
Carrying amount, end of period	1,086.4	1,094.7	1,093.2

15 **CONTINGENT ASSETS**

Deferred tax assets not recognized in the balance sheet amounted to DKK 7.5 million at 30.09.17 (30.09.16: DKK 5.4 million, 2016: DKK 6.9 million).

NOTE

16 **CONTINGENT LIABILITIES**

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

	Q1-Q3 2017 DKKm	Q1-Q3 2016 DKKm	Full year 2016 DKKm
Financial guarantees	4,196.7	3,989.1	3,999.8
Loss guarantees for mortgage loans	4,878.6	4,415.7	4,568.5
Registration and refinancing guarantees	1,706.7	2,610.2	2,885.3
Other contingent liabilities	959.9	869.6	880.5
Total contingent liabilities	11,741.9	11,884.6	12,334.1

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

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

Spar Nord is taxed jointly with its Danish subsidiary in the Spar Nord Group. As management company, Spar Nord has unlimited, joint and several liability together with the other jointly taxed companies for the Danish corporate income tax payable. The corporate income tax payable within the group of jointly taxed companies amounted to DKK 45.0 million at 30.09.17 (30.09.16: DKK 16.7 million; end-2016: DKK 0.0 million) and tax receivable within the group of jointly taxed companies amounted to DKK 17.9 million at 31.12.16. Any adjustments to the taxable income subject to joint taxation might entail an increase in the Parent Company's liability.

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

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

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

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

The Bank's costs for the Resolution Fund for 2017 have been included as a pro-rata share of the annual contributions. The Bank's costs for the Resolution Fund at 30.09.17 amounted to DKK 5.9 million (30.09.16: DKK 6.7 million, 2016: DKK 8.9 million.).

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

	Q1-Q3 2017 DKKm	Q1-Q3 2016 DKKm	Full year 2016 DKKm
Other binding commitments			
Miscellaneous	500.9	469.5	500.9
Other binding commitments, total	500.9	469.5	500.9

Other is composed of:

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

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

*Data-processing centre *)*

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

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

The Spar Nord Group has no other significant binding agreements.

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

Notes without reference

Acquisition of businesses and customer portfolios

There were no acquisitions of businesses or customer portfolios in Q1-Q3 2017.

FIH Erhvervsbank

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

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

FAIR-VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments recognized at fair value

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

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

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

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

The credit valuation adjustment (CVA) amounted to DKK 3.7 million at 30.09.17 (30.09.16: DKK 15.9 million; end-2016: DKK 9.9 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	Fair value Total DKKm	Carrying amount DKKm
30.09.17					
<i>Financial assets</i>					
Bonds at fair value	8,864.0	3,116.0	0.0	11,980.0	11,980.0
Shares, etc.	157.7	17.1	1,343.7	1,518.5	1,518.5
Assets linked to pooled schemes	10,243.1	4,652.9	307.9	15,203.9	15,203.9
Positive fair value of derivative financial instruments	0.0	1,066.8	0.0	1,066.8	1,066.8
Total financial assets	19,264.8	8,852.8	1,651.6	29,769.2	29,769.2
<i>Financial liabilities</i>					
Deposits in pooled schemes	0.0	15,203.9	0.0	15,203.9	15,203.9
Other non-derivative financial liabilities at fair value	838.7	561.8	0.0	1,400.5	1,400.5
Negative fair value of derivative financial instruments	0.0	682.7	0.0	682.7	682.7
Total financial liabilities	838.7	16,448.4	0.0	17,287.1	17,287.1
30.09.16					
<i>Financial assets</i>					
Bonds at fair value	14,373.1	2,535.8	0.0	16,908.9	16,908.9
Shares, etc.	197.4	0.0	1,429.9	1,627.3	1,627.3
Assets linked to pooled schemes	10,073.8	3,609.3	196.7	13,879.8	13,879.8
Positive fair value of derivative financial instruments	0.0	1,381.6	0.0	1,381.6	1,381.6
Total financial assets	24,644.3	7,526.7	1,626.6	33,797.6	33,797.6
<i>Financial liabilities</i>					
Deposits in pooled schemes	0.0	13,879.8	0.0	13,879.8	13,879.8
Other non-derivative financial liabilities at fair value	1,408.1	538.1	0.0	1,946.2	1,946.2
Negative fair value of derivative financial instruments	0.0	921.7	0.0	921.7	921.7
Total financial liabilities	1,408.1	15,339.6	0.0	16,747.7	16,747.7
31.12.16					
<i>Financial assets</i>					
Bonds at fair value	12,321.0	2,615.1	0.0	14,936.1	14,936.1
Shares, etc.	204.6	1.1	1,351.5	1,557.2	1,557.2
Assets linked to pooled schemes	10,663.3	3,679.6	198.6	14,541.5	14,541.5
Positive fair value of derivative financial instruments	0.0	1,284.2	0.0	1,284.2	1,284.2
Total financial assets	23,188.9	7,580.0	1,550.1	32,319.0	32,319.0
<i>Financial liabilities</i>					
Deposits in pooled schemes	0.0	14,541.5	0.0	14,541.5	14,541.5
Other non-derivative financial liabilities at fair value	1,327.0	680.8	0.0	2,007.8	2,007.8
Negative fair value of derivative financial instruments	0.0	865.5	0.0	865.5	865.5
Total financial liabilities	1,327.0	16,087.8	0.0	17,414.8	17,414.8

