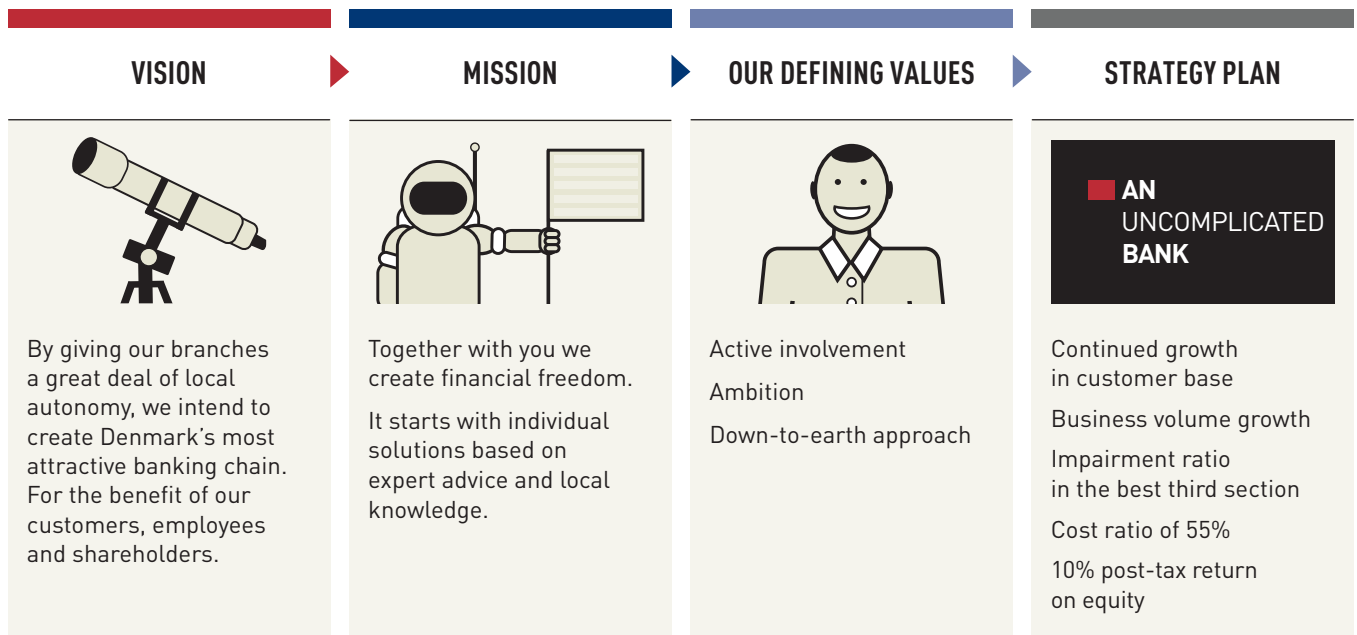


ANNUAL REPORT 2014

INVESTING IN OUR FUTURE BUSINESS



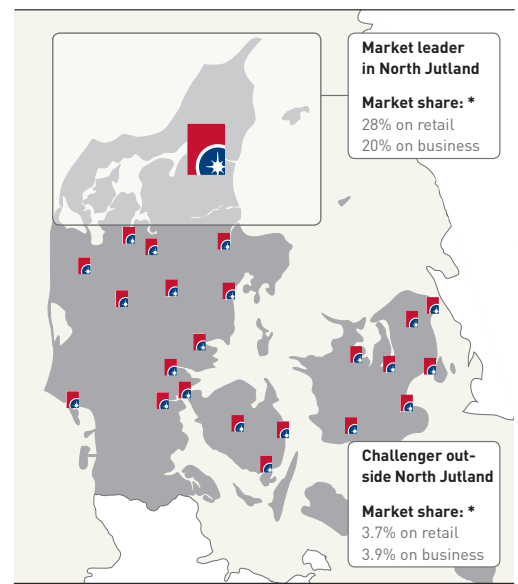
spar nord



## AN UNCOMPLICATED BANK

The core of Spar Nord's business model and strategy is the ambition to run an uncomplicated bank that focuses unequivocally on ordinary retail customers and small and medium-sized businesses in the local community. We are opting in to this strategic course - and thus opting out of large customers, complex business activities and development projects - because we want to deploy the core competences inherent in our personal, actively involved customer service and create a bank that delivers solid and stable results.

Thus, Spar Nord's ambition is to combine the physical and psychological proximity of a local bank with the economies of scale that flow from being a large nationwide player. And with this in mind to expand the Bank's market share within the defined target groups.



\*] Calculated as the number of retail customers (CPR nos.) and business customers (CVR nos.) relative to the total number of CPR/CVR nos. in the relevant areas.

## 2014 - HEADLINES

1 January New strategy plan: AN UNCOMPLICATED BANK	30 May Repayment of governmental hybrid core capital	1 July Divestment of Swedish leasing activities	1 October Resumption of leasing activities	8 December Tender offer for Nørresundby Bank shares
28 April Takeover of retail customers from Basisbank	1 July Takeover of activities from FIH Erhvervsbank	1 October Takeover of branch from Danske Andelskassers Bank	10 October Decision to change IT platform	

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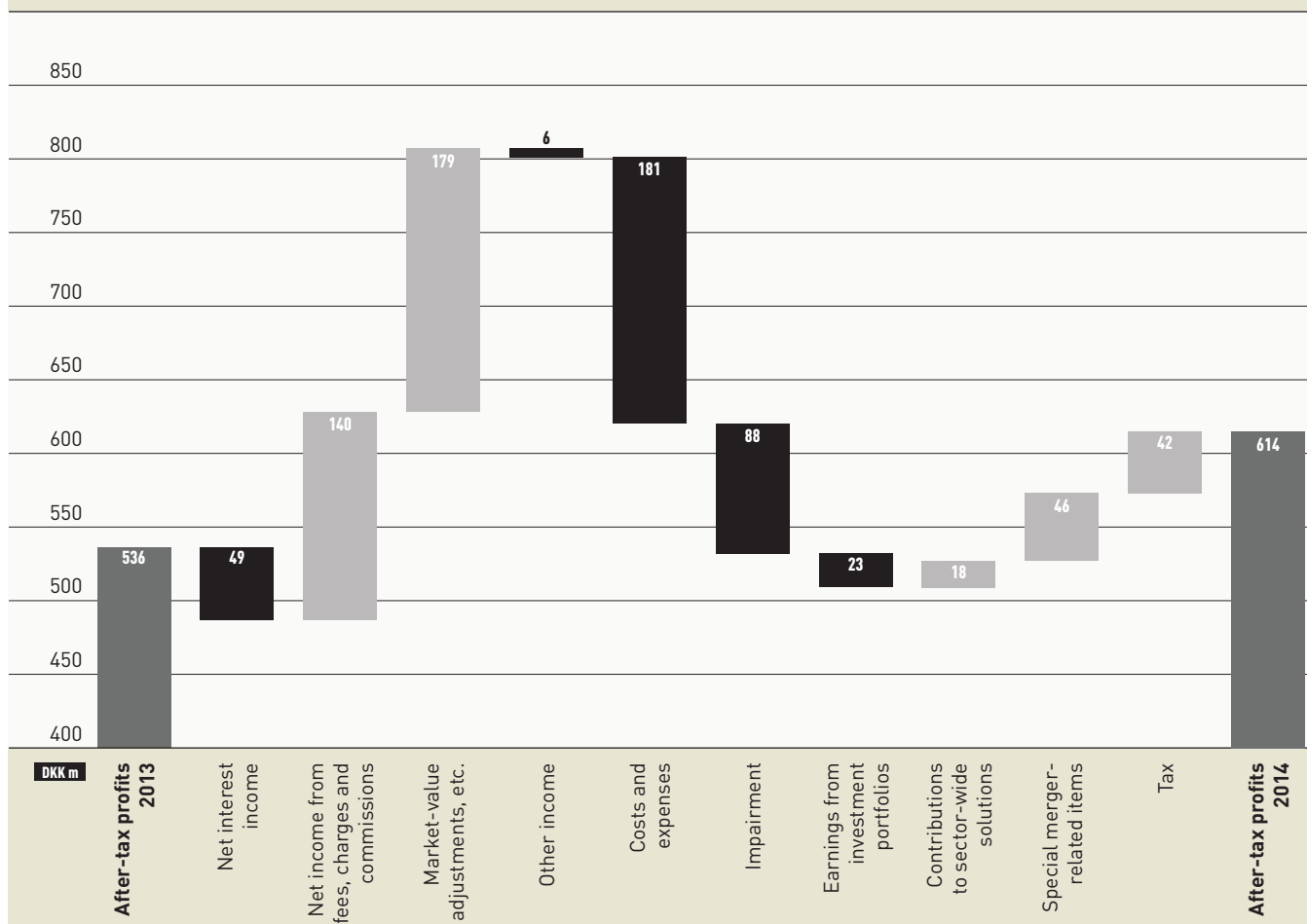
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## DEVELOPMENT IN AFTER-TAX PROFITS 2013-2014



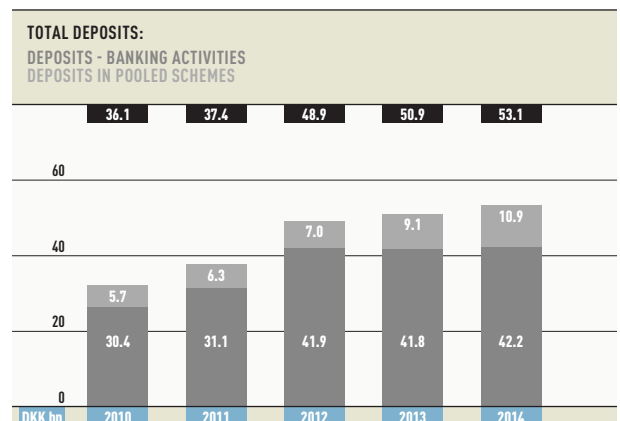
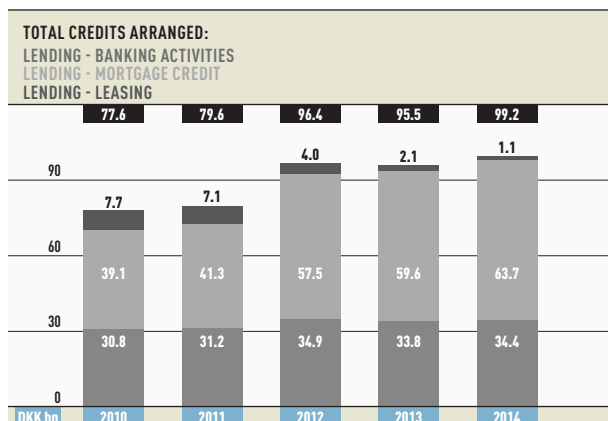
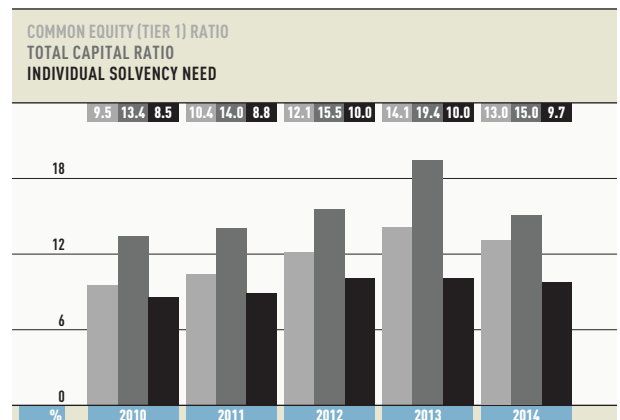
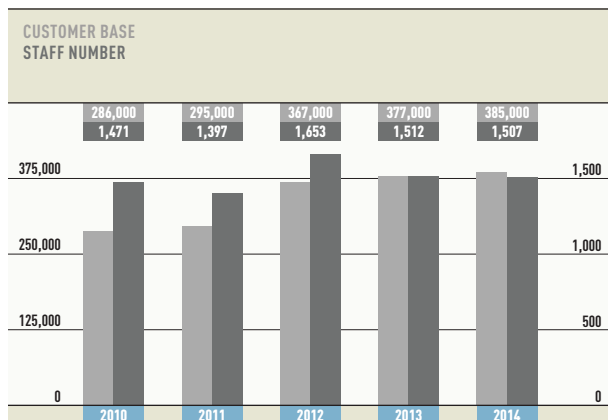
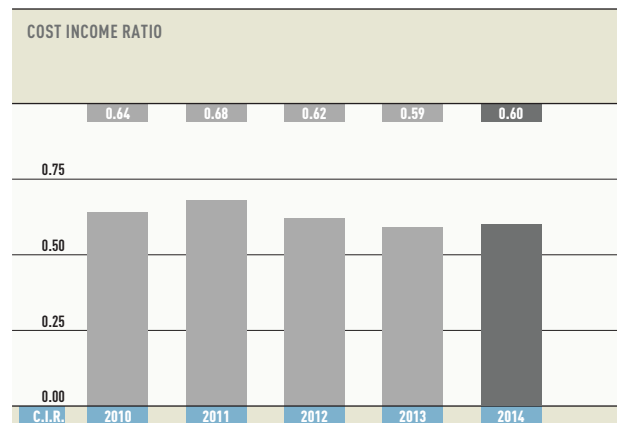
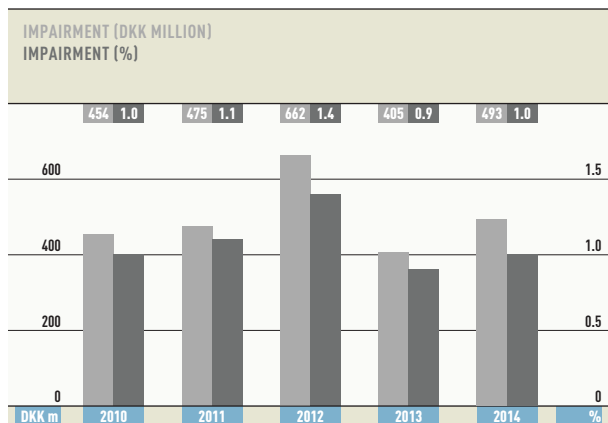
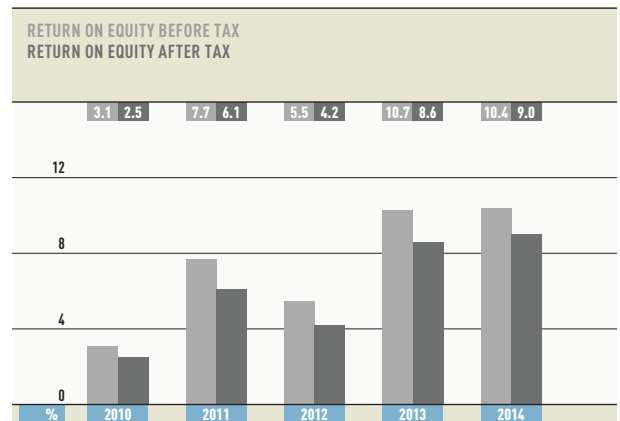
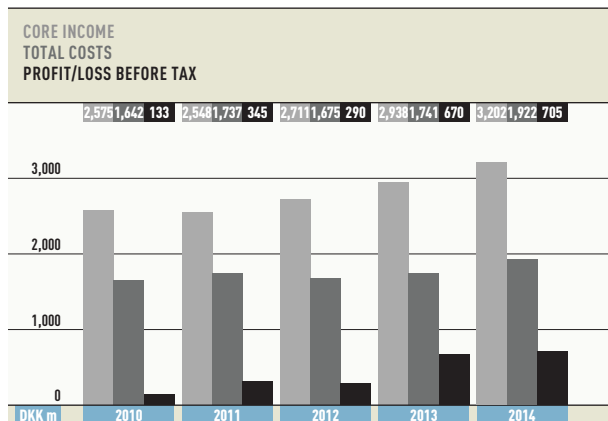
### PRE-TAX PROFITS OF DKK 705 MILLION AND A 10.4% RETURN ON EQUITY AFTER A YEAR WITH STRONG DEVELOPMENT IN CORE EARNINGS BEFORE IMPAIRMENT, BUT RISING LOAN IMPAIRMENT

- The Group's core income ended at DKK 3,202 million, up 9% on 2013
- Net interest income fell 3% due to pressure on the interest margin and lower interest income on the Bank's bond portfolio, while net income from fees, charges and commissions grew 19%, driven by a high activity level in the housing and asset management areas
- Market-value adjustments rose DKK 179 million, ending at DKK 380 million - driven by the sale of Nets
- Total costs & expenses amounted to DKK 1,922 million - adjusted for DKK 139 million by way of extraordinary costs connected with a change of IT platform and various M&A activities amounting to DKK 24 million - this represented an anticipated cost growth of 1%
- Accordingly, core earnings before impairment amounted to DKK 1,280 million, which is 7% up on 2013 and should be viewed in relation to the forecast of DKK 1,100 million announced at the beginning of the year
- Loan impairment rose to DKK 493 million, driven by higher loan impairment losses on agricultural customers, primarily provoked by the trade crisis between the EU and Russia
- The total business volume grew 7%: Bank loans rose by 2%, mortgage-credit arrangements by 7%, guarantees by 90% and bank deposits by 1%
- In light of the fact that we have met our capital targets with a Common Equity (Tier 1) ratio of 13.0%, the Board of Directors recommends to the shareholders that a dividend of DKK 1.60 be paid per share, equal to a payout ratio of 33%
- In 2015, core earnings before impairment, adjusted for extraordinary issues regarding Nets and the data processing centre, are expected to hover around the 2014 level, and loan impairment to remain at an unchanged high level

### Q4: CHARACTERIZED BY EXTRAORDINARY ISSUES

- Core income of DKK 782 million - in line with both Q3 2014 and Q4 last year, when the core income amounted to DKK 761 million
- Net interest income of DKK 477 million versus DKK 479 million in Q3 2014 and DKK 458 million in Q4 last year, and net income from fees, charges and commissions of DKK 238 million versus DKK 225 million in Q3 2014 and DKK 191 million in Q4 last year
- Costs & expenses of DKK 610 million, of which DKK 139 million is attributable to an exit fee connected with the change in data processing centre, and DKK 5 million in transaction costs connected with a tender offer for Nørresundby Bank's shares
- Core earnings before impairment of DKK 172 million versus DKK 394 million in Q3 2014 and DKK 310 million in Q4 2013
- Loan impairment of DKK 205 million after a portfolio writedown of DKK 100 million on agricultural customers caused by "triggering events" related to the crisis between the EU and Russia, among other factors

# KEY PERFORMANCE FEATURES



For Spar Nord, 2014 was a year characterized by satisfactory developments in our core business, with continued growth in our market share, and the Bank's position was also generally strengthened. Above all, however, in 2014 we launched a host of strategic initiatives intended to further boost the Bank's future competitive power and earnings capacity.

Thus, 2014 was the year that we started working in earnest on our strategy plan, AN UNCOMPLICATED BANK; the year that we took over business activities from Basisbank, FIH Erhvervsbank and Danske Andelskassers Bank; and the year that we made important decisions to change our IT platform and resume our leasing activities. Finally, 2014 was the year that we submitted a tender offer to buy the shares in Nørresundby Bank that we did not already own.

## **SUCCESSFUL ACQUISITION FROM FIH ERHVERVBANK, BASISBANK AND DANSKE ANDELSKASSERS BANK**

After many years' active involvement in consolidating the Danish banking sector, Spar Nord completed as many as three M&A transactions in 2014. In April we took over a portfolio of retail customers in the metropolitan region from Basisbank, in July we took over a major slice of FIH Erhvervsbank's activities, and in October we acquired Danske Andelskassers Bank's branch in Holstebro. In terms of volume and strategic perspective, the acquisition from FIH Erhvervsbank was the most significant, with the addition of more than 900 new customers and new competent employees clearly strengthening our position in the market for business customers, particularly outside northern Jutland, an acquisition that will become a major asset for us in future years.

The three successful acquisitions and sound underlying developments go hand-in-hand in ensuring the close of 2014 with a total business volume that is DKK 13.2 billion, or 7%, higher than at the beginning of the year, and core earnings before impairment that also grew by 7% on 2013.

## **DECISION REGARDING A NEW IT PLATFORM SAVES COSTS AND BOOSTS OUR DEVELOPMENT POWER**

In what was perhaps the year's most comprehensive strategic move, we decided in autumn to switch from SDC, our current data processing centre and IT platform, to BEC. The decision was made as part of a continuing course of action aimed to help us initiate a major consolidation process for the Danish data processing centre market. As this proved unviable for various reasons, we chose in October to join the BEC alliance in the interest of our operating efficiency and future IT development potential.

Changing our data processing centre and IT platform will deliver substantial IT cost savings in the medium term. In the slightly longer term, we hope that our new partnership with BEC will serve to further reinforce our position in the keen competition to develop well-functioning IT solutions for our customers and employees.

## **RELAUNCHING LEASING ACTIVITIES AS PART OF OUR CORE BUSINESS**

In 2014, we also recommenced offering our own leasing products to our customers after a three-year hiatus, at the same time taking over the administration of existing contracts from Jyske Finans. In that connection we strengthened our organization within the core areas: agriculture, transport and contracting.

Because of a quick wind-down of our "old" contracts, new sales will presumably not begin to offset the wind-down until around mid-2015. Thus we do not expect to see net growth in the leasing area until the second half of the year. In the slightly longer term, however, we are convinced that leasing will become a renewed source of growth in volume and earnings.

## **NØRRESUNDBY BANK**

After having been the only major shareholder of our neighbouring bank, Nørresundby Bank, for decades, holding an interest of just over 50%, in 2014 we also saw a somewhat more eventful year in that area of our operations. Through the years we have always respected Nørresundby Bank's desire to remain independent, but when the bank's management decided in October that it was time to become part of a bigger entity and announced merger plans with Nordjyske Bank, we decided to make a tender offer to buy the shares in the bank that we did not already own.

At this stage, it is not yet clarified how the process involving Nørresundby Bank will end, but we both hope and expect that a solution that is satisfactory to us and our shareholders can be reached.

## **CONTINUED DECLINING INTEREST RATES PAVE THE WAY FOR STRONG FEE EARNINGS AND POSITIVE MARKET-VALUE ADJUSTMENTS**

When it comes to developments in our core business, the impact on earnings of the sustained declining market interest rates deserves special comment. Thus, interest developments over the year substantially impacted our earnings in a positive direction - both in terms of respectable market-value adjustments on our bond portfolio and in terms of a very high remortgaging activity level, which helped lift our net earnings from fees, charges & commissions to an all-time high. These accounting items, net income from fees, charges and commissions and market-value adjustments, all contributed to our ending the year with core earnings before impairment that were somewhat higher than forecast at the beginning of the year.

On the downside, we must ascertain that the current difficulties experienced by the agricultural sector have an adverse impact on our loan impairment. At the beginning of the year, we had expected impairment losses that were slightly lower than in 2013, but instead we ended with an increase of about DKK 90 million.

## SATISFACTORY PROFITS AND STRONG CAPITAL POSITION LEAVE ROOM FOR DIVIDENDS

Even though the income statement contained both positive and negative elements, the profit, which was respectable after all, means that we closed 2014 with a strong capital position. Thus, at the end of the year we had a Common Equity (Tier 1) ratio of 13.0%, a total capital ratio of 15.0% and an individual solvency need ratio of 9.7%, corresponding to an excess capital coverage of DKK 2.6 billion.



In view of the fact that it is still not clarified how the process involving Nørresundby Bank will end, and we therefore do not know whether our capital position will be additionally strengthened, the Board of Directors has decided to recommend to the shareholders at the Annual General Meeting that we pay dividends according to our dividend policy, that is, a payout ratio of 33% of net profits for the year, corresponding to DKK 1.60 per share. The further steps to be taken if we end up selling our shares in Nørresundby Bank will be announced once the issue has been finally clarified.

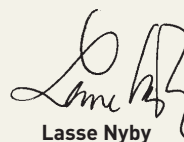
## OUTLOOK FOR 2015

Our financial expectations for 2015 closely reflect the strategic initiatives we implemented in 2014. There will be a positive impact on income from the business we acquired and took over during 2014. On the downside, there is a very low interest level that reduces interest income from our bond portfolio and has a negative impact on the interest margin. We expect a slight increase in costs & expenses, due partly to expenses related to the activities taken over in 2014, and an increase in staff costs that is attributable in part to the continued rise in payroll taxes. All in all, this means that 2015 will be yet another year with a strong focus on business generation as well as continued cost awareness.

How good the bottom line ends up looking in 2015 depends not only on our income and costs & expenses - as well as any new strategic initiatives taken over the year - but also in great part on developments in loan impairment. In this area, too, we must anticipate that circumstances having both positive and negative impacts will arise. On the upside, we expect that ordinary retail customers and business customers in a number of industries will continue to develop their credit quality positively. On the downside, we must unfortunately accept that agriculture remains confronted with major challenges.

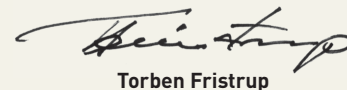
All things considered, in 2015 we expect core earnings before impairment to end around the same level as in 2014 when adjusting for extraordinary issues regarding Nets and the change of data processing centre, and that loan impairment will remain at a high level.

Sincerely yours,



**Lasse Nyby**

Chief Executive Officer



**Torben Fristrup**

Chairman of the Board of Directors

# PERFORMANCE INDICATORS AND FINANCIAL RATIOS FOR THE GROUP

## CORE EARNINGS - YEAR

### PERFORMANCE INDICATORS

INCOME STATEMENT DKK m	2014	2013	Change in %	2012	2011	2010
Net interest income *)	1,799.5	1,849.4	-2.7	1,676.8	1,676.1	1,607.9
Net income from fees, charges and commissions	863.3	722.6	19.5	561.6	483.3	505.6
Market-value adjustments and dividends	379.5	200.8	89.0	243.8	130.1	268.3
Other operating income	49.9	99.2	-49.7	173.9	219.8	132.5
Profit/loss on equity investments in associates and group enterprises	109.7	66.4	65.2	54.8	39.0	61.0
<b>Core income</b>	<b>3,201.9</b>	<b>2,938.4</b>	<b>9.0</b>	<b>2,710.9</b>	<b>2,548.3</b>	<b>2,575.3</b>
Salaries	1,052.9	1,025.6	2.7	930.3	960.2	948.2
Operating expenses	798.0	617.5	29.2	591.1	561.7	568.9
Depreciation, amortiz. and impairment	71.5	98.3	-27.3	153.5	215.4	125.2
<b>Costs</b>	<b>1,922.4</b>	<b>1,741.4</b>	<b>10.4</b>	<b>1,674.9</b>	<b>1,737.3</b>	<b>1,642.3</b>
<b>Core earnings before impairment</b>	<b>1,279.5</b>	<b>1,197.0</b>	<b>6.9</b>	<b>1,036.0</b>	<b>811.0</b>	<b>933.0</b>
Impairment of loans, advances and receivables, etc. *)	493.1	404.8	21.8	661.8	475.1	453.6
<b>Core earnings</b>	<b>786.4</b>	<b>792.2</b>	<b>-0.7</b>	<b>374.2</b>	<b>335.9</b>	<b>479.4</b>
Earnings from investment portfolios	20.9	43.6	-52.1	40.9	3.0	-22.2
<b>Profit/loss on ordinary operations</b>	<b>807.3</b>	<b>835.8</b>	<b>-3.4</b>	<b>415.1</b>	<b>338.9</b>	<b>457.2</b>
Contributions to sector-wide solutions	-102.3	-120.2	-14.9	-58.4	6.0	-324.2
Special merger-related items	0.0	-46.1	-	-66.6	0.0	0.0
<b>Profit/loss before tax</b>	<b>705.0</b>	<b>669.5</b>	<b>5.3</b>	<b>290.1</b>	<b>344.9</b>	<b>133.0</b>
Tax	91.4	133.4	-31.5	66.3	70.1	28.0
<b>Profit/loss</b>	<b>613.6</b>	<b>536.1</b>	<b>14.5</b>	<b>223.8</b>	<b>274.8</b>	<b>105.0</b>

### BALANCE SHEET DISCLOSURES

DKK m	2014	2013	Change in %	2012	2011	2010
Total assets	78,825	74,605	5.7	79,146	70,081	67,436
Loans and advances	35,948	37,648	-4.5	39,058	38,702	39,952
Lending, banking activities	34,352	33,772	1.7	34,916	31,189	30,754
Lending, reverse transactions	464	1,786	-74.0	116	393	1,517
Lending, leasing activities	1,132	2,090	-45.8	4,026	7,120	7,681
Deposits	53,090	50,883	4.3	48,923	37,415	36,882
Deposits, banking activities	42,236	41,831	1.0	41,922	31,088	30,391
Deposits, repo transactions	0	0	-	0	0	813
Deposits in pooled schemes	10,854	9,052	19.9	7,001	6,327	5,678
Subordinated debt	1,708	3,002	-43.1	2,562	2,317	2,477
Shareholders' equity	7,033	6,533	7.7	5,975	4,627	4,374
Contingent liabilities	10,240	5,380	90.3	5,767	3,838	5,137
Total risk exposure	49,005	42,697	14.8	46,307	42,188	43,406
Core capital	6,516	7,437	-12.4	6,973	5,622	5,717
Impairment account and discount on commitments taken over **)	2,149	2,117	1.5	2,742	1,143	1,027
Contractual non-performing loans	523	672	-22.2	1,186	162	151
Business volume	195,613	182,387	7.3	179,346	144,207	144,761

In early October 2014, the Spar Nord Group resumed its own leasing activities, for which reason the presentation of leasing activities has been changed, now being recognized as continuing instead of discontinuing activities.

\*) In the core earnings format, an amount was reclassified between the items Net interest income, Other operating income and Impairment of loans, advances and receivables, etc., which relates to the share of the discount, recognized as income, on commitments taken over from Sparbank and others; see note 3.

\*\*\*) Spar Nord's impairment account amounts to DKK 1,856 million (2013: DKK 1,606 million) [note 55] and the discount on commitments taken over amounts to DKK 293 million (2013: DKK 511 million).

The breakdown of earnings from investment portfolios and contributions to sector-wide solutions, which have been recognized separately, appears from note 3.



# PERFORMANCE INDICATORS AND FINANCIAL RATIOS FOR THE GROUP

## CORE EARNINGS - YEAR

### FINANCIAL RATIOS

		2014	2013	2012	2011	2010
<b>OWN FUNDS</b>						
Total capital ratio (%)		15.0	19.4	15.5	14.0	13.4
Core capital (Tier 1) ratio (%)		13.3	17.4	15.1	13.3	13.2
Common Equity (Tier 1) ratio, (%)		13.0	14.1	12.1	10.4	9.5
<b>EARNINGS</b>						
Return on equity before tax	%	10.4	10.7	5.5	7.7	3.1
Return on equity after tax	%	9.0	8.6	4.2	6.1	2.5
Cost share of core income	DKK	0.60	0.59	0.62	0.68	0.64
Cost share of core income, incl. impairment of loans and advances, etc.	DKK	0.75	0.73	0.86	0.87	0.81
Return on assets	%	0.8	0.7	0.3	0.4	0.2
<b>MARKET RISK</b>						
Interest-rate risk	%	0.6	-0.3	-1.1	-0.5	0.1
Foreign-exchange position	%	2.6	3.7	1.4	6.9	2.9
Foreign-exchange risk	%	0.0	0.0	0.0	0.1	0.1
<b>CREDIT RISK</b>						
Loans and advances plus impairment account and discount hereon rel. to deposits	%	71.7	78.1	85.4	106.5	111.1
Loans and advances rel. to shareholders' equity		5.1	5.8	6.5	8.4	9.1
Increase in loans and advances for the year	%	-1.1	-7.9	1.7	-3.1	4.3
Excess coverage rel. to statutory cash ratio requirement	%	186.0	230.7	211.5	163.9	109.1
Large exposures as % of own funds	%	0.0	26.2	16.5	0.0	0.0
Impairment ratio		1.0	0.9	1.4	1.1	1.0
<b>EMPLOYEES AND BRANCHES</b>						
Number of employees (full-time, end of year)		1,507	1,512	1,653	1,397	1,471
Number of branches		71	76	90	69	71
<b>THE SPAR NORD SHARE</b>						
<b>DKK PER SHARE OF DKK 10</b>						
Share price, end of year		58	49	26	23	43
Net asset value (NAV)		56	52	48	58	54
Profit/loss for the year		4.9	4.3	1.9	3.4	1.3
Dividend		1.60	1.00	0.00	0.00	0.00
Return	%	20	88	13	-47	8
Price/earnings		12	11	14	7	33

Share-based financial ratios have been multiplied by an adjustment factor due to the capital increase in 2012.

The Danish Financial Supervisory Authority's layout and ratio system appear from note 61.

Ratio definitions appear from note 62.

# PERFORMANCE INDICATORS AND FINANCIAL RATIOS FOR THE GROUP

## CORE EARNINGS - QUARTERLY

### PERFORMANCE INDICATORS

INCOME STATEMENT DKK m	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4
Net interest income *)	477.2	478.5	429.7	414.1	457.5
Net income from fees, charges and commissions	238.2	224.6	194.8	205.7	190.7
Market-value adjustments and dividends	26.5	42.4	61.0	249.6	57.7
Other operating income	13.6	9.4	10.9	16.0	30.9
Profit/loss on equity investments in associates and group enterprises	26.6	27.3	33.1	22.7	24.4
<b>Core income</b>	<b>782.1</b>	<b>782.2</b>	<b>729.5</b>	<b>908.1</b>	<b>761.2</b>
Salaries	280.0	226.9	278.0	268.0	283.6
Operating expenses	311.8	141.9	174.1	170.2	141.9
Depreciation, amortiz. and impairment	18.0	19.0	16.4	18.1	25.5
<b>Costs</b>	<b>609.8</b>	<b>387.8</b>	<b>468.5</b>	<b>456.3</b>	<b>451.0</b>
<b>Core earnings before impairment</b>	<b>172.3</b>	<b>394.4</b>	<b>261.0</b>	<b>451.8</b>	<b>310.2</b>
Impairment of loans, advances and receivables, etc. *)	204.8	128.0	71.2	89.1	93.6
<b>Core earnings</b>	<b>-32.5</b>	<b>266.4</b>	<b>189.8</b>	<b>362.7</b>	<b>216.6</b>
Earnings from investment portfolios	1.9	8.1	-0.2	11.1	2.3
<b>Profit/loss on ordinary operations</b>	<b>-30.6</b>	<b>274.5</b>	<b>189.6</b>	<b>373.8</b>	<b>218.9</b>
Contributions to sector-wide solutions	-25.4	-25.4	-26.8	-24.7	-37.1
Special merger-related items	0.0	0.0	0.0	0.0	-3.5
<b>Profit/loss before tax</b>	<b>-56.0</b>	<b>249.1</b>	<b>162.8</b>	<b>349.1</b>	<b>178.3</b>
Tax	-34.3	54.2	33.9	37.6	25.6
<b>Profit/loss</b>	<b>-21.7</b>	<b>194.9</b>	<b>128.9</b>	<b>311.5</b>	<b>152.7</b>

### BALANCE SHEET DISCLOSURES

DKK m					
Total assets	78,825	78,816	77,933	76,026	74,605
Loans and advances	35,948	37,362	36,935	35,778	37,648
Lending, banking activities	34,352	35,953	33,689	32,987	33,772
Lending, reverse transactions	464	175	1,769	1,030	1,786
Lending, leasing activities	1,132	1,234	1,477	1,761	2,090
Deposits	53,090	53,199	53,237	52,292	50,883
Deposits, banking activities	42,236	42,930	42,500	42,427	41,831
Deposits, repo transactions	0	0	0	0	0
Deposits in pooled schemes	10,854	10,269	10,737	9,865	9,052
Subordinated debt	1,708	1,711	1,711	2,992	3,002
Shareholders' equity	7,033	7,047	6,855	6,854	6,533
Contingent liabilities	10,240	8,021	5,957	5,312	5,380
Total risk exposures	49,005	48,698	44,615	44,672	42,697
Core capital (Tier 1)	6,516	6,619	6,580	7,738	7,437
Impairment account and discount on commitments taken over	2,149	2,154	2,077	2,100	2,117
Contractual non-performing loans	523	624	628	708	672
Business volume	195,613	192,523	188,474	184,611	182,387

In early October 2014, the Spar Nord Group resumed its own leasing activities, for which reason the presentation of leasing activities has been changed, now being recognized as continuing instead of discontinuing activities.

\*) In the core earnings format, an amount was reclassified between the items Net interest income, Other operating income and Impairment of loans, advances and receivables, etc., which relates to the share of the discount, recognized as income, on commitments taken over.

The breakdown of earnings from investment portfolios and contributions to sector-wide solutions, which have been recognized separately, appears from note 3.

# PERFORMANCE INDICATORS AND FINANCIAL RATIOS FOR THE GROUP

## CORE EARNINGS - QUARTERLY

### FINANCIAL RATIOS

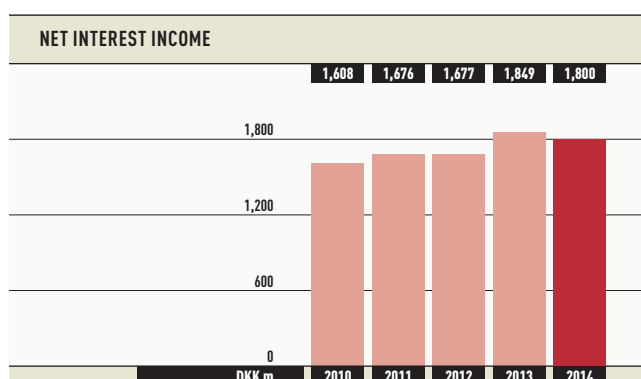
		2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4
<b>OWN FUNDS</b>						
Total capital ratio (%)		15.0	15.5	16.9	19.4	19.4
Core capital (Tier 1) ratio, (%)		13.3	13.6	14.7	17.3	17.4
Common Equity (Tier 1) ratio, (%)		13.0	13.2	14.2	14.0	14.1
<b>EARNINGS</b>						
Return on equity before tax	%	-0.8	3.7	2.4	5.2	2.9
Return on equity after tax	%	-0.3	2.9	1.9	4.7	2.4
Cost share of core income	DKK	0.78	0.50	0.64	0.50	0.59
Cost share of core income, incl. impairment of loans and advances, etc.	DKK	1.04	0.66	0.74	0.60	0.72
Return on assets	%	0.0	0.2	0.2	0.4	0.2
<b>MARKET RISK</b>						
Interest-rate risk	%	0.6	1.9	0.5	0.1	-0.3
Foreign-exchange position	%	2.6	3.4	2.4	2.2	3.7
Foreign-exchange risk	%	0.0	0.0	0.0	0.0	0.0
<b>CREDIT RISK</b>						
Loans and advances plus impairment account and discount hereon rel. to deposits	%	71.7	74.3	73.3	72.4	78.1
Loans and advances rel. to shareholders' equity		5.1	5.3	5.4	5.2	5.8
Increase in loans and advances for the period	%	-4.6	5.7	1.2	-3.1	-2.1
Excess coverage rel. to statutory cash ratio requirement	%	186.0	194.3	230.2	252.6	230.7
Large exposures in % of own funds	%	0.0	30.9	0.0	13.4	26.2
Impairment ratio		0.4	0.3	0.2	0.2	0.2
<b>EMPLOYEES AND BRANCHES</b>						
Number of employees (full-time, end of period)		1,507	1,509	1,480	1,486	1,512
Number of branches		71	71	71	75	76
<b>THE SPAR NORD SHARE</b>						
<b>DKK PER SHARE OF DKK 10</b>						
Share price, end of period		58	60	60	60	49
Net asset value (NAV)		56	56	55	55	52
Profit/loss for the period		-0.2	1.6	1.0	2.5	1.2

In 2014, the Spar Nord Group recorded pre-tax profits of DKK 705 million, and DKK 614 million after tax. This performance represents a 9.0% return on equity after tax, and is DKK 78 million, or 14%, up on the 2013 profit.

The profit reflects core earnings before impairment in the amount of DKK 1,280 million, which is DKK 83 million, or 7%, better than in 2013 and also higher than projected at the beginning of the year. Loan impairment losses, etc. closed at DKK 493 million, representing 1.0% of total loans, advances and guarantees.

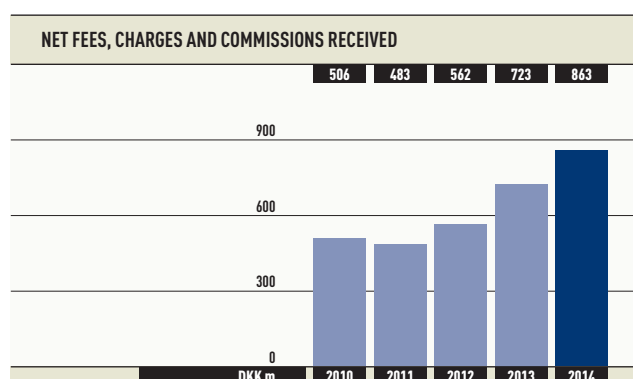
## INCOME

Total core income for the year ended at DKK 3,202 million, which is substantially higher than forecast at the beginning of 2014, and DKK 264 million, or 9% up on 2013. The improvement relative to the previous year is attributable to a rise in income from fees, charges and commissions and higher market-value adjustments, as explained below.



In 2014, net interest income totalled DKK 1,800 million, equal to a decline of DKK 49 million, or 3%, compared with the year before. The decline stems from a narrower lending margin, a decline in leasing activities and a downturn in interest income on the Group's bond portfolio. On the upside, the Bank recorded a decrease in funding costs after the redemption of governmental hybrid core capital at end-May, and an improved, albeit still negative deposit margin.

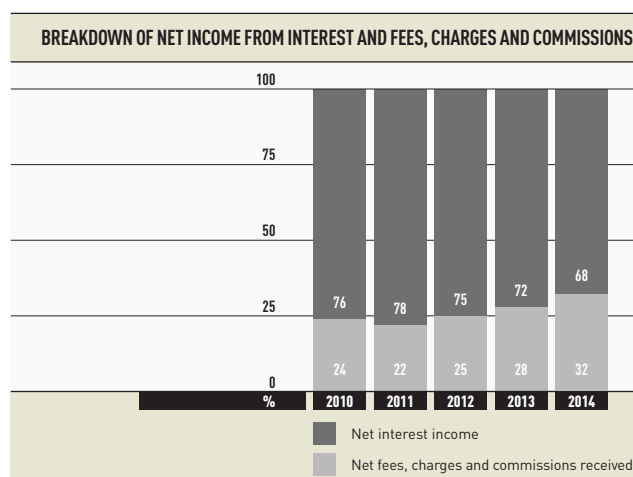
In Q1, bank lending and the associated net interest income continued the prolonged downward trend. However, starting in Q2 the outlook began to grow brighter, as net interest income increased 4% from Q1 to Q2, 11% from Q2 to Q3 and remained at that level in Q4.



Net income from fees, charges and commissions ended at DKK 863 million, equal to an advance of DKK 140 million, or as much as 19%, compared with 2013. The highly satisfactory advance is ascribable to the areas of securities trading, asset management and mortgage credit.

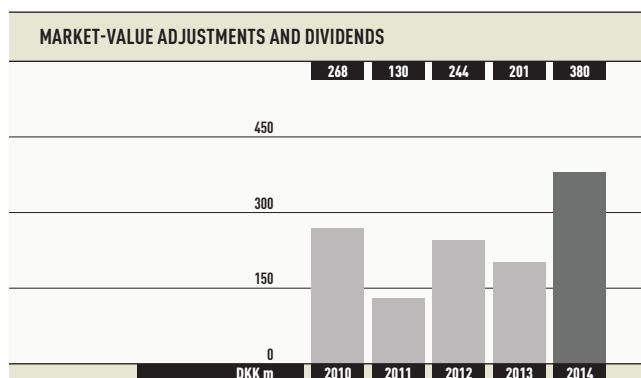
Thus, the inflow of customers and capital attracted by the Bank's offers in the asset management area continued on its upward trajectory, and at the end of the year Spar Nord was managing DKK 10.9 billion in pooled pension funds and DKK 5.9 billion in available funds under the mandate programme, Star Invest.

In addition, earnings from mortgage credit arrangements moved along a particularly positive trajectory, as did the activity level, for one thing driven by the launch of new products in Q2, and particularly by extremely hectic remortgaging activity in Q3 and Q4 triggered by the low interest level.



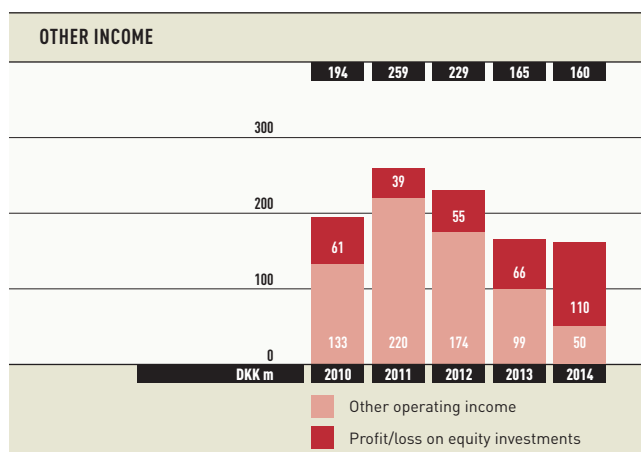
Thus, the heavier pressure on lending volume and lending margin seen in recent years has meant that net income from fees, charges and commissions, which continues to grow, has gradually represented an ever larger share of the Group's core income.

# THE YEAR IN REVIEW - THE GROUP



Market-value adjustments and dividends ended at DKK 380 million, which is DKK 179 million, or 89%, up on 2013. The major improvement is attributable to a gain of DKK 178 million on the shareholding in Nets in connection with the sale of that company.

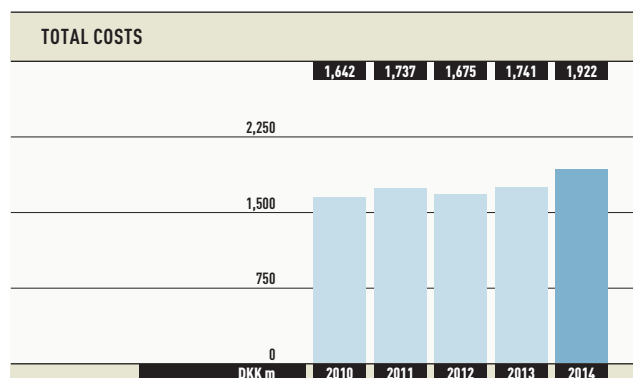
To this should be added satisfactory earnings on the Bank's bond and share portfolio, sparked by the declining interest level and the strong market development for Danish shares.



Other operating income, which includes rental income from operating leases, property management and support services provided to other financial institutions, amounted to DKK 50 million compared with DKK 99 million in 2013. The profit on equity investments in associates, primarily Nørresundby Bank, amounted to DKK 110 million compared with DKK 66 million in 2013. Particularly the income relating to Nørresundby Bank was high, as in 2014 the Bank recorded extraordinary income from the sale of Nets.

## COSTS AND EXPENSES

The Group's total costs and expenses ended at DKK 1,922 million, which is DKK 181 million, or 10%, up on 2013.



Payroll costs ended at DKK 1,053 million, which is DKK 27 million, or 3%, higher than in 2013. The increase is attributable to payroll costs assumed in connection with the 29 employees taken over from FIH Erhvervsbank, among other factors.

Operating expenses ended at DKK 798 million, equal to an increase compared with last year of DKK 181 million, or 29%. DKK 139 million of the growth in other operating expenses is attributable to an exit fee to SDC in connection with the decision to change data-processing centre, among other things (see more details below). To this should be added transaction costs in the amount of DKK 24 million in connection with the takeover of activities from FIH Erhvervsbank and a tender offer for Nørresundby Bank. The increase amounted to 1% when adjusted for extraordinary costs.

If adjusted for costs in connection with the change of data-processing centre and extraordinary income from the sale of Nets, the realized core income and costs corresponded to a cost/income ratio of 0.59 (2013: 0.59). According to the Group's strategy, this figure needs to be cut to around 0.55 in the coming years.

## CORE EARNINGS BEFORE IMPAIRMENT

Thus, the Group's core earnings before impairment amounted to DKK 1,280 million versus DKK 1,197 million in 2013.

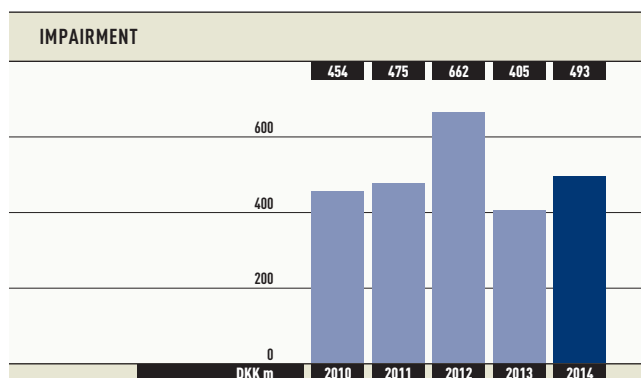
This performance should be viewed in light of the forecast core earnings before impairment announced as "hovering around DKK 1,100 million" at the beginning of the year, and adjusted upwards to around DKK 1,200 million at the announcement of the Q3 interim financial statements.

Most recently, viz. in mid-January 2015, the projection was revised upwards to DKK 1,275 million.

## IMPAIRMENT OF LOANS AND ADVANCES

The total impact on operations from loan impairment amounted to DKK 493 million in 2014, equal to 1.0% of total loans, advances and guarantees. The realized impairment was to DKK 88 million, or 22%, up on 2013.

# THE YEAR IN REVIEW - THE GROUP



DKK 145 million of the combined DKK 493 million profit impact is attributable to business customers, excl. agriculture, corresponding to an annualized impairment ratio of 0.6% for this customer category.

While business customers' credit quality thus took a generally positive turn, 2014 proved yet another difficult year for agricultural customers, particularly due to the substantial pressure exerted on settlement prices as a result of the trade crisis between the EU and Russia. Viewed in isolation, the total impact on Spar Nord's operations amounted to DKK 238 million, which corresponds to 6.2% of the Group's loans, advances and guarantees to business customers.

In concrete terms, a substantial share of the Bank's agricultural exposures subject to OII is expected to suffer a negative cashflow in 2015, and some customers are also expected to encounter difficulties paying off their loans. This resulted in a DKK 100 million portfolio impairment in the Q4 2014 interim financial statements.

The Group's lending to private households continued on the positive course of recent years, having a DKK 110 million impact on operations, equal to an impairment ratio of 0.5%. If not taking agriculture into account, the impairment ratio for business customers stood at 0.6%.

**THE GROUP'S LOANS, ADVANCES AND GUARANTEES BY SECTOR**

Line of business %	Bank lending and guarantees		Impairm. account/ discount on exposures taken over 31.12.14
	31.12.13	31.12.14	
Agriculture, hunting and forestry	8.7	8.0	28.7
Fisheries	0.4	0.3	0.1
Industry and raw mat. extraction	4.0	5.7	3.7
Energy supply	4.1	3.8	0.5
Building and construction	3.9	3.3	4.4
Trade	7.8	8.0	5.2
Transport, hotels and restaurants	4.1	3.6	4.4
Information and communication	0.3	0.2	0.1
Financing and insurance	7.7	5.8	4.6
Real estate	11.1	11.4	19.5
Other business areas	7.1	6.1	5.9
<b>Business customers, total</b>	<b>59.2</b>	<b>56.2</b>	<b>77.1</b>
Public authorities	4.6	1.9	0.0
Retail customers	36.2	41.9	22.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

The Group's total impairment balance amounted to DKK 2,138 million at the end of the year, which is DKK 32 million higher than at end-2013. The Group's non-accrual loans amount to DKK 523 million, and the cover ratio can thus be calculated at 4.1.

## EARNINGS FROM INVESTMENT PORTFOLIOS

In 2014, the Group recorded an income of DKK 21 million on its portfolio of unlisted equity investments via Erhvervsinvest Nord A/S in liquidation and Erhvervsinvest K/S (2013: DKK 44 million).

## CONTRIBUTIONS TO SECTOR-WIDE SOLUTIONS

Under the accounting item, contributions to sector-wide solutions, which comprises Spar Nord's payments and Spar Nord's share of Nørresundby Bank's payments to the Danish Guarantee Fund for Depositors and Investors, a total of DKK 102 million was expensed in 2014 (2013: DKK 120 million).

## PROFITS

The pre-tax profits can thus be calculated at DKK 705 million compared with DKK 670 million in 2013.

The Group's effective tax rate stood at 13% in 2014, and, accordingly, post-tax profits can be calculated at DKK 614 million. Among other factors, the low tax rate is attributable to the tax exemption of the market-value gain from the sale of Nets.

## Q4 2014

The pre-tax results for Q4 ended at a loss of DKK 56 million – which should be compared with a DKK 249 million profit in Q3 2014 and DKK 178 million in Q4 the previous year.

Net interest income in Q4 ended at DKK 477 million, which is in line with the previous quarter and DKK 20 million up on Q4 2013. The increase compared with 2013 is attributable to lower funding costs and an improved deposit margin.

Net income from fees, charges and commissions ended at DKK 238 million, which is DKK 14 million higher than the previous quarter and DKK 48 million higher than in Q4 2013. The highly satisfactory growth is attributable to both the asset management and mortgage credit areas.

Total costs and expenses for the quarter ended at DKK 610 million, which is DKK 159 million up on Q4 2013. Costs and expenses are impacted by the fact that DKK 139 million has been expensed by way of an exit fee to SDC in connection with Spar Nord's decision to change data processing centre. The underlying cost increase compared with Q4 2013, which amounts to DKK 20 million, equal to 4%, is attributable to activities taken over, the resumption of leasing, and transaction costs connected with M&A activities.

Loan impairment amounted to DKK 205 million, which is DKK 77 million up on Q3 2014 and DKK 111 million up on Q4 2013. See the explanation in the section on impairment above.

# THE YEAR IN REVIEW - THE GROUP

## BUSINESS VOLUME

The Group's total business volume (deposits, loans, advances and guarantees, mortgage credits arranged and customers' custodianship accounts) amounted to DKK 195.6 billion at end-2014 - DKK 13.2 billion, or 7%, up on the volume at end-2013.

Lending, banking activities, stood at DKK 34.4 billion at end-2014 - DKK 0.6 billion or 2% up on end-2013. On the upside there were acquisitions for the year and a slightly higher demand from the Bank's retail and business customers. On the downside, as expected, a single public customer has reduced its exposure by DKK 1.1 billion, and the liquidation portfolio from Sparbank has been reduced by DKK 0.8 billion.

At end-2014, lending, leasing activities, amounted to DKK 1.1 billion compared with DKK 2.1 billion at end-2013.

In 2014, the volume of mortgage credit loans arranged grew DKK 4.1 billion to DKK 63.7 billion, equal to 7%. In total, the volume of mortgage-credit loans arranged on behalf of retail customers (Tøtalkredit) amounted to DKK 54.1 billion, and to DKK 9.6 billion for business customers (DLR Kredit) at end-2014.

Deposits, banking activities, rose by about DKK 0.4 billion, or 1%, on end-2013, and stood at DKK 42.2 billion at end-2014. Including deposits in pooled schemes, this represents an increase of 4%.

Customers' balances in custodianship accounts have grown by DKK 2.5 billion, or 8%, since end-2013, and stood at DKK 33.1 billion at end-2014.

## CAPITAL

Spar Nord's objective on the capital side is to have a Common Equity (Tier 1) ratio (CET1) of at least 12.0%, a total capital ratio of at least 15.0% and a spread between the individual solvency need ratio and the total capital ratio of at least 3 percentage points.

At end-2014, the Common Equity (Tier 1) ratio stood at 13.0% versus 14.1 at end-2013 - an expected reduction that follows from the acquisition of assets from FIH Erhvervsbank, among other factors.

The total capital ratio has been calculated at 15.0% (end-2013: 19.4%), which should be viewed in relation to Spar Nord having calculated the individual solvency need at 9.7%. Thus, the Bank has an excess capital coverage of 5.3 percentage points, equal to DKK 2.6 billion. Both the acquisition of assets from FIH Erhvervsbank and the decline in the total capital ratio should be viewed in light of the fact that at the end of May 2014 Spar Nord redeemed a loan of DKK 1,265 million by way of hybrid core capital that the Bank had raised with the Danish Government in 2009 under Bank Package II.

Spar Nord's capital projections show that during the phase-in of CRD IV over the next few years, the Bank will constantly stay above the strategic capital targets, and that the Bank's Common Equity (Tier 1) ratio at end-2014 would have been 11.8% had CRD IV been fully phased in.

## INDIVIDUAL SOLVENCY NEED

The Bank uses the so-called 8+ model that the Danish Financial Supervisory Authority stipulates in its guidelines. The 8+ method is based on the statutory minimum capital requirement of 8.0% of the total risk exposure (Pillar 1) plus add-ons for risks and matters not fully reflected in the calculation of the total risk exposure. In other words, ordinary risks are assumed to be covered by the 8% requirement, and, consequently a decision has to be made as to the extent to which an institution has additional risks that necessitate an add-on to the internally calculated solvency need (Pillar 2).

In the guidelines issued by the Danish Financial Supervisory Authority, benchmarks have been introduced within a number of risk areas determining when the Authority basically finds that Pillar 1 is insufficient, and that an add-on to the internally calculated solvency need is required. To the extent possible, methods have also been introduced for calculating the amount of the add-on within the individual risk areas.

Based on the guidelines issued by the Danish Financial Supervisory Authority, the Board of Directors determines the Bank's adequate own funds and individual solvency need upon the recommendation of the Solvency Committee.

The Bank's calculation method complies with the guidelines of the Danish Financial Supervisory Authority and is based on an assessment of the Bank's risks. More details are provided in the 2014 Risk Report.

## LIQUIDITY

Spar Nord has defined strategic liquidity as the difference between bank lending and long-term funding (bank deposits, senior loans, issued bonds, subordinated debt and shareholders' equity). Subordinated debt, senior loans and issued bonds due within 12 months are not included in the Bank's strategic liquidity.

At the end of 2014, Spar Nord's strategic liquidity amounted to DKK 15.0 billion, which is DKK 2.3 billion less than at end-2013. The decline is attributable to an increase in bank lending and redemption of senior funding, while a rise in deposits and a reduction in leasing lending have a positive impact.

### STRATEGIC LIQUIDITY \*)

DKK bn	2014	2013	2012	2011	2010
Deposits, banking activities	42.2	41.8	41.9	31.1	30.4
Senior loans/bond issues	0.1	3.4	9.6	10.2	9.3
Shareholders' equity & subord. debt	8.8	9.5	8.5	6.9	6.9
<b>Generation of cash</b>	<b>51.1</b>	<b>54.7</b>	<b>60.0</b>	<b>48.2</b>	<b>46.6</b>
Lending, banking activities	34.4	33.8	34.9	31.2	30.7
Lending, leasing activities	1.1	2.1	4.0	7.1	7.7
Maturity, senior, issued bonds and subord. debt < 1 year	0.6	1.5	6.3	6.0	2.3
<b>Strategic liquidity</b>	<b>15.0</b>	<b>17.3</b>	<b>14.8</b>	<b>3.9</b>	<b>5.9</b>

\*) See note 57.

# THE YEAR IN REVIEW - THE GROUP

Spar Nord is currently facing a situation where the Bank does not use long capital market funding, but finances bank lending exclusively with customer deposits.

## STRATEGIC ACQUISITIONS AND INVESTMENTS

On 1 July, Spar Nord took over activities having a total business volume of about DKK 4.0 billion from **FIH Erhvervsbank**. The facilities are classified in the SME segment (< DKK 50 million), spread widely in terms of industry and geography, and at the time of takeover the total business volume broke down into loans amounting to about DKK 2.4 billion, guarantees for DKK 1.3 billion and derivatives with a market value of DKK 0.3 billion.

In 2014, the exposures assumed represented a contribution of about DKK 16 million after non-recurring costs of DKK 19 million to the Bank's core earnings before impairment.

From 2015 onwards, the portfolio taken over is expected to contribute about DKK 70 million by way of core earnings before impairment. As a result of better security coverage, the risk level of the portfolio taken over is assessed to be slightly lower than for Spar Nord's existing business customer portfolio.

In April, Spar Nord concluded an agreement with **Basisbank** regarding the takeover of its business in the residential and cooperative housing area. As a result of the agreement, Spar Nord took over about 1,000 customers with a lending volume of about DKK 0.2 billion and a combined business volume of about DKK 0.3 billion.

In August, the Bank concluded an agreement with **Danske Andelskassers Bank**, according to which Spar Nord took over Danske Andelskassers Bank's branch in Holstebro as of 1 October. The agreement brings 1,300 new retail and business customers to Spar Nord, with a total loan volume of about DKK 0.1 billion and a total business volume of about DKK 0.2 billion.

Finally, on 1 July Spar Nord concluded an agreement with PICAN AB, according to which the company took over Spar Nord's remaining **Swedish leasing activities**. The transaction comprised leasing exposures for a total of about SEK 450 million.

## RESUMPTION OF LEASING ACTIVITIES

In Q3, Spar Nord made a strategic decision to resume leasing in Denmark at 1 October as part of the Bank's core business. The decision was made possible with the expiry of the non-competition clause included in the Bank's agreement with Jyske Finans in 2011, and was strongly spurred by the fact that both customer demand and Spar Nord's liquidity position have made reviving activity in this area natural.

Accordingly, in accounting terms leasing will no longer be categorized as a 'discontinuing activity' but as part of core earnings. This means that the Group's leasing activities have been resegmented on a line-by-line basis, including with retroactive effect, from a 'discontinuing activity' to the accounting segment, Spar Nord's Local Banks (under core earnings).

## DECISION TO CHANGE IT PLATFORM

In October, Spar Nord concluded an agreement with the BEC data-processing centre regarding future cooperation in the IT area.

Having concluded the agreement with BEC, Spar Nord terminated its agreement with SDC, and then entered into an agreement with SDC regarding exit terms, operating prices and terms & conditions until the exit date, and the sale of the Bank's shareholding in SDC. According to the agreement, Spar Nord sold its shares at the book value as at 30 September 2014, and in Q4 2014 an amount of DKK 139 million was expensed, representing an exit fee to SDC.

The conversion costs connected with the practical transfer to BEC's IT platform in 2016 are expected to amount to about DKK 40 million, of which DKK 25 million is expected to be defrayed in 2015, and the annual savings for Spar Nord resulting from the conversion are expected to hover around DKK 35 million in 2016, and around DKK 55 million in the following years.

Spar Nord and BEC have agreed that BEC will grant Spar Nord a discount when the latter withdraws from SDC; thus, Spar Nord's financial obligation towards SDC at the time of exit is not expected to have any impact on Spar Nord's profits.

The transfer and conversion to BEC's platform and the agreed future prices and terms & conditions are expected to improve Spar Nord's cost/income ratio by about 0.02 in a normalized year.

## TENDER OFFER REGARDING NØRRESUNDBY BANK

On 8 December 2014, Spar Nord made a conditional, voluntary public tender offer for the shares in Nørresundby Bank A/S not already held by Spar Nord. The tender offer included an offer for a consideration of two shares in Spar Nord and a DKK 309 cash payment in exchange for each Nørresundby Bank share.

On 14 January 2015, Nordjyske Bank A/S announced a competing conditional, voluntary public tender offer for all the shares of Nørresundby Bank. This tender offer included an offer for a consideration of one share in Nordjyske Bank and a DKK 335 cash payment for each Nørresundby Bank share.

As Spar Nord finds that Nordjyske Bank's valuation is acceptable, and as opposed to the offer made by Spar Nord, the offer made by Nordjyske Bank is backed by the management of Nørresundby Bank and therefore must be expected to be easier to effect, Spar Nord has announced that it is ready to accept the offer, provided that a solution be found that will mean that Spar Nord will not become a major shareholder of Nordjyske Bank.



## DIVIDENDS

Since the 2013 financial year, it has been Spar Nord's policy to distribute about 33% of the net profits for the year by way of dividend, provided that the Bank's objective of a Common Equity (Tier 1) ratio of at least 12% and a total capital ratio of at least 15% has been met.

If no value-creating investment options are available, the Bank will assess the potential for distributing extraordinary dividends and/or launching share repurchase programmes, having regard to the Company's capital structure.

For 2014, the Board of Directors has decided to recommend to the Annual General Meeting that a dividend of DKK 1.60 be paid per share, equal to a payout ratio of 33%.

## OUTLOOK FOR 2015

Spar Nord expects 2015 to be a year characterized by continued moderate growth in the national economy, and thus in the framework conditions for running a retail bank in Denmark.

As concerns interest rates, we expect positive impacts from the activities originating from FIH Erhvervsbank taken over in 2014 and the redemption of the governmental hybrid loan. Moreover, the sustained weak improvement in business trends is expected to result in a moderately positive growth in lending. However, at the same time the competitive situation and the extraordinarily low interest level are expected to result in massive pressure on the deposit and lending margins and a reduction in the interest income from the Bank's bond portfolio.

On account of the sustained high activity level in the asset management area, and particularly the housing area – not least related to customers' remortgaging – income from fees, charges & commissions is expected to end at a satisfactory level.

Costs and expenses are expected to rise marginally compared with the 2014 level (excl. non-recurring costs). An increase that will be due partly to expenses related to the activities taken over in 2014, and an increase in staff costs that is partly attributable to the continued rise in payroll taxes. In addition, non-recurring costs of around DKK 25 million are expected to be defrayed in connection with preparations for the change of data processing centre in 2016.

Overall, the Group's core earnings before impairment are expected to end around the same level as in 2014, when adjusting for extraordinary issues regarding Nets and the change of data processing centre.

Impairment is expected to remain at a high level in 2015, as impairment losses on retail customers and the SME segment are expected to be lower, while impairment will remain high for the agricultural sector.

Contributions to sector-wide solutions are expected to hover around DKK 100 million in 2015 as well.

## ESSENTIAL RISK CATEGORIES

### CREDIT RISK

The risk of losses because counterparties fail to meet all or part of their payment obligations to the Group. Managed pursuant to the Bank's credit policy, which is geared to strike a balance between earnings and risks, and to ensure that the risk assumption is always quantified.

### MARKET RISK

Market risk is an umbrella heading for the risk of loss caused by fluctuations in exchange rates or prices for financial instruments. Market risks are essentially managed on the basis of an instruction hierarchy having three levels: the Board of Directors, the Executive Board and the business units.

### OPERATIONAL RISK

The risk of direct or indirect losses caused by deficient or erroneous internal procedures and processes, human errors, system errors or losses due to external events or incidents. Managed across the Group through a comprehensive system of business procedures and control measures.

### LIQUIDITY RISK

Liquidity risk is the risk that the Group's financing costs rise disproportionately, and that the Group is prevented from entering into new transactions because it lacks adequate cash funds. On the basis of the overarching policies and strategic targets for the Group's liquidity risks set down by the Board of Directors, it has issued operational frameworks for the Executive Board.

Risk assumption is a key element in banking, and risk management is a central focus area throughout the Spar Nord Group. The various risk types the Group assumes and the initiatives taken to manage and monitor them, as well as the development of various risks are described in the Group's Risk Report, which can be accessed at [www.sparnord.com/investor](http://www.sparnord.com/investor). This section gives a general outline of the risk area.

### RISK APPETITE

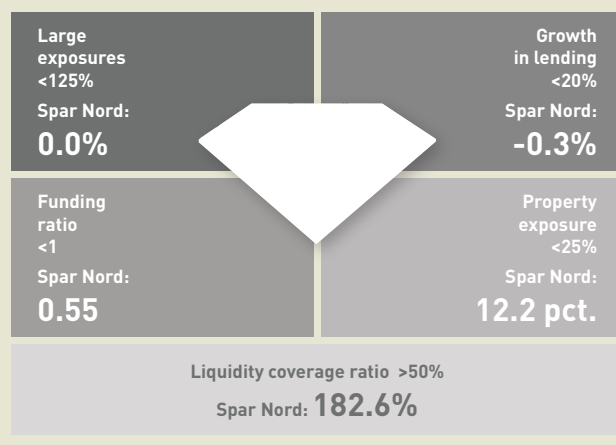
The risks assumed by Spar Nord and the proclivity for assuming risks within the individual risk categories spring from the Bank's general strategic goals. As a supplement, specific risk policies have been introduced, defining the general guidelines for handling and managing the Bank's risks. All policies are reviewed at least once a year.

The goal is to ensure that the connection between the Bank's vision, strategy and risk profile and day-to-day risk assumption is clear, and that the Bank has a risk profile that bears an appropriate proportion to its own funds at all times.

The core of Spar Nord's business is to run a bank for ordinary retail and business customers. Spar Nord endeavours to maintain a medium-to-low risk appetite, a policy reflected in its credit policy and dealings in the trading area.

### THE SUPERVISORY AUTHORITY DIAMOND TEST MODEL

At end-2014, Spar Nord was comfortably within all threshold values fixed in the Diamond Test Model.



### RISK MANAGEMENT AND CONTROL SYSTEMS

Risk management is a key focus area for Spar Nord's Board of Directors, Executive Board and the individual employees. Spar Nord has a two-tier management structure, with the Board of Directors having drafted written guidelines for the Executive Board, specifying clearly the areas of responsibility and scope of action for each management tier. The Board of Directors lays down general policies, while the Executive Board is responsible for the day-to-day management of the Group. The Group's management structure reflects statutory requirements for listed Danish companies and the provisions of the Danish Financial Business Act.

# RISKS

Risk management of the most important risks, including cross-organizational risks, is a recurrent item on the agenda of Board of Directors' meetings, and Spar Nord has implemented a number of procedures and systems intended to ensure that risks are identified and appropriate mitigation actions taken, with an eye to ensuring compliance with applicable legislation.

## Risk Management and control systems in connection with financial reporting

Spar Nord's Board of Directors and Executive Board share the high-level responsibility for the Spar Nord Group's risk management and control systems when the financial statements are prepared. Spar Nord's Board of Directors and Executive Board are composed so as to ensure that the appropriate internal control and risk management expertise is present to warrant appropriate financial reporting.

Spar Nord's Board of Directors approves overarching policies, procedures and control systems, and also prepares a detailed annual plan for the internal audit and the compliance function. Policies, manuals and procedures within important areas in connection with the presentation of the financial statements are available, including a business

procedure for the presentation of the financial statements, a business procedure for the finance & accounts function and other central functions, and an IT security policy.

The Board of Directors makes an annual review of the organization, its focus areas and resource allocation control systems to manage risk, and also annually assesses the risk of fraud in all business areas.

## Risk management organization

The Board of Directors is responsible for ensuring that the Group has an appropriate organization and that risk policies and limits are established for all important risk categories. In addition, all major credit facilities must be submitted to the Board of Directors for approval. The Board of Directors also makes decisions regarding general principles for handling and monitoring risks. Regular reporting to the Board of Directors is undertaken with a view to enabling the Board of Directors to check whether the total risk policies and the pre-defined limits are complied with.

## RISK MANAGEMENT - THE MOST IMPORTANT RISKS

RISK CATEGORY	Strategic perspective	Inclination to assume risks	Organization and responsibility	Systems and processes
Credit risk exposure to retail and business customers	<p>Retail customers and small and medium-sized businesses are the Bank's target group.</p> <p>Spar Nord pursues the strategic goal of generating sharp growth in customer numbers and average business volume.</p> <p>It is imperative for the Group that these goals are not met at the cost of credit quality.</p>	<p>The Bank's credit policy is geared to strike a balance between earnings and risks, and to ensure that the risk assumption is always quantified.</p> <p>It is Spar Nord's policy that all credit must be granted based on insight into the customers' financial position and that creditworthiness is a key parameter in all customer relations.</p> <p>Spar Nord does not enter into ordinary customer exposures of more than DKK 500 million or unsecured exposures of more than DKK 175 million. Exposures to trading partners in the financial sector are not comprised by these limits.</p>	<p>Customer advisers, in consultation with local managers, handle day-to-day management of the Bank's credit risks.</p> <p>The decentralized credit authorization limit is maximized at DKK 10 million and is linked to qualifications and needs.</p> <p>Exposures that exceed the decentralized credit authorization limit is passed on for processing at Credit Rating or the Credit Committee, and all DKK 60+ million exposures and new exposures of DKK 30+ million need to be authorized by the Board of Directors.</p>	<p>High-level monitoring of the Group's credit risk exposure is managed by the Credit Quality function. This department oversees changes in the credit quality of all exposures and undertakes systematic credit quality control of the Bank's entire exposure portfolio.</p> <p>Credit rating has been introduced in all the Bank's departments, and these tools are used at the local level to grant credit facilities. Thus, customers in the risk categories exposed to the least risk exposure are likelier to be given higher credit limits or extensions than those with the greatest risk exposure. In addition, the systems are used for managing overdrafts and for pricing purposes.</p>
Credit risk exposure to financial counterparties	<p>As part of its trading in and holding of securities, foreign currency and derivative financial instruments and its payment services, etc., the Bank will experience credit risk exposure to financial counterparties.</p>	<p>Spar Nord's Management allocates lines for credit risk exposure to financial counterparties, based on the particular counterparty's risk profile, rating, size and solvency. The risks and lines of financial instruments are monitored constantly.</p>	<p>Risk and settlement lines for financial counterparties are authorized based on a three-tier instruction hierarchy consisting of the Board of Directors, the Credit Committee and the General Manager of Trading, Financial Markets &amp; the International Division, with the facility authorization rights being adopted to the individual tier.</p>	<p>The follow-up on lines will be made by Finance &amp; Accounts, which ensures functional separation.</p> <p>All lines are subject to review at least once a year based, among other things, on the financial statements or rating of the financial counterparty.</p>

## RISK MANAGEMENT - THE MOST IMPORTANT RISKS (continued)

RISK CATEGORY	Strategic perspective	Inclination to assume risks	Organization and responsibility	Systems and processes
<b>Market risk</b>	<p>Market risks arise as an element in trading with and having portfolios of securities, foreign exchange and derivative financial instruments.</p> <p>The assumption of market risks constitutes a part of the Bank's activities that impacts greatly on overall earnings.</p>	<p>The Bank's primary market risk by way of interest risk in the trading portfolio is attached to the Bank's bond portfolio, which is related to the Bank's liquidity management.</p> <p>In addition, the Bank is also subject to an interest-rate risk attaching to the Bank's fixed-interest positions outside the trading portfolio.</p> <p>The Bank has a low level of risk as concerns shares in its trading portfolio.</p> <p>Through its ownership of a number of companies in the financial sector, the Bank has a major portfolio of other shares outside the trading portfolio.</p> <p>The risk is limited for other types of market risks.</p>	<p>Spar Nord's Board of Directors determines the overarching policies, frameworks and principles.</p> <p>The Middle Office function of the Finance &amp; Accounts Department is responsible for monitoring and checking that the Bank's market risk does not exceed the boundaries of the instruction limits.</p>	<p>For its management of market risks, the Bank has put a three-tier instruction hierarchy in place. At the first tier-level, the Board of Directors issues the definition of the limits for the Spar Nord Group to the Executive Board. At the second tier-level, the Executive Board delegates limits to the other entities of the Group, with Trading, Financial Markets &amp; the International Division being the distinctly largest entity. At the third and last tier, the executives of Trading, Financial Markets &amp; the International Division are granted the limits within which they may operate.</p>
<b>Operational risk</b>	<p>Operational risks are primarily internal in nature. This is why Spar Nord focuses on having a satisfactory control environment for the Bank's activities.</p> <p>The Bank seeks to align controlling operational risk with profit management and thus supporting the Bank's decisions.</p>	<p>The Bank pursues the policy of striking a balance between the scope of operational risks and cost trimming.</p> <p>The focus is on lowering the risk by coordinating the risk-reducing activities between the local and central responsibilities.</p> <p>Focusing on a heightened reporting level creates a basis for making individual risks visible, thus permitting the appropriate mitigating action to be taken subsequently.</p> <p>The Group records and categorizes loss-making events in excess of DKK 10,000.</p>	<p>Business procedures and systems are critical areas reviewed on an ongoing basis by the audit and compliance departments with a view to assessing risks and making recommendations to limit individual risks. Spar Nord develops IT systems, business procedures and other systems on an ongoing basis. Responsibility for risk management in this connection lies with the responsible units.</p> <p>In connection with projects, a risk assessment report must be prepared, specifying risks, potential consequences and initiatives to limit such risks.</p> <p>Spar Nord's security policy, including IT security policy, is reviewed annually and approved by the Board of Directors.</p>	<p>Spar Nord has contingency plans for dealing with critical areas like capital and liquidity. In addition, the Bank has contingency plans for dealing with situations involving long-term IT outage.</p> <p>In practice, this work is organized using guidelines, business procedures and systems that cover various areas of the Bank's activities.</p> <p>Identified risks are recorded on an ongoing basis and reported to the Executive Board and the Board of Directors.</p>
<b>Liquidity risk</b>	<p>One of Spar Nord's objectives in the liquidity area is to support its strategic goal of generating growth in customer numbers and average business volume.</p>	<p>The Bank adapts its liquidity buffer to the current market situation on an ongoing basis.</p> <p>The Board of Directors has set a target for the Bank's cash resources, excl. assets in pooled schemes, which corresponds to a 50% excess liquidity coverage pursuant to the minimum requirement stated in section 152 of the Danish Financial Business Act.</p>	<p>Liquidity management is divided into short-term and long-term liquidity management.</p> <p>Managing short-term liquidity is the responsibility of the Bank's Trading area. Managing long-term liquidity is the responsibility of Finance &amp; Accounts.</p>	<p>Managing the Bank's general liquidity is subject to a number of control mechanisms.</p> <p>A fixed goal for the day-to-day liquidity buffer coupled with a stress test is used for short-term liquidity requirements.</p> <p>Long-term liquidity is managed by focusing on strategic liquidity and using liquidity projections.</p>

# RISKS

The Board of Directors has set up a risk committee tasked with monitoring the Group's risk management activities and preparing material for use of the Board of Directors in considering issues in this connection. In addition, the Board of Directors has set up an audit committee charged with monitoring and controlling accounting and auditing matters and undertaking the preparatory work concerning the Board of Directors' processing of accounting and auditing issues.

The Group's Internal Audit Department submits reports to both the Board of Directors and the Executive Board and answers to the Board of Directors. The Internal Audit Department bases its activities on the annual plan adopted by the Board of Directors. These activities include test examinations of business procedures and internal control systems in key areas subject to risk, including in connection with preparing the financial statements.

The Group's independent auditors are elected at the Annual General Meeting for one year at a time. The focus of the auditing team is subject to review by the Board of Directors once a year based on the recommendations of the audit committee.

The Executive Board is responsible for the day-to-day management of the Group. To this end, the Executive Board issues specific instructions for the Group's risks and its risk management procedures. The Executive Board reports regularly to the Board of Directors on the Group's risk exposure.

The Executive Board has appointed a number of committees and working parties that contribute to the Group's risk governance in specific areas, and which prepare cases and themes for processing by the Executive Board and Board of Directors.

## Credit Committee

Credit applications that exceed the Credit Rating Department's authorization limits or involve a matter of principle will be dealt with by the Credit Committee, which is composed of the Chief Credit Officer and a member of the Executive Board. Frequently, matters that have been dealt with by the Credit Committee will be prepared for subsequent discussion among all members of the Board of Directors.

## Market Risk Committee

The Market Risk Committee is composed of representatives of the Executive Board, Finance & Accounts and Trading, Financial Markets & the International Division. The Committee meets every quarter and reviews developments in the Bank's positions and risks as well as the liquidity situation and expectations regarding market developments and future plans. In addition, the Committee receives input from a more operationally slanted Capital Market Committee, for example regarding any issues that may require specific discussion in terms of principles.

## Solvency Committee

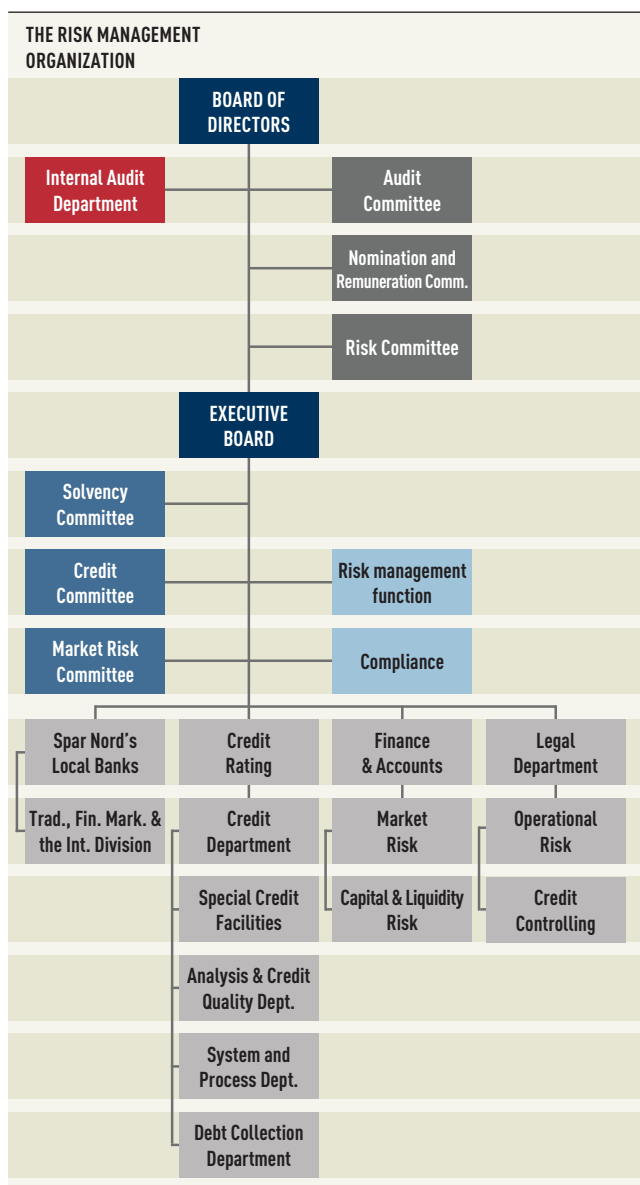
The Solvency Committee is composed of members of the Executive Board, Credit Rating and Finance & Accounts. The objective of the Committee is to formulate targets and principles for calculating the adequate own funds and the individual solvency need. The Solvency Committee prepares a recommendation for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

## Risk management function

A risk management function has been put in place, and an officer has been appointed to head it, with specific responsibility to the compliance function. The risk management function's area of responsibility comprises the Group's risk-prone activities across various risk areas and organizational units and risks deriving from outsourced functions. The function is responsible for appropriate risk management of the Group's operations, including providing an overview of its risks and the overall risk exposure. The compliance officer is responsible to the Executive Board and submits reports to the Board of Directors, and assists the Board of Directors' risk committee in its work. The activities of the risk management function are rooted in the annual plan adopted by the Board of Directors.

## Compliance

The Group's Compliance function is charged with overseeing the Bank's compliance with financial legislation, banking sector standards and the Group's internal guidelines in all areas. The Executive Board oversees this function, which reports to the Board of Directors and is manned by staff members responsible for compliance and representatives of a cross-section of the Group's business areas who are engaged in decentralized compliance tasks. The activities of the Compliance function are rooted in the annual plan adopted by the Board of Directors.



## BOARD OF DIRECTORS

### TORBEN FRISTRUP



#### CHAIRMAN OF THE BOARD OF DIRECTORS

Born 1951. Member of the Board of Directors since 2003, Chairman of the Board of Directors since 2004. Chairman of the nomination and remuneration committee and member of the risk committee.

Chief Executive Officer, CUBIC-Modulsystem A/S. Manager, Regulus ApS and Frstrup Holding Aalborg ApS.

**EDUCATION**  
Engineer.  
IMD business programme.

**CHAIRMAN OF THE BOARD OF DIRECTORS**  
CUBIC Norge A/S.  
CUBIC-Modular System Ltd.  
CUBIC Svenska AB.  
Stanfo A/S.

**MEMBER OF THE BOARD OF DIRECTORS**  
CUBIC-Modulsystem A/S.

**SPECIAL EXPERTISE**  
Managing small and medium-sized businesses, including strategic development, industry and manual trades, HR.

**SHAREHOLDING**  
34,300

**DISINTERESTED**

### PER NIKOLAJ BUKH



#### DEPUTY CHAIRMAN OF THE BOARD OF DIRECTORS

Born 1965. Member of the Board of Directors since 2007, Deputy Chairman of the Board of Directors since 2009. Member of the audit committee. Member of the nomination and remuneration committee.

Professor, Aalborg University,  
Manager, P. N. Bukh ApS and Value Spread I ApS.

**EDUCATION**  
MSc Econ., PhD.  
Board of Directors training from Bestyrelsesakademiet.

**MEMBER OF THE BOARD OF DIRECTORS**  
Jurist- & Økonomforbundets Forlag A/S.  
Jurist- & Økonomforbundets Forlagsfond.  
Jurist- & Økonomforbundets Forlag Holding A/S.  
Padborg Ejendomme A/S.

**SPECIAL EXPERTISE**  
Finance and risk management,  
Financial markets,  
Public enterprises,  
Utilities.

**SHAREHOLDING**  
16,200

**DISINTERESTED**

### KAJ CHRISTIANSEN



Born 1955. Member of the Board of Directors since 2012. Chairman of the risk committee.

CEO of Frederikshavn Maritime Erhvervspark A/S.

**EDUCATION**  
State-authorized Public Accountant.

**CHAIRMAN OF THE BOARD OF DIRECTORS**  
The Arena North Foundation.

**MEMBER OF THE BOARD OF DIRECTORS**  
Dokøen A/S.  
The Spar Nord Foundation.  
Frederikshavn Maritime Erhvervspark A/S.

**SPECIAL EXPERTISE**  
Properties,  
Marketing,  
Finance and risk management.

**SHAREHOLDING**  
7,800

**DISINTERESTED**

### KJELD JOHANNESSEN



Born 1953. Member of the Board of Directors since 2014.

CEO, Danish Crown.

**EDUCATION**  
BCom (Marketing).

**CHAIRMAN OF THE BOARD OF DIRECTORS**  
DAT-Schaub A/S.  
KLS Ugglarps, Sweden.  
Erhvervspolitisk Udvalg,  
Dansk industri.

**MEMBER OF THE BOARD OF DIRECTORS**  
Slagteriernes Arbejdsgiverforening.  
Daka Denmark A/S.  
Sokolow S.A. Poland.  
Schouw & Co. A/S.  
Plumrose USA.  
Tulip Ltd., England.  
Tulip Food Company A/S

**SPECIAL EXPERTISE**  
Management,  
Production and marketing,  
Strategy,  
Business development,  
International Business Affairs,  
Agriculture and foodstuffs.

**SHAREHOLDING**  
8,000

**DISINTERESTED**

# ORGANIZATION AND CORPORATE GOVERNANCE

## BOARD OF DIRECTORS

### LAILA MORTENSEN



Born 1965. Member of the Board of Directors since 2012. Member of the risk committee.

CEO of Industripension Holding A/S, Industriens Pensionsforsikring A/S and chairman of the executive board of Industriens Pensionsservice A/S,

#### EDUCATION

Graduate in insurance science; IMD business programme (PED)

#### CHAIRMAN OF THE BOARD OF DIRECTORS

IP Ejendomme 2013 P/S.  
IP Infrastruktur P/S.  
IP Komplementar ApS.  
IP Infrastruktur Komplementar ApS.  
IP OPP P/S.  
IP Alternative Investments Komplementar ApS.  
IP Finans 1 ApS.

#### MEMBER OF THE BOARD OF DIRECTORS

DSEB,  
Forsikring & Pension.  
Kapitalforeningen Industriens Pension Portfolio.

#### SPECIAL EXPERTISE

Experience in managing a financial business, Risk management - incl. operational risks, IT and IT risks.

#### SHAREHOLDING

0

#### DISINTERESTED

### FRITZ DAHL PEDERSEN



Born 1955. Member of the Board of Directors since 2012.

CEO of Fritz Dahl Pedersen Holding ApS, Bolette og Fritz Dahl Pedersen Ejendomsselskab ApS, Fritz Dahl Pedersen Biler ApS.

#### EDUCATION

Finances and sale.

#### MEMBER OF THE BOARD OF DIRECTORS

The Spar Vest Foundation.  
Spar Vest Tyskland A/S.  
Spar Vest Grønland A/S.  
Spar Vest Finans A/S.  
SVF Ejendomsservice A/S.  
Fritz Dahl Pedersen Holding ApS.  
Bolette og Fritz Dahl Pedersen Ejendomsselskab ApS.  
Dahl Pedersen Holding ApS.

#### SPECIAL EXPERTISE

Strategy and company management, Sale, Marketing, Customerservice/satisfaction.

#### SHAREHOLDING

1,800

#### DISINTERESTED

### OLE SKOV



Born 1959. Employee-elected member of the Board of Directors since 2000. Member of the audit committee.

Senior workplace representative, Spar Nord Bank A/S.

#### EDUCATION

Financial services background, Financial continuing education, Business diploma (accounts & financing), Board of Directors training for financial companies.

#### CHAIRMAN OF THE BOARD OF DIRECTORS

The Financial Services Union's "Spar Nord Kreds".

#### MEMBER OF THE BOARD OF DIRECTORS

The Personnel Foundation at Spar Nord.  
The Financial Services Union's executive committee.

#### SPECIAL EXPERTISE

HR, Business administration, Financial markets.

#### SHAREHOLDING

7,054

# ORGANIZATION AND CORPORATE GOVERNANCE

## BOARD OF DIRECTORS

### JANNIE SKOVSEN



Born 1965. Employee-elected member of the Board of Directors since 2008.

Workplace representative, Spar Nord Bank A/S.

#### EDUCATION

Financial services background, Financial continuing education, Business diploma (Marketing), Board of Directors training for financial companies,

#### MEMBER OF THE BOARD OF DIRECTORS

The Financial Services Union's "Spar Nord Kreds" (Deputy Chairman).  
The Spar Nord Foundation.

#### SPECIAL EXPERTISE

HR, Business administration.

#### SHAREHOLDING

7,404

### GITTE HOLMGAARD SØRENSEN



Born 1965. Employee-elected member of the Board of Directors since 2012. Member of the nomination and remuneration committee.

Workplace representative, Spar Nord Bank A/S.

#### EDUCATION

Financial services background, Financial continuing education, Business diploma (Financing), Board of Directors training for financial companies,

#### CHAIRMAN OF THE BOARD OF DIRECTORS

The Personnel Foundation at Spar Nord Bank.

#### MEMBER OF THE BOARD OF DIRECTORS

The Financial Services Union's "Spar Nord Kreds".

#### SPECIAL EXPERTISE

HR, Business administration.

#### SHAREHOLDING

2,486

### HANS ØSTERGAARD



Born 1946. Member of the Board of Directors since 2009. Chairman of the audit committee.

Professional board member. Former State-authorized Public Accountant.

#### EDUCATION

State-authorized Public Accountant, BCom (Management Accounting), Board of Directors training for financial companies, Board licence from Board Governance A/S.

#### MEMBER OF THE BOARD OF DIRECTORS

Flowcon International ApS.

#### SPECIAL EXPERTISE

Accounting and audit, Risk management.

#### SHAREHOLDING

5,193

#### DISINTERESTED



# ORGANIZATION AND CORPORATE GOVERNANCE

## EXECUTIVE BOARD

### LASSE NYBY



#### CHIEF EXECUTIVE OFFICER

Born	1960
Year of employment	1986
Joined the Executive Board	1995
CEO	2000

#### EDUCATION

Financial services background, BCom (Management Accounting), Executive education from Insead.

#### CHAIRMAN OF THE BOARD OF DIRECTORS

Aktieselskabet Skelagervej 15, Spar Nord Leasing A/S, Clearwater International ApS, JSNA Holding A/S.

#### MEMBER OF THE BOARD OF DIRECTORS

Foreningen AP Pension F.M.B.A.  
AP Pension Livsforsikringsaktieselskab.  
AP Pensionservice.  
AP Skadesforsikring Aktieselskab.  
Nykredit Holding A/S.  
PRAS A/S.  
Vækst-Invest Nordjylland A/S.  
The Danish Bankers' Association.  
Regional Bankers' Association.

#### SHAREHOLDING

48,064

### BENT JENSEN



#### MANAGING DIRECTOR

Born	1960
Year of employment	2012
Joined the Executive Board	2012

#### EDUCATION

BCom (Marketing), IAA, MBA.

#### MEMBER OF THE BOARD OF DIRECTORS

Aktieselskabet Skelagervej 15. Finanssektorens Uddannelsescenter.

#### SHAREHOLDING

8,383

### JOHN LUNDSGAARD



#### MANAGING DIRECTOR

Born	1964
Year of employment	1986
Joined the Executive Board	2000

#### EDUCATION

Financial services background, MBA.

#### CHAIRMAN OF THE BOARD OF DIRECTORS

Factor Insurance Brokers A/S.  
Høgsberg Assurance Service A/S.

#### MEMBER OF THE BOARD OF DIRECTORS

Aktieselskabet Skelagervej 15.  
Letpension Holding A/S.  
The Employers' Association for the Financial Sector (FA).  
Swipp Holding ApS.

#### SHAREHOLDING

65,633

### LARS MØLLER



#### MANAGING DIRECTOR

Born	1957
Year of employment	1984
Joined the Executive Board	2000

#### EDUCATION

Financial services background, Executive education from Insead.

#### CHAIRMAN OF THE BOARD OF DIRECTORS

BI Holding A/S (the Bankinvest Group).  
BI Asset Management Fondsmæglerselskab A/S.  
BI Management A/S.

#### MEMBER OF THE BOARD OF DIRECTORS

DLR Kredit A/S.

#### SHAREHOLDING

62,960

For more information about the Executive Board members, please refer to the Bank's website, [www.sparnord.com/investor](http://www.sparnord.com/investor).

On the website you will see a list of the shareholdings and other directorships of the Executive Board members. Updated each quarter.

# ORGANIZATION AND CORPORATE GOVERNANCE

Spar Nord's Board of Directors and Executive Board consider corporate governance to be a fundamental requirement for maintaining a good relationship with internal and external stakeholders and for meeting the Group's financial and non-financial objectives.

Thus, Spar Nord's Management backs efforts to promote good corporate governance, and has chosen to comply with 46 of the 47 most recent recommendations from the Danish Corporate Governance Committee. A full overview of Spar Nord's position on the recommendations can be seen on its website at [sparnord.com](http://sparnord.com).

## CORPORATE GOVERNANCE 2014

Spar Nord complies with 46 of the 47 most recent recommendations from the Danish Corporate Governance Committee. The only recommendation that we do not follow is:

### Recommendation

The Committee recommends that members of the supreme governing body elected by the general meeting be up for re-election every year at the annual general meeting.

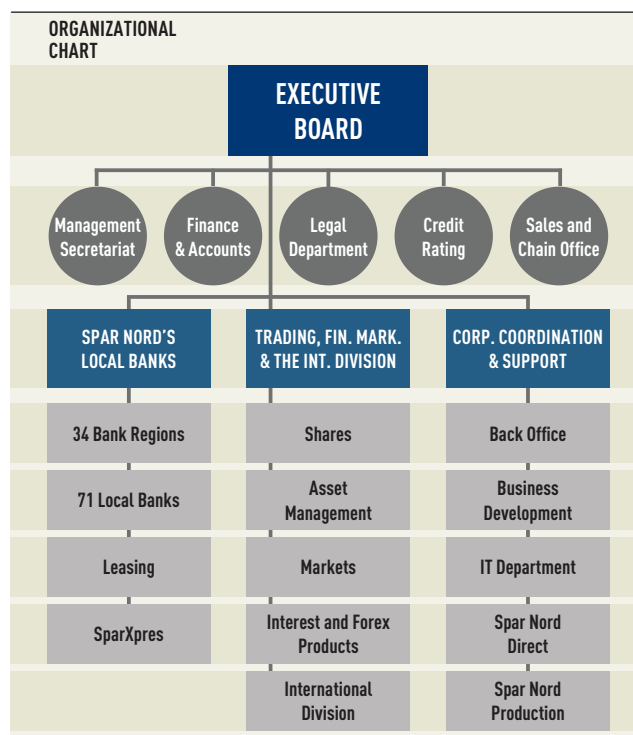
### Spar Nord's position

Spar Nord's Directors are elected for a term of 2 years at a time. The members of the Board of Directors serve staggered terms, meaning that 3 or 4 members are up for election every year. With an electoral term of 2 years and the staggered terms, the Board of Directors desires to ensure the necessary continuity in its work.

In addition, Spar Nord's Management has considered its position on the new management code issued by the Danish Bankers Association and has chosen to comply with all 12 recommendations. In addition to Spar Nord's position on the general recommendations on corporate governance, the Bank's position on the Danish Bankers Association's management code can also be viewed in its entirety on the website, [sparnord.com](http://sparnord.com).

## ORGANIZATIONAL AND MANAGEMENT STRUCTURE

Spar Nord's organizational and management model is based on an "outside-in" management perspective. The largest business unit, Spar Nord's Local Banks, is divided into 34 decentralized bank regions, each with a great deal of local autonomy as concerns its business profile, marketing and staff policies. All general managers of the bank regions report to the Executive Board.



## THE ROLE OF SHAREHOLDERS AND INTERACTION WITH COMPANY MANAGEMENT

Spar Nord's Management considers it extremely important to maintain a good, ongoing dialogue with shareholders - and for the Bank to aid both professional and private shareholders in obtaining the best possible insight into the Bank's goals and strategies.

### Communication with shareholders

Spar Nord holds about 40 shareholders' meetings each year throughout the country with the participation of about 16,000 shareholders. Spar Nord further promotes good shareholder communication by presenting information that is always thorough, updated and accessible on the Bank's website, [sparnord.com](http://sparnord.com). The website provides direct access to contacting both IR staff members and the Bank's Executive Board. In addition, the Bank issues the newsletter, 'Spar Nord Nyt', which presents information about the Company, the share and a broad spectrum of other topics focusing on financial and non-financial issues.

Spar Nord regularly issues press releases and company announcements and publishes interim reports and annual reports in order to give all stakeholders an adequate picture of the Bank's position and developments. The financial statements are prepared in accordance with IFRS. All company announcements are published simultaneously in Danish and English.

### Annual general meeting

Basically, Spar Nord follows the recommendations of the Corporate Governance Committee on preparing for annual general meetings, including the recommendations regarding the drafting of the convening notice and the issuing of proxies.

According to the Articles of Association, shareholders' rights to vote at general meetings are exercised through delegates who are members of the Bank's bank committees. However, shareholders that hold at least 20,000 shares as of the record date one week before the relevant general meeting (major shareholders) are entitled to exercise their voting rights at general meetings.

# ORGANIZATION AND CORPORATE GOVERNANCE

Delegates that are also members of the Bank's bank committees represent the share capital listed as of the record date one week before the relevant general meeting as belonging to the relevant shareholder region. Each delegate represents equal fractions of the share capital calculated based on the number of delegates immediately before the relevant general meeting. A major shareholder represents the share capital registered, or requested to be registered, one week before the relevant general meeting as belonging to the relevant major shareholder.

Each year the Board of Directors assesses whether the capital and share structure still serves the interests of the shareholders and the Company.

For the period until 30 April 2016, the Board of Directors is authorized to increase the Company's share capital by up to 125,529,918 shares. The increase may take place with or without a pre-emptive right for the Company's shareholders. If the increase is effected without pre-emptive rights for the Company's shareholders, the new shares must be subscribed for at market price.

Alterations to the Articles of Association that cannot be made by the Board of Directors pursuant to statutory provisions may be made at the general meeting when adopted by at least two thirds of the votes cast as well as of the voting stock represented at the relevant general meeting.

## **IALOGUE WITH STAKEHOLDERS: OPENNESS AND TRANSPARENCY**

In addition to having a constructive dialogue with shareholders, Spar Nord considers a good dialogue with other stakeholder groups to be crucial to positive development. A good reputation and excellent relations with customers, employees and the external environment in general are thus considered an important prerequisite for running a successful bank.

Spar Nord's Board of Directors has adopted a communication strategy for the Group, the objective of which is to create a common basis for the work to strengthen the business through Spar Nord's relations with its stakeholders.

The communication strategy springs from Spar Nord's business model, the 'Local Strategy'. Among other things, this means that the communication strategy reflects Spar Nord's decentralized structure, and that the communication strategy shows how centrally initiated communication in the areas where this makes sense will operate as the point of departure for local communication initiatives.

## **THE BOARD OF DIRECTORS**

Since the merger with Sparbank in 2012, Spar Nord's Board of Directors has been composed of 10 members - seven elected by the shareholders and three by employees.

The Bank's Executive Board is not part of the Board of Directors but attends all of its meetings. The Board of Directors is confident that the chosen size and composition will effectively contribute to ensuring a constructive dialogue and efficient decision-making processes.

New Directors are recruited through a formal, thorough and transparent process, based on a dialogue between the Board of Directors and the chairmen of the regional bank committees, and the nominees are presented at shareholder meetings prior to the annual general meeting.

The number of employee-elected Directors and the electoral procedure for employee elections comply with the provisions of the Danish Companies Act. The electoral term is four years.

The members of the Board of Directors are elected for a term of two years at a time, and the age limit for members is 70 years. The members of the Board of Directors serve staggered terms, meaning that three or four members are up for election every year. Spar Nord has decided on this practice - and not the one recommended by the Danish Corporate Governance Committee, viz. an electoral period of one year - to ensure better continuity in the Board of Directors' activities.

At least half of the Directors elected at the annual general meeting must be disinterested in accordance with the recommendation from the Danish Corporate Governance Committee.

The Board of Directors finds it important that all members have the necessary time and energy to actively participate in the Board's work, but believes that a simple calculation of directorships makes no sense, as the workload varies greatly from one company to another. Those of the current Directors who hold senior executive positions or directorships in other companies all hold a number of posts that the Board of Directors finds compatible with the board duties for Spar Nord.

The Spar Nord Board of Directors holds 11 ordinary meetings a year plus a strategy seminar and four meetings with the chairmen of the regional bank committees. In 2014, the Board of Directors held a total of 22 physical meetings and telephone conferences. The total Board member attendance rate was 94%. In accordance with the Danish Bankers Association's management code, the attendance by each member of the Board of Directors is to be published on the Bank's website.

## **Board evaluation**

Each year a comprehensive evaluation process is launched, with each Director presenting an overview of the desired and actual situations as concerns a wide range of personal and professional qualifications - both at the individual level and in relation to the entire Board of Directors - and as concerns work processes and the Board's focus. The answers are discussed at Board of Directors level and subsequently among the chairmen of regional bank committees.

Since the evaluation was introduced, the preparation and processing of its results have been intended to play an integral role in the process of deciding on the composition of the Board of Directors and recruiting new board members. Thus, the objective has been to define profiles of future Directors to ensure that Board members' combined competencies match the needs and requirements stipulated by Spar Nord's business model.

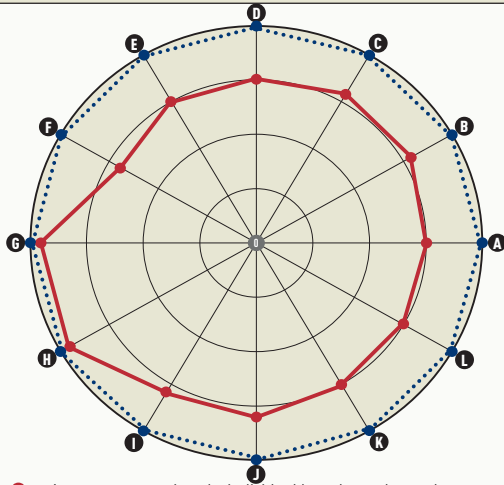
Using the business model as its stepping stone, the Board of Directors has identified a number of areas assessed to be the fundamental factors for defining the Board's need for competencies. In this light, the Board of Directors assesses the competence level required in each individual area.

The areas identified appear from the figures below.

# ORGANIZATION AND CORPORATE GOVERNANCE

## PERSONAL QUALITIES

12 QUESTIONS REG. QUALIFICATIONS - SCALE: 0 - 4



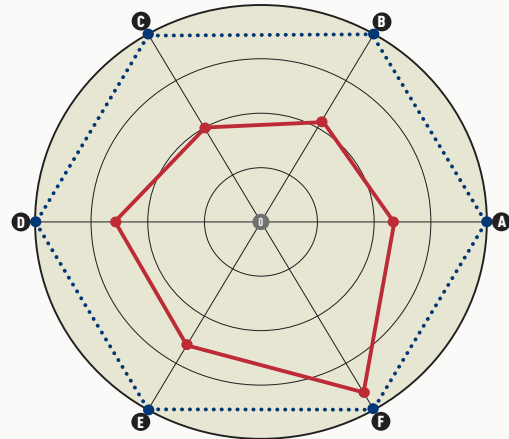
- Avg. responses given by individual board members when assessing competences important to the Bank.
- ...● Responses given by individual board members when assessing own qualifications. The maximum score has been used.

In the area **PERSONAL QUALITIES** the following qualifications are evaluated:

- A = Common sense, visions and dynamic approach
- B = Credible when communicating with stakeholders
- C = Active and committed
- D = Result-oriented
- E = Independent – must live up to the other members
- F = Network
- G = Time for board work
- H = Interested in Spar Nord
- I = Ability to listen
- J = Interpersonal skills
- K = Abstraction level
- L = Empathy and sense of humour

## PROFESSIONAL EXPERTISE - BUSINESS DISCIPLINES

6 QUESTIONS REG. QUALIFICATIONS - SCALE: 0 - 4



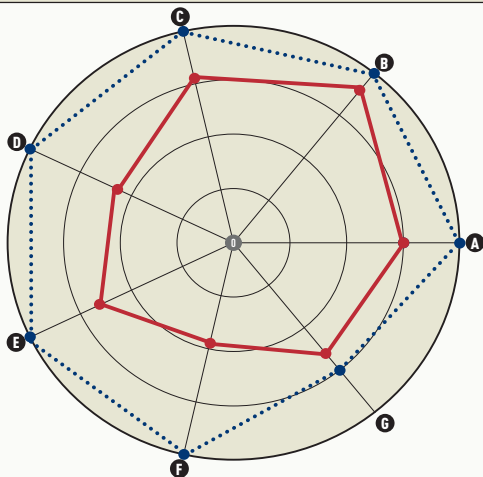
- Avg. responses given by individual board members when assessing competences important to the Bank.
- ...● Responses given by individual board members when assessing own qualifications. The maximum score has been used.

In the area **PROFESSIONAL EXPERTISE - BUSINESS DISCIPLINES** the following qualifications are evaluated:

- A = HR (staff management and development)
- B = Marketing
- C = IT
- D = Accounting
- E = IR
- F = Auditing

## INDUSTRY EXPERTISE

7 QUESTIONS REG. QUALIFICATIONS - SCALE: 0 - 4



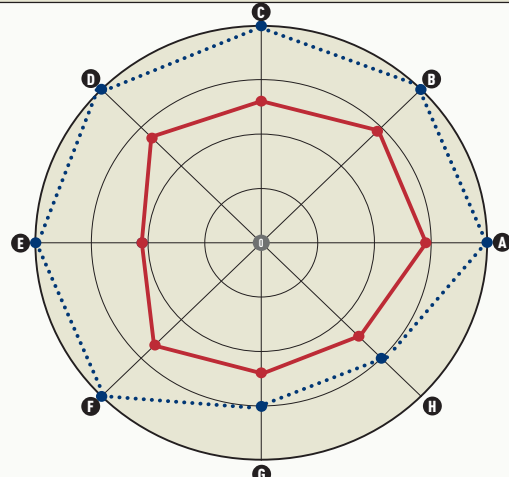
- Avg. responses given by individual board members when assessing competences important to the Bank.
- ...● Responses given by individual board members when assessing own qualifications. The maximum score has been used.

In the area **INDUSTRY EXPERTISE**, the following qualifications are evaluated:

- A = Private sector
- B = Real estate, building and construction activities
- C = Agriculture
- D = Trade
- E = Industry, raw materials and energy supply
- F = Public sector
- G = Bank customers and institutional customers at Trading, Financial Markets & the International Division

## RISKS

8 QUESTIONS REG. QUALIFICATIONS - SCALE: 0 - 4



- Avg. responses given by individual board members when assessing competences important to the Bank.
- ...● Responses given by individual board members when assessing own qualifications. The maximum score has been used.

In the area **RISK**, the following qualifications are evaluated:

- A = Market risk
- B = Liquidity risk
- C = Capital risk
- D = Operational risk
- E = IT risk
- F = Earnings risk
- G = Risks related to partners
- H = Image risk

In addition to the above-mentioned areas, an evaluation is also made within the area of qualifications related to experience-based qualities.

# ORGANIZATION AND CORPORATE GOVERNANCE

The next step in the evaluation process is for each Director to assess his or her own qualifications within given areas. In the most recent measurement, the Board of Directors' competencies were assessed to be appropriate and satisfactory in all essential areas.

The general requirement that at least one member on the Board of Directors must have special insight into the business area and managerial experience from a financial institution has been met by the appointment of Laila Mortensen, CEO of Industriens Pension, who has served on the Board since 2012.

## **Committees appointed by the Board of Directors**

Spar Nord's Board of Directors has set up an audit committee charged with monitoring and controlling accounting and auditing matters and undertaking the preparatory work concerning the Board of Directors' processing of accounting and auditing issues. The committee is composed of three members, one of whom is a member with special expertise in auditing and accounting matters, as required by statute, and who is also disinterested.

In addition, a risk committee has been set up, charged with responsibility for arranging the preparatory work leading up to the Board of Directors' decisions regarding the Group's risk management and related issues. The committee is composed of three members.

Finally, the Board of Directors has set up a nomination and remuneration committee with three members, of whom one has been chosen by the employees in compliance with legislation. The nomination and remuneration committee is charged with undertaking the preparatory work concerning the Board of Directors' evaluation and nomination process and the processing of issues regarding remuneration, including the Group's remuneration policy.

The terms of reference of the committees can be seen at [sparnord.com](http://sparnord.com), which also provides a presentation of the members and their qualifications.

## **THE BOARD OF DIRECTORS IS RESPONSIBLE FOR THE FOLLOWING:**

- Approving the Group's vision, mission, values, strategies and organizational structure - and monitoring whether the day-to-day management delivers results that match plans
- Making decisions regarding the Group's proclivity for assuming risks – and monitoring whether the day-to-day management acts in accordance with instructions
- Approving capital and liquidity plans
- Approving financial and non-financial reporting
- Appointing and dismissing Executive Board members and Head of the Internal Audit Department
- Appointing and dismissing the Chief Financial Officer, Chief Credit Officer and Senior Executive Vice President of Trading, Financial Markets & the International Division at the recommendation of the Executive Board
- Making decisions regarding distribution of net profit or loss and distribution of dividend
- Nomination of auditor candidates at the Annual General Meeting
- Approving policies, business procedures, etc.
- Overseeing financial statements presentation, risk management, etc.
- Discussing and making resolutions regarding acquisition and merger opportunities
- Making decisions regarding major capital investments
- Implementing remuneration policy into remuneration packages for Management
- Reviewing all important assets
- Monitoring and authorizing of major credit facilities
- Monitoring and granting of credit facilities with respect to related parties
- Convening of General Meetings

# ORGANIZATION AND CORPORATE GOVERNANCE

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## **Election to the Board of Directors**

Per Nikolaj Bukh, Kaj Christiansen and Hans Østergaard are up for election to the Board of Directors in 2015. Per Nikolaj Bukh and Kaj Christiansen are recommended for re-election, while Hans Østergaard has chosen to retire from the Board of Directors after six years. To take his seat, the Board of Directors nominates John Sørensen, Agency Director, for election at the annual general meeting.

In addition, it has been decided that Fritz Dahl Pedersen, who joined the Board of Directors in connection with the merger between Spar Nord and Sparbank in 2012 when the Board of Directors was temporarily increased from six to seven shareholder-elected Directors, will retire from the Board of Directors. This decision should be seen in light of the integration of Spar Nord and Sparbank being considered to be completed in a highly satisfactory way, and a unanimous Board of Directors has therefore decided to once more reduce the number of Directors elected by the shareholders at the general meeting to six.

## **Policy and target figure for the underrepresented gender**

The Board of Directors is constantly working on promoting diversity, including in relation to gender, across all managerial levels in the Group. Currently, the Board of Directors is composed of three women and seven men, and among the seven members elected by the shareholders there are one woman and six men.

Consequently, Spar Nord's Board of Directors has decided to introduce a policy to lift the share of the underrepresented gender on both the Board of Directors and at other management echelons in the Group.

The policy includes some concrete objectives to the effect that the share of female Directors elected by the shareholders is to amount to at least 33% by end-2017. At end-2014, the share was 14%.

As concerns the Group's other management echelons, the goal is that there should be at least five qualified applicants to managerial positions in the Bank, and that at least two of these should be women. In the long term, the gender breakdown at executive and mid-level executive level is desired to change towards a more equal distribution between men and women - from currently about 15% women in the Group's executive team to 25% women in that category by end-2017.

## **EXECUTIVE BOARD**

The Executive Board is appointed by the Board of Directors and composed of Lasse Nyby, CEO, Bent Jensen, Managing Director, John Lundsgaard, Managing Director, and Lars Møller, Managing Director.

The Executive Board is the supreme decision-making body as concerns the day-to-day affairs of the Bank, in compliance with the guidelines and directions issued by the Board of Directors. The more specific distribution of duties between the Board of Directors and the Executive Board appears from the rules of procedure under which they both operate.

## **REMUNERATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD**

The remuneration of the Board of Directors and the salaries and benefits paid to the Executive Board are shown in the notes to the Annual Report. Directors are paid a fixed annual amount and do not participate in any bonus or option programmes.

The Board of Directors finds that the terms of service of Executive Board members, including severance terms, are in tune with general practice in the area, and they are regularly reviewed. The Board of Directors finds that the overall remuneration is competitive and fair in light of the Executive Board's performance and having regard to long-term value generation for shareholders.

According to the Group's remuneration policy, the Group does not operate with incentive schemes for the Board of Directors and the Executive Board.

The overarching objective of Spar Nord's communication to investors and analysts is to ensure good and lasting relations. Spar Nord wants to maintain a high level of information and a high degree of accessibility, and the Bank endeavours to make relevant and timely information available at all times. Together with the Senior Vice President, Corporate Communication & IR, the Chief Executive Officer manages Spar Nord Bank's communication.

## IR ACTIVITIES

The Bank provides financial reporting and information via its IR website, [sparnord.com/investor](http://sparnord.com/investor), and also provides ongoing communication to investors and analysts at frequent bilateral meetings as well as at conferences and roadshows connected with the publication of the Group's annual and interim reports. In total, about 50 meetings with investors from Scandinavia, Great Britain and North America were held in 2014.

In 2014, analysts from three investment banks covered the Spar Nord share.

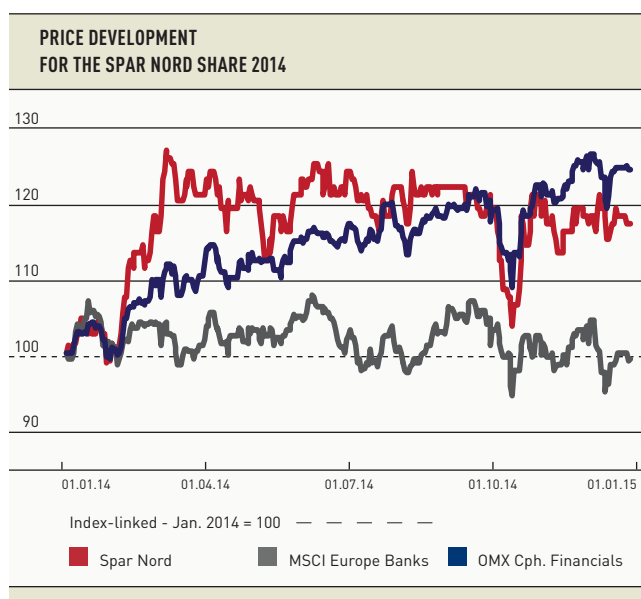
## THE SPAR NORD SHARE

Spar Nord is listed on the Nordic exchange, Nasdaq OMX Copenhagen, and ranges in the MidCap segment.

At 31 December 2014, the share capital was unchanged at DKK 1,255,299,180, divided into shares in the denomination of DKK 10.

The Spar Nord share rose from a price of DKK 49 at end-2013 to a price of DKK 58 at end-2014, equal to 18%. At the end of the year, the market capitalization was thus DKK 7.3 billion compared with DKK 6.2 billion at end-2013.

In 2014, the average daily trading volume was about 128,000 shares.



## THE SPAR NORD BANK SHARE

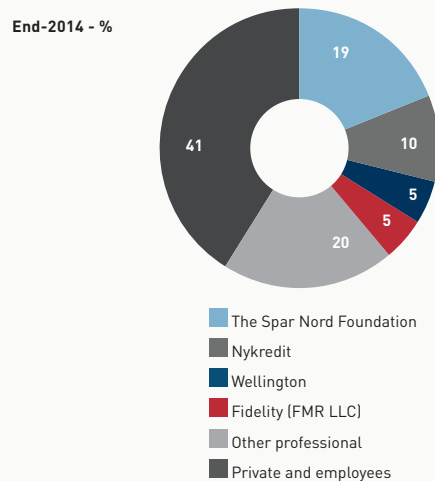
	2014	2013
Share capital (DKK '000)	1,255,299	1,255,299
Share price/year-end	58	49
Total market value (DKK m)	7,281	6,151
Earnings per share for the year (DKK)	4.9	4.3
Dividend per share (DKK)	1.60	1.00
Net asset value (NAV) per share (DKK)	56	52
Share price/NAV per share (DKK)	1.0	0.9

## BREAKDOWN OF SHAREHOLDERS

At 31 December 2014, Spar Nord had about 120,000 shareholders. 59% of the share capital is held by professional and institutional investors, of whom about 20% are foreign, while 41% of the capital is held by private shareholders and employees.

The Bank has four shareholders that have announced they hold more than 5% of the share capital. With an interest of 18.5%, the Spar Nord Foundation, Aalborg, is the largest shareholder. Nykredit Realkredit A/S, Copenhagen, ranks second with an interest of more than 10.0%, followed by Wellington Management Company LLP, Boston, MA, and FMR LLC, Boston, MA, both with an interest of more than 5%.

## BREAKDOWN OF SHAREHOLDERS



## DISTRIBUTION OF SHARES BEG. 2015

Distribution of shares	Number of registered shareholders	Shareholders' total shareholdings (units)
1 - 99 shares	52,395	1,415,851
100 - 999 shares	57,797	19,193,368
1,000 - 9,999 shares	9,332	19,982,229
10,000 - 19,999 shares	236	3,082,035
20,000 or more shares	213	79,218,510
Treasury shares	1	23
Shares not registered in name of shareholder		2,637,902
<b>Total</b>	<b>119,974</b>	<b>125,529,918</b>

## ANNUAL GENERAL MEETING 2015

The Annual General Meeting will be held on 22 April 2014 in Aalborg Kongres- & Kultur Center.

## DIVIDEND POLICY AND EXPECTATIONS

Spar Nord pursues the goal of generating a competitive return to its shareholders - by way of share price performance and dividends.

Since the 2013 financial year, it has been Spar Nord's policy to distribute about 33% of the net profits for the year by way of dividend, provided that the Bank's objective of a Common Equity (Tier 1) ratio of at least 12% and a total capital ratio of at least 15% has been met.

If no value-creating investment options are available, the Bank will assess the potential for distributing extraordinary dividends and/or launching share repurchase programmes, keeping in mind the Company's capital structure.

For 2014, the Board of Directors has decided to recommend to the Annual General Meeting that a dividend of DKK 1.60 be paid per share.

## FINANCIAL CALENDAR 2015

22 April	Annual General Meeting
29 April	Quarterly Report, Q1
12 August	Interim Report for the first six months
28 October	Quarterly Report, Q1-Q3



## SPAR NORD'S PRINCIPLES

- Our social responsibility is business-driven - the measures we implement must contribute to our business.
- Our social responsibility is the sum of local initiatives - we work to give something back to the local communities in which we operate.
- Our social responsibility is well considered - we operate and put the main emphasis on one project at a time.
- Our social responsibility is focused - we would rather do one thing with single-minded purpose than two things halfway.
- Our social responsibility is dynamic - we evolve and scale over time.

## CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility, or CSR, is something we take seriously at Spar Nord and have done for many years. However, the Bank has traditionally translated this popular term into our own language and reality, because experience shows that this generates better defined and more focused action.

From the point of view of Spar Nord, CSR stands for conduct in the true sense of the word, and not abstract principles. Our basic approach is that Spar Nord's responsibility as a company and a financial institution is anchored in our close involvement with customers and the local community. A responsibility and an involvement that are embedded as given elements in the Bank's history and culture and on which the business depends.

## FOCUS AND MEASUREMENT

In order to concentrate efforts and make them explicit and measurable, we regularly single out special CSR themes. This approach is based on our firm belief that better results are obtained by focusing on one thing at a time. At the same time, this means that efforts will evolve over time. We follow up on the themes highlighted one year by measuring them in subsequent years. This ensures that words and headlines are transformed into concrete actions and tangible improvements.

## INTERNATIONAL INITIATIVES

Spar Nord supports the Danish Government's endeavours to put Corporate Social Responsibility at the top of the agenda, and we also support the intentions underpinning international initiatives like the UN Global Compact and UN PRI. Nevertheless, we have chosen not to formally commit ourselves to the two UN reporting initiatives, nor does the Bank have formal climate or human rights policies. This decision should be viewed in light of the fact that we already endeavour to abide by the principles, and also that our activities are very locally slanted.

## 2010-12: GENDER & CAREER

From 2010 to 2012, we made the theme Gender & Career our special area of focus. This particular theme was chosen because the general consensus for decades has been that gender equality leads to better business. Thus, the theme Gender & Career harmonizes with the ideal of business-driven social responsibility, its purpose being to promote gender equality, to maximize talent potential regardless of gender and to perfect the match between the Bank's customers and the staff and executives who advise them.

Spar Nord's commercial target group consists of ordinary retail customers and local businesses. It is therefore desirable for the Bank to have a broad composition of employees at both the non-executive and executive levels. In terms of gender, this means that the Bank aims to be an attractive workplace for both men and women, one where harmonious interaction exists between working life and private life.

Recognizing that the current reality did not tally with the Bank's goals and intentions, Spar Nord launched a targeted action aimed at increasing the number of women in executive positions. Thus, gender and career have become a joint action area for the Group as a whole, with action being taken both centrally and locally.

Highlights among the initiatives implemented:

- Launch of a job bank for employees interested in a career as an executive
- Development and launching of an experience forum/mentor programme targeted at executive talents
- Evaluation of job profiles and recruitment procedures
- Integration of gender and career in staff performance appraisals
- PhD project on gender and career

## Results

In 2014, the number of female managers was unchanged at seven, corresponding to 14%, while the number of female middle managers rose from 29 to 32, or from 21 to 23%.

In 2014, vacancies for 12 new executive and middle manager positions were advertised. 18% of the applicants were women.

## 2013-14: FINANCIAL INSIGHT

As from 2013, 'Understanding finance' has been our special focus area. We chose this theme topic because a number of surveys show that children and young people extensively lack basic insight into financial concepts and issues - and thus the competencies required to act and make decisions affecting one's personal finances.

Precisely because this topic is so important, the inclusion of financial insight in school curricula has gained widespread interest both politically and in the educational and financial sectors. This will entail a lengthy process, but Spar Nord and other financial institutions can make a vital contribution by developing materials and making them available.

Educationally speaking, various aspects of personal finances notably constitute a highly relevant field of instruction - particularly in maths, but also in social sciences.

## Spar Nord's initiatives

In keeping with the Bank's business model, Spar Nord has prepared initiatives based on cooperation with primary and lower secondary schools in the local community. The goal is to develop a series of educational materials jointly with experts in maths and didactics and to make them available free of charge to schools and teachers that want to cover the subject in their lessons.

The first classroom material was a folder titled 'Wising up on money', which caters to children aged 13 to 15 (classes 7 to 8) and addresses topics like interest, savings, loans and currency. This educational folder has now been distributed in more than 50,000 copies to schools nationwide - and has generally been received very positively.

In January 2014, we published 'The Book on Money', which targets the youngest classes and deals with the basics required for understanding finances. The free material is not only aimed at maths teachers but is also available at Spar Nord's local banks for parents who want to discuss these topics with their children. Finally, Spar Nord's employees offer to give guest lectures to the relevant age brackets and to discuss the main topics contained in the material with them.

In April 2014, the new app 'Chickenfeed' will be launched, the purpose of which is to give kids aged 3-5 some basic understanding of money, coins, prices, etc., via play. In the period since it was launched and until end-2014, the app was downloaded more than 30,000 times.

# MANAGEMENT'S STATEMENT ON THE ANNUAL REPORT

The Board of Directors and Executive Board have today reviewed and adopted the 2014 Annual Report of Spar Nord Bank A/S.

The Consolidated Financial Statements have been presented in accordance with International Financial Reporting Standards as adopted by the EU, and the Financial Statements for the Parent Company in accordance with the Danish Financial Business Act. Moreover, the Annual Report is presented in accordance with additional Danish disclosure requirements regarding annual reports for listed financial institutions.

We consider the accounting policies applied to be appropriate, and in our opinion the Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2014 and of the results of the Group's and the Parent Company's operations and cash flows for the 2014 financial year.

In addition, we also 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, the results for the year and the Group's and the Parent Company's financial position as a whole, as well as a description of the significant risks and elements of uncertainty that may affect the Group or Parent Company.

We recommend the Annual Report for adoption by the shareholders at the Annual General Meeting.

Aalborg, 5 February 2015

## EXECUTIVE BOARD



**Lasse Nyby**

Chief Executive Officer



**Bent Jensen**

Managing Director



**John Lundsgaard**

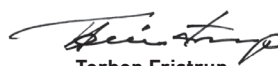
Managing Director



**Lars Møller**

Managing Director

## BOARD OF DIRECTORS



**Torben Frstrup**

Chairman  
of the Board of Directors



**Per Nikolaj Bukh**

Deputy Chairman  
of the Board of Directors




**Kaj Christiansen**



**Kjeld Johannesen**



**Laila Mortensen**



**Fritz Dahl Pedersen**



**Ole Skov**

Elected by the employees



**Jannie Skovsen**

Elected by the employees



**Gitte Holmgaard Sørensen**

Elected by the employees



**Hans Østergaard**

# THE INTERNAL AUDIT DEPARTMENT'S STATEMENTS

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We have audited the Consolidated Financial Statements and the Financial Statements of Spar Nord Bank A/S for the financial year 1 January - 31 december 2014, pp. 40-117. The Consolidated Financial Statements and the Parent Company's Financial Statements comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes for the Group and the Parent Company.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the EU, and Danish disclosure requirements for listed financial institutions. The Parent Company's Financial statements have been prepared in accordance with the Danish Financial Business Act.

In connection with the audit, we have read the Management's review and issued a statement in this regard.

## **Basis of opinion**

We conducted our audit in compliance with the Executive Order issued by the Danish Financial Supervisory Authority on the planning and performance of audits in financial institutions, etc. and financial groups and in accordance with international auditing standards. This requires that we plan and perform our audit to obtain reasonable assurance that the Consolidated Financial Statements and the Parent Company's Financial Statements are free from material misstatement.

The audit was performed in accordance with the division of work agreed with the independent auditors and included an assessment of established procedures and internal controls, including the risk management system established by Management that is targeted at reporting procedures and significant business risks. We have examined, on a test basis, the evidence supporting the amounts and other disclosures in the Consolidated Financial Statements and the Parent Company's Financial Statements. Our audit also included assessing whether Management's choice of accounting policies is appropriate and whether Management's accounting estimates are reasonable, as well as the overall presentation of the Consolidated Financial Statements and the Parent Company's Financial Statements.

We have participated in the audit of material and risk-prone areas, and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

## **Opinion**

In our opinion, the established procedures and internal controls function satisfactorily, including the risk management system established by Management that is targeted at the Group's and Parent Company's reporting procedures and significant business risks.

Further, in our opinion, the Consolidated Financial Statements and the Parent Company's Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2014 and of the results of the Group's and the Parent Company's operations and of the cash flows for the financial year 1 January - 31 December 2014 in accordance with International Financial Reporting Standards, as adopted by the EU, and Danish disclosure requirements for listed financial institutions in respect of the Consolidated Financial Statements, and in accordance with the Danish Financial Business Act in respect of the Parent Company's Financial Statements.

## **Statement on the Management's review**

Pursuant to the Danish Financial Business Act, we have read the Management's review. We have not performed any other procedures in addition to our audit of the Consolidated Financial Statements and the Parent Company's Financial Statements.

On this basis, it is our opinion that the information given in the Management's review is consistent with the Consolidated Financial Statements and the Parent Company's Financial Statements.

**Aalborg, 5 February 2015**

**Spar Nord Bank A/S**

Internal Audit Department

**Margit Nicolajsen**

Head of Internal Audit Department

## TO THE SHAREHOLDERS OF SPAR NORD BANK A/S

### AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY'S FINANCIAL STATEMENTS

We have audited the Consolidated Financial Statements and the Financial Statements of Spar Nord Bank A/S for the financial year 1 January - 31 December 2014. The Consolidated Financial Statements and the Parent Company's Financial Statements comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent Company's Financial Statements have been prepared in accordance with the Danish Financial Business Act. Further, the Consolidated Financial Statements have been prepared in accordance with Danish disclosure requirements for listed financial institutions.

#### Management's responsibility for the Consolidated Financial Statements and the Parent Company's Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements and the Parent Company's Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU (the Consolidated Financial Statements), the Danish Financial Business Act (the Parent Company's Financial Statements) and Danish disclosure requirements for listed financial institutions. Moreover, Management is responsible for the internal control considered necessary by it to prepare Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company's Financial Statements based on our audit. We have performed our audit in accordance with international auditing standards and additional requirements pursuant to Danish legislation on accountants. This requires that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company's Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company's Financial Statements. The audit procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company's Financial Statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the Consolidated Financial Statements and the Parent Company's Financial Statements. The purpose is to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Company's internal control. An audit also includes assessing whether Management's choice of accounting policies is appropriate and whether Management's accounting estimates are reasonable, as well as the overall presentation of the Consolidated Financial Statements and the Parent Company's Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

#### Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company's Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2014 and of the results of the Group's and the Parent Company's operations and of the cash flows for the financial year 1 January - 31 December 2014 in accordance with International Financial Reporting Standards, as adopted by the EU, and Danish disclosure requirements for listed financial institutions in respect of the Consolidated Financial Statements, and in accordance with the Danish Financial Business Act in respect of the Parent Company's Financial Statements.

#### STATEMENT ON THE MANAGEMENT'S REVIEW

Pursuant to the Danish Financial Business Act, we have read the Management's review. We have not performed any other procedures in addition to our audit of the Consolidated Financial Statements and the Parent Company's Financial Statements. On this basis, it is our opinion that the information given in the Management's review is consistent with the Consolidated Financial Statements and the Parent Company's Financial Statements.

Aalborg, 5 February 2015

#### ERNST & YOUNG

Godkendt revisionspartnerskab

**Per Gunslev**  
State-authorized  
Public Accountant

**Lisbet Kragelund**  
State-authorized  
Public Accountant



# CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY'S FINANCIAL STATEMENTS

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## CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY'S FINANCIAL STATEMENTS

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# INCOME STATEMENT

NOTE

	Spar Nord The Group 2014 DKK m	Spar Nord The Group 2013 DKK m	Spar Nord Parent Company 2014 DKK m	Spar Nord Parent Company 2013 DKK m
4 Interest income	2,360.7	2,790.1	2,304.9	2,691.0
5 Interest expenses	453.3	646.8	467.3	648.6
<b>Net interest income</b>	<b>1,907.4</b>	<b>2,143.3</b>	<b>1,837.6</b>	<b>2,042.4</b>
6 Dividends on shares, etc.	39.2	36.9	22.3	22.2
7+9 Fees, charges and commissions received	930.3	787.8	929.4	784.5
8+9 Fees, charges and commissions paid	67.0	65.3	66.9	65.3
<b>Net income from interest, fees, charges and commissions</b>	<b>2,809.9</b>	<b>2,902.7</b>	<b>2,722.4</b>	<b>2,783.8</b>
10 Market-value adjustments	363.1	192.8	184.0	177.2
12 Other operating income	50.1	111.7	34.9	72.5
13+14+15 Staff costs and administrative expenses	1,837.9	1,667.2	1,814.5	1,620.3
16 Depreciation, amortization and impairment of intangible assets and property, plant and equipment	71.5	116.2	71.0	89.9
17 Other operating expenses	109.9	105.5	102.0	101.1
18+36+55 Impairment of loans, advances and receivables, etc.	602.9	726.4	628.0	716.3
19 Profit/loss on equity investments in associates and group enterprises	104.1	77.6	365.2	162.7
<b>Profit/loss before tax</b>	<b>705.0</b>	<b>669.5</b>	<b>691.0</b>	<b>668.6</b>
20 Tax	91.4	133.4	77.7	131.1
<b>Profit/loss for the year</b>	<b>613.6</b>	<b>536.1</b>	<b>613.3</b>	<b>537.5</b>

## PROPOSAL FOR DISTRIBUTION OF NET PROFIT

Profit/loss for the year			613.3	537.5
<b>Total available for distribution</b>			<b>613.3</b>	<b>537.5</b>
Dividend distribution DKK 1.60 per share (2013: DKK 1.00 per share)			200.8	125.5
Reserve for net revaluation according to the equity method			365.2	162.7
Retained earnings			47.3	249.3
<b>Total distribution</b>			<b>613.3</b>	<b>537.5</b>

## 48 EARNINGS PER SHARE

Earnings per share (DKK)	4.9	4.3		
Diluted earnings per share (DKK)	4.9	4.3		

## STATEMENT OF COMPREHENSIVE INCOME

<b>Profit/loss for the year</b>	<b>613.6</b>	<b>536.1</b>	<b>613.3</b>	<b>537.5</b>
<b>Other comprehensive income</b>				
<b>Items that cannot be reclassified to the income statement:</b>				
Net revaluation of corporate properties	8.3	1.4	8.6	0.0
Other capital movements in associates	1.4	-2.9	1.4	-2.9
	<b>9.7</b>	<b>-1.5</b>	<b>10.0</b>	<b>-2.9</b>
<b>Items that can be reclassified to the income statement:</b>				
Exchange adjustment upon translation of foreign entity	-2.5	-4.2	-2.5	-4.2
	<b>-2.5</b>	<b>-4.2</b>	<b>-2.5</b>	<b>-4.2</b>
<b>Other comprehensive income after tax</b>	<b>7.2</b>	<b>-5.7</b>	<b>7.5</b>	<b>-7.1</b>
<b>Comprehensive income, total</b>	<b>620.8</b>	<b>530.4</b>	<b>620.8</b>	<b>530.4</b>



# BALANCE SHEET

NOTE

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<b>ASSETS</b>				
Cash balances and demand deposits with central banks	985.7	326.5	985.7	326.5
21 Receivables from credit institutions and central banks	3,970.6	3,212.4	3,974.6	3,190.7
Lending, banking activities	34,351.4	33,772.9	34,709.1	34,803.3
Lending, reverse transactions	463.8	1,785.6	463.8	1,785.6
Lending, leasing activities	1,132.4	2,089.6	171.7	197.8
22 <b>Loans, advances and other receivables at amortized cost</b>	<b>35,947.6</b>	<b>37,648.1</b>	<b>35,344.6</b>	<b>36,786.7</b>
23 Bonds at fair value	20,234.0	18,810.4	20,234.0	18,810.4
24 Shares, etc.	1,416.8	1,215.5	1,359.6	975.6
25 Equity investments in associates	941.3	997.3	941.3	997.3
26 Equity investments in group enterprises	-	-	1,717.6	1,559.1
60 Assets linked to pooled schemes	10,853.8	9,052.3	10,853.8	9,052.3
27 Intangible assets	224.4	213.9	224.4	213.9
Investment properties	147.7	167.7	64.7	82.5
Corporate properties	537.3	511.7	434.5	420.9
28 <b>Land and buildings, total</b>	<b>685.0</b>	<b>679.4</b>	<b>499.2</b>	<b>503.4</b>
Operating lease assets	14.6	25.9	3.4	9.6
Other property, plant and equipment	105.4	120.9	104.3	119.8
29 <b>Other property, plant and equipment, total</b>	<b>120.0</b>	<b>146.8</b>	<b>107.7</b>	<b>129.4</b>
Current tax assets	92.6	58.4	93.2	37.2
37 Deferred tax assets	19.4	22.4	22.7	55.1
30 Temporary assets	41.2	120.3	35.9	102.8
31 Other assets	3,020.1	1,848.6	3,018.0	1,852.1
Prepayments	272.9	252.6	279.1	257.7
<b>Total assets</b>	<b>78,825.4</b>	<b>74,604.9</b>	<b>79,691.4</b>	<b>74,850.2</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>LIABILITIES OTHER THAN PROVISIONS</b>				
32 Payables to credit institutions and central banks	10,337.4	8,102.8	10,305.5	8,070.7
33 Deposits and other payables	42,235.8	41,830.5	43,395.4	42,512.6
60 Deposits in pooled schemes	10,853.8	9,052.3	10,853.8	9,052.3
34 Issued bonds at amortized cost	22.6	301.6	22.6	301.6
Other non-derivative financial liabilities at fair value	1,758.4	1,822.1	1,758.4	1,822.1
Temporary liabilities	0.0	0.1	0.0	0.1
35 Other liabilities	4,651.6	3,667.5	4,518.1	3,438.3
Deferred income	27.8	32.3	25.3	26.6
<b>Total liabilities other than provisions</b>	<b>69,887.4</b>	<b>64,809.2</b>	<b>70,879.1</b>	<b>65,224.3</b>
<b>PROVISIONS FOR LIABILITIES</b>				
37 Provisions for deferred tax	125.7	169.8	0.0	0.0
Provisions for losses on guarantees	43.7	12.2	43.7	12.2
Other provisions	27.3	78.6	27.3	78.6
<b>Total provisions for liabilities</b>	<b>196.7</b>	<b>260.6</b>	<b>71.0</b>	<b>90.8</b>
<b>SUBORDINATED DEBT</b>				
38 Subordinated debt	1,708.3	3,002.4	1,708.3	3,002.4
<b>Total liabilities</b>	<b>71,792.4</b>	<b>68,072.2</b>	<b>72,658.4</b>	<b>68,317.5</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	1,255.3	1,255.3	1,255.3	1,255.3
Revaluation reserves	89.4	88.8	88.1	87.3
<b>Accumulated changes in value, total</b>	<b>89.4</b>	<b>88.8</b>	<b>88.1</b>	<b>87.3</b>
Statutory reserves	571.4	507.4	909.3	682.6
<b>Statutory reserves, total</b>	<b>571.4</b>	<b>507.4</b>	<b>909.3</b>	<b>682.6</b>
Proposed dividend	200.8	125.5	200.8	125.5
Retained earnings	4,916.1	4,555.7	4,579.5	4,382.0
<b>Total shareholders' equity</b>	<b>7,033.0</b>	<b>6,532.7</b>	<b>7,033.0</b>	<b>6,532.7</b>
<b>Total shareholders' equity and liabilities</b>	<b>78,825.4</b>	<b>74,604.9</b>	<b>79,691.4</b>	<b>74,850.2</b>
<b>OFF-BALANCE-SHEET ITEMS</b>				
44 Contingent assets	6.8	11.0	4.0	2.0
45 Contingent liabilities	10,239.9	5,380.0	10,385.5	5,626.8
46 Other obligating agreements	751.7	633.3	795.6	677.6

# STATEMENT OF CHANGES IN EQUITY

SHAREHOLDERS' EQUITY	Share capital DKK m	Revaluation reserve DKK m	Foreign-currency translation reserve DKK m	Statutory reserves DKK m	Proposed dividend DKK m	Retained earnings DKK m	Total DKK m
<b>THE GROUP</b>							
<b>Shareholders' equity 01.01.14</b>	<b>1,255.3</b>	<b>84.5</b>	<b>4.3</b>	<b>507.4</b>	<b>125.5</b>	<b>4,555.7</b>	<b>6,532.7</b>
<i>Comprehensive income in 2014</i>							
Profit/loss for the year	-	-	-	104.1	200.8	308.7	613.6
<i>Other comprehensive income</i>							
Exchange adjustment upon translation of foreign entity	-	-	-4.3	-	-	1.8	-2.5
Net revaluation of properties	-	4.9	-	-	-	3.4	8.3
Other capital movements in associates	-	-	-	1.4	-	-	1.4
Dissolution of revaluation reserves in associates	-	-	-	-15.9	-	15.9	0.0
<b>Other comprehensive income, total</b>	<b>-</b>	<b>4.9</b>	<b>-4.3</b>	<b>-14.5</b>	<b>0.0</b>	<b>21.1</b>	<b>7.2</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>4.9</b>	<b>-4.3</b>	<b>89.6</b>	<b>200.8</b>	<b>329.8</b>	<b>620.8</b>
<i>Transactions with owners</i>							
Dividends paid	-	-	-	-	-125.5	-	-125.5
Dividends received, treasury shares	-	-	-	-	-	0.1	0.1
Disposal upon acquisition of treasury shares	-	-	-	-	-	-544.9	-544.9
Addition upon sale of treasury shares	-	-	-	-	-	549.8	549.8
Dividends received from associates recognized at net asset value	-	-	-	-25.6	-	25.6	0.0
<b>Transactions with owners, total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-25.6</b>	<b>-125.5</b>	<b>30.6</b>	<b>-120.5</b>
<b>Shareholders' equity 31.12.14</b>	<b>1,255.3</b>	<b>89.4</b>	<b>0.0</b>	<b>571.4</b>	<b>200.8</b>	<b>4,916.1</b>	<b>7,033.0</b>
<b>Shareholders' equity 01.01.13</b>	<b>1,255.3</b>	<b>83.1</b>	<b>8.5</b>	<b>503.1</b>	<b>0.0</b>	<b>4,125.3</b>	<b>5,975.3</b>
<i>Comprehensive income in 2013</i>							
Profit/loss for the year	-	-	-	77.6	125.5	333.0	536.1
<i>Other comprehensive income</i>							
Exchange adjustment upon translation of foreign entity	-	-	-4.2	-	-	-	-4.2
Net revaluation of properties	-	1.4	-	-	-	-	1.4
Other capital movements in associates	-	-	-	-2.9	-	-	-2.9
<b>Other comprehensive income, total</b>	<b>-</b>	<b>1.4</b>	<b>-4.2</b>	<b>-2.9</b>	<b>0.0</b>	<b>0.0</b>	<b>-5.7</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>1.4</b>	<b>-4.2</b>	<b>74.7</b>	<b>125.5</b>	<b>333.0</b>	<b>530.4</b>
<i>Transactions with owners</i>							
Disposal upon acquisition of treasury shares	-	-	-	-	-	-566.3	-566.3
Addition upon sale of treasury shares	-	-	-	-	-	593.3	593.3
Dividends received from associates recognized at net asset value	-	-	-	-70.4	-	70.4	0.0
<b>Transactions with owners, total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-70.4</b>	<b>0.0</b>	<b>97.4</b>	<b>27.0</b>
<b>Shareholders' equity 31.12.13</b>	<b>1,255.3</b>	<b>84.5</b>	<b>4.3</b>	<b>507.4</b>	<b>125.5</b>	<b>4,555.7</b>	<b>6,532.7</b>

# STATEMENT OF CHANGES IN EQUITY

SHAREHOLDERS' EQUITY	Share capital DKK m	Revaluation reserve DKK m	Foreign-currency translation reserve DKK m	Statutory reserves DKK m	Proposed dividend DKK m	Retained earnings DKK m	Total DKK m
<b>SPAR NORD, THE PARENT COMPANY</b>							
<b>Shareholders' equity 01.01.14</b>	<b>1,255.3</b>	<b>83.0</b>	<b>4.3</b>	<b>682.6</b>	<b>125.5</b>	<b>4,382.0</b>	<b>6,532.7</b>
<i>Comprehensive income in 2014</i>							
Profit/loss for the year	-	-	-	365.2	200.8	47.3	613.3
<i>Other comprehensive income</i>							
Exchange adjustment upon translation of foreign entity	-	-	-4.3	1.8	-	-	-2.5
Net revaluation of properties	-	5.1	-	-	-	3.5	8.6
Other capital movements in associates	-	-	-	1.2	-	0.2	1.4
Dissolution of revaluation reserves in associates	-	-	-	-15.9	-	15.9	0.0
<b>Other comprehensive income, total</b>	<b>-</b>	<b>5.1</b>	<b>-4.3</b>	<b>-12.9</b>	<b>0.0</b>	<b>19.6</b>	<b>7.5</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>5.1</b>	<b>-4.3</b>	<b>352.3</b>	<b>200.8</b>	<b>66.9</b>	<b>620.8</b>
<i>Transactions with owners</i>							
Dividends paid	-	-	-	-	-125.5	-	-125.5
Dividends received, treasury shares	-	-	-	-	-	0.1	0.1
Disposal upon acquisition of treasury shares	-	-	-	-	-	-544.9	-544.9
Addition upon sale of treasury shares	-	-	-	-	-	549.8	549.8
Dividends received from group enterprises	-	-	-	-100.0	-	100.0	0.0
Dividends received from associates recognized at net asset value	-	-	-	-25.6	-	25.6	0.0
<b>Transactions with owners, total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-125.6</b>	<b>-125.5</b>	<b>130.6</b>	<b>-120.5</b>
<b>Shareholders' equity 31.12.14</b>	<b>1,255.3</b>	<b>88.1</b>	<b>0.0</b>	<b>909.3</b>	<b>200.8</b>	<b>4,579.5</b>	<b>7,033.0</b>
<b>Shareholders' equity 01.01.13</b>	<b>1,255.3</b>	<b>83.0</b>	<b>8.5</b>	<b>843.2</b>	<b>0.0</b>	<b>3,785.3</b>	<b>5,975.3</b>
<i>Comprehensive income in 2013</i>							
Profit/loss for the year	-	-	-	162.7	125.5	249.3	537.5
<i>Other comprehensive income</i>							
Exchange adjustment upon translation of foreign entity	-	-	-4.2	-	-	-	-4.2
Net revaluation of properties	-	0.0	-	-	-	-	0.0
Other capital movements in associates	-	-	-	-2.9	-	-	-2.9
<b>Other comprehensive income, total</b>	<b>-</b>	<b>0.0</b>	<b>-4.2</b>	<b>-2.9</b>	<b>0.0</b>	<b>0.0</b>	<b>-7.1</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>0.0</b>	<b>-4.2</b>	<b>159.8</b>	<b>125.5</b>	<b>249.3</b>	<b>530.4</b>
<i>Transactions with owners</i>							
Disposal upon acquisition of treasury shares	-	-	-	-	-	-566.3	-566.3
Addition upon sale of treasury shares	-	-	-	-	-	593.3	593.3
Dividends received from associates recognized at net asset value	-	-	-	-320.4	-	320.4	0.0
<b>Transactions with owners, total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-320.4</b>	<b>0.0</b>	<b>347.4</b>	<b>27.0</b>
<b>Shareholders' equity 31.12.13</b>	<b>1,255.3</b>	<b>83.0</b>	<b>4.3</b>	<b>682.6</b>	<b>125.5</b>	<b>4,382.0</b>	<b>6,532.7</b>

## Differences in accounting policies between the Parent Company's Financial Statements and the Consolidated Financial Statements:

With the exception that subsidiaries are included in the Consolidated Financial Statements and recognized at net asset value in the Parent Company's Financial Statements, the accounting policies have been consistently applied.

The difference between the shareholders' equity and profit or loss in the Group and in the Parent Company is due to properties being classified as investment properties in subsidiaries and as corporate properties in the Group. The difference consists of net depreciation and impairment on such properties; see below.

	Profit/loss		Shareholders' equity	
	2014	2013	2014	2013
Spar Nord, the Group	613.6	536.1	7,033.0	6,532.7
Net depreciation and impairment, the Group's corporate properties	-0.3	1.4	0.0	0.0
Spar Nord, the Parent Company	613.3	537.5	7,033.0	6,532.7

Issued shares	Number of shares		Nominal value (DKK m)	
	2014	2013	2014	2013
1 January	125,529,918	125,529,918	1,255.3	1,255.3
31 December – fully paid-up	125,529,918	125,529,918	1,255.3	1,255.3

The share capital consists of 125,529,918 shares in the denomination of DKK 10.

No shares have been allocated special rights. There are no restrictions in terms of transferability and no restrictions on voting rights.

During the period until the governmental hybrid capital was redeemed at end-May 2014, the distribution of dividend was maximized at Spar Nord's current profits.

A dividend of DKK 200.8 million is proposed to be distributed for 2014 [2013: DKK 125.5 million].

The distribution of dividend to the shareholders of Spar Nord has no tax consequences for Spar Nord.

# STATEMENT OF CHANGES IN EQUITY

	Spar Nord The Group 2014	Spar Nord The Group 2013	Spar Nord Parent Company 2014	Spar Nord Parent Company 2013
<b>NUMBER OF SHARES IN CIRCULATION</b>				
Beginning of year	125,308,845	124,497,117	125,308,845	124,497,117
Acquisition/sale of treasury shares	57,286	811,728	57,286	811,728
<b>End of year</b>	<b>125,366,131</b>	<b>125,308,845</b>	<b>125,366,131</b>	<b>125,308,845</b>
Shares issued	125,529,918	125,529,918	125,529,918	125,529,918
The Group's treasury share portfolio	163,787	221,073	163,787	221,073
<b>Outstanding shares in circulation</b>	<b>125,366,131</b>	<b>125,308,845</b>	<b>125,366,131</b>	<b>125,308,845</b>

## TREASURY SHARE PORTFOLIO

Number of shares	163,787	221,073	163,787	221,073
Nominal value, DKK m	1.6	2.2	1.6	2.2
Fair value, DKK m	9.5	10.9	9.5	10.9
Percentage of share capital	0.1	0.2	0.1	0.2

## TREASURY SHARE PORTFOLIO, FAIR VALUE, DKK M

Portfolio, beginning of year	10.9	26.6	10.9	26.6
Acquisition of treasury shares	544.9	566.3	544.9	566.3
Sale of treasury shares	549.8	593.3	549.8	593.3
Market-value adjustment	3.5	11.3	3.5	11.3
<b>Portfolio, end of year</b>	<b>9.5</b>	<b>10.9</b>	<b>9.5</b>	<b>10.9</b>

## TREASURY SHARES DEPOSITED AS COLLATERAL

Number of shares	1,801,760	2,094,114	1,801,760	2,094,114
Nominal value, DKK m	18.0	20.9	18.0	20.9
Fair value, DKK m	104.5	103.0	104.5	103.0
Percentage of share capital	1.4	1.7	1.4	1.7

Treasury shares deposited as collateral comprise collateral provided by customers in the form of Spar Nord shares.

The Bank uses treasury shares for trading with customers.

Until the next Annual General Meeting, the Board of Directors is authorized to let the Bank acquire treasury shares of a nominal value of up to 10% of the share capital based on the listed price at the date of acquisition subject to a deviation of up to 10%.

	Spar Nord The Group 2014 DKK m	Spar Nord The Group 2013 DKK m	Spar Nord Parent Company 2014 DKK m	Spar Nord Parent Company 2013 DKK m
<b>OWN FUNDS</b>				
Shareholders' equity	7,033.0	6,532.7	7,033.0	6,532.7
Proposed dividend	200.8	125.5	200.8	125.5
Intangible assets, incl. share recognized in investments in associates	219.8	250.9	219.8	250.9
Deferred tax assets *)	19.4	22.4	22.7	55.1
Other primary deductions	59.8	4.0	59.7	4.0
Deductions, equity investments	149.3	0.0	137.8	0.0
Revaluation reserves	0.0	84.5	0.0	83.0
Foreign-currency translation reserve	0.0	4.3	0.0	4.3
<b>Common Equity (Tier 1)</b>	<b>6,383.9</b>	<b>6,041.1</b>	<b>6,392.2</b>	<b>6,009.9</b>
Hybrid core capital **)	430.7	1,813.7	430.7	1,813.7
Other deductions	298.6	417.9	275.5	416.8
<b>Core capital (Tier 1)</b>	<b>6,516.0</b>	<b>7,436.9</b>	<b>6,547.4</b>	<b>7,406.8</b>
Subordinated debt (excl. hybrid core capital **)	1,148.8	1,150.4	1,148.8	1,150.4
Revaluation reserves	0.0	84.5	0.0	83.0
Foreign-currency translation reserve	0.0	4.3	0.0	4.3
Other deductions	298.6	413.2	275.5	412.1
<b>Own funds</b>	<b>7,366.2</b>	<b>8,262.9</b>	<b>7,420.7</b>	<b>8,232.4</b>
<b>Total risk exposure</b>	<b>49,004.5</b>	<b>42,696.7</b>	<b>49,827.8</b>	<b>43,188.2</b>
Common Equity (Tier 1) ratio, (%)	13.0	14.1	12.8	13.9
Core capital (Tier 1) ratio, (%)	13.3	17.4	13.1	17.2
Total capital ratio (%)	15.0	19.4	14.9	19.1

\*) The Group figure relates to a separate loss in a subsidiary.

\*\*) Including portfolio of own bonds.

# CASH FLOW STATEMENT

NOTE

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<b>OPERATIONS</b>				
Profit/loss before tax	705.0	669.5	691.0	668.6
26 Foreign-currency translation, subsidiaries	-2.5	-4.1	0.0	0.0
28 Fair-value changes, investment properties	1.8	4.8	-0.4	1.5
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	71.5	116.2	71.0	89.9
Gains and losses on the sale of intangible assets and property, plant and equipment	2.8	-1.0	2.8	-1.0
36+55 Adjustment of impairment of loans and advances, etc.	249.5	276.0	302.0	324.6
36 Provisions for liabilities	-20.2	-11.4	-20.2	-11.4
19 Profit/loss on equity investments in associates and group enterprises	-104.1	-77.6	-365.2	-162.7
Corporate income tax paid	-167.4	-157.0	-101.3	-21.0
<b>Operations, total</b>	<b>736.4</b>	<b>815.4</b>	<b>579.7</b>	<b>888.5</b>
<b>WORKING CAPITAL</b>				
21+32 Movement in credit institutions and central banks, net	2,234.2	-207.7	2,234.4	60.7
22 Movement in loans, advances and other receivables at amortized cost	3,814.3	1,133.8	3,503.4	129.5
23 Movement in bonds at fair value	-1,423.6	1,438.9	-1,423.6	1,438.9
24 Movement in equity portfolio	-6.8	-13.1	-189.5	214.1
34 Movement in issued bonds at amortized cost	-279.0	-5,791.7	-279.0	-5,791.7
Movement in other assets and other liabilities, net	-276.9	-647.7	-174.4	-476.2
33 Movement in deposits and other payables	368.6	-91.2	846.1	175.3
<b>Working capital, total</b>	<b>4,430.8</b>	<b>-4,178.7</b>	<b>4,517.4</b>	<b>-4,249.4</b>
<b>Cash generated from operations, total</b>	<b>5,167.2</b>	<b>-3,363.3</b>	<b>5,097.1</b>	<b>-3,360.9</b>
<b>INVESTMENTS</b>				
49 Acquisition of activities from FIH Erhvervsbank	-2,349.2	0.0	-2,349.2	0.0
25+26 Acquisition of associates and group enterprises	-58.6	-0.2	-58.6	-10.3
27 Acquisition of intangible assets	-0.2	-25.6	-0.2	-25.6
27 Sale of intangible assets	0.1	0.0	0.1	0.0
28+29+30 Acquisition of property, plant and equipment	-59.5	0.0	-41.9	-38.5
28+29+30 Sale of property, plant and equipment	106.2	214.5	84.4	0.0
Disposal upon acquisition of treasury shares	549.8	593.3	549.8	593.3
Addition upon sale of treasury shares	-544.9	-566.3	-544.9	-566.3
25+26 Dividends from associates and group enterprises	25.6	70.4	125.6	320.4
<b>Investments, total</b>	<b>-2,330.7</b>	<b>286.1</b>	<b>-2,234.9</b>	<b>273.0</b>
<b>FINANCING</b>				
38 Subordinated debt	-1,294.1	440.9	-1,294.1	440.9
Dividends paid, excluding dividends on treasury shares	-125.4	0.0	-125.4	0.0
<b>Financing, total</b>	<b>-1,419.5</b>	<b>440.9</b>	<b>-1,419.5</b>	<b>440.9</b>
<b>Movement in cash and cash equivalents for the year</b>	<b>1,417.0</b>	<b>-2,636.3</b>	<b>1,442.7</b>	<b>-2,647.0</b>
Cash and cash equivalents, beginning of year	3,483.4	6,119.7	3,461.7	6,108.7
Movement in cash and cash equivalents for the year	1,417.0	-2,636.3	1,442.7	-2,647.0
<b>Cash and cash equivalents, end of year</b>	<b>4,900.4</b>	<b>3,483.4</b>	<b>4,904.4</b>	<b>3,461.7</b>
<i>Cash and cash equivalents, end of year</i>				
Cash, cash equivalents and demand deposits with central banks	985.7	326.5	985.7	326.5
21 Receivables from credit institutions and central banks with less than 3 mths to maturity	3,914.7	3,156.9	3,918.7	3,135.2
<b>Total</b>	<b>4,900.4</b>	<b>3,483.4</b>	<b>4,904.4</b>	<b>3,461.7</b>



**LIST OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AND THE PARENT COMPANY'S FINANCIAL STATEMENTS**

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## NOTE 1 ACCOUNTING POLICIES

### BASIS FOR PREPARING THE ANNUAL REPORT

Spar Nord Bank A/S is a public limited company with its registered office in Denmark. The Annual Report for the period from 1 January to 31 December 2014 comprises the Consolidated Financial Statements of Spar Nord and its subsidiaries as well as the Financial Statements of the Parent Company.

The Consolidated Financial Statements are presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Financial Statements of the Parent Company are presented in accordance with the Danish Financial Business Act, including the Danish Executive Order on the Presentation of Financial Statements by Credit Institutions and Stockbrokers, etc.

Moreover, the Annual Report is presented in accordance with additional Danish disclosure requirements for annual reports prepared by listed financial institutions; see the Danish Financial Business Act and the Executive Order regarding the application of IFRS standards in financial institutions issued pursuant to the Danish Financial Business Act.

On 5 February 2015, the Board of Directors and Executive Board reviewed and adopted the 2014 Annual Report of the Spar Nord Group. The Annual Report will be submitted for adoption by the shareholders at the Annual General Meeting on 22 April 2015.

A few reclassifications have been made in the income statement in that Spar Nord resumed its leasing activities in 2014, for which reason the leasing activities have been reclassified from the item "Profit/loss on discontinuing activities" to the respective items in accordance with IFRS 5. The comparative figures in the income statement and the performance indicators and financial ratios have been restated.

### Recognition and measurement generally

The Annual Report is presented in Danish kroner (DKK) and rounded to the nearest million DKK with one decimal.

Assets are recognized in the balance sheet if it is probable that future economic benefits will flow to the Group and the value of the assets can be measured reliably. Liabilities are recognized in the balance sheet when they are probable and can be measured reliably.

Upon initial recognition, assets and liabilities are measured at fair value. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Gains, losses and risks arising before the date of presentation of the Annual Report and the facts that confirm or rebut circumstances and conditions existing at the reporting date are taken into consideration upon recognition and measurement.

Income is recognized in the income statement as it is earned. Costs defrayed to generate earnings are recognized in the income statement. Value adjustments of financial assets, financial liabilities and derivative instruments are recognized in the income statement.

The policies regarding recognition and measurement in the Parent Company are compatible with IFRS. There is a difference between profit or loss in the Parent Company and the Group, which is due to properties being classified as investment properties in subsidiaries but as corporate properties in the Group. The difference consists of net depreciation and impairment on such properties.

The accounting policies, which are set out below, have been applied consistently for the financial year, also with regard to comparative figures, and are thus unchanged compared with last year. For more details regarding the implementation of new financial reporting standards, please see below. These new standards did not give rise to changes in recognition and measurement in 2014. The comparative figures are not restated for financial reporting standards to be implemented in future reporting periods.

### Implementation of new financial reporting standards

Effective 1 January 2014, the Spar Nord Group implemented IFRS 10, Consolidated Financial Statements, IFRS 12, Disclosure of Interests in Other Entities, Amendments to IFRS 10, 12 and IAS 27, as well as IAS 27 (2011), Separate Financial Statements, IAS 28 (2011), Investments in Associates and Joint Ventures, Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities, Amendments to IAS 39, Novation of Derivatives and Continuation of Hedge Accounting, and IFRIC 21, Levies.

IFRS 10 introduces a new control model to be applied to all the companies in which the Spar Nord Group holds an interest ("investees"), the focal point being whether the Spar Nord Group has a controlling interest in an investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 12 contains disclosure requirements for both consolidated and non-consolidated enterprises, joint ventures and associates.

The implementation of the adopted amendments and new standards did not materially affect recognition and measurement in 2014, thus not impacting earnings per share, diluted earnings per share and shareholders' equity

### DESCRIPTION OF ACCOUNTING POLICIES

#### Consolidated Financial Statements

The Consolidated Financial Statements cover the Parent Company, Spar Nord Bank, and group enterprises in which the Group controls financial and operational decisions. The Group has a controlling interest in an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing whether the Group has a controlling interest, it is considered whether the Group has de facto control and potential voting rights that exist and are substantive at the reporting date.

Associates are companies that are not group enterprises but in which the Group holds equity investments and has significant influence, but not a controlling interest. Significant influence is typically obtained when a company, directly or indirectly, owns or holds more than 20 per cent of the voting rights, but less than 50 per cent.

In assessing whether the Group has a controlling interest or significant influence, the voting rights that can be exercised on the reporting date are taken into account.

The following group enterprises are included by means of full consolidation:

- Aktieselskabet Skelagervej 15 (Spar Nord Ejendomsselskab A/S merged with Aktieselskabet Skelagervej 15 as of 1 January 2014)
- Spar Nord Leasing A/S
- Erhvervsinvest Nord A/S in liquidation

The Consolidated Financial Statements are prepared as a condensed version of the financial statements of the Parent Company and the individual subsidiaries, drawn up in accordance with the Group's accounting policies. Intercompany income and expenses, shareholdings, intercompany balances and realized and unrealized gains and losses on transactions between the consolidated enterprises are eliminated in consolidation.

#### Business combinations

##### Acquisitions

The partial acquisition of another company is recognized in the Consolidated Financial Statements from the acquisition date, which is the date on which the Spar Nord Group obtains actual control of the acquired assets and liabilities.

Comparative figures are not adjusted for newly acquired, sold or wound-up companies.

The acquired, identified assets, liabilities and contingent liabilities are measured at their fair value as of the acquisition date. Identifiable intangible assets are recognized if they are separable or arise from a contractual right. Allowance is made for the tax impact of the revaluations made.



Positive differences between the acquisition cost and the fair value of acquired, identified assets and liabilities (goodwill) are recognized under intangible assets. Goodwill is not amortized, but tested for impairment at least once a year. The initial impairment test is made before the end of the year of acquisition. On acquisition, goodwill is allocated to the cash-generating units that are subsequently subjected to impairment tests. Negative differences (negative goodwill) are recognized in profit or loss for the year at the date of acquisition.

The purchase sum paid consists of the fair value of the agreed consideration in the form of transferred assets, assumed liabilities and issued equity instruments. Costs allocable to business combinations are recognized directly in profit or loss for the year when incurred.

In case of any uncertainty at the date of acquisition about the identification or measurement of acquired assets, liabilities or contingent liabilities or the determination of the purchase sum, initial recognition is based on amounts preliminarily determined. If the identification or measurement of the purchase sum, acquired assets, liabilities or contingent liabilities proves to be incorrect on initial recognition, the determination is adjusted with retroactive effect, including goodwill, within 12 months after the acquisition, and comparative figures are restated. Subsequently goodwill is not adjusted. Changes to estimates of conditional purchase sums are recognized in profit or loss for the year.

Companies sold or wound up are recognized in the Consolidated Financial Statements until the date of divestment or the date of winding-up. Gains or losses upon the divestment or winding-up of group enterprises and associates are recognized as the difference between the selling price or the winding-up proceeds and the carrying amount of net assets, including goodwill, at the time of sale plus the defrayed and expected costs of divestment or winding-up.

#### Foreign-currency translation

The Consolidated Financial Statements and the Parent Company's Financial Statements are presented in DKK, which is the Spar Nord Group's functional currency. Transactions denominated in a foreign currency are translated at the rate of exchange ruling at the date of the transaction. Exchange differences that arise between the exchange rate at the date of the transaction and the exchange rate at the payment date are recognized in the income statement under market-value adjustments.

Monetary items in foreign currencies are translated at the exchange rate prevailing at the reporting date. The difference between the exchange rate at the reporting date and the exchange rate at the time the balance arose is recognized in the income statement under market-value adjustments. Rates of exchange are assessed for illiquid currencies.

For the purpose of recognizing companies in currencies other than DKK in the Consolidated Financial Statements, income-statement items are translated at the exchange rate at the transaction date, and balance-sheet items are translated at the exchange rate at the reporting date. The exchange rate at the transaction date is calculated on the basis of the average rate for the individual months, to the extent this does not present a result differing significantly from that based on the exchange rate prevailing at the transaction date. Translation differences arising on the translation of these companies' beginning-of-year equity at the exchange rate on the reporting date, and on the translation of income statements from the exchange rate at the transaction date to the exchange rate at the reporting date, are recognized in shareholders' equity under a special reserve for translation adjustments via other comprehensive income. On the sale of wholly owned foreign entities resulting in loss of control, the exchange adjustments that have been recognized in other comprehensive income on a cumulative basis and which are attributable to the sold entity are reclassified from other comprehensive income to profit/loss for the year, together with the gain or loss on the sale.

#### Offsetting

Receivables and liabilities are offset when the Group has a legal right to set off the recognized amounts, while at the same time intending to make a net settlement or realize the asset and redeem the liability at the same time.

#### Financial instruments generally

Financial assets are classified in the following categories at the date of recognition:

- trading portfolio, which is valued at fair value
- loans, advances and receivables, which are valued at amortized cost
- held-to-maturity investments, which are valued at amortized cost
- financial assets designated at fair value, with value adjustments being recognized in the income statement (fair-value option)

Financial liabilities are classified in the following categories at the date of recognition:

- trading portfolio, which is valued at fair value
- other financial liabilities, which are valued at amortized cost

The Spar Nord Group does not have held-to-maturity investments.

#### Derivative instruments

Derivative instruments and unsettled spot transactions are recognized and measured at fair value at the trade date. Value adjustments are recognized in the income statement.

Positive fair values are recognized under Other assets and negative fair values under Other liabilities. In calculating the fair value, the listed bid/offer price is used to value listed instruments, while a valuation model based on recognized methods and current market data is used for unlisted instruments. Gains or losses at inception ("day-1 profit/loss") are not recognized for unlisted derivative instruments.

Interest from forward securities transactions, forward exchange contracts and interest and currency swaps is recognized net under Interest income. Positive market values are recognized under Other assets. Negative market values are recognized under Other liabilities.

When calculating the fair value of derivative instruments that are traded outside a recognized exchange, significant estimates are used for the purpose of the measurement. The fair values are calculated by using observable market data and recognized calculation methods, including discounted cash-flow models and option valuation models. Input variables are observable market data, including unquoted yield curves, exchange rates and volatility curves.

At the reporting date, Spar Nord had swaptions, interest caps and floors and currency options that had been valued on the basis of more complex models. As far as possible, the parameters of valuation are market-based.

The values generated by valuation models are frequently estimates of values that cannot be determined unequivocally on the basis of market observations. Thus, in some cases, the valuation is made by including risk factors (liquidity and counterparty risks) as additional parameters.

Certain contracts include conditions that correspond to those for derivative instruments. Such embedded derivatives are segregated, recognized separately and measured at fair value on a recurring basis if they differ significantly from the relevant contract, unless the full contract is recognized and measured at fair value on an ongoing basis.

#### Bonds and shares, etc.

Bonds and shares, etc. are valued according to the following methods:

The portfolio of listed shares is measured at the listed prices quoted at the reporting date. Shares included in the trading portfolio are recognized on the settlement day at their fair value. Shares that are not included in the trading portfolio are recognized on the settlement day and measured at fair value with the ensuing changes in value in the income statement using the fair-value option.

The fair-value option makes it possible to account for securities outside the trading portfolio at fair value, as if they were part of the trading portfolio. It is a condition that such assets are managed on a fair-value basis, thus involving recognition of value adjustments in the income statement.

Unlisted unit trust certificates are measured at the price calculated by the unit trust.

The portfolio of listed bonds that are traded is measured at the listed closing market price on the reporting date.

For illiquid and unlisted bonds with no current listed prices, estimated prices are used. Such estimated prices are calculated using the Bank's own valuation models, which are based on a yield curve plus a credit spread. The estimated prices are extensively calculated on the basis of observable inputs that are used to calculate the fair value.

Where observable inputs are not available, the fair value is calculated based on a basket of reference bonds and an assessment of the likelihood of loss on the underlying assets or based on an external assessment of the price.

If a reliable fair value cannot be identified, the investment will be measured at cost less any writedowns for impairment.

Securities are removed from the balance sheet on the settlement day.

#### **Repo and reverse transactions**

If the sale is made subject to a repurchase agreement, securities sold are recognized in the balance sheet on the settlement day as if the securities were still part of the Group's portfolio. The amount received is recognized as a liability, and the difference between the offered price and the bid price is recognized as interest in the income statement over the term of the relevant instrument. The yield on the securities is recognized in the income statement.

Bought securities are not recognized in the balance sheet and the yield on such securities is not recognized in the income statement if a resale agreement is made simultaneously with the purchase. The purchase sum paid is recognized as a receivable, and the difference between the bid and offered price is recognized as interest in the income statement over the term of the relevant instrument.

Repo and reverse transactions are recognized and measured at amortized cost.

#### **Hedge accounting**

The Group uses derivative instruments to hedge interest risks attaching to fixed-interest assets and liabilities, which are measured at amortized cost. Such hedging instruments are measured at fair value and any changes in value are recognized in the income statement. When the criteria for the application of hedge accounting have been met, the carrying amount of the hedged assets and liabilities is adjusted for changes in fair value regarding the hedged risks (fair-value hedging). If the criteria for hedging are no longer met, the accumulated value adjustment of the hedged item is amortized over the remaining term to maturity.

## **INCOME STATEMENT**

#### **Interest income and expenses**

Interest income and expenses relating to interest-bearing financial instruments that are measured at amortized cost are recognized in the income statement according to the effective interest method, based on the cost of the financial instrument. Interest includes amortization of fees that are an integral part of the effective yield on a financial instrument, including upfront fees and the amortization of any further difference between the cost and redemption price.

Interest income and expenses also include interest on financial instruments valued at fair value, with the exception of interest relating to assets and deposits in pools, which is recognized under market-value adjustments.

Interest on loans and advances individually written down for impairment is recognized as income on the basis of the written-down value.

Interest income and expenses comprise interest income on finance leases and purchase contracts. Interest income is calculated based on the agreed effective interest rate.

Fees, etc from operational and financial lease agreements are accrued over the remaining term of the agreements and are recognized on an ongoing basis under interest income.

#### **Net fees, charges and commissions received**

Fees, charges and commissions relating to loans, advances and receivables that are considered an integral part of such loans, etc. are recognized as part of the carrying amount of loans, advances and receivables and are recognized in the income statement over the term of the loans and advances as part of the effective interest rate. Commissions relating to guarantees are carried to income over the term of the guarantees. Income generated upon performing a given transaction, including securities and custodianship fees plus payment services fees, is recognized as income when the transaction has been performed.

Consideration for arranging mortgage-credit loans for Totalkredit and DLR is calculated on the basis of the offset model. Loan origination fees are recognized at the date of loan origination, and consideration for continuous services to the borrower is recognized in step with the Bank rendering such services and thus earning an entitlement to the consideration. Recognized losses that can be offset are treated as an income reduction during the period in which losses are offset.

#### **Market-value adjustments**

Market-value adjustments include realized and unrealized market-value adjustments of items in the trading portfolio of securities and derivative instruments as well as other shares at fair value (the fair-value option). In addition, the impact on profits/losses from exchange adjustments and fair-value hedge accounting is also recognized under market-value adjustments.

#### **Other operating income**

Other operating income includes items that are secondary to the Group's activities, including gains on the sale of acquired investment and corporate properties, the sale of leased assets, the adjustment of guarantees taken over, etc.

Other operating income also includes rental income from operating leases and from properties after deducting operating expenses.

Gains on sales are calculated as the difference between the selling price less selling costs and the carrying amount at the date of the sale.

#### **Staff costs and administrative expenses**

Staff costs and administrative expenses comprise salaries, bonuses, the cost of employee bonds and equity-settled share options granted (management incentive schemes), holiday pay, anniversary lump sums, pension costs, etc.

## Share-option scheme

The fair value of equity-settled share options granted (management incentive schemes) at the time of allocation is recognized in the income statement as a staff cost during the period when the employee provides the services that correspond to the options granted. The offsetting item is recognized in equity via other comprehensive income. In connection with recognition over the service period, an estimate is made of the number of share options granted, and the fair value is calculated based on an option model. In connection with a final statement of allocation, previously expensed amounts are adjusted based on the actual allocation of options. The share options may be exercised no sooner than three years after allocation. Options granted will not be affected by the employee's resignation. For a more detailed description of the option model, reference is made to note 14, Share-based payment.

## Other operating expenses

Other operating expenses contain items of a secondary nature relative to the Group's activities, including contributions to the statutory depositors' guarantee fund

## Profit/loss on equity investments in associates and group enterprises

Profits or losses on equity investments in associates and group enterprises comprise the proportionate share of the individual companies' results after tax.

## Tax

Spar Nord is taxed jointly with its Danish and foreign subsidiaries. The current Danish corporation tax is allocated to the jointly taxed Danish companies in proportion to their respective taxable incomes. Companies that utilize tax losses in other companies pay joint taxation contributions to the Parent Company equivalent to the tax base of the utilized losses, while companies whose tax losses are utilized by other companies receive joint taxation contributions from the Parent Company equivalent to the tax base of the utilized losses (full allocation). The jointly taxed Danish companies are included in the Danish tax prepayment scheme. Spar Nord recognizes a deferred tax liability in respect of the retaxation balance related to international joint taxation.

Tax for the year, which comprises current tax for the year and any change in deferred tax, is recognized in the income statement with the portion attributable to the profit/loss for the year and in other comprehensive income with the portion attributable to other comprehensive income items, and in equity with the portion attributable to items recognized directly in equity.

To the extent that deductions are allowed for the consequences of share-based payment schemes in the determination of taxable income in Denmark, the tax effect of the schemes is recognized within tax on profit/loss for the year. If the combined tax deductions exceed the total cost for accounting purposes, the tax effect of the excess deduction is recognized in equity via other comprehensive income.

## BALANCE SHEET

### Receivables from credit institutions and central banks

Receivables from credit institutions and central banks comprise receivables from other credit institutions and time deposits with central banks. Reverse transactions, which involve buying securities to be resold at a later date, and where the counterparty is a credit institution or a central bank, are recognized as Receivables from credit institutions and central banks. The valuation of Receivables from credit institutions and central banks is made as stated under Loans, advances and receivables at amortized cost.

### Loans, advances and other receivables at amortized cost

This item comprises loans, advances and receivables, including mortgage deeds, receivables under finance leases, reverse transactions where the counterparty is not a credit institution or a central bank.

Initial recognition is based on fair value plus transaction costs and less

fees, charges and commissions received in connection with loan origination. Subsequently, loans, advances and receivables that are not reverse transactions are periodically remeasured at amortized cost using the effective interest method, less impairment provisions for bad and doubtful debts. The measurement of reverse transactions is described in the section Repo/reverse transactions.

### Impairment

Loans, advances and receivables are monitored continuously to assess whether there is any objective indication of impairment and whether an impairment test shows any losses. This is done by individually assessing all significant and credit-quality flagged loans, advances and receivables. For minor loan facilities of less than DKK 250,000, credit-quality flagged customers are automatically assessed based on the customer data and characteristics recorded. Loans, advances and receivables that are not individually impaired are divided into groups with uniform characteristics with respect to credit risk and assessed on a portfolio basis.

### Individual impairment

Impairment is based on an individual assessment of facilities when there is an objective indication of impairment of an individual facility.

There is an objective indication of impairment of loans and advances if one or more of the following events have occurred:

- the borrower is in considerable financial difficulty
- the borrower is in breach of his contract, e.g. in the form of non-payment of loan repayments and interest
- the Group grants the borrower special terms that would not have been granted in the absence of the borrower's financial difficulty
- the borrower is likely to become insolvent or subject to any other financial restructuring

Impairment is calculated as the difference between the carrying amount and the discounted value of the expected cash flows. The collateral is deducted at fair value, excluding the costs of realization. Any subsequent increase of the discounted value of the expected cash flows results in full or partial reversal of impairment. For fixed-interest loans and advances, the original effective interest rate is used to calculate the discounted value, while the current effective interest rate is used for floating-rate loans and advances.

If a borrower is in considerable financial difficulty, the loan will be written down to an amount that the borrower is expected to be able to service in future based on a financial restructuring. If restructuring proves impossible, the impairment will be based on the expected proceeds of insolvency proceedings.

### Groups of impairment losses

Individually assessed loans and advances that are not subject to impairment and other loans and advances are classified into categories to assess the need for impairment by group. A portfolio assessment is made on the basis of groups of loans with uniform characteristics with respect to credit risk. Among other things, the portfolio impairment is intended to cover deterioration in the payment behaviour for the relevant portfolio and changes in other conditions that, based on experience, are related to the extent of non-payment in the relevant groups of loans, advances and receivables.

The portfolio assessment is based on the Bank's rating systems, which divide the customers into nine rating classes.

The calculation of groups of impairment losses is based on gross migration. Thus, following a gross addition, the total groups of impairment losses are composed of the sum total of the individual borrowers' deterioration in rating, calculated exclusively for the customers whose rating has deteriorated, with a resulting increase in risk compared to the risk originally expected. Thus, it is not taken into account that other borrowers improved their rating during the period, with a resulting decrease in risk compared to the risk originally expected.

Spar Nord calculates groups of impairment losses as the difference between the present value of the originally expected future losses and the present value of expected future losses after the deterioration in rating for the individual customer. The discount rate used is the weighted average of the agreed-upon effective interest rates on the individual loans and advances.

In Spar Nord Leasing, groups of impairment losses are based on a writedown of the portfolio of customers regarding which no individual impairment has been made. The groups of impairment losses are calculated separately for the industries Transport, Construction, Agriculture, Industry and other areas, as these groups have uniform characteristics with respect to credit risk.

The groups of impairment losses are based on a statistical model that incorporates external economic indicators in the form of unemployment rate and an index of consumer sentiment. Moreover, the model incorporates developments in the ratio of down payments and deposits, as a higher ratio of down payments or deposits will reduce group-based impairment losses.

#### *Impairment losses, etc.*

Impairment losses on loans and advances are charged to an impairment account, which is deducted from loans and advances. Any movement in the impairment account is recognized in the income statement under Impairment of loans, advances and receivables, etc. In case of any subsequent events that show that the impairment was not permanent, the impairment is reversed via Impairment of loans, advances and receivables, etc.

Loans and advances considered to be uncollectible are written off via the impairment account. Loans and advances are written off when established collection procedures have been observed as follows:

- the debtor has filed an insolvency petition and the liquidator has indicated the probable financial result of the insolvency proceedings
- the Spar Nord Group cancels debts following either a compulsory or private arrangement with creditors
- the Spar Nord Group considers collection of the debt completely unlikely for other reasons.

No interest on the written-down portion of the individual loans and advances is carried to income.

#### **Leasing**

Lease contracts are classified as finance leases when all significant risks and returns associated with the title to an asset are transferred to the lessee. All other lease contracts are classified as operating leases.

Finance lease assets, with the Group as lessor, are recognized under loans and advances at the net investment in the leases less depreciation (repayments), calculated according to the annuity method over the term of the lease.

Income from leased assets is recognized based on the effective interest rate in the lease, and is booked in the income statement under interest income. Profit and loss on the sale of leased assets are booked as Other operating income and Other operating expenses.

Operating lease assets, with the Group as lessor, are recognized under Operating equipment and depreciated like the Group's other operating equipment. Rental income from operating leases is recognized on a straight-line basis over the relevant term of the lease, under Other operating income.

#### **Equity investments in group enterprises and associates**

Equity investments in associates are recognized at the proportionate share of the net asset value (NAV) on the reporting date plus the carrying amount of goodwill acquired.

Equity investments in group enterprises in the Parent Company are recognized at the proportionate share of the net asset value (NAV) on the reporting date plus the carrying amount of goodwill acquired.

Goodwill is calculated and measured as described above under Business combinations.

The share of profit/loss for the year after tax is recognized in the income statement of the Parent Company under Profit/loss on equity investments in associates and group enterprises. In connection with the purchase or sale of group enterprises or associates, the results of such group enterprises or associates are included in the income statement from or until the takeover date, as the case may be.

Any gain or loss upon sale is calculated as the difference between the selling price and the carrying amount at the transfer date, including the carrying amount of goodwill, and is recognized under Other operating income/Other operating expenses.

#### **Pension pools**

Assets forming part of pension pools and customers' contributions to pension pools are presented in separate balance-sheet items. The return on pooled assets and contributions is presented together under market-value adjustments and is specified in Notes to income statement disclosures.

#### **Intangible assets**

##### *Goodwill*

Goodwill acquired is recognized at cost less accumulated writedowns for impairment, as described under Business combinations. The carrying amount is not systematically amortized.

Goodwill relating to associates is recognized under equity investments in associates.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. The identification of cash-generating units is based on the management structure and internal financial management.

Goodwill is not amortized, but a goodwill impairment test is made at least once a year for each cash-generating unit. Goodwill is written down to the recoverable amount via the income statement if the carrying amount of the cash-generating unit's net assets exceeds the higher of the net selling price and the value in use that corresponds to the present value of expected future cash flows from the unit.

##### *Customer relations*

Customer relations taken over in connection with company acquisitions are recognized at cost and are amortized on a straight-line basis over the expected useful life, which does not exceed ten years. The expected useful life depends on customer loyalty.

The useful life is reassessed annually. Any changes in amortization as a result of changes in useful life are recognized in future reporting periods as a change in accounting estimates.

##### *Software*

Software acquired is recognized at cost, including installation expenses, and amortized according to the straight-line method over the expected useful life of a maximum of five years.

Customer relationships and software that are amortized are subjected to an impairment test when there are indications of impairment. Where impairment is indicated, they are written down to the value in use.

## Land and buildings

Properties are recognized at cost upon acquisition and subsequently measured at fair value. Borrowing costs from general borrowing or loans that are directly attributable to the acquisition and construction of qualifying assets (properties) are attributed to the cost of the specific individual asset.

The fair value is calculated on the basis of current market data according to an asset return model that includes the property's rental income, operating expenses, as well as management and maintenance, etc. Operating expenses and maintenance costs are calculated on the basis of the condition of the individual property, construction year, materials used, etc. The fair value of the property is determined based on the calculated return on its operation and the individually determined rate of return. The return rate is fixed on the basis of the location of the individual property, potential use, the state of maintenance, quality, etc. The fair value of the individual property is reassessed annually based on the current market and the interest level.

Corporate properties are properties used by the Group for administrative purposes, as a branch or for other service activities. The carrying amount of corporate properties is systematically depreciated over the expected useful life of 50 years for buildings. Special installations in buildings are depreciated according to the straight-line method over a useful life of 20 years. Allowance is made for the expected residual value when calculating depreciation. The revaluation of corporate properties to fair value is recognized in Other comprehensive income and allocated to a special reserve under shareholders' equity, Revaluation reserves, while depreciation and impairment are recognized in the income statement under Depreciation, amortization and impairment of intangible assets and property, plant and equipment.

Corporate properties expected to be sold within a 12-month period according to a publicized plan are treated as Temporary assets.

Land is not depreciated.

Investment properties are properties held to obtain rental income and/or capital gains, including properties let under operating leases and properties taken over. Investment properties are not depreciated. Changes in fair values are recognized in the Parent Company under Market-value adjustments, while the fair value changes in the Group are recognized under Other operating income. Rental income is recognized in the income statement under Other operating income.

## Other property, plant and equipment

Operating equipment in the form of IT equipment, cars, furniture and fixtures and leasehold improvements are recognized at cost less accumulated depreciation and impairment. The basis of depreciation for property, plant and equipment is the difference between cost and residual value at the end of its useful life, and the residual value is assessed regularly. Leasehold improvements are depreciated over the term of the lease, however maximum ten years. For other operating equipment, depreciation is made on a straight-line basis over the expected useful life of a maximum of five years.

## Impairment

Property, plant and equipment are subjected to an impairment test when there are indications of impairment, and they are written down to the recoverable amount, which is the higher of the net selling price and the value in use. The impairment losses are recognized in the income statement.

## Temporary assets

Temporary assets comprise property, plant and equipment, including assets taken over as a result of the liquidation of customer exposures, the intention being to sell the assets within 12 months. Assets taken over are recognized at the lower of carrying amount and fair value, less any selling costs.

The assets are not depreciated as from the time when they are classified as temporary.

Losses on impairment arising upon initial classification as temporary assets and any gains or losses arising on subsequent measurement at the lower of carrying amount and fair value, less any selling costs, are recognized in the income statement under the items to which they relate. Gains and losses are disclosed in the notes.

Assets and related liabilities are presented in separate lines in the balance sheet.

## Payable and deferred taxes

Current tax liabilities and current tax receivables are recognized in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on taxable incomes relating to prior years, and tax paid on account.

Deferred tax is measured in accordance with the balance sheet liability method on all temporary differences between the carrying amount and tax base of assets and liabilities. However, deferred tax is not recognized in respect of temporary differences regarding goodwill that is not amortizable for tax purposes and other items for which temporary differences have arisen at the time of acquisition without this having an impact on the profit/loss or the taxable income. Where the tax base may be calculated according to different taxation rules, deferred tax is measured based on Management's planned use of the assets, or, as the case may be, the planned repayment of the liability.

Deferred tax is recognized in the balance sheet within the balance sheet headings Deferred tax assets and Deferred tax liabilities and is recognized on the basis of the expected tax rate.

Deferred tax assets, including the tax base of losses qualifying for carry-forward trade loss relief, are recognized within Other non-current assets at the amount at which they are expected to be realized, either by set-off against taxes on future earnings, or through set-off against deferred tax liabilities within the same taxable entity and jurisdiction.

Deferred tax assets and liabilities are offset if the company has a legal right to offset current tax liabilities and tax assets or intends to either settle current tax liabilities and tax assets on a net basis, or realize the assets and the liabilities at the same time.

Deferred tax is adjusted to reflect eliminations of unrealized intercompany gains and losses.

Deferred tax is measured on the basis of the tax rules and tax rates applicable in the respective countries at the time when the deferred tax is expected to crystallize in the form of current tax, based on the legislation in force at the reporting date. Any changes in deferred tax resulting from changed tax rates are recognized in the income statement.

## Other assets

Other assets include capital contributions to Foreningen Bankernes EDB Central ("BEC"), interest and commissions receivable as well as the positive fair value of derivative instruments. Fair-value measurement of the positive fair value of derivative instruments is described in more detail in the section Derivative instruments. Other items are measured at amortized cost.

## Financial liabilities

Payables to credit institutions and central banks as well as deposits include amounts received in connection with repo transactions, which involve selling securities to be repurchased at a later date. Payables to credit institutions and central banks as well as deposits are recognized initially at the proceeds received net of transaction costs incurred. Payables to credit institutions and central banks as well as deposits not classified as repo transactions are subsequently measured at amortized cost using the effective interest method. Thus, the difference between net proceeds and nominal value is recognized in the income statement under Interest expenses over the loan term.

Miscellaneous commitments are measured at net realizable value.

## Other liabilities

Other liabilities include interest payable, the negative fair value of financial instruments and employee benefits payable. Fair-value measurement of the negative fair value of derivative instruments is described in more detail in the section Derivative instruments. Other items are measured at amortized cost.

## Provisions for liabilities

Provisions for liabilities include mainly guarantee commitments, provisions for losses on irrevocable credit commitments, legal actions and restructuring costs, etc.

Restructuring costs are recognized as liabilities, provided that a detailed, formal restructuring plan has been made public to the persons affected by the plan on or before the reporting date.

A provision is recognized when a legal or constructive obligation exists and when it is probable that the obligation will become effective and can be measured reliably.

Provisions are based on Management's best estimate of the amount of the commitments. In measuring provisions for liabilities, the provisions are discounted to net present value where the impact on the financial statements is material.

## Bonds issued / Subordinated debt

Bonds issued comprise the Group's issued bonds. Subordinated debt consists of liabilities in the form of subordinated loan capital and other capital contributions which, in case of voluntary or compulsory liquidation, whether solvent or insolvent, will not be repaid until the claims of ordinary creditors have been met.

Bonds issued and subordinated debt are recognized at the issue date or the date of borrowing, as the case may be, at the fair value less directly attributable transaction costs. Subsequently issued bonds and subordinated debt are measured at amortized cost, using the effective interest method.

## Shareholders' equity

### Revaluation reserves

Revaluation reserves comprise revaluations of the Group's corporate properties after the recognition of deferred tax. The reserve is dissolved when properties are impaired, sold or otherwise disposed of.

### Foreign-currency translation reserve

The foreign-currency translation reserve includes translation differences arising on the translation of profits/losses and net investments in foreign entities from their functional currencies into DKK. In addition, the reserve includes exchange adjustments of financial liabilities that hedge the net investment in foreign entities.

Upon full or partial realization of the net investment in a foreign entity, the translation difference relating to the relevant entity is recognized in the income statement.

### Statutory reserves

Statutory reserves comprise value adjustments of equity investments in associates and group enterprises according to the equity method. The reserves are reduced by the dividends distributed to the Parent Company and other movements in the shareholders' equity of group enterprises and associates, or if the equity investments are realized in whole or in part.

## Proposed dividend

Proposed dividend is recognized as a liability at the time of adoption at the Annual General Meeting (time of declaration). Dividend proposed to be distributed for the year is included under Shareholders' equity until adoption of the dividend proposal. According to the Bank's dividend policy, proposed dividend may be fixed at about 33% of the net profit for the year, provided that the targets of a Common Equity (Tier 1) ratio of at least 12% and a total capital ratio of at least 15% have been met.

## Treasury shares and own bonds

Treasury shares and own bonds are not recognized as assets. The acquisition cost and selling price for treasury shares as well as dividends on such shares are recognized directly in Retained earnings under shareholders' equity. The proceeds on the sale of treasury shares on the exercising of share options or employee shares are recognized directly in shareholders' equity.

The acquisition of own bonds is recognized directly in Issued bonds. Upon the acquisition of own bonds, any loss or gain is recognized in the income statement as the difference between the acquisition cost and the carrying amount of the liability.

## Contingent assets and contingent liabilities

Contingent assets and contingent liabilities comprise potential assets and liabilities that derive from past events, and whose existence is dependent on the occurrence of future, uncertain events that are beyond the Spar Nord Group's full control.

Contingent assets are disclosed where an inflow of economic benefits is probable.

Contingent liabilities are disclosed if they may, but most probably will not, result in an outflow of resources. In addition, the Group discloses information about current liabilities that have not been recognized because they are unlikely to result in an outflow of resources from the Group or cannot be reliably measured.

## Fair-value measurement

The Spar Nord Group uses the fair-value concept in connection with certain disclosure requirements and for the recognition of financial instruments. The fair value is defined as the price obtainable by selling an asset or the price payable to transfer a liability in an orderly transaction between market participants ("exit price").

The fair value is market-based and is not an entity-specific valuation. The company uses the assumptions that market participants would apply to price the asset or liability based on current market conditions, including assumptions relating to risks. Thus, the company's purpose of holding the asset or settling the liability is not taken into account when calculating the fair value.

The fair-value measurement is based on the principal market. In the absence of a principal market, the most advantageous market is used as the basis, i.e. the market that maximizes the amount that would be received for the asset or minimizes the amount that would be paid to transfer the liability, after deduction of transaction and transport costs.

To the extent possible, the fair-value measurement is based on market values in active markets (level 1) or, in the alternative, on values derived from observable market data (level 2).

Where such observable data is not available or cannot be used without significant modifications, generally accepted valuation methods and reasonable estimates are used as the basis for making fair-value measurements (level 3).

## Cash flow statement

The cash flow statement shows cash flows for the year, broken down by operating, investing and financing activities, the year's movements in cash and cash equivalents and the cash and cash equivalents at the beginning and end of the year. Cash generated from operations is calculated according to the indirect method as the profit/loss before tax, adjusted for non-cash operating items and any changes in working capital

Cash generated from investments comprises payments associated with the purchase and sale of intangible assets and property, plant and equipment, associates and group enterprises as well as treasury shares. Cash generated from financing comprises dividends paid and movements in the shareholders' equity and subordinated debt.

Cash and cash equivalents comprise cash balances, demand deposits with central banks and receivables from credit institutions and central banks with less than three months to maturity.

## Segment information

Segment information is reported in accordance with the Spar Nord Group's accounting policies and follows the organizational structure as reflected in its internal management reporting.

Transactions between segments are settled on an arm's length basis. Centrally incurred expenses, such as salaries, rent, depreciation, etc. are allocated to the individual segments based on an assessment of the proportionate share of the overall activity level. Segment assets and liabilities are the operating assets and operating liabilities that are used or have arisen in connection with the operation of a segment and which are directly associated with or can be reasonably allocated to the segment. The individual segment includes a calculated share of equity. The item Earnings from investment portfolios, etc. is regarded as an intra-organizational activity and comprises income from the Bank's trading portfolio and earnings from Erhvervsinvest Nord A/S in liquidation and Erhvervsinvest K/S limited partnerships, etc. Other income and expenses are charged to Other areas, and this item also includes the subsidiary Aktieselskabet Skelagervej 15.

## Calculation of performance indicators and financial ratios (Core earnings)

The Group's performance indicators and financial ratios (Core earnings) appearing from the Management's review differ from the Consolidated Financial Statements format. The relationship between Core earnings and the Consolidated Financial Statements format is shown in note 3, Business segments.

Ratio definitions appear from note 62.

## Disclosures regarding standards and rules that have not yet entered into force

The International Accounting Standards Board (IASB) has published a number of new financial reporting standards (IAS and IFRS) and interpretations (IFRIC), which Spar Nord is not required to observe in preparing the 2014 Annual Report.

The standards and interpretations that have been endorsed by the EU and having effective dates that differ from the effective dates required by the standards or interpretations issued by the IASB will be implemented prematurely, if allowed, as of the IASB effective dates for financial years commencing 1 January 2015 or later. Other than stated below, none of the new standards and interpretations are expected to have any major impact on the financial reporting for the Spar Nord Group:

- IFRS 9 changes the classification and measurement of financial assets and liabilities (the current IAS 39). In future, financial assets will be divided into two main classifications – those measured at amortized cost and those measured at fair value – to be presented in either profit or loss or in other comprehensive income. The existing measurement classifications are fair value presented in profit or loss, available-for-sale, held-to-maturity, and loans, advances and receivables. The provisions applying to financial liabilities will be amended so that changes to own credit risk will no longer impact profit or loss, but will be recognized in other comprehensive income only. The standard has not yet been approved by the EU. The standard is expected to become effective from 1 January 2018, at the earliest.

## NOTE 2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

In order to determine the carrying amount of certain assets and liabilities, Management has to make a number of estimates and judgments of future circumstances that significantly affect the carrying amount of assets and liabilities.

Management's estimates and judgments are based on assumptions that Management considers appropriate but which are uncertain and unpredictable by their nature. The assumptions may be incomplete or inaccurate, and unexpected future events or circumstances may arise. Consequently, making estimates and judgments is difficult by nature, and when they also involve customer relationships and other counterparties, they will be subject to uncertainty. It may be necessary to change previous estimates as a result of changes in the circumstances forming the basis of such estimates, or due to new knowledge or subsequent events.

Critical estimates and judgments have the most substantial impact on the financial statements in the following areas:

- impairment of loans
- fair value of financial instruments
- classification of equity investments

### Impairment of loans

Testing the impairment of individual loans and advances requires estimates of factors subject to great uncertainty. The test involves estimates of the most probable future cash flows that the customer can generate. For loan facilities of less than DKK 250,000, credit-quality flagged customers are automatically assessed based on the customer data and characteristics recorded. Loans, advances and receivables that are not individually impaired are divided into groups with uniform characteristics with respect to credit risk and assessed on a portfolio basis.

Loans for which there is no objective indication of impairment, or for which an indication of impairment has not been individually identified, are included in a group that is subjected to an impairment test at portfolio level.

In connection with testing a group of loans and advances for impairment, it is essential to identify the events that give an objective indication of losses on the group. The valuation of the present value of cash flows generated by customers in the group is subject to uncertainty when historical data and empirical assessments are used to adjust the assumptions and for the purpose of reflecting the current situation.

Loans are assigned to groups having uniform credit risk properties by using the Bank's rating system. Customers are subjected to ongoing rating, and if calculations show that customers have changed credit risk properties, they will be transferred to new rating groups on an ongoing basis. Thus, the downgrading of a customer to a weaker group serves as an indicator of the deterioration.

If the Group is aware at the reporting date that circumstances have occurred that have either worsened or improved the expected future payment pattern, and these changes have not been taken into account in the models, the appropriate action will be taken to correct this, based on a qualified Management estimate.

Spar Nord operates with a credit system using statistically based rating models for both retail and business customers. In addition, the rating is based on the flagging of customers that show signs of default risk.

Credit-quality flagging is based on important Management estimates, particularly affected by such factors as property prices, unemployment rates and demand for various products and services. 2014 has seen a development that can best be described as a status quo situation for retail customers, whereas the business customer portfolio – apart from agriculture – is showing improvements in both credit quality and impairment ratio. Agriculture is under particularly heavy pressure, resulting in an overall deterioration, both as concerns the volume of customers with financial difficulties (objective indication of impairment) and credit-quality flagged customers.

To reduce the risk attaching to individual exposures in the Group, Spar Nord accepts collateral consisting mainly of mortgages and charges over physical assets, securities and vehicles, of which mortgages on real property are the most common type of collateral. The valuation of such collateral is based on significant estimates made by Management.

Loans and advances amounted to DKK 35,948 million, equal to about 46% of the Group's assets at end-2014. Reference is made to note 22, Loans, advances and other receivables at amortized cost, and to note 55, Credit risk, for further details.

### Fair value of financial instruments

Spar Nord measures a number of financial instruments at fair value, including all derivative instruments as well as shares and bonds.

Assessments are made in connection with determining the fair value of financial instruments in the following areas:

- choosing valuation method
- determining when available listed prices do not reflect the fair value
- calculating fair-value adjustments to provide for relevant risk factors, such as credit, model and liquidity risks
- assessing which market parameters are to be monitored
- making estimates of future cash flows and return requirements for unlisted shares

In these situations, the decisions are based on an opinion in accordance with the Group's accounting policies. All such decisions are approved by the relevant group functions.

As part of its day-to-day operations, Spar Nord has acquired strategic equity investments in sector supplier companies.

Strategic equity investments are measured at fair value based on the information available about trading in the relevant company's equity investments or, in the alternative, by using a valuation model based on generally accepted methods and current market data, including an assessment of expected future earnings and cash flows. The valuation will also be affected by co-ownership, trading with the relevant company and shareholders' agreements, etc. If a reliable fair value cannot be identified, the investment will be valued at cost less any writedowns for impairment.

Measurements of financial instruments that are based on observable market data to a limited extent only – such as the measurement of unlisted shares and certain bonds for which there is no active market – are subject to estimates. More details are provided in the applicable paragraphs of note 1, Accounting policies, and in note 53, Fair-value information, including a sensitivity analysis.

Financial instruments measured on the basis of non-observable input accounted for DKK 1,305 million, equal to 1.7% of the Group's assets at end-2014.

### Classification of equity investments

Equity investments are recognized and measured differently, depending on their classification. Estimates are required to determine whether the assumptions for making the relevant classification have been observed. Particularly the distinction between associates (significant influence) and other investments, as well as determining whether the criteria for using the fair-value option have been met, is of major importance.

Assets measured according to the fair-value option amounted to DKK 1,297 million, equal to about 1.7% of the Group's assets at end-2014.

The dividing line between associates and shares relates mainly to the classification of the equity investment in Nørresundby Bank, recognized at the share of net asset value, equal to DKK 866 million. The share of the listed price amounts to DKK 1,052 million.



## NOTE 3 BUSINESS SEGMENTS

The Group is organized into different business areas and resource and support functions, according to product and service characteristics. The reporting segments correspond to the Group's organizational units based on customer affiliation, and an internal follow-up is carried on in this regard.

**Spar Nord's Local Banks** cater to all types of retail and business customers. Corporate Banking provides services to large business customers and high-net-worth personal customers. Spar Nord's Local Banks (the retail bank unit) constitute the largest organizational unit in the Spar Nord Group, consisting of 71 local banks throughout the country. The Group's leasing activities consist of Spar Nord Leasing and the leasing activities acquired as a result of the merger with Sparbank in mid-November 2012.

**Trading, Financial Markets & the International Division** is composed of Markets, Shares, Asset Management and Interest & Forex, and the International Division. Trading, Financial Markets & the International Division centres on forex and securities, including hedging and managing the transactions made by the local banks' customers. Moreover, Trading, Financial Markets & the International Division cooperates with a number of the Bank's largest business customers and retail customers, as well as managing some of the Bank's own positions. The International Division offers products and advice associated with export and import.

**Other areas** comprise Corporate Coordination & Support, Staff Functions, Unallocated and Eliminations.

Corporate Coordination & Support and Staff Functions perform support functions and related services for the Group.

Unallocated consists of other income and expenses, including the subsidiary Aktieselskabet Skelagervej 15

### **Reclassifications and areas eliminated in the calculation of core earnings in the Group's annual review:**

**Reclassifications** comprise the share of the discount, recognized as income, on commitments taken over from Sparbank in connection with the merger.

In its internal follow-up and control, Spar Nord includes this item in Impairment of loans and advances and also presents it as such in the core earnings format in the Group's annual review.

According to the Group's accounting policies, adjustments of the discount on commitments taken over from Sparbank are included under Interest income in the income statement. The item is included under Other interest income in the note relating to interest income.

**Other items after core earnings** comprise Contributions to sector-wide solutions and Earnings from investment portfolios, etc.

Contributions to sector-wide solutions consist of Spar Nord's payments to and Spar Nord's share of Nørresundby Bank's payments to the Depositors' and Investors' Guarantee Fund and the value adjustment of claims.

Earnings from investment portfolios, etc. consist of earnings from the Bank's trading portfolio, Erhvervsinvest Nord A/S in liquidation and companies from which investment in unlisted shares is carried on.

### **Other matters**

An internal interest rate is calculated for all business segments. The internal interest rate is used to equalize differences between assets and liabilities (surplus/deficit of liquidity) among the business segments. The internal interest rate is calculated per currency on the basis of market rates plus a liquidity premium.

Centrally incurred costs and a few income items are basically allocated internally between the individual business segments on the basis of cost. An allocation is made from the unit paying the costs based on an assessment of each individual unit's proportionate share of the overall activity level.

Other income and costs are allocated to the business segments to whose operation they are directly related or can reasonably be allocated.

The assets and liabilities of the business segments are the operating assets and operating liabilities that are employed by a segment for its operations and that are either directly attributable to the segment or can reasonably be allocated to the segment. The individual business segment includes allocated capital equal to 12% of the average total risk exposure of the business area. In the business segment Other areas, the difference between allocated capital and shareholders' equity is presented.

As in previous years, the Group uses core earnings as its profit target.

### **Information about income broken down by products and services**

The Group's business areas are organized according to differences in products and services, and products and services are uniform within the individual business areas.

Income from the business area Spar Nord's Local Banks mainly comprises income from interest, fees, charges and commissions related to products within lending and deposits. The customers consist of retail, business and public customers.

Income from the Group's leasing activities comprises income related to both finance and operating leases. This income is recognized under Spar Nord's Local Banks.

Income from the business area Trading, Financial Markets & the International Division comprises interest and market-value adjustments on forex and trading products as well as interest income and market-value adjustments on the Bank's portfolio of securities.

As a consequence of IFRS requirements, the Bank must disclose whether 10% or more of its income derives from a single customer. The Spar Nord Group has no such customers.

# NOTES

## SEGMENT INFORMATION

### BUSINESS SEGMENTS 2014

DKK m	Spar Nord's Local Banks	Trading, Financial Markets & the Intern. Division	Other areas	Core earnings*]	Reclas. and Other items after core earnings**]	The Group, total
<b>INCOME STATEMENT</b>						
Net interest income	1,589.7	176.5	33.3	1,799.5	107.9	1,907.4
Net income from fees, charges and commissions	833.3	15.8	14.2	863.3	0.0	863.3
Market-value adjustments and dividends	128.8	64.5	186.2	379.5	22.8	402.3
Other operating income	24.7	1.2	24.0	49.9	0.2	50.1
Profit/loss on equity investments in associates and group enterprises	0.0	0.0	109.7	109.7	-5.6	104.1
<b>Core income/revenue, total</b>	<b>2,576.5</b>	<b>258.0</b>	<b>367.4</b>	<b>3,201.9</b>	<b>125.3</b>	<b>3,327.2</b>
Operating expenses, depreciation and amortization	1,517.2	51.3	353.9	1,922.4	96.9	2,019.3
<b>Core earnings before impairment</b>	<b>1,059.3</b>	<b>206.7</b>	<b>13.5</b>	<b>1,279.5</b>	<b>28.4</b>	<b>1,307.9</b>
Impairment of loans, advances and receivables, etc.	495.2	0.0	-2.1	493.1	109.8	602.9
<b>Core earnings / profit/loss on ordinary operations</b>	<b>564.1</b>	<b>206.7</b>	<b>15.6</b>	<b>786.4</b>	<b>-81.4</b>	<b>705.0</b>
Contributions to sector-wide solutions	-	-	-102.3	-102.3	102.3	0.0
<b>Profit/loss before tax</b>	<b>564.1</b>	<b>206.7</b>	<b>-86.7</b>	<b>684.1</b>	<b>20.9</b>	<b>705.0</b>

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

\*\*) The relation to the Group is specified in the column Reclassifications and Other items after core earnings. Reclassifications and Other items after core earnings of DKK -81.4 million consist of: Earnings from investment portfolios, DKK 20.9 million, and Contributions to sector-wide solutions, DKK -102.3 million. Contributions to sector-wide solutions have primarily impacted the item Operating expenses, depreciation and amortization, with a total of DKK 96.9 million. Reclassifications have impacted the items Net interest income, Other operating income and Impairment of loans, advances and receivables, etc. with an amount of DKK 109.8 million.

### BALANCE SHEET

	Spar Nord's Local Banks	Trading, Financial Markets & the Intern. Division	Other areas	Earnings from investment portfolios, etc.	The Group, total
Loans, advances and other receivables at amortized cost	35,391.0	594.5	-37.9	0.0	35,947.6
Equity investments in associates and group enterprises	0.0	0.0	940.7	0.6	941.3
Intangible assets and property, plant and equipment *)	274.6	0.8	754.0	0.0	1,029.4
Miscellaneous assets **)	11,245.3	26,209.5	3,307.3	145.0	40,907.1
<b>Total assets</b>	<b>46,910.9</b>	<b>26,804.8</b>	<b>4,964.1</b>	<b>145.6</b>	<b>78,825.4</b>
Deposits and other payables	42,155.5	780.6	-700.3	0.0	42,235.8
Shareholders' equity (allocated capital)	4,318.1	821.1	1,879.4	14.4	7,033.0
Miscellaneous liabilities	10,682.7	10,265.6	8,607.8	0.5	29,556.6
<b>Total shareholders' equity and liabilities</b>	<b>57,156.3</b>	<b>11,867.3</b>	<b>9,786.9</b>	<b>14.9</b>	<b>78,825.4</b>

### DISCLOSURES - TOTAL INCOME/REVENUE

Internal income/revenue	-73.0	2.3	584.1	-0.2	513.2
Internal income and eliminations offset against costs	0.0	-42.4	-470.8	0.0	-513.2
Income/revenue, external customers, Denmark	2,649.5	298.1	254.1	125.5	3,327.2
<b>Income/revenue, total</b>	<b>2,576.5</b>	<b>258.0</b>	<b>367.4</b>	<b>125.3</b>	<b>3,327.2</b>

### DISCLOSURES, CASH FLOW STATEMENT

Depreciation, amortization and impairment ***)	24.7	0.5	46.3	0.0	71.5
Additions, intangible assets and property, plant & equipment *)	-31.8	0.0	-35.5	-17.5	-84.8
Non-cash oper. items excl. depr., amort. and imp. of int. assets and prop., plant & equipm.	0.0	0.0	284.0	0.0	284.0
Impairment and reversal of impairment losses on loans and advances, etc.	249.5	0.0	0.0	0.0	249.5

### FINANCIAL RATIOS

Return on equity [%] ****)	13.7	25.5	-	-	
Cost share of core income	0.59	0.20	-	-	
Total risk exposure, end of year	35,984	6,843	6,058	120	49,005
Number of employees (full-time, end of year)	1,100	68	339	0	1,507

\*) All assets are located in Denmark. Assets include additions from FIH Erhvervsbank in the amount of DKK 25.1 million.

\*\*) Temporary assets amount to DKK 41.2 million, of which DKK 5.3 million relates to the Group's leasing activities and DKK 35.9 million relates to Other areas.

\*\*\*) No significant writedowns for impairment have been made.

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

# NOTES

## SEGMENT INFORMATION

### BUSINESS SEGMENTS 2013

DKK m	Spar Nord's Local Banks	Trading, Financial Markets & the Intern. Division	Other areas	Core earnings*)	Reclas. and Other items after core earnings**)	The Group, total
<b>INCOME STATEMENT</b>						
Net interest income	1,636.5	226.7	-13.8	1,849.4	293.9	2,143.3
Net income from fees, charges and commissions	698.8	17.3	6.5	722.6	-0.1	722.5
Market-value adjustments and dividends	87.9	92.4	20.5	200.8	28.9	229.7
Other operating income	65.5	2.0	31.7	99.2	12.5	111.7
Profit/loss on equity investments in associates and group enterprises	0.0	0.0	66.4	66.4	11.2	77.6
<b>Core income/revenue, total</b>	<b>2,488.7</b>	<b>338.4</b>	<b>111.3</b>	<b>2,938.4</b>	<b>346.4</b>	<b>3,284.8</b>
Operating expenses, depreciation and amortization	1,537.5	55.4	148.5	1,741.4	147.5	1,888.9
<b>Core earnings before impairment</b>	<b>951.2</b>	<b>283.0</b>	<b>-37.2</b>	<b>1,197.0</b>	<b>198.9</b>	<b>1,395.9</b>
Impairment of loans, advances and receivables, etc.	405.0	0.0	-0.2	404.8	321.6	726.4
<b>Core earnings / profit/loss on ordinary operations</b>	<b>546.2</b>	<b>283.0</b>	<b>-37.0</b>	<b>792.2</b>	<b>-122.7</b>	<b>669.5</b>
Contributions to sector-wide solutions	-	-	-120.2	-120.2	120.2	0.0
Special merger-related items	-	-	-46.1	-46.1	46.1	0.0
<b>Profit/loss before tax</b>	<b>546.2</b>	<b>283.0</b>	<b>-203.3</b>	<b>625.9</b>	<b>43.6</b>	<b>669.5</b>

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

\*\*) The relation to the Group is specified in the column Reclassifications and Other items after core earnings. Reclassifications and Other items after core earnings of DKK -122.7 million consist of: Earnings from investment portfolios, DKK 43.6 million, and Contributions to sector-wide solutions, DKK -120.2 million. Contributions to sector-wide solutions have primarily impacted the item Operating expenses, depreciation and amortization, with a total of DKK 147.5 million. Reclassifications have impacted the items Net interest income, Other operating income and Impairment of loans, advances and receivables, etc. with an amount of DKK 321.6 million.

### BALANCE SHEET

	Spar Nord's Local Banks	Trading, Financial Markets & the Intern. Division	Other areas	Earnings from investment portfolios, etc.	The Group, total
Loans, advances and other receivables at amortized cost		35,797.6	2,025.7	0.0	37,648.1
Equity investments in associates and group enterprises		0.0	0.0	995.6	997.3
Intangible assets and property, plant and equipment *)		280.7	1.3	758.1	1,040.1
Miscellaneous assets **)		9,399.9	22,996.9	2,396.5	34,919.4
<b>Total assets</b>		<b>45,478.2</b>	<b>25,023.9</b>	<b>3,975.0</b>	<b>74,604.9</b>
Deposits and other payables		40,903.3	1,413.6	-486.4	41,830.5
Shareholders' equity (allocated capital)		3,967.8	660.7	1,887.2	6,532.7
Miscellaneous liabilities		9,810.9	5,066.8	11,362.2	26,241.7
<b>Total shareholders' equity and liabilities</b>		<b>54,682.0</b>	<b>7,141.1</b>	<b>12,763.0</b>	<b>74,604.9</b>

### DISCLOSURES - TOTAL INCOME/REVENUE

Internal income/revenue	-77.8	11.8	551.2	-0.1	485.1
Internal income and eliminations offset against costs	0.0	-33.8	-451.3	0.0	-485.1
Income/revenue, external customers, Denmark	2,566.5	360.3	11.4	346.5	3,284.8
<b>Income/revenue, total</b>	<b>2,488.7</b>	<b>338.4</b>	<b>111.3</b>	<b>346.4</b>	<b>3,284.8</b>

### DISCLOSURES, CASH FLOW STATEMENT

Depreciation, amortization and impairment ***)	53.7	0.5	62.0	0.0	116.2
Additions, intangible assets and property, plant & equipment *)	-265.8	0.1	68.5	8.3	-188.9
Non-cash oper. items excl. depr., amort. and imp. of int. assets and prop., plant & equipm.	-4.1	0.0	-242.2	0.0	-246.3
Impairment and reversal of impairment losses on loans and advances, etc.	276.0	0.0	0.0	0.0	276.0

### FINANCIAL RATIOS

Return on equity [%] ****)	13.6	44.1	-	-	
Cost share of core income	0.62	0.16	-	-	
Total risk exposure, end of year	33,065	5,506	3,985	141	42,697
Number of employees (full-time, end of year)	1,108	68	336	0	1,512

\*) Assets located in countries other than Denmark amounted to DKK 0.9 million at 31 December 2013.

\*\*) Temporary assets amount to DKK 120.3 million, of which DKK 18.2 million relates to the Group's leasing activities and DKK 102.1 million relates to Other areas.

\*\*\*) No significant writedowns for impairment have been made.

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

# NOTES

NOTE

	Spar Nord The Group 2014 DKK m	Spar Nord The Group 2013 DKK m	Spar Nord Parent Company 2014 DKK m	Spar Nord Parent Company 2013 DKK m
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## 4 INTEREST INCOME

Receivables from credit institutions and central banks	5.1	5.4	5.1	5.3
Loans, advances and other receivables	1,984.7	2,181.7	1,930.3	2,084.0
Bonds	295.0	353.3	295.0	353.3
Foreign-exchange contracts	1.0	-6.8	1.0	-6.8
Interest-rate contracts	-36.4	-41.2	-36.4	-41.2
<b>Derivative instruments, total</b>	<b>-35.4</b>	<b>-48.0</b>	<b>-35.4</b>	<b>-48.0</b>
Other interest income	111.3	297.7	109.9	296.4
<b>Total interest income</b>	<b>2,360.7</b>	<b>2,790.1</b>	<b>2,304.9</b>	<b>2,691.0</b>

*Of which, income from genuine purchase and resale transactions booked under*

Receivables from credit institutions and central banks	-2.1	-3.0	-2.1	-3.0
Loans, advances and other receivables	1.5	0.4	1.5	0.4

## 5 INTEREST EXPENSES

Credit institutions and central banks	14.2	13.8	13.8	13.6
Deposits and other payables	294.6	392.6	309.0	394.6
Issued bonds	3.4	54.4	3.4	54.4
Subordinated debt	140.2	186.0	140.2	186.0
Other interest expenses	0.9	0.0	0.9	0.0
<b>Total interest expenses</b>	<b>453.3</b>	<b>646.8</b>	<b>467.3</b>	<b>648.6</b>

*Of which, interest expenses from genuine sale and repo transactions booked under*

Payables to credit institutions and central banks	6.1	2.8	6.1	2.8
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## 6 DIVIDENDS ON SHARES, ETC.

Shares, etc. in the Bank's trading portfolio	4.5	3.2	4.5	3.2
Shares at fair value (the fair-value option)	34.7	33.7	17.8	19.0
<b>Dividends on shares, etc., total</b>	<b>39.2</b>	<b>36.9</b>	<b>22.3</b>	<b>22.2</b>

## 7 FEES, CHARGES AND COMMISSIONS RECEIVED

Securities trading and custody accounts	167.2	137.7	167.2	137.7
Asset management	182.8	163.1	182.8	163.1
Payment services	90.1	76.4	90.1	76.4
Loan transaction fees	397.4	313.6	397.4	313.6
of which, mortgage credit institutions	245.3	205.2	245.3	205.2
Guarantee commissions	38.5	41.0	38.5	41.0
Other fees, charges and commissions	54.3	56.0	53.4	52.7
<b>Total fees, charges and commissions received</b>	<b>930.3</b>	<b>787.8</b>	<b>929.4</b>	<b>784.5</b>

## 8 FEES, CHARGES AND COMMISSIONS PAID

Securities trading and custody accounts	26.0	22.5	26.0	22.5
Asset management	0.3	2.5	0.3	2.5
Guarantee commissions	0.4	0.3	0.4	0.3
Other fees, charges and commissions	40.3	40.0	40.2	40.0
<b>Total fees, charges and commissions paid</b>	<b>67.0</b>	<b>65.3</b>	<b>66.9</b>	<b>65.3</b>

## 9 NET FEES, CHARGES AND COMMISSIONS RECEIVED

Securities trading and custody accounts	141.2	115.2	141.2	115.2
Asset management	182.5	160.6	182.5	160.6
Payment services	90.1	76.4	90.1	76.4
Loan transaction fees	397.4	313.6	397.4	313.6
of which, mortgage credit institutions	245.3	205.2	245.3	205.2
Guarantee commissions	38.1	40.7	38.1	40.7
Other fees, charges and commissions	14.0	16.0	13.2	12.7
<b>Total net fees, charges and commissions received</b>	<b>863.3</b>	<b>722.5</b>	<b>862.5</b>	<b>719.2</b>

# NOTES

NOTE

	Spar Nord The Group 2014 DKK m	Spar Nord The Group 2013 DKK m	Spar Nord Parent Company 2014 DKK m	Spar Nord Parent Company 2013 DKK m
<b>10 MARKET-VALUE ADJUSTMENTS</b>				
Other loans, advances and receivables at fair value	0.7	-8.6	0.7	-8.6
Bonds	123.7	-55.0	123.7	-55.0
Shares, etc.	266.8	90.8	86.8	76.1
Investment properties	-	-	0.4	-1.5
Currency	78.6	-35.8	79.1	-35.2
Foreign-exchange, interest, share, commodity and other contracts and derivative instruments	-132.1	144.7	-132.1	144.7
Assets linked to pooled schemes	953.3	745.2	953.3	745.2
Deposits in pooled schemes	-953.3	-745.2	-953.3	-745.2
Miscellaneous commitments	25.4	56.7	25.4	56.7
<b>Total market-value adjustments</b>	<b>363.1</b>	<b>192.8</b>	<b>184.0</b>	<b>177.2</b>
Trading portfolio	128.4	165.6	127.2	150.0
Other shares at fair value (the fair-value option)	234.7	27.2	56.8	27.2
<b>Total market-value adjustments</b>	<b>363.1</b>	<b>192.8</b>	<b>184.0</b>	<b>177.2</b>

## 11 NET FINANCIALS, THE SPAR NORD GROUP

2014	Interest income DKK m	Interest expenses DKK m	Net interest DKK m	Market-value adjustments DKK m	Dividend DKK m	Total DKK m
<i>Net financials at amortized cost</i>						
Receivables from and payables to credit institutions and central banks	5.7	8.1	-2.4	0.0	0.0	-2.4
Lending and deposits, banking activities	1,984.7	294.6	1,690.1	0.0	0.0	1,690.1
Repo and reverse transactions	-0.6	6.1	-6.7	0.0	0.0	-6.7
Other issued bonds	0.0	3.4	-3.4	0.0	0.0	-3.4
Subordinated debt	0.0	140.2	-140.2	25.4	0.0	-114.8
Other interest	111.3	0.9	110.4	0.0	0.0	110.4
<b>Total</b>	<b>2,101.1</b>	<b>453.3</b>	<b>1,647.8</b>	<b>25.4</b>	<b>0.0</b>	<b>1,673.2</b>
<i>Net financials at fair value</i>						
Trading portfolio	259.6	0.0	259.6	103.0	4.5	367.1
Other financial investment assets	0.0	0.0	0.0	234.7	34.7	269.4
<b>Total</b>	<b>259.6</b>	<b>0.0</b>	<b>259.6</b>	<b>337.7</b>	<b>39.2</b>	<b>636.5</b>
<b>Total net income from financials</b>	<b>2,360.7</b>	<b>453.3</b>	<b>1,907.4</b>	<b>363.1</b>	<b>39.2</b>	<b>2,309.7</b>

2013	Interest income DKK m	Interest expenses DKK m	Net interest DKK m	Market-value adjustments DKK m	Dividend DKK m	Total DKK m
<i>Net financials at amortized cost</i>						
Receivables from and payables to credit institutions and central banks	8.0	11.0	-3.0	0.0	0.0	-3.0
Lending and deposits, banking activities	2,181.7	392.6	1,789.1	0.0	0.0	1,789.1
Repo and reverse transactions	-2.6	2.8	-5.4	0.0	0.0	-5.4
Other issued bonds	0.0	54.4	-54.4	0.0	0.0	-54.4
Subordinated debt	0.0	186.0	-186.0	56.7	0.0	-129.3
Other interest	297.7	0.0	297.7	0.0	0.0	297.7
<b>Total</b>	<b>2,484.8</b>	<b>646.8</b>	<b>1,838.0</b>	<b>56.7</b>	<b>0.0</b>	<b>1,894.7</b>
<i>Net financials at fair value</i>						
Trading portfolio	305.3	0.0	305.3	108.9	3.2	417.4
Other financial investment assets	0.0	0.0	0.0	27.2	33.7	60.9
<b>Total</b>	<b>305.3</b>	<b>0.0</b>	<b>305.3</b>	<b>136.1</b>	<b>36.9</b>	<b>478.3</b>
<b>Total net income from financials</b>	<b>2,790.1</b>	<b>646.8</b>	<b>2,143.3</b>	<b>192.8</b>	<b>36.9</b>	<b>2,373.0</b>

The Spar Nord Group does not have held-to-maturity investments.

# NOTES

NOTE

	Spar Nord The Group 2014 DKK m	Spar Nord The Group 2013 DKK m	Spar Nord Parent Company 2014 DKK m	Spar Nord Parent Company 2013 DKK m
<b>12 OTHER OPERATING INCOME</b>				
Gain on sale of properties	2.1	1.5	2.1	1.5
Gain on sale of operating equipment	0.3	1.0	0.3	1.0
Payments under operating leases and other rental income	7.5	27.3	5.5	9.8
Other income	30.9	74.0	23.1	55.5
<i>Operation of investment properties</i>				
Rental income	22.0	15.9	7.0	7.2
Operating expenses	3.3	2.9	2.9	2.3
Maintenance	0.4	0.3	0.2	0.2
Changes in value, investment properties	-9.0	-4.8	-	-
<b>Other operating income, total</b>	<b>50.1</b>	<b>111.7</b>	<b>34.9</b>	<b>72.5</b>

## 13 STAFF COSTS AND ADMINISTRATIVE EXPENSES

Staff costs	1,052.9	1,030.5	1,033.2	1,010.8
Administrative expenses	785.0	636.7	781.3	609.5
<b>Total staff costs and administrative expenses</b>	<b>1,837.9</b>	<b>1,667.2</b>	<b>1,814.5</b>	<b>1,620.3</b>
<i>Staff costs:</i>				
Salaries	853.7	813.4	836.6	798.2
Share-based payment	-	-	-	-
Pensions	98.0	107.0	96.8	105.2
Social security costs	101.2	110.1	99.8	107.4
<b>Total staff costs</b>	<b>1,052.9</b>	<b>1,030.5</b>	<b>1,033.2</b>	<b>1,010.8</b>

Of which, remuneration to present and previous members of the Executive Board and Board of Directors and material risk takers amounts to:

### The Board of Directors

Number	10	10	10	10
Fixed pay	3.0	2.7	3.0	2.7
Pension	0.0	0.0	0.0	0.0
<b>Total remuneration</b>	<b>3.0</b>	<b>2.7</b>	<b>3.0</b>	<b>2.7</b>

### Breakdown of remuneration to Board of Directors

Torben Fristrup	0.6	0.5	0.6	0.5
Per Nikolaj Bukh	0.4	0.4	0.4	0.4
Kaj Christiansen	0.3	0.2	0.3	0.2
Kjeld Johannesen (took office on 23 April 2014)	0.1	-	0.1	-
Laila Mortensen	0.3	0.2	0.3	0.2
Carsten Normann (retired on 23 April 2014)	0.1	0.2	0.1	0.2
Fritz Dahl Pedersen	0.2	0.2	0.2	0.2
Ole Skov	0.3	0.3	0.3	0.3
Jannie Skovsen	0.2	0.2	0.2	0.2
Gitte Holmgaard Sørensen	0.2	0.2	0.2	0.2
Hans Østergaard	0.3	0.3	0.3	0.3
<b>Total fees earned and paid</b>	<b>3.0</b>	<b>2.7</b>	<b>3.0</b>	<b>2.7</b>
- Of which, committee fees	0.5	0.3	0.5	0.3

The Board of Directors' remuneration in the Parent Company and the Group is identical.

The subsidiaries' boards of directors are composed of persons employed by Spar Nord Bank, the Parent Company, and none of them have received remuneration as members of the subsidiaries' boards of directors.

The remuneration of the Board of Directors is based on intragroup management agreements.

The members of the Board of Directors receive a fixed fee. In addition, a fixed fee is paid to members of the audit committee and the risk committee.

The Board of Directors receives no variable pay

The members of the Board of Directors are not covered by the corporate pension schemes.

### Material risk takers

Number	13	13	13	13
Fixed pay	14.2	15.0	14.2	15.0
Variable pay (lower threshold limit)	0.1	0.1	0.1	0.1
Pension	2.2	2.2	2.2	2.2
<b>Total remuneration earned and paid</b>	<b>16.5</b>	<b>17.3</b>	<b>16.5</b>	<b>17.3</b>

# NOTES

In accordance with the Danish Financial Business Act, Spar Nord's remuneration policy defines the group of persons who are material risk takers. No variable remuneration components over and above the statutorily allowed lower threshold limit (DKK 100,000 per year) are paid to material risk takers and internal control functions.

The remuneration paid to Group Management (Board of Directors and Executive Board) does not include any variable components or discretionary pension benefits. The remuneration policy was adopted at the Annual General Meeting on 23 April 2014. The remuneration policy is available at the website [www.sparnord.com/corporategovernance](http://www.sparnord.com/corporategovernance)

According to the remuneration policy, the Board of Directors and the Executive Board are included in the group of material risk takers. The Board of Directors' and Executive Board's remuneration and number of members, etc. are not included in the above specification. The specifications of the Board of Directors' and Executive Board's remuneration, etc. must be included in the total calculation and specification of the Bank's material risk takers.

	Spar Nord The Group 2014 DKK m	Spar Nord The Group 2013 DKK m	Spar Nord Parent Company 2014 DKK m	Spar Nord Parent Company 2013 DKK m
<i>Executive Board</i>				
Number	4	4	4	4
Base salary	13.1	12.6	13.1	12.6
- less fees received from directorships	1.4	1.6	1.4	1.6
<b>The Bank's expense, base salary</b>	<b>11.7</b>	<b>11.0</b>	<b>11.7</b>	<b>11.0</b>
Pension, ordinary contribution	1.8	1.6	1.8	1.6
Pension, extraordinary single payment	0.0	0.9	0.0	0.9
<b>Total remuneration earned and paid</b>	<b>13.5</b>	<b>13.5</b>	<b>13.5</b>	<b>13.5</b>

#### *Breakdown of remuneration to Executive Board*

<b>Lasse Nyby *)</b>				
Base salary	3.7	3.5	3.7	3.5
- less fees received from directorships	0.4	0.5	0.4	0.5
<b>The Bank's expense, base salary</b>	<b>3.3</b>	<b>3.0</b>	<b>3.3</b>	<b>3.0</b>
Pension, ordinary contribution	0.5	0.5	0.5	0.5
Pension, extraordinary single payment	0.0	0.3	0.0	0.3
<b>Total remuneration earned and paid</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>

<b>Bent Jensen *)</b>				
Base salary	3.1	3.0	3.1	3.0
- less fees received from directorships	0.0	0.0	0.0	0.0
<b>The Bank's expense, base salary</b>	<b>3.1</b>	<b>3.0</b>	<b>3.1</b>	<b>3.0</b>
Pension, ordinary contribution	0.3	0.3	0.3	0.3
<b>Total remuneration earned and paid</b>	<b>3.4</b>	<b>3.3</b>	<b>3.4</b>	<b>3.3</b>

<b>John Lundsgaard</b>				
Base salary	3.2	3.1	3.2	3.1
- less fees received from directorships	0.5	0.6	0.5	0.6
<b>The Bank's expense, base salary</b>	<b>2.7</b>	<b>2.5</b>	<b>2.7</b>	<b>2.5</b>
Pension, ordinary contribution	0.5	0.4	0.5	0.4
<b>Total remuneration earned and paid</b>	<b>3.2</b>	<b>2.9</b>	<b>3.2</b>	<b>2.9</b>

<b>Lars Møller *)</b>				
Base salary	3.1	3.0	3.1	3.0
- less fees received from directorships	0.5	0.5	0.5	0.5
<b>The Bank's expense, base salary</b>	<b>2.6</b>	<b>2.5</b>	<b>2.6</b>	<b>2.5</b>
Pension, ordinary contribution	0.5	0.4	0.5	0.4
Pension, extraordinary single payment	0.0	0.6	0.0	0.6
<b>Total remuneration earned and paid</b>	<b>3.1</b>	<b>3.5</b>	<b>3.1</b>	<b>3.5</b>

\*) To which must be added employer-paid car

The Executive Board receives no variable pay.

The Executive Board receives remuneration for its Group executive board duties based on the management agreements with the individual subsidiaries.

#### 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 and material risk takers are comprised by defined-contribution pension plans.

The contractual provisions upon resignation in connection with transition to a retirement plan between age 60 and 64 previously applying to Lasse Nyby, Lars Møller and John Lundsgaard were removed as at 30 April 2013 and replaced by a higher regular pension contribution coupled with a higher extraordinary single pension payment. In this connection, provisions of DKK 1.1 million previously made were reversed.

#### Incentive schemes:

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

# NOTES

	Spar Nord The Group 2014 DKK m	Spar Nord The Group 2013 DKK m	Spar Nord Parent Company 2014 DKK m	Spar Nord Parent Company 2013 DKK m
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The amount of loans, mortgages, pledges, sureties or guarantees and the associated collateral provided on behalf of the below-mentioned board members:

Loans, advances and loan commitments, etc.:	Interest rates 2014	Interest rates 2013				
Executive Board	2.51-2.63	2.49-2.60	8.8	4.8	8.8	4.8
Board of Directors	0.51-8.51	0.49-7.75	50.1	42.1	50.1	42.1
Of which, unutilized loan commitments and sureties, Executive Board			8.3	4.0	8.3	4.0
Of which, unutilized loan commitments and sureties, Board of Directors			27.3	13.9	27.3	13.9

Employee-elected Directors are eligible for bank staff loans/credits.

Mastercard debit balances are interest free for the Bank's customers, as well as for the Executive Board and Board of Directors.

Deposits:

Executive Board	5.5	6.0	5.5	6.0
Board of Directors	10.7	9.5	10.7	9.5

Collateral provided:

Executive Board	4.1	0.0	4.1	0.0
Board of Directors	22.4	19.1	22.4	19.1

Tax deduction for salaries to the Executive Board:

Pursuant to the Act on State-Funded Capital Injections to Credit Institutions, only 50% of the Executive Board salaries may be deducted for tax purposes until the governmental hybrid capital has been repaid. In 2014, tax deductions of DKK 2.8 million were made (2013: DKK 6.7 million) for the months until redemption at end-May 2014.

Number of employees:

The average number of employees during the financial year in terms of full-time employees	1,495.8	1,553.6	1,482.4	1,535.7
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Administrative expenses:

IT expenses *)	448.4	300.4	448.0	299.3
Marketing costs	93.6	90.2	93.4	90.1
Cost of premises	90.4	93.5	97.0	99.1
Staff costs and travelling expenses	48.8	55.5	48.3	54.1
Office expenses	32.9	35.7	32.3	34.5
Other administrative expenses	70.9	61.4	62.3	32.4
<b>Total</b>	<b>785.0</b>	<b>636.7</b>	<b>781.3</b>	<b>609.5</b>

\*) Of which the exit fee to SDC amounted to DKK 139 million in 2014



# NOTES

## NOTE 14 SHARE-BASED PAYMENT

### Share-option scheme

No new share-option schemes were established in 2014.

The only share-option scheme for executive staff members is the one established within the framework of Sparbank, under which share options were allocated in 2008. This share-option scheme was taken over in connection with the merger with Sparbank in November 2012. The share-option scheme comprised 50,000 share options at 31 December 2014 (2013: 50,000 share options).

The share-option scheme comprises other executive staff, as the Executive Board members of Sparbank waived the right to participate. The exercise period expires on 1 April 2015.

### Specification of outstanding share options:

Share options	Number		Total	Average exercise price, DKK	Fair value per option *), DKK	Total fair value *), DKK m
	Executive Board, the Group	Other executive staff members				
<b>Beginning of 2013</b>	<b>92,394</b>	<b>621,977</b>	<b>714,371</b>	<b>98.4-141.0</b>	<b>27.2-29.7</b>	<b>1.5-18.1</b>
Lapsed	0	0	0			
Exercised	0	0	0			
Expired **)	92,394	571,977	664,371			
<b>End-2013</b>	<b>0</b>	<b>50,000</b>	<b>50,000</b>	<b>141.0</b>	<b>29.7</b>	<b>1.5</b>
Lapsed	0	0	0			
Exercised	0	0	0			
Expired	0	0	0			
<b>End-2014</b>	<b>0</b>	<b>50,000</b>	<b>50,000</b>	<b>141.0</b>	<b>29.7</b>	<b>1.5</b>
<b>Number of options that may be exercised at the end of 2013</b>	<b>0</b>	<b>50,000</b>	<b>50,000</b>			
<b>Number of options that may be exercised at the end of 2014</b>	<b>0</b>	<b>50,000</b>	<b>50,000</b>			

\*) At the time of allocation.

\*\*\*) The share-option scheme established within the framework of Spar Nord during the period 2005-2007 expired six weeks after the publication of the Annual Report for 2012.

The outstanding options correspond to 0.04% (2013: 0.04%) of the share capital if all share options are exercised.

The average share price for **exercised options** at the time of exercise is of no relevance, as no options were exercised in 2013 and 2014.

For **outstanding options** at 31 December 2014, the average remaining term was 0.3 years (2013: 1.3 years), and the exercise price for each option was DKK 141.0 (2013: DKK 141.0 per option).

### Employee shares

Currently, the Spar Nord Group has no established bonus schemes for any employees by way of allocation of shares qualifying for special tax privileges, based on certain performance-contingent assumptions.

## 15 AUDIT FEES

	Spar Nord The Group 2014 DKK m	Spar Nord The Group 2013 DKK m	Spar Nord Parent Company 2014 DKK m	Spar Nord Parent Company 2013 DKK m
Fees to the audit firm elected at the General Meeting	2.4	3.0	1.9	2.3
Fees to other audit firms for services other than audit	0.4	0.3	0.4	0.3
<b>Total audit fees</b>	<b>2.8</b>	<b>3.3</b>	<b>2.3</b>	<b>2.6</b>

Total fees to the audit firm elected at the General Meeting break down as follows:

	Spar Nord The Group 2014 DKK m	Spar Nord The Group 2013 DKK m	Spar Nord Parent Company 2014 DKK m	Spar Nord Parent Company 2013 DKK m
Statutory audit	1.2	1.5	0.8	0.8
Other assurance engagements	0.1	0.3	0.1	0.3
Tax and VAT advice	0.3	0.6	0.3	0.6
Other services	0.8	0.6	0.7	0.6
<b>Total fees to the audit firm elected at the General Meeting</b>	<b>2.4</b>	<b>3.0</b>	<b>1.9</b>	<b>2.3</b>

# NOTES

NOTE

	Spar Nord The Group 2014 DKK m	Spar Nord The Group 2013 DKK m	Spar Nord Parent Company 2014 DKK m	Spar Nord Parent Company 2013 DKK m
<b>16 DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT</b>				
<i>Intangible assets</i>				
Customer relations, amortization	6.5	6.2	6.5	6.2
Other intangible assets, amortization	8.2	5.5	8.2	5.5
<i>Property, plant and equipment</i>				
Corporate properties, depreciation	13.9	14.4	12.6	13.0
Corporate properties, net impairment	-2.6	10.2	-1.0	0.7
Temporary property portfolio, impairment	4.6	4.5	4.6	4.5
Other property, plant and equipment, depreciation	40.9	75.4	40.1	60.0
<b>Total depreciation, amortization and impairment of intangible assets and property, plant and equipment</b>	<b>71.5</b>	<b>116.2</b>	<b>71.0</b>	<b>89.9</b>
<b>17 OTHER OPERATING EXPENSES</b>				
Contributions to sector-wide solutions	96.9	103.8	96.9	103.8
Miscellaneous operating expenses	13.0	1.7	5.1	-2.7
<b>Other operating expenses, total</b>	<b>109.9</b>	<b>105.5</b>	<b>102.0</b>	<b>101.1</b>

Contributions to sector-wide solutions primarily consisted of contributions to the statutory depositors' guarantee fund in Denmark under which the participating institutions pay a fixed annual contribution of 2.5‰ of the guaranteed deposits ("insurance-based model").

<b>18 IMPAIRMENT OF LOANS, ADVANCES AND RECEIVABLES, ETC.</b>				
Receivables from credit institutions and central banks	0.0	10.5	0.0	10.5
Loans and advances	571.4	715.8	596.5	705.7
Guarantees	31.5	0.1	31.5	0.1
<b>Total impairment of loans, advances and receivables, etc.</b>	<b>602.9</b>	<b>726.4</b>	<b>628.0</b>	<b>716.3</b>

The impairment accounts for loans & advances and guarantees, respectively, are shown in note 55.

<b>19 PROFIT/LOSS ON EQUITY INVESTMENTS IN ASSOCIATES AND GROUP ENTERPRISES</b>				
Profit/loss on equity investments in associates	104.1	77.6	104.1	77.6
Profit/loss on equity investments in group enterprises	0.0	0.0	261.1	85.1
<b>Total profit/loss on equity investments in associates and group enterprises</b>	<b>104.1</b>	<b>77.6</b>	<b>365.2</b>	<b>162.7</b>

<b>20 TAX</b>				
<i>Tax for the year can be broken down as follows:</i>				
Tax on profit/loss for the year	91.4	133.4	77.7	131.1
Tax on other comprehensive income	0.0	0.0	0.0	0.0
<b>Total tax</b>	<b>91.4</b>	<b>133.4</b>	<b>77.7</b>	<b>131.1</b>

*Tax on the profit/loss for the year breaks down as follows:*

Current tax	132.0	124.5	44.7	1.0
Deferred tax for the year	-33.2	25.8	28.7	126.3
Deferred tax, effect after reduction of Danish corporate tax rate	-1.6	-14.0	1.7	1.8
Deferred tax, effect of tax loss not recognized for prior years	-8.3	-6.2	0.0	0.0
Deferred tax, prior year(s)	1.6	3.8	1.6	13.2
Post-adjustment of current tax for prior years	0.9	-0.5	1.0	-11.2
<b>Tax on profit/loss for the year</b>	<b>91.4</b>	<b>133.4</b>	<b>77.7</b>	<b>131.1</b>

*The effective tax rate results as follows:*

Current Danish tax rate, %	24.5	25.0	24.5	25.0
Reduction of Danish corporate tax rate from 24.5% to 22.0% over the period until 2016, %	-0.2	-2.1	0.2	0.3
Effect of tax loss not recognized for prior years, %	-1.2	-0.9	0.0	0.0
Profit/loss on equity investments and market-value adjustment of shares, %	-10.8	-6.1	-14.0	-6.0
Non-deductible costs and non-taxable income, %	0.3	3.5	0.1	0.0
Adjustment of taxes relating to prior years, %	0.4	0.5	0.4	0.3
<b>Total effective tax rate, %</b>	<b>13.0</b>	<b>19.9</b>	<b>11.2</b>	<b>19.6</b>

Tax on other comprehensive income The Group	2014 Tax income/ expense			2013 Tax income/ expense		
	Before tax	After tax		Before tax	After tax	
Adjustment relating to associates	1.4	0.0	1.4	-2.9	0.0	-2.9
Exchange-rate adjustments upon translation of foreign entity	-2.5	0.0	-2.5	-4.2	0.0	-4.2
Net revaluation of properties	8.3	0.0	8.3	1.4	0.0	1.4
<b>Tax on other comprehensive income, total</b>	<b>7.2</b>	<b>0.0</b>	<b>7.2</b>	<b>-5.7</b>	<b>0.0</b>	<b>-5.7</b>

# NOTES

NOTE

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<b>21 RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>				
Receivables from central banks, subject to notice	0.0	0.0	0.0	0.0
Receivables from credit institutions	3,970.6	3,212.4	3,974.6	3,190.7
<b>Total receivables from credit institutions and central banks</b>	<b>3,970.6</b>	<b>3,212.4</b>	<b>3,974.6</b>	<b>3,190.7</b>

Of which, subordinated receivables 5.9 5.5 5.9 5.5

*Shown by term to maturity*

Demand deposits	113.6	112.3	117.6	112.3
Up to 3 months	3,801.1	3,044.6	3,801.1	3,022.9
Over 3 months and up to 1 year	0.0	0.0	0.0	0.0
Over 1 year and up to 5 years	0.0	0.0	0.0	0.0
Over 5 years	55.9	55.5	55.9	55.5
<b>Total</b>	<b>3,970.6</b>	<b>3,212.4</b>	<b>3,974.6</b>	<b>3,190.7</b>

*Of which, genuine purchase and resale transactions*

Reverse transactions 1,797.3 1,865.0 1,797.3 1,865.0

**22 LOANS, ADVANCES AND OTHER RECEIVABLES AT AMORTIZED COST**

Loans and advances, banking activities *)	34,351.4	33,772.9	34,709.1	34,803.3
Loans and advances, reverse transactions	463.8	1,785.6	463.8	1,785.6
Loans and advances, leasing activities	1,132.4	2,089.6	171.7	197.8
<b>Loans, advances and other receivables at amortized cost, total</b>	<b>35,947.6</b>	<b>37,648.1</b>	<b>35,344.6</b>	<b>36,786.7</b>

\*) The item "Loans and advances, banking activities" comprises all loans and advances except those classified as reverse transactions and leasing activities and mainly includes loans and advances in the business areas Spar Nord's Local Banks and Trading, Financial Markets & the International Division.

*Broken down by category*

Overdraft facilities	20,630.2	21,722.3	21,002.4	22,390.2
Lease contracts	1,106.6	1,899.8	162.9	181.9
Mortgage deeds	31.6	37.7	31.6	37.7
Other loans and advances	14,179.2	13,988.3	14,147.7	14,176.9
<b>Total</b>	<b>35,947.6</b>	<b>37,648.1</b>	<b>35,344.6</b>	<b>36,786.7</b>

Of which, subordinated receivables 8.1 14.7 8.1 14.7

*Shown by term to maturity*

Demand deposits	4,532.1	4,167.6	4,532.1	4,167.6
Up to 3 months	2,603.0	3,755.9	2,880.6	4,185.6
Over 3 months and up to 1 year	9,876.2	11,512.0	9,653.6	11,396.6
Over 1 year and up to 5 years	6,933.6	7,560.4	6,299.8	6,427.1
Over 5 years	12,002.7	10,652.2	11,978.5	10,609.8
<b>Total</b>	<b>35,947.6</b>	<b>37,648.1</b>	<b>35,344.6</b>	<b>36,786.7</b>

*Loans and advances, leasing activities*

Lease contracts, etc.	1,106.6	1,899.8	162.9	181.9
Sales contracts	25.8	189.8	8.8	15.9
<b>Total loans and advances, leasing activities</b>	<b>1,132.4</b>	<b>2,089.6</b>	<b>171.7</b>	<b>197.8</b>

Finance lease assets, with the Group as lessor, comprise agricultural equipment, passenger cars and trucks, industrial machinery, contractor's equipment, etc.

The lease contracts are entered into for a term of zero to eight years, with individually agreed lease payments.

The lease contracts are in foreign and Danish currency.

The contracts can be terminated during the lease term.

# NOTES

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<b>Lease payments broken down according to contractual term to maturity *)</b>				
<i>Gross investments in finance leases</i>				
Up to 1 year	371.2	723.2	57.8	16.4
1 – 5 years	765.1	1,282.4	111.7	173.9
Over 5 years	41.0	37.2	16.4	4.2
<b>Total</b>	<b>1,177.3</b>	<b>2,042.8</b>	<b>186.0</b>	<b>194.5</b>
Of which, unearned, future financial income	70.7	143.0	23.0	12.6
<b>Net investments in finance leases</b>	<b>1,106.6</b>	<b>1,899.8</b>	<b>162.9</b>	<b>181.9</b>
<i>Net investments in finance leases</i>				
Up to 1 year	349.1	672.3	50.7	15.4
1 – 5 years	719.7	1,193.0	97.8	162.6
Over 5 years	37.8	34.5	14.4	3.9
<b>Total</b>	<b>1,106.6</b>	<b>1,899.8</b>	<b>162.9</b>	<b>181.9</b>
*) The Group's lease contracts consist mainly of finance leases and are recognized in the balance sheet under lending, leasing activities.				
Accumulated impairment of uncollectible minimum lease payments receivable	19.4	41.4	1.8	16.6
Rental income recognized in the income statement under the item "Interest income".	64.9	144.0	11.4	15.6
Average remaining term of the lease contracts (years)	1.3	1.5	1.1	1.5
<b>Gross loans, advances and guarantees broken down by sectors and industries (%)</b>				
<b>Public authorities</b>	<b>1.9</b>	<b>4.7</b>	<b>1.9</b>	<b>4.8</b>
<i>Business customers</i>				
Agriculture, hunting, forestry and fisheries	8.3	9.1	7.8	7.9
Industry and raw materials extraction	5.7	4.0	5.4	3.4
Energy supply	3.9	4.2	3.9	4.2
Building and construction	3.3	3.8	3.1	3.3
Trade	8.1	7.9	8.1	7.7
Transport, hotels and restaurants	3.6	4.1	3.3	3.2
Information and communication	0.2	0.3	0.2	0.3
Financing and insurance	5.8	7.6	6.5	10.6
Real estate	11.2	10.9	11.4	11.0
Other business areas	6.0	7.0	5.9	6.6
<b>Business customers, total</b>	<b>56.1</b>	<b>58.9</b>	<b>55.6</b>	<b>58.2</b>
<b>Retail customers</b>	<b>42.0</b>	<b>36.4</b>	<b>42.5</b>	<b>37.0</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

# NOTES

NOTE

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<b>23 BONDS AT FAIR VALUE</b>				
Mortgage-credit bonds	17,137.1	15,073.1	17,137.1	15,073.1
Government bonds	262.3	465.4	262.3	465.4
Other bonds	2,834.6	3,271.9	2,834.6	3,271.9
<b>Bonds at fair value, total</b>	<b>20,234.0</b>	<b>18,810.4</b>	<b>20,234.0</b>	<b>18,810.4</b>
Of which, subordinated receivables	34.1	56.0	34.1	56.0

All bonds form part of the Bank's trading portfolio.

<b>24 SHARES, ETC.</b>				
Shares/unit trust certificates listed on Nasdaq OMX Copenhagen A/S	99.4	116.7	99.4	116.7
Shares/unit trust certificates listed on other stock exchanges	7.3	23.4	7.3	23.4
Unlisted shares at fair value	1,310.1	1,075.4	1,252.9	835.5
<b>Total shares, etc.</b>	<b>1,416.8</b>	<b>1,215.5</b>	<b>1,359.6</b>	<b>975.6</b>
Trading portfolio				
Other shares at fair value using the fair-value option	119.9	158.4	119.9	158.4
<b>Total shares</b>	<b>1,296.9</b>	<b>1,057.1</b>	<b>1,239.7</b>	<b>817.2</b>
	<b>1,416.8</b>	<b>1,215.5</b>	<b>1,359.6</b>	<b>975.6</b>

Securities that are not included in the Group's trading portfolio are measured at fair value with the ensuing changes in value in the income statement using the fair-value option.

The securities form part of a portfolio that is managed – and on which the returns are measured on the basis of fair value – in accordance with a documented risk management and investment strategy.

<b>25 EQUITY INVESTMENTS IN ASSOCIATES</b>				
Total purchase price, beginning of year	490.0	496.4	489.9	489.6
Reclassified to shares, etc.	178.6	0.0	178.6	0.0
Additions	58.6	0.3	58.6	0.3
Disposals	0.1	6.7	0.0	0.0
<b>Total purchase price, end of year</b>	<b>369.9</b>	<b>490.0</b>	<b>369.9</b>	<b>489.9</b>
Revaluations and impairment, beginning of year	507.3	496.4	507.4	503.1
Reclassified to shares, etc.	15.9	0.0	15.9	0.0
Profit/loss	104.1	77.6	104.1	77.6
Dividend	25.6	70.4	25.6	70.4
Other capital movements recognized in other comprehensive income	1.4	-2.9	1.4	-2.9
Reversal of revaluations and impairment losses	-0.1	-6.6	0.0	0.0
<b>Revaluations and impairment, end of year</b>	<b>571.4</b>	<b>507.3</b>	<b>571.4</b>	<b>507.4</b>
<b>Book portfolio, end of year</b>	<b>941.3</b>	<b>997.3</b>	<b>941.3</b>	<b>997.3</b>
Of which, credit institutions	866.2	732.9	866.2	732.9

# NOTES

Financial information for each of the Group's individually significant associates has been adjusted for differences in the accounting policies applied:

<b>THE GROUP / SPAR NORD PARENT COMPANY</b>	<b>2014</b>	<b>2013</b>
<b>DKK m</b>	<b>Nørresundby Bank A/S</b>	<b>Nørresundby Bank A/S</b>
Registered office	Nørresundby	Nørresundby
Ownership interest, (%)	54.8 (1)	50.2 (1)
Voting share, (%)	0.0 (2)	0.0 (2)

## Statement of comprehensive income

Revenue	448.8	459.7
Profit/loss for the year	89.3	73.5
Other comprehensive income	1.5	-3.2
<b>Total</b>	<b>90.8</b>	<b>70.3</b>
Dividends received	11.6	4.6

## Balance sheet

Loans, advances and receivables	5,513.7	5,268.9
Miscellaneous assets	3,739.4	4,083.5
<b>Total assets</b>	<b>9,253.1</b>	<b>9,352.4</b>
Deposits and other payables	6,146.6	6,334.2
Miscellaneous commitments	1,673.7	1,675.6
<b>Total liabilities</b>	<b>7,820.3</b>	<b>8,009.8</b>
Shareholders' equity	<b>1,432.8</b>	<b>1,342.6</b>
The Spar Nord Group's share of equity in significant associates	866.2	732.9

(1) Moreover, 0.1% (2013: 0.1%) has been recognized under the item Shares as part of the Bank's trading portfolio.

(2) The voting rights in Nørresundby Bank A/S are restricted. Significant influence is considered to exist due to other factors.

The above accounting figures were sourced from the annual reports most recently published.

The Group's associates are measured according to the equity method.

Based on the listed price, the fair value of Nørresundby Bank A/S (level 1 in the fair-value hierarchy) has been determined at DKK 1,052.4 million (2013: DKK 476.1 million).

## Reconciliation of carrying amount at 31 December

<b>DKK m</b>	<b>31.12.14</b>	<b>31.12.13</b>
The Spar Nord Group's share of equity in significant associates	866.2	732.9
Goodwill relating to associates	37.0	37.0
Carrying amount of equity investments in individually insignificant associates	38.1	227.4 <sup>3)</sup>
	<b>941.3</b>	<b>997.3</b>

[3] In 2014, Skandinavisk Data Center A/S was reclassified from the item Equity investments in associates to the item Shares.

# NOTES

NOTE

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<b>26 EQUITY INVESTMENTS IN GROUP ENTERPRISES</b>				
Total purchase price, beginning of year	-	-	1,379.7	1,369.7
Additions *)	-	-	0.0	10.0
Disposals	-	-	0.0	0.0
<b>Total purchase price, end of year</b>	-	-	<b>1,379.7</b>	<b>1,379.7</b>
Revaluations and impairment, beginning of year	-	-	179.4	348.4
Profit/loss	-	-	261.1	85.1
Dividend	-	-	100.0	250.0
Other capital movements	-	-	-2.6	-4.1
Reversal of revaluations and impairment losses	-	-	0.0	0.0
<b>Revaluations and impairment, end of year</b>	-	-	<b>337.9</b>	<b>179.4</b>
<b>Book portfolio, end of year</b>	-	-	<b>1,717.6</b>	<b>1,559.1</b>

\*) Additions in 2013 relate to a capital increase of DKK 10.0 million in Spar Nord Ejendomsselskab A/S (merged with Aktieselskabet Skelagervej 15 in 2014).

## GROUP ENTERPRISES

	Share capital End of year DKK m	Shareholders' equity End of year DKK m	Profit/loss for the year DKK m	Spar Nord The Group 2014 %	Spar Nord The Group 2013 %	Spar Nord Parent Company 2014 %	Spar Nord Parent Company 2013 %
<i>Consolidated companies</i>							
Aktieselskabet Skelagervej 15, Aalborg (1)	201.0	1,458.2	226.5	100.0	100.0	100.0	100.0
Erhvervsinvest Nord A/S in liquidation, Aalborg	30.0	54.2	1.5	100.0	100.0	100.0	100.0
Spar Nord Leasing A/S, Aalborg	10.0	205.1	33.1	100.0	100.0	100.0	100.0
SN Finans Nord AB, Sweden (2)	-	-	-	-	100.0	-	-
Spar Nord Ejendomsselskab A/S, Aalborg (1)	-	-	-	-	100.0	-	100.0

All companies are subsidiaries that are wholly owned, directly or indirectly, by Spar Nord Bank A/S.

- 1) Aktieselskabet Skelagervej 15 and Spar Nord Ejendomsselskab A/S merged as of 1 January 2014, with Aktieselskabet Skelagervej 15 as the continuing company.
- 2) The company was sold as of 1 July 2014.

# NOTES

NOTE

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<b>27 INTANGIBLE ASSETS</b>				
<i>Goodwill</i>				
Total purchase price, beginning of year	141.6	170.6	141.6	141.6
Additions	18.8	0.0	18.8	0.0
Disposals	0.0	29.0	0.0	0.0
<b>Total purchase price, end of year</b>	<b>160.4</b>	<b>141.6</b>	<b>160.4</b>	<b>141.6</b>
Impairment, beginning of year	1.7	30.7	1.7	1.7
Impairment for the year	0.0	0.0	0.0	0.0
Reversal of impairment on disposals	0.0	29.0	0.0	0.0
<b>Impairment, end of year</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>
<b>Book portfolio, end of year</b>	<b>158.7</b>	<b>139.9</b>	<b>158.7</b>	<b>139.9</b>
<i>Customer relations</i>				
Total purchase price, beginning of year	61.6	61.6	61.6	61.6
Additions	3.0	0.0	3.0	0.0
Disposals	0.0	0.0	0.0	0.0
<b>Total purchase price, end of year</b>	<b>64.6</b>	<b>61.6</b>	<b>64.6</b>	<b>61.6</b>
Amortization and impairment, beginning of year	18.7	12.5	18.7	12.5
Amortization for the year	6.5	6.2	6.5	6.2
<b>Amortization and impairment, end of year</b>	<b>25.2</b>	<b>18.7</b>	<b>25.2</b>	<b>18.7</b>
<b>Book portfolio, end of year</b>	<b>39.4</b>	<b>42.9</b>	<b>39.4</b>	<b>42.9</b>
<i>Other intangible assets</i>				
Total purchase price, beginning of year	56.9	41.4	56.9	41.4
Additions	3.5	25.6	3.5	25.6
Disposals	3.6	10.1	3.6	10.1
<b>Total purchase price, end of year</b>	<b>56.8</b>	<b>56.9</b>	<b>56.8</b>	<b>56.9</b>
Amortization and impairment, beginning of year	25.8	30.4	25.8	30.4
Amortization for the year	8.2	5.5	8.2	5.5
Reversal of amortization on disposals	3.5	10.1	3.5	10.1
<b>Amortization and impairment, end of year</b>	<b>30.5</b>	<b>25.8</b>	<b>30.5</b>	<b>25.8</b>
<b>Book portfolio, end of year</b>	<b>26.3</b>	<b>31.1</b>	<b>26.3</b>	<b>31.1</b>
<b>Total intangible assets</b>	<b>224.4</b>	<b>213.9</b>	<b>224.4</b>	<b>213.9</b>

The remaining amortization periods are 3-8 years (2013: 4-9 years) for customer relations and 1-5 years (2013: 1-5 years) for other intangible assets. Goodwill had an indefinite useful life in both 2014 and 2013.

The Spar Nord Group Goodwill - 2014 DKK m	Purchase price 01.01.14	Additions/ disposals 2014	Purchase price 31.12.14	Impairment 01.01.14	Impairment 2014	Impairment on disposals 2014	Impairment 31.12.14	Book portfolio 31.12.14
Banking activities, Roskilde Bank branches	86.8	0.0	86.8	0.0	0.0	0.0	0.0	86.8
Banking activities, Sparbank	35.2	0.0	35.2	0.0	0.0	0.0	0.0	35.2
Banking activities, branches, Other	19.6	18.8	38.4	1.7	0.0	0.0	1.7	36.7
Leasing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Goodwill, total</b>	<b>141.6</b>	<b>18.8</b>	<b>160.4</b>	<b>1.7</b>	<b>0.0</b>	<b>0.0</b>	<b>1.7</b>	<b>158.7</b>

Goodwill - 2013 DKK m	Purchase price 01.01.13	Additions/ disposals 2013	Purchase price 31.12.13	Impairment 01.01.13	Impairment 2013	Impairment on disposals 2013	Impairment 31.12.13	Book portfolio 31.12.13
Banking activities, Roskilde Bank branches	86.8	0.0	86.8	0.0	0.0	0.0	0.0	86.8
Banking activities, Sparbank	35.2	0.0	35.2	0.0	0.0	0.0	0.0	35.2
Banking activities, branches, Other	19.6	0.0	19.6	1.7	0.0	0.0	1.7	17.9
Leasing activities	29.0	-29.0	0.0	29.0	0.0	-29.0	0.0	0.0
<b>Goodwill, total</b>	<b>170.6</b>	<b>-29.0</b>	<b>141.6</b>	<b>30.7</b>	<b>0.0</b>	<b>-29.0</b>	<b>1.7</b>	<b>139.9</b>



## **IMPAIRMENT TEST**

In recent years, the Group's markets have developed negatively, with increasing unemployment, falling property prices and weak business brands.

The impairment test compares the carrying amount with the estimated present value of the anticipated future cash flows (value in use). The special debt structure in financial groups means that the calculation basis for the present value of future cash flows is based on a simplified equity model. The equity model is based on approved strategies and earnings estimates for the cash-generating business areas for the next five years.

The share of equity has been fixed at 8% of total risk exposure.

The impairment test in 2014 did not give rise to any writedowns for impairment of goodwill or other intangible assets.

## **Goodwill**

The Spar Nord Group's goodwill with an indefinite useful life is tested annually for impairment. The activities are tested on the identified cash-generating unit to which the assets have been allocated.

Goodwill is included in the cash-generating business area - Spar Nord's Local Banks - which is the business area comprising the branch network. For a more detailed description of Spar Nord's Local Banks, reference is made to note 3.

In the preliminary cost allocation, see note 49, the acquisition of assets and liabilities from FIH Erhvervsbank at 1 July 2014 resulted in goodwill being determined at DKK 18.8 million. For more detailed descriptions of the activities taken over and the determination of goodwill in 2014, reference is made to note 49. The goodwill is attributable to synergies in Spar Nord's Local Banks.

Combined with low money-market rates and fairly high lending losses, the low economic growth expected in the near future is expected to result in reduced earnings. Earnings are expected to normalize gradually in the current budget period (1-5 years).

The most significant parameter for projection of future cash flows is developments in balance-sheet items. An average growth of 2.0% has been assumed in the budget period and an average growth of 1.5% in the terminal period.

The estimated cash flows are discounted by a pre-tax required rate of return, conservatively fixed at 13.3% (2013: 13.3%).

The level of growth does not exceed the forecast for the general economic growth in the markets in question.

In addition, the projection of cash flows has been impacted by developments in the interest margin, cost ratio and impairment of loans and advances, etc.

The projection has been based on experience and expectations.

In 2013, goodwill related to Spar Nord Leasing was booked under disposals, as the activity was being discontinued in 2013 and the goodwill was written down in 2011.

## **Customer relations**

The carrying amount of customer relations recognized in connection with the acquisition of assets and liabilities from FIH Erhvervsbank as of 1 July 2014 amounted to DKK 2.7 million at 31 December 2014.

The carrying amount of customer relations recognized in connection with the acquisition of banking activities from Roskilde Bank is DKK 11.3 million (2013: DKK 14.2 million), and customer relations related to Sparbank amount to DKK 25.4 million (2013: DKK 28.7 million).

The assumptions for recognizing customer relations have been compared with the corresponding realized results - primarily income in excess of net interest income and the cost rate.

The realized results are in line with the expectations, for which reason there are no indications of impairment.

## **Other intangible assets**

Management has not identified factors showing any need for carrying out an impairment test in respect of other intangible assets.

Other intangible assets comprise software used by the Bank and are amortized at the rates stated in the accounting policies.

## **Sensitivity analyses**

Management assesses that probable changes in basic assumptions will not lead the carrying amount of goodwill to exceed its recoverable amount.

The share of equity used has been fixed at 8% of the total risk exposure of Spar Nord's Local Banks.

Sensitivity analyses show that the goodwill relating to Spar Nord's Local Banks is robust to changes in assumptions - even an increase in the discount rate of more than 20% (2013: more than 20%) or a reduction of pre-tax results of more than 50% (2013: more than 50%) or negative growth in balance-sheet items would not lead to impairment.

Projections for the budget period mean that 72% of the present value of expected cash flows in Spar Nord's Local Banks relates to the terminal period (2013: 69%).

# NOTES

## NOTE 28 LAND AND BUILDINGS

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<i>Investment properties</i>				
Fair value, beginning of year	167.7	157.9	82.5	69.4
Reclassifications	-18.4	0.0	-18.4	0.0
Additions, including improvements	1.0	19.1	1.0	19.1
Additions, reclassifications	0.6	0.0	0.6	0.0
Disposals	1.4	4.5	1.4	4.5
Unrealized fair-value adjustment	-1.8	-4.8	0.4	-1.5
<b>Fair value, end of year</b>	<b>147.7</b>	<b>167.7</b>	<b>64.7</b>	<b>82.5</b>
Required rate of return used in calculating the fair value (%)	5.8 - 10.0	6.0 - 14.5	5.8 - 10.0	6.0 - 14.5

The unrealized fair-value adjustment is recognized in the item Market-value adjustments in the Parent Company's Financial Statements and in Other operating income in the Consolidated Financial Statements.

The fair-value method (level 3 in the fair-value hierarchy) has been chosen for measuring investment properties. Investment properties consist mainly of business rental units. The periods of non-terminability for Spar Nord in the leases do not exceed 20 years. As concerns information regarding return on investment properties, please refer to note 12.

Note 12 includes operating expenses relating to investment properties that did not generate any rental income during the year for:

	0.0	0.3	0.0	0.3
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### *Corporate properties*

Total purchase price, beginning of year	632.1	732.9	516.5	617.3
Transferred to acquired properties	-3.2	-60.7	-3.2	-60.7
Transferred from investment properties	14.8	0.0	14.8	0.0
Additions	18.0	5.0	5.7	5.0
Disposals	1.9	45.1	1.9	45.1
<b>Total purchase price, end of year</b>	<b>659.8</b>	<b>632.1</b>	<b>531.9</b>	<b>516.5</b>
Depreciation and impairment, beginning of year	120.4	110.5	95.6	95.2
Transferred to acquired properties	-0.5	-7.8	-0.5	-7.8
Depreciation for the year	13.9	14.4	12.6	13.0
Net impairment via the income statement	-1.0	10.2	-1.0	0.7
Changes in value recognized in other comprehensive income	-9.6	-1.0	-8.6	0.4
Depreciation and impairment on disposals	0.7	5.9	0.7	5.9
<b>Depreciation and impairment, end of year</b>	<b>122.5</b>	<b>120.4</b>	<b>97.4</b>	<b>95.6</b>
<b>Fair value, end of year</b>	<b>537.3</b>	<b>511.7</b>	<b>434.5</b>	<b>420.9</b>
Most recent official property valuation	482.6	475.4	377.9	374.2
Required rate of return used in calculating the fair value (%)	5.8 - 10.0	6.0 - 10.0	5.8 - 10.0	6.0 - 10.0
Carrying amount if corporate properties were measured according to the depreciated cost method	449.2	432.3	346.5	341.4

Net revaluations via other comprehensive income are included under depreciation and amortization at the end of the year in the notes detailing movements in intangible assets and property, plant and equipment (fixed-asset movement schedules).

An amount of DKK 12.2 million was recognized in 2014 (2013: DKK 0.0 million) in the Spar Nord Group under additions, corporate properties, regarding improvements to properties in the subsidiary Aktieselskabet Skelagervej 15.

No borrowing costs were recognized in 2014 and 2013.

The valuation of corporate properties has been determined based on observable prices and other valuation methods. An expected residual value of 20-40% of the purchase price is recognized in the depreciation base of properties acquired.

An external valuation of all major properties has been obtained from a real estate agent to support the calculation of fair value, including the rental rates and rates of return used.

Due to developments in the real property market, the required rates of return used for some investment and corporate properties were slightly lower in 2014 than in 2013.

Overall, the required rates of return remained within the 5.8-10.0% range (2013: 6.0-10.0%) for corporate properties and the 5.8-10.0% range (2013: 6.0-14.5%) for investment properties.

### Breakdown of required rates of return

Spar Nord, the Group	31.12.14				31.12.13			
	Corporate properties		Investment properties		Corporate properties		Investment properties	
	No. of properties	Fair value, end of year	No. of properties	Fair value, end of year	No. of properties	Fair value, end of year	No. of properties	Fair value, end of year
Required rates of return in %								
-> 7.00	9	133.9	3	98.5	8	122.0	3	100.0
7.00 - 8.00	17	272.3	1	20.1	16	253.9	2	34.9
8.00 - 9.00	14	128.5	3	28.0	15	131.2	3	8.6
9.00 ->	2	2.6	3	1.1	4	4.6	7	24.2
<b>Total</b>	<b>42</b>	<b>537.3</b>	<b>10</b>	<b>147.7</b>	<b>43</b>	<b>511.7</b>	<b>15</b>	<b>167.7</b>

### Required rates of return

-> 7.00	Property characteristics
7.00 - 8.00	Properties in major towns with a good location, making the properties attractive to tenants and buyers.
8.00 - 9.00	Properties on the outskirts of attractive towns and properties with a good location in smaller towns.
9.00 ->	Properties located in small towns and villages.
	Properties in towns where they are expected to be difficult to sell.

Security furnished to mortgage-credit institutions in the form of mortgages on land and properties has a carrying amount of:

	84.6	129.9	19.1	64.4
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# NOTES

## NOTE Sensitivity analyses

The most important assumptions used in calculating the fair value of corporate and investment properties are the required rate of return and the rental level.

All other things being equal, a 0.5 percentage point increase in the required rate of return will reduce the fair value by DKK 43.9 million (2013: DKK 43.9 million).

Everything else being equal, a decrease of the rental level of 5 percentage points will reduce the fair value by DKK 30.1 million (2013: DKK 28.6 million).

## 29 OTHER PROPERTY, PLANT AND EQUIPMENT, TOTAL

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
Total purchase price, beginning of year	441.1	829.9	393.0	387.2
Reclassification from/to finance leases	0.9	-2.6	0.0	0.0
Additions	25.5	54.9	24.5	38.4
Disposals	48.5	441.1	23.9	32.6
<b>Total purchase price, end of year</b>	<b>419.0</b>	<b>441.1</b>	<b>393.6</b>	<b>393.0</b>
Depreciation and impairment, beginning of year	294.3	432.4	263.6	227.3
Depreciation and impairment for the year	40.9	75.4	40.1	60.0
Reversal of depreciation and impairment for the year	36.2	213.5	17.8	23.7
<b>Depreciation and impairment, end of year</b>	<b>299.0</b>	<b>294.3</b>	<b>285.9</b>	<b>263.6</b>
<b>Carrying amount, end of year</b>	<b>120.0</b>	<b>146.8</b>	<b>107.7</b>	<b>129.4</b>

The figures at end-2014 include various fully written-off assets used for the Bank's and the Group's operations. The initial cost of these assets was DKK 148.1 million (2013: DKK 130.9 million) in the Parent Company and DKK 148.6 million (2013: DKK 132.4 million) in the Group.

### Lease contracts

Operating lease assets are recognized at	14.6	25.9	3.4	9.6
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The lease contracts were entered into for a term of zero to eight years, with individually agreed lease payments.

The contracts can be terminated during the lease term.

### Operating leases

Up to 1 year	10.8	13.1	3.3	5.0
1 - 5 years	3.8	12.8	0.1	4.6
Over 5 years	0.0	0.0	0.0	0.0
<b>Total</b>	<b>14.6</b>	<b>25.9</b>	<b>3.4</b>	<b>9.6</b>

Lease payments relating to operating lease assets recognized in the income statement under Other operating income	7.5	27.3	5.5	9.8
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Average remaining term of the lease contracts (years)	0.7	1.0	0.7	0.8
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## 30 TEMPORARY ASSETS

Total purchase price, beginning of year	169.5	149.7	127.2	37.4
Transferred from corporate properties	3.2	60.7	3.2	60.7
Transferred from investment properties	3.6	0.0	3.6	0.0
Additions	15.6	67.3	11.2	44.9
Disposals	104.3	108.2	85.0	15.8
<b>Total purchase price, end of year</b>	<b>87.6</b>	<b>169.5</b>	<b>60.2</b>	<b>127.2</b>
Depreciation and impairment, beginning of year	49.2	58.8	24.4	12.5
Transferred from corporate properties	0.5	7.8	0.5	7.8
Transferred from investment properties	0.6	0.0	0.6	0.0
Movements for the year, former corporate properties	-3.9	-17.4	-1.2	4.1
<b>Depreciation and impairment, end of year</b>	<b>46.4</b>	<b>49.2</b>	<b>24.3</b>	<b>24.4</b>
<b>Carrying amount, end of year</b>	<b>41.2</b>	<b>120.3</b>	<b>35.9</b>	<b>102.8</b>

Temporary assets comprise properties taken over in connection with the Bank's non-accrual loans. Properties expected to be sold within a 12-month period according to a publicized plan are treated as Temporary assets.

In the Group, this item also includes assets repossessed under non-performing leases in the form of trucks, agricultural machinery and heavy construction machinery.

Both properties and leased assets are expected to be disposed of within 12 months.

Properties are sold through estate agents, while leased assets are sold on the usual marketplace for the individual types of assets - primarily by auction or through dealers.

If, contrary to expectation, the assets are not sold within 12 months, they are reclassified to investment properties or, as the case may be, other property, plant and equipment.

# NOTES

NOTE

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<b>31 OTHER ASSETS</b>				
Positive fair value of derivative instruments, etc.	2,005.3	1,393.9	2,005.3	1,393.9
Miscellaneous receivables	354.6	50.5	354.6	49.1
Interest and commissions receivable	274.7	330.1	272.8	335.1
Capital contribution to Foreningen Bankernes EDB Central ("BEC")	316.0	0.0	316.0	0.0
Miscellaneous assets	69.5	74.1	69.3	74.0
<b>Other assets, total</b>	<b>3,020.1</b>	<b>1,848.6</b>	<b>3,018.0</b>	<b>1,852.1</b>
<b>32 PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS</b>				
Payables to central banks	6,944.8	3,042.7	6,944.8	3,042.7
Payables to credit institutions	3,392.6	5,060.1	3,360.7	5,028.0
<b>Total payables to credit institutions and central banks</b>	<b>10,337.4</b>	<b>8,102.8</b>	<b>10,305.5</b>	<b>8,070.7</b>
<i>Shown by term to maturity</i>				
On demand	962.5	862.6	962.1	862.3
Up to 3 months	9,306.0	4,161.0	9,306.0	4,161.0
Over 3 months and up to 1 year	0.0	0.0	0.0	0.0
Over 1 year and up to 5 years	10.5	3,000.0	10.5	3,000.0
Over 5 years	58.4	79.2	26.9	47.4
<b>Total</b>	<b>10,337.4</b>	<b>8,102.8</b>	<b>10,305.5</b>	<b>8,070.7</b>
<i>Of which, genuine sale and repo transactions</i>				
Repo transactions	1,696.0	3,397.7	1,696.0	3,397.7
Mortgage debt on real property	47.9	67.7	16.5	35.9
The carrying amount of the mortgaged properties amounts to	91.6	130.7	26.1	65.1
<b>33 DEPOSITS AND OTHER PAYABLES</b>				
On demand	31,692.9	28,453.4	31,852.5	29,135.5
Subject to notice	3,947.0	5,561.6	3,947.0	5,561.6
Time deposits	2,493.1	2,891.3	3,493.1	2,891.3
Special types of deposit	4,102.8	4,924.2	4,102.8	4,924.2
<b>Deposits and other payables, total</b>	<b>42,235.8</b>	<b>41,830.5</b>	<b>43,395.4</b>	<b>42,512.6</b>
<i>Shown by term to maturity</i>				
On demand	31,692.9	28,453.4	31,852.5	29,135.5
Up to 3 months	2,559.7	3,199.2	2,559.7	3,199.2
Over 3 months and up to 1 year	3,007.7	2,500.6	3,007.7	2,500.6
Over 1 year and up to 5 years	1,931.0	4,226.0	2,931.0	4,226.0
Over 5 years	3,044.5	3,451.3	3,044.5	3,451.3
<b>Total</b>	<b>42,235.8</b>	<b>41,830.5</b>	<b>43,395.4</b>	<b>42,512.6</b>
<i>Of which, genuine sale and repo transactions</i>				
Repo transactions	0.0	0.0	0.0	0.0
<b>34 ISSUED BONDS AT AMORTIZED COST</b>				
<i>Shown by term to maturity</i>				
On demand	0.0	0.0	0.0	0.0
Up to 3 months	22.6	28.5	22.6	28.5
Over 3 months and up to 1 year	0.0	250.0	0.0	250.0
Over 1 year and up to 5 years	0.0	23.1	0.0	23.1
Over 5 years	0.0	0.0	0.0	0.0
<b>Issued bonds at amortized cost, total</b>	<b>22.6</b>	<b>301.6</b>	<b>22.6</b>	<b>301.6</b>

# NOTES

NOTE

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<b>35 OTHER LIABILITIES</b>				
Miscellaneous payables	2,046.2	1,524.1	2,034.1	1,506.7
Negative fair value of derivative instruments, etc.	2,077.6	1,362.0	2,077.6	1,362.0
Interest and commissions payable	124.1	206.4	117.2	168.8
Miscellaneous liabilities	403.7	575.0	289.2	400.8
<b>Other liabilities, total</b>	<b>4,651.6</b>	<b>3,667.5</b>	<b>4,518.1</b>	<b>3,438.3</b>
<b>36 PROVISIONS FOR LIABILITIES</b>				
Provisions for deferred tax [see separate note 37]	125.7	169.8	0.0	0.0
Provisions for losses on guarantees	43.7	12.2	43.7	12.2
Provisions for losses in connection with legal proceedings	0.9	3.8	0.9	3.8
Other provisions for liabilities	15.2	64.9	15.2	64.9
Provisions for unutilized credit lines	11.2	9.9	11.2	9.9
<b>Total provisions for liabilities</b>	<b>196.7</b>	<b>260.6</b>	<b>71.0</b>	<b>90.8</b>
<i>Provisions for losses on guarantees</i>				
Beginning of year	12.2	27.3	12.2	27.3
New provisions	33.9	0.9	33.9	0.9
Reversal of provisions	2.4	0.8	2.4	0.8
Reversal of provisions taken over in connection with the merger with Sparbank	0.0	15.2	0.0	15.2
<b>Provisions for losses on guarantees, end of year</b>	<b>43.7</b>	<b>12.2</b>	<b>43.7</b>	<b>12.2</b>
The share of provisions for losses on guarantees taken over in connection with the merger with Sparbank amounted to DKK 9.8 million (2013: DKK 9.8 million) [not included in note 55].				
<i>Losses on guarantees recognized in the income statement</i>				
New provisions	33.9	0.9	33.9	0.9
Reversal of provisions	2.4	0.8	2.4	0.8
<b>Recognized in the income statement</b>	<b>31.5</b>	<b>0.1</b>	<b>31.5</b>	<b>0.1</b>
<i>Provisions for losses in connection with legal proceedings</i>				
Beginning of year	3.8	13.4	3.8	13.4
New provisions	0.5	1.9	0.5	1.9
Reversal of provisions	2.2	10.5	2.2	10.5
Definitively lost	1.2	1.0	1.2	1.0
<b>End of year</b>	<b>0.9</b>	<b>3.8</b>	<b>0.9</b>	<b>3.8</b>
<i>Provisions for losses in connection with legal proceedings recognized in the income statement</i>				
New provisions	0.5	1.9	0.5	1.9
Reversal of provisions	2.2	10.5	2.2	10.5
<b>Recognized in the income statement</b>	<b>-1.7</b>	<b>-8.6</b>	<b>-1.7</b>	<b>-8.6</b>
<i>Other provisions for liabilities</i>				
Beginning of year	64.9	55.2	64.9	55.2
New provisions	2.0	47.7	2.0	44.8
Reversal of provisions	3.2	33.9	3.2	31.0
Applied to cover liabilities	48.5	4.1	48.5	4.1
<b>End of year</b>	<b>15.2</b>	<b>64.9</b>	<b>15.2</b>	<b>64.9</b>
<i>Other provisions for liabilities recognized in the income statement</i>				
New provisions	2.0	47.7	2.0	44.8
Reversal of provisions	3.2	33.9	3.2	31.0
<b>Recognized in the income statement</b>	<b>-1.2</b>	<b>13.8</b>	<b>-1.2</b>	<b>13.8</b>
<i>Provisions for unutilized credit lines</i>				
Beginning of year	9.9	6.3	9.9	6.3
New provisions	11.2	9.9	11.2	9.9
Reversal of provisions	9.9	6.3	9.9	6.3
<b>End of year</b>	<b>11.2</b>	<b>9.9</b>	<b>11.2</b>	<b>9.9</b>
<i>Provisions for unutilized credit lines recognized in the income statement</i>				
New provisions	11.2	9.9	11.2	9.9
Reversal of provisions	9.9	6.3	9.9	6.3
<b>Recognized in the income statement</b>	<b>1.3</b>	<b>3.6</b>	<b>1.3</b>	<b>3.6</b>
<i>Provisions for liabilities recognized in the income statement</i>				
New provisions	47.6	60.4	47.6	57.5
Reversal of provisions	17.7	51.5	17.7	48.6
<b>Provisions for liabilities recognized in the income statement, total</b>	<b>29.9</b>	<b>8.9</b>	<b>29.9</b>	<b>8.9</b>

# NOTES

## Broken down by term to maturity, shown by category for the Spar Nord Group

	Up to 3 months DKK m	3 months and up to 1 year DKK m	Over 1 year and up to 5 years DKK m	Over 5 years DKK m	Total DKK m
<b>31.12.14</b>					
Provisions for deferred tax	0.0	43.0	82.7	0.0	<b>125.7</b>
Provisions for losses on guarantees	43.7	0.0	0.0	0.0	<b>43.7</b>
Provisions for losses in connection with legal proceedings	0.0	0.9	0.0	0.0	<b>0.9</b>
Other provisions for liabilities	0.8	1.8	8.2	4.4	<b>15.2</b>
Provisions for unutilized credit lines	11.2	0.0	0.0	0.0	<b>11.2</b>
<b>Total provisions for liabilities</b>	<b>55.7</b>	<b>45.7</b>	<b>90.9</b>	<b>4.4</b>	<b>196.7</b>

	Up to 3 months DKK m	3 months and up to 1 year DKK m	Over 1 year and up to 5 years DKK m	Over 5 years DKK m	Total DKK m
<b>31.12.13</b>					
Provisions for deferred tax	0.0	38.6	131.2	0.0	<b>169.8</b>
Provisions for losses on guarantees	12.2	0.0	0.0	0.0	<b>12.2</b>
Provisions for losses in connection with legal proceedings	0.0	3.4	0.4	0.0	<b>3.8</b>
Other provisions for liabilities	0.8	52.1	6.8	5.2	<b>64.9</b>
Provisions for unutilized credit lines	9.9	0.0	0.0	0.0	<b>9.9</b>
<b>Total provisions for liabilities</b>	<b>22.9</b>	<b>94.1</b>	<b>138.4</b>	<b>5.2</b>	<b>260.6</b>

Uncertainty attaches to the due dates of liabilities for which provision has been made.

**Provisions for deferred tax** are specified in note 37.

**Provisions for losses on guarantees** have been made based on an individual assessment.

**Provisions for losses in connection with legal proceedings** have been made based on an individual assessment.

**Other provisions for liabilities** include provisions for rent commitments and anniversary lump sums.

Moreover, issues not relating to customer relations were recognized under this item at 31 December 2013 because the issues were settled in 2014. Further information is not provided due to the nature of the issues involved.

**Provisions for unutilized credit lines** relate to provisions for losses on unutilized credit lines.

# NOTES

## NOTE 37 PROVISIONS FOR DEFERRED TAX

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
Beginning of year	147.4	138.0	-55.1	-196.4
Additions, acquisition of FIH Erhvervsbank assets	0.4	0.0	0.4	0.0
Deferred tax for the year recognized in the profit/loss for the year	-41.5	9.4	32.0	141.3
Deferred tax for the year recognized in other comprehensive income	0.0	0.0	0.0	0.0
<b>End of year</b>	<b>106.3</b>	<b>147.4</b>	<b>-22.7</b>	<b>-55.1</b>
Deferred tax assets	-19.4	-22.4	-22.7	-55.1
Provisions for deferred tax	125.7	169.8	0.0	0.0
<b>Deferred tax, net (liability)</b>	<b>106.3</b>	<b>147.4</b>	<b>-22.7</b>	<b>-55.1</b>

### Spar Nord, the Group

#### Changes in deferred tax in 2014

	Beginning of year	Recognized in the profit/loss for the year	Recognized in other compre- hensive income	End of year
Intangible assets	33.7	0.9	0.7	35.3
Property, plant and equipment	-41.3	11.1	0.0	-30.2
Loans, advances and other receivables at amortized cost	166.1	-62.7	0.0	103.4
Receivables from credit institutions and central banks	6.6	-3.3	0.0	3.3
Miscellaneous assets	0.0	74.1	0.0	74.1
Provisions for liabilities	-17.2	-78.4	0.0	-95.6
Retaxation balance	1.4	1.8	0.0	3.2
Tax loss *)	-22.4	3.0	0.0	-19.4
Miscellaneous	20.5	12.0	-0.3	32.2
<b>Total</b>	<b>147.4</b>	<b>-41.5</b>	<b>0.4</b>	<b>106.3</b>

#### Changes in deferred tax in 2013

	Beginning of year	Recognized in the profit/loss for the year	Recognized in other compre- hensive income	End of year
Intangible assets	23.9	9.8	0.0	33.7
Property, plant and equipment	6.9	-48.2	0.0	-41.3
Loans, advances and other receivables at amortized cost	178.8	-12.7	0.0	166.1
Receivables from credit institutions and central banks	10.7	-4.1	0.0	6.6
Provisions for liabilities	-26.0	8.8	0.0	-17.2
Retaxation balance	0.0	1.4	0.0	1.4
Tax loss *)	-27.6	5.2	0.0	-22.4
Miscellaneous	-28.7	49.2	0.0	20.5
<b>Total</b>	<b>138.0</b>	<b>9.4</b>	<b>0.0</b>	<b>147.4</b>

### Spar Nord, Parent Company

#### Changes in deferred tax in 2014

	Beginning of year	Recognized in the profit/loss for the year	Recognized in other compre- hensive income	End of year
Intangible assets	33.7	0.9	0.7	35.3
Property, plant and equipment	-45.0	12.0	0.0	-33.0
Loans, advances and other receivables at amortized cost	-55.2	13.1	0.0	-42.1
Receivables from credit institutions and central banks	6.6	-3.3	0.0	3.3
Miscellaneous assets	0.0	74.1	0.0	74.1
Provisions for liabilities	-17.2	-78.4	0.0	-95.6
Retaxation balance	1.4	1.8	0.0	3.2
Miscellaneous	20.6	11.8	-0.3	32.1
<b>Total</b>	<b>-55.1</b>	<b>32.0</b>	<b>0.4</b>	<b>-22.7</b>

#### Changes in deferred tax in 2013

	Beginning of year	Recognized in the profit/loss for the year	Recognized in other compre- hensive income	End of year
Intangible assets	23.9	9.8	0.0	33.7
Property, plant and equipment	-51.7	6.7	0.0	-45.0
Loans, advances and other receivables at amortized cost	-127.0	71.8	0.0	-55.2
Receivables from credit institutions and central banks	10.6	-4.0	0.0	6.6
Provisions for liabilities	-26.0	8.8	0.0	-17.2
Retaxation balance	0.0	1.4	0.0	1.4
Tax loss *)	-14.9	14.9	0.0	0.0
Miscellaneous	-11.3	31.9	0.0	20.6
<b>Total</b>	<b>-196.4</b>	<b>141.3</b>	<b>0.0</b>	<b>-55.1</b>

\*) The tax loss of DKK 19.4 million in the Spar Nord Group (2013: DKK 22.4 million) relates to the joint taxation loss expected to be utilized by the subsidiary Aktieselskabet Skelagervej 15 within the next three years.

# NOTES

NOTE

## Deferred tax assets not recognized in the balance sheet in 2014

	Beginning of year	Recognized in the profit/loss for the year	Reduction of tax rate	Additions and disposals	End of year
<i>Deferred tax assets not recognized relate to:</i>					
Ring fence losses on properties	2.0	0.0	0.0	2.0	4.0
Tax loss abroad	0.9	0.0	0.0	1.9	2.8
Tax loss in Denmark (**)	8.1	-8.3	0.2	0.0	0.0
<b>Deferred tax assets not recognized, total</b>	<b>11.0</b>	<b>-8.3</b>	<b>0.2</b>	<b>3.9</b>	<b>6.8</b>

## Deferred tax assets not recognized in the balance sheet in 2013

	Beginning of year	Recognized in the profit/loss for the year	Reduction of tax rate	Additions and disposals	End of year
<i>Deferred tax assets not recognized relate to:</i>					
Ring fence losses on properties	0.0	0.0	0.0	2.0	2.0
Tax loss abroad	0.0	-1.5	0.0	2.4	0.9
Tax loss in Denmark (**)	14.5	-4.7	-1.7	0.0	8.1
<b>Deferred tax assets not recognized, total</b>	<b>14.5</b>	<b>-6.2</b>	<b>-1.7</b>	<b>4.4</b>	<b>11.0</b>

\*\*] The tax loss not recognized in the balance sheet at 31 December 2013 was related to the subgroup joint taxation income in Aktieselskabet Skelagervej 15 of DKK 36.6 million, equal to a tax base of DKK 8.1 million. The tax base at 31 December 2013 was not recognized in the balance sheet because the time horizon for utilizing it was assessed to exceed three years.

All deferred tax liabilities are recognized in the balance sheet.

The temporary differences in 2014 and 2013 relating to ring fence losses on properties arose on the realization of properties.

## 38 SUBORDINATED DEBT

Subordinated debt consists of liabilities in the form of subordinated loan capital and hybrid core capital which, in case of the Bank's voluntary or compulsory liquidation, whether solvent or insolvent, will not be repaid until the claims of the ordinary creditors have been met. Hybrid core capital ranks junior to subordinated loan capital. Premature redemption of subordinated debt is subject to the approval of the Danish Financial Supervisory Authority. Subordinated debt is included in own funds, etc. pursuant to the Danish Financial Business Act.

Spar Nord is the borrower with respect to all loans.

Currency	Note	Principal DKK m	Interest rate	Received	Maturity	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
DKK	a	58.0	8.000%	2010	25.11.2020	57.9	57.8	57.9	57.8
DKK	b	400.0	6.043%	2012	28.11.2022	403.9	394.0	403.9	394.0
DKK	c	700.0	4.198%	2013	18.12.2023	696.8	696.7	696.8	696.7
<b>Supplementary capital contributions, total</b>						<b>1,158.6</b>	<b>1,148.5</b>	<b>1,158.6</b>	<b>1,148.5</b>

### Hybrid core capital

Currency	Note	Principal DKK m	Interest rate	Received	Maturity	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
DKK	d	350.0	5.250%	2005	Perpetual	352.6	363.8	352.6	363.8
DKK	e	200.0	4.804%	2005	Perpetual	203.9	208.9	203.9	208.9
DKK	f	1,265.0	9.690%	2009	Perpetual	0.0	1,282.7	0.0	1,282.7

Portfolio of own bonds -6.8 -1.5 -6.8 -1.5

**Subordinated debt, total 1,708.3 3,002.4 1,708.3 3,002.4**

Interest on subordinated debt 137.8 183.7 137.8 183.7  
Costs of raising subordinated debt 2.4 2.3 2.4 2.3

a Redeemable as from 25.11.2015, after which date interest is fixed at Danmarks Nationalbank's 5-year swap rate + a 5.416% margin.

b Redeemable as from 28.11.2017, after which date interest is fixed at DKKC3M + a 5.00% margin.

c Redeemable as from 18.12.2018.

d Redeemable as from 16.03.2015, after which date interest is fixed at DKKC3M + a 2.33% margin.

e Redeemable as from 09.09.2015, after which date interest is fixed at DKKC3M + a 2.60% margin.

f Redeemed at end-May 2014.



# NOTES

## NOTE 39 TRANSFER OF FINANCIAL ASSETS

The Group has transferred the following financial assets that continue to be recognized in the balance sheet

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<i>Carrying amount of transferred financial assets</i>				
Bonds in repo transactions	1,733.0	3,475.9	1,733.0	3,475.9
<i>Carrying amount of transferred financial liabilities</i>				
Payables to credit institutions, repo transactions	1,696.0	3,397.7	1,696.0	3,397.7
Interest payable	0.2	1.9	0.2	1.9
<b>Total</b>	<b>1,696.2</b>	<b>3,399.6</b>	<b>1,696.2</b>	<b>3,399.6</b>
Net position	-36.8	-76.3	-36.8	-76.3

The Bank has entered into agreements regarding the sale of securities as genuine sale and repo transactions. When it lends or sells securities subject to a repurchase agreement, the Bank receives cash or other financial assets upon the transfer of the securities to the counterparty. The counterparty is entitled to sell or repledge the securities lent or sold according to the repurchase agreements, but the counterparty is obliged to return the securities upon expiry of the contract. Such transactions are carried out on terms and conditions fixed on the basis of the applicable ISDA Collateral Guidelines. If the value of the securities increases or decreases, the Bank may make or receive a demand for payment of additional cash collateral in specific circumstances. The Bank has decided that it will essentially retain all the risks and benefits attaching to these securities, and therefore it has not ceased recognizing them. In addition, the Bank recognizes a financial liability for the cash received as collateral.

The Bank has not entered into agreements regarding the sale of assets where such shares cease to be recognized in the balance sheet, but where the seller has continued involvement after the sale.

## 40 COLLATERAL PROVIDED

Securities sold as an element in genuine sale and repurchase agreements (repo transactions) remain on the balance sheet, and the amount received is recognized under payables to credit institutions and central banks or deposits. Securities forming part of repo transactions are treated as assets provided as collateral for liabilities. The counterparty is entitled to sell the securities or deposit them as collateral for other loans.

Securities bought as an element in genuine purchase and resale agreements (reverse transactions) are not recognized on the balance sheet, and the amount paid is recognized as receivables from credit institutions and central banks or as loans and advances. In connection with reverse transactions, Spar Nord is entitled to sell the securities or deposit them as collateral for other loans.

At the end of the year, the following securities were deposited in connection with margining and securities settlement, etc.	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<i>With Danmarks Nationalbank (the central bank), the Royal Bank of Scotland (RBS) and foreign clearing centres</i>				
Bonds included in the trading portfolio	12,084.3	7,101.7	12,084.3	7,101.7
Shares outside the trading portfolio	0.0	341.7	0.0	341.7
Deposits, futures clearing	1.9	4.1	1.9	4.1
<i>In credit institutions</i>				
Provided under CSA agreements, etc. for derivatives trades	1,473.5	913.6	1,473.5	913.6
Received under CSA agreements, etc. for derivatives trades	57.9	8.5	57.9	8.5
Bonds sold as an element in genuine sale and repo transactions	1,696.0	3,397.7	1,696.0	3,397.7
Bonds bought as an element in genuine purchase and resale transactions	1,797.3	1,865.0	1,797.3	1,865.0
<i>Vis-à-vis customers</i>				
Provided under CSA agreements, etc. for derivatives trades	11.3	0.9	11.3	0.9
Bonds bought as an element in genuine purchase and resale transactions	463.8	1,785.6	463.8	1,785.6

Uncollateralized securities deposited may be released on demand.

Assets deposited as collateral for own liabilities towards Danmarks Nationalbank (the central bank), Danish and foreign clearing centres and banks with which the Bank has concluded CSA agreements are all based on standard agreements customarily used by financial market participants. Apart from cash, the collateral consists of government bonds and mortgage-credit bonds with varying terms to maturity.

Collateral provided to Danmarks Nationalbank is to cover any overdrafts associated with sum clearing and usual borrowing against collateral. Collateral provided to Danish and foreign clearing centres is exclusively related to margining. Collateral deposited under CSA agreements relating to ISDA agreements has in all cases been provided in complete accordance with the standard terms and conditions of the CSA agreements, which are governed by English law.

The minimum value of collateral required to be provided with Danmarks Nationalbank amounted to DKK 6,900.0 million at end-2014 (2013: DKK 3,000.0 million).

## 41 COLLATERAL ACCEPTED

In connection with reverse transactions and agreements regarding securities-based loans, collateral that can be sold or repledged pursuant to the terms of the appropriate agreement is accepted.

### Reverse transactions

Collateral accepted that can be repledged or sold	2,249.1	3,628.7	2,249.1	3,628.7
Of which, repledged or sold	1,755.8	1,813.1	1,755.8	1,813.1

### Agreements regarding securities-based loans

Collateral accepted that can be repledged or sold	21.5	18.4	21.5	18.4
Of which, repledged or sold	1.7	8.7	1.7	8.7

# NOTES

## NOTE 42 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### Spar Nord Group

Assets and liabilities are offset when the Group and the counterparty have a legal right to offset, while at the same time having agreed to make a net settlement or realize the asset and redeem the liability at the same time. Positive and negative fair values of derivatives with the same counterparty are offset if it has been agreed to make a net settlement of the contractual payments, and if cash payment or provision of collateral for changes in the fair value takes place on a daily basis. Master netting agreements and corresponding agreements provide a further right to offset when a counterparty is in default, which additionally reduces the exposure to a counterparty in default, but this does not meet the criteria for offsetting for accounting purposes according to IFRS.

	Gross recognized assets	Liabilities offset in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		
				Financial collateral	Cash collateral	Net amount
<b>Financial assets</b>						
Derivative instruments	2,005.3	0.0	2,005.3	555.3	33.0	1,417.0
Reverse transactions	2,261.1	0.0	2,261.1	2,259.2	-	1.9
<b>Total</b>	<b>4,266.4</b>	<b>0.0</b>	<b>4,266.4</b>	<b>2,814.5</b>	<b>33.0</b>	<b>1,418.9</b>

	Gross recognized liabilities	Assets offset in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		
				Financial collateral	Cash collateral	Net amount
<b>Financial liabilities</b>						
Derivative instruments	2,077.6	0.0	2,077.6	555.3	1,325.3	197.0
Repo transactions	1,696.0	0.0	1,696.0	1,693.1	-	2.9
<b>Total</b>	<b>3,773.6</b>	<b>0.0</b>	<b>3,773.6</b>	<b>2,248.4</b>	<b>1,325.3</b>	<b>199.9</b>

	Gross recognized assets	Liabilities offset in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		
				Financial collateral	Cash collateral	Net amount
<b>Financial assets</b>						
Derivative instruments	1,393.9	0.0	1,393.9	419.9	0.0	974.0
Reverse transactions	3,650.6	0.0	3,650.6	3,645.3	-	5.3
<b>Total</b>	<b>5,044.5</b>	<b>0.0</b>	<b>5,044.5</b>	<b>4,065.2</b>	<b>0.0</b>	<b>979.3</b>

	Gross recognized liabilities	Assets offset in the balance sheet	Net amount of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		
				Financial collateral	Cash collateral	Net amount
<b>Financial liabilities</b>						
Derivative instruments	1,362.0	0.0	1,362.0	419.9	794.6	147.5
Repo transactions	3,397.7	0.0	3,397.7	3,392.8	-	4.9
<b>Total</b>	<b>4,759.7</b>	<b>0.0</b>	<b>4,759.7</b>	<b>3,812.7</b>	<b>794.6</b>	<b>152.4</b>

Reverse transactions are classified as Receivables from credit institutions and central banks or as Loans, advances and other receivables at amortized cost in the balance sheet.

Repo transactions are classified as Payables to credit institutions and central banks or as Deposits and other payables in the balance sheet.

Repo and reverse transactions are recognized in the balance sheet on a gross basis; see note 39.

# NOTES

## NOTE 43 HEDGE ACCOUNTING

Spar Nord Group	Carrying amount	Purchase price	Fair value	Nominal value
31.12.14	DKK m	DKK m	DKK m	DKK m
<b>Assets</b>				
Loans and advances	85.8	75.0	85.8	75.0
Interest-risk-hedged financial instruments				
Derivatives (swap contracts)	-10.8	-	-10.8	75.0
<b>Liabilities</b>				
Subordinated debt	962.9	950.0	962.9	950.0
Interest-risk-hedged financial instruments				
Derivatives (swap contracts)	12.7	-	12.7	950.0
<b>31.12.13</b>				
<b>Assets</b>				
Loans and advances	85.7	75.0	85.7	75.0
Interest-risk-hedged financial instruments				
Derivatives (swap contracts)	-10.7	-	-10.7	75.0
<b>Liabilities</b>				
Subordinated debt	2,253.3	2,215.0	2,253.3	2,215.0
Interest-risk-hedged financial instruments				
Derivatives (swap contracts)	37.7	-	37.7	2,215.0

The Spar Nord Group hedges the interest-rate risk attaching to selected fixed-interest assets and liabilities. The effectiveness of such hedging is measured on a continuing basis.

The table below shows the value adjustment of hedged assets and liabilities as well as hedging derivatives recognized under market-value adjustments.

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<i>Hedging of fixed-interest assets</i>				
Hedged loans and advances	0.0	-3.9	0.0	-3.9
Hedging derivatives	0.0	3.9	0.0	3.9
<b>Impact on profit/loss</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<i>Hedging of fixed-interest liabilities</i>				
Hedged deposits	25.4	56.5	25.4	56.5
Hedging derivatives	-25.0	-56.5	-25.0	-56.5
<b>Impact on profit/loss</b>	<b>0.4</b>	<b>0.0</b>	<b>0.4</b>	<b>0.0</b>

## 44 CONTINGENT ASSETS

At 31 December 2014, the Group recognized deferred tax in full on a tax loss because the time horizon for utilizing the loss was assessed to be less than three years.

At 31 December 2013, the Group had an unutilized tax loss of DKK 36.6 million, equal to a tax base of DKK 8.1 million, which was not recognized in the balance sheet because the time horizon for utilizing it was assessed to exceed three years.

The unutilized tax loss has arisen as a result of the merger between Spar Nord Bank A/S and Sparbank A/S, but is a separate loss specifically relating to Aktieselskabet Skelagervej 15 (a previous, jointly taxed subsidiary of Sparbank A/S), which means that only Aktieselskabet Skelagervej 15 can utilize the tax loss.

The subgroup joint taxation loss arose during the period of joint taxation between Aktieselskabet Skelagervej 15 and Sparbank A/S, during which period tax losses were realized.

For details about other deferred tax assets not recognized of DKK 6.8 million (2013: DKK 2.9 million), please see note 37.

# NOTES

NOTE

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<b>45 CONTINGENT LIABILITIES</b>				
Financial guarantees	2,458.3	1,995.1	2,603.9	2,241.9
Loss guarantees for mortgage-credit loans	2,985.9	1,946.5	2,985.9	1,946.5
Registration and refinancing guarantees	4,204.4	757.5	4,204.4	757.5
Other contingent liabilities	591.3	680.9	591.3	680.9
<b>Total contingent liabilities</b>	<b>10,239.9</b>	<b>5,380.0</b>	<b>10,385.5</b>	<b>5,626.8</b>

**Financial guarantees** largely consist of payment guarantees.

**Loss guarantees for mortgage-credit loans** have been granted for the highest-risk portion of mortgage-credit loans to personal customers and on business properties. The guarantee lies within 80% of the property value for personal customers, and within 60-80% of the value of business properties.

**Registration and refinancing guarantees** are furnished in connection with Land Registry processing upon the arrangement and refinancing of mortgage-credit loans.

**Other contingent liabilities** relate mainly to performance bonds and letters of credit. This item also includes the liabilities set out below.

Reference is made to note 13 regarding the Executive Board's notice of termination and the associated compensation.

In addition, the Spar Nord Group has contingent liabilities and other obligating agreements corresponding to the relative ownership interest in associates. These contingent liabilities do not differ by type from the Spar Nord Group's contingent liabilities.

Spar Nord is taxed jointly with other Danish and foreign subsidiaries in the Spar Nord Group. As the management company, Spar Nord has unlimited, joint and several liability together with the other jointly taxed companies for the Danish corporate income tax payable. Due to the payment of tax on account, no tax was payable at 31 December 2014 and 31 December 2013. The corporate income taxes receivable within the group of jointly taxed companies amounted to DKK 92.6 million at 31 December 2014 (2013: DKK 58.4 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 the retaxation balance related to international joint taxation.

Participation in the statutory depositors' guarantee fund in Denmark requires the participating institutions to pay a fixed annual contribution of 2.5‰ of the guaranteed net deposits ("insurance-based model"). Payments to the Financial Institutions Department must continue until the amounts in the fund exceed 1% of the guaranteed net deposits. The Financial Institutions Department covers the direct losses associated with the winding-up of Danish financial institutions in accordance with Bank Packages 3 and 4, where such losses can be attributed to the guaranteed net deposits. Any losses in connection with the final winding-up will be covered by the guarantee fund via the Winding-up and Restructuring Department in which Spar Nord guarantees about 4.6% of any losses.

Uncertainty attaches to the amount of the contingent liabilities and the possible due dates, for which reason this information has not been disclosed.

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<b>46 OTHER OBLIGATING AGREEMENTS</b>				
Irrevocable credit commitments	0.0	0.0	0.0	0.0
Miscellaneous	751.7	633.3	795.6	677.6
<b>Other obligating agreements, total</b>	<b>751.7</b>	<b>633.3</b>	<b>795.6</b>	<b>677.6</b>

*Miscellaneous is composed of:*

*Lease obligations, with the Group as lessee*

Spar Nord is the lessee under a number of operating leases. Operating leases are lease agreements under which Spar Nord has the right to use an asset for an agreed term against the payment of rental, without taking over the most significant risks and gains associated with the asset. The lease agreements concern the rental of properties and operating equipment. The lease agreements are not recognized in the balance sheet. The minimum lease payments are broken down by lease term below:

*Operating lease obligations*

Up to 1 year	25.1	27.2	32.9	33.6
1 – 5 years	50.7	49.5	81.0	77.2
Over 5 years	19.2	15.2	25.0	25.4
<b>Total</b>	<b>95.0</b>	<b>91.9</b>	<b>138.9</b>	<b>136.2</b>

Lease payments of DKK 29.2 million (2013: DKK 27.4 million) have been recognized for the Group under Staff costs and administrative expenses. The Group has not entered into finance leases as a lessee.

*Data-processing centre*

In 2014, Spar Nord gave notice terminating its agreement with Skandinavisk Data Center A/S regarding the future provision of services in the IT area. At the same time as giving notice, Spar Nord entered into an agreement with BEC a.m.b.a. regarding the future provision of IT services. The practical transfer from the platform of Skandinavisk Data Center A/S to that of BEC a.m.b.a. is expected to take place in 2016. The cost of withdrawal (exit fee) from the agreement with Skandinavisk Data Center A/S was expensed in 2014 for the period from the decision to change platform until the expiry of the notice period. The amount is included under Other liabilities. BEC a.m.b.a. will pay compensation to cover the exit fee, which has been offset against the expenses for the year. The amount is included under Other assets.

The IT expenses for the period from 1 January 2015 until the expected time of changing platform will be expensed continuously in the income statement. The expected IT expenses payable for the period until the change of IT platform are included under "Other" above.

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. The obligation as at 31 December 2014 is included under "Other" above. In addition, a capital contribution to BEC a.m.b.a. has been included under Other assets.

The Spar Nord Group has no other significant obligating agreements.

**NOTE 47 LEGAL PROCEEDINGS, ETC.**

The Group is party to several legal proceedings. The cases are assessed continuously and the necessary provisions are made based on the estimated risk of loss. The pending legal proceedings are not expected to materially affect the Group's financial position.

**48 EARNINGS PER SHARE**

	<b>Spar Nord The Group 31.12.14 DKK m</b>	<b>Spar Nord The Group 31.12.13 DKK m</b>
Profit/loss for the year	613.6	536.1
Average number of shares	125,529,918	125,529,918
Average number of treasury shares	192,430	626,937
<b>Average number of shares in circulation</b>	<b>125,337,488</b>	<b>124,902,981</b>
Average dilutive effect of outstanding share options	0	0
<b>Average number of outstanding shares (diluted)</b>	<b>125,337,488</b>	<b>124,902,981</b>
Earnings per share (DKK)	4.9	4.3
Diluted earnings per share (DKK)	4.9	4.3

The issued share capital is divided into shares in the denomination of DKK 10. The Bank has only one share class.

In calculating the diluted earnings per share, 50,000 share options have not been taken into account (2013: 50,000). These share options are out-of-the-money, but potentially they may dilute earnings per share in future

**49 BUSINESS COMBINATIONS**

**Acquisition of businesses and customer portfolios**

**Basisbank**

On 28 April 2014, Spar Nord entered into an agreement with Basisbank regarding the acquisition of Basisbank's customers in the residential and cooperative housing market. Spar Nord took over about 1,000 customers with loans of DKK 212 million and deposits of DKK 61 million.

The acquisition of the portfolio has been recognized in accordance with the rules stipulated in IAS 39, according to which the loans and deposits 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 103% of face value.

The difference between the acquisition cost and face value amounts to DKK 6.9 million, which is amortized as part of the effective interest rate over the expected term to maturity of the loans.

**Danske Andelskassers Bank, branch in Holstebro**

On 26 August 2014, Spar Nord entered into an agreement regarding its acquisition of the Holstebro branch of Danske Andelskassers Bank with effect from 1 October 2014. Spar Nord took over about 1,300 customers with loans of DKK 87 million and deposits of DKK 140 million.

The acquisition of the portfolio has been recognized in accordance with the rules stipulated in IAS 39, according to which the loans and deposits 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% of face value.

**FIH Erhvervsbank**

On 21 May 2014, Spar Nord and FIH Erhvervsbank entered into a conditional agreement regarding the transfer from FIH Erhvervsbank to Spar Nord of the facilities of about 900 FIH Erhvervsbank group customers, as well as the takeover of 29 employees and two branches.

The conditions for finalization of the agreement were met, and the completion date was 1 July 2014.

For Spar Nord, the strategic rationale behind conclusion of the agreement was the Bank's plans to strengthen its position in the market for services to small and medium-sized businesses nationwide. Moreover, the acquisition is intended to exploit the potential for efficiency enhancement and improved earning power arising from the ability to serve a greater number of customers on the same production and support platform.

The income and results of the acquired facilities, etc. for the period from 1 July 2014 to 31 December 2014 are estimated, as it is not possible to segregate the returns on derivative instruments and interest expenses from those on Spar Nord's other corresponding assets and liabilities. Based on the records available and a qualified estimate, the income amounts to about DKK 55 million and the pre-tax results for the year amount to about DKK 5 million. The pre-tax results for the period since the acquisition date have been negatively impacted by transaction-related costs of DKK 19 million. Income has been calculated as net income from interest, fees, charges and commissions, market-value adjustments and other operating income. No other items, apart from the profit or loss for the year, are recognized in the statement of comprehensive income.

The Spar Nord Group's income for the period from 1 January 2014 to 31 December 2014, determined on a pro-forma basis as if the FIH Erhvervsbank facilities had been acquired as from 1 January 2014, has also been estimated. Based on the records available and a qualified estimate, the Spar Nord Group's income, determined on a pro-forma basis as if the customer portfolio and employees had been acquired on 1 January 2014, amounts to about DKK 3,410 million. Income has been calculated as net income from interest, fees, charges and commissions, market-value adjustments, other operating income and profit/loss on equity investments in associates.

# NOTES

## Specification of acquired assets and liabilities recognized at the acquisition date

	Fair value at the acquisition date DKK m
Lending, banking activities	2,291.5
Lending, leasing activities	71.8
<b>Loans, advances and other receivables, total</b>	<b>2,363.3</b>
Intangible assets	6.3
Other assets	234.7
<b>Total assets</b>	<b>2,604.3</b>
Deposits and other payables	36.7
Provisions for deferred tax	0.4
Other liabilities	236.8
<b>Total liabilities</b>	<b>273.9</b>
<b>Net assets acquired</b>	<b>2,330.4</b>
Goodwill	18.8
<b>Consideration paid</b>	<b>2,349.2</b>
Cash consideration paid	2,349.2
<b>Consideration paid</b>	<b>2,349.2</b>

The total cash consideration paid amounts to DKK 2,349.2 million. Spar Nord is under no obligation to pay any additional consideration.

In connection with the acquisition, Spar Nord has incurred costs for advisers and conversion, etc. of DKK 18.8 million. These costs have been recognized in the item Staff costs and administrative expenses in the income statement.

No further significant costs associated with the transaction are anticipated.

After recognizing identifiable assets, liabilities and contingent liabilities at fair value, goodwill relating to the acquisition has been calculated at DKK 18.8 million. Goodwill represents the value of the existing staff and know-how as well as expected synergies from the merger with Spar Nord. The goodwill paid to FIH Erhvervsbank is amortizable for tax purposes.

### Determination of values acquired

The fair value of loans and advances has been based on an assessment of the market value of FIH Erhvervsbank's loan portfolio.

The fair value of loans and advances is determined at the present value of the expected future cash flows, less expected transaction costs.

The gross amount of contractual receivables totals DKK 2,299.1 million plus accrued interest of DKK 5.3 million, and the market-value adjustment of fixed-rate loans amounts to DKK 69.8 million.

The fair value of loans and advances amounts to DKK 2,363.3 million, of which DKK 71.8 million relates to finance leases.

No fair-value adjustment has been made of the gross guarantees acquired, which amount to DKK 1,252.3 million, equal to net guarantees of DKK 255.5 million.

The fair value of intangible assets acquired, consisting of software, totals DKK 3.3 million. In connection with the acquisition of the facilities, Spar Nord has calculated identifiable intangible assets in the form of customer relations at DKK 3.0 million, which amount has been recognized in the pre-acquisition balance sheet at fair value.

The fair value of the calculated customer relations reflects the value of the customer base taken over from FIH Erhvervsbank. The fair value of customer relations is determined by means of the Multi-Period Excess Earnings method (MEEM). Thus, customer relations are calculated at the present value of the net cash flows generated through sales to customers after deducting a reasonable return on all other assets that contribute to generating the relevant cash flows.

The value of deferred tax liabilities relates to fair-value adjustments in connection with the opening balance sheet.

The fair value of deposits reflects the corresponding contractual obligation, in that all deposits have short maturity and are subject to variable interest.

Current liabilities are not discounted when the effect is insignificant.

The determination of fair value at the acquisition date has been made on a pro-forma basis as at 31 December 2014.

There were no business combinations in 2013, for which reason no comparative figures are stated for 2013.

# NOTES

## NOTE 50 RELATED PARTIES

	Parties with significant influence		Associates		Group enterprises		Board of Directors		Executive Board	
	2014 DKK m	2013 DKK m	2014 DKK m	2013 DKK m	2014 DKK m	2013 DKK m	2014 DKK m	2013 DKK m	2014 DKK m	2013 DKK m
<b>Spar Nord Group</b>										
<b>Assets</b>										
Loans, advances and loan commitments	-	-	11.2	188.2	-	-	42.3	41.5	8.7	4.8
Prepayments	-	-	-	153.4	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>11.2</b>	<b>341.6</b>	<b>-</b>	<b>-</b>	<b>42.3</b>	<b>41.5</b>	<b>8.7</b>	<b>4.8</b>
<b>Liabilities</b>										
Deposits	23.8	20.6	60.4	48.5	-	-	10.7	9.5	5.5	6.0
<b>Total</b>	<b>23.8</b>	<b>20.6</b>	<b>60.4</b>	<b>48.5</b>	<b>-</b>	<b>-</b>	<b>10.7</b>	<b>9.5</b>	<b>5.5</b>	<b>6.0</b>
<b>Off-balance-sheet items</b>										
Guarantees issued	-	-	-	-	-	-	0.6	0.6	-	-
Other obligating agreements	-	-	-	541.4	-	-	7.2	-	0.1	-
Collateral accepted	-	-	-	-	-	-	22.4	19.1	4.1	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>541.4</b>	<b>-</b>	<b>-</b>	<b>30.2</b>	<b>19.7</b>	<b>4.2</b>	<b>-</b>
<b>Income statement</b>										
Interest income	-	-	4.1	3.4	-	-	0.7	0.7	-	-
Interest expenses	-	-	0.1	0.1	-	-	0.1	0.1	0.1	0.1
Fees, charges and commissions received	-	-	0.3	0.3	-	-	0.3	0.2	0.1	0.1
Dividends received	-	-	25.6	70.4	-	-	-	-	-	-
Other income	2.9	2.8	8.5	13.0	-	-	-	-	-	-
Other expenses	-	-	201.0	192.7	-	-	-	-	-	-
<b>Total</b>	<b>2.9</b>	<b>2.8</b>	<b>-162.6</b>	<b>-105.7</b>	<b>-</b>	<b>-</b>	<b>0.9</b>	<b>0.8</b>	<b>0.0</b>	<b>0.0</b>

	Parties with significant influence		Associates		Group enterprises		Board of Directors		Executive