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

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

Shares are valued according to the following principles:

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

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

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

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

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

Level 3	30.09.17 DKKm			30.09.16 DKKm		
	Fair value based on net asset value from Lopi	Fair value based on other value from Lopi	Other	Fair value based on net asset value from Lopi	Fair value based on other value from Lopi	Other
Shares	1,016.4	6.2	321.1	968.4	6.2	455.3
Assets linked to pooled schemes	-	-	307.9	-	-	196.7
Sensitivities						
Change in fair value of shares if the profit/loss of the companies changes by 10% (annualized)						
	8.8	-	-	9.2	-	-

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

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

At 30.09.17, there were unrealized market value adjustments of DKK 24.2 million (30.09.2016: DKK 65.4 million, 2016: DKK 64.9 million) regarding unlisted shares valued on the basis of non-observable input

	Q1-Q3 2017 DKKm	Q1-Q3 2016 DKKm	Full year 2016 DKKm
Carrying amount, beginning of period	1,550.1	1,526.2	1,526.2
Value adjustments through profit or loss	69.2	87.7	107.6
Purchase	128.6	37.6	37.8
Sale	96.3	221.7	320.1
Transferred to/from Level 3	0.0	196.8	198.6
Carrying amount, end of period	1,651.6	1,626.6	1,550.1

OWN FUNDS

Equity	8,792.5	8,073.5	8,627.1
Additional Tier 1 (AT1) capital included in equity	872.4	404.4	862.4
Proposed dividend, excl. share as % of share repurchase programme	399.5	460.2	615.0
Intangible assets, incl. share recognized in investments in associates	189.9	205.7	196.4
Other primary deductions	41.7	46.3	48.3
Unutilized portion of DKK 150 million share buyback facility	0.0	43.4	0.0
Deductions, equity investments	315.6	272.9	240.4
Common Equity Tier 1 (CET1) capital	6,973.4	6,640.6	6,664.6
Additional Tier 1 (AT1) capital *)	843.0	393.0	843.0
Other deductions	39.5	91.0	80.1
Tier 1 capital	7,776.9	6,942.6	7,427.5
Subordinated debt, excl. Additional Tier 1 (AT1) capital *)	1,080.9	1,079.3	1,079.6
Other deductions	39.5	91.0	80.1
Own funds	8,818.3	7,930.9	8,427.0
Weighted risk exposure amount, credit risk etc.	39,673.8	38,023.9	38,215.5
Weighted risk exposure amount, market risk	3,877.1	4,022.1	3,537.7
Weighted risk exposure amount, operational risk	5,691.6	5,732.3	5,732.3
Total risk exposure amount	49,242.5	47,778.3	47,485.5
Common Equity Tier 1 (CET1) ratio, %	14.2	13.9	14.0
Tier 1 capital ratio	15.8	14.5	15.6
Own funds ratio	17.9	16.6	17.7

*) Including portfolio of own bonds

COLLATERAL PROVIDED	Q1-Q3 2017 DKKm	Q1-Q3 2016 DKKm	Full year 2016 DKKm
Collateral provided through clearing systems, with central counterparties and other infrastructure institutions:			
Bonds	0.0	0.0	0.0
Deposits, clearing	102.5	126.1	122.3
Collateral provided for the market value of derivatives transactions	427.4	635.6	523.2
Positive market value of derivative contracts subject to netting	195.8	259.4	249.8
Collateral provided as part of repo transactions	1286.0	2,173.2	1,403.3
Other collateral provided	38.2	46.9	44.3
Total	2,049.9	3,241.2	2,342.9

HEDGE ACCOUNTING**Assets**

Loans and advances			
Carrying amount	77.8	81.2	80.3
Fair value	77.8	81.2	80.3
Nominal value	75.0	75.0	75.0

Interest risk-hedging financial instruments

Derivatives (swap contracts)			
Carrying amount	-2.8	-6.2	-5.3
Fair value	-2.8	-6.2	-5.3
Synthetic principal/nominal value	75.0	75.0	75.0

Liabilities

Subordinated debt			
Carrying amount	392.6	399.6	401.0
Fair value	400.8	404.7	403.8
Nominal value	400.0	400.0	400.0

Interest risk-hedging financial instruments

Derivatives (swap contracts)			
Carrying amount	0.8	4.8	3.8
Fair value	0.8	4.8	3.8
Synthetic principal/nominal value	400.0	400.0	400.0

OWNERSHIP at 30.09.17

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

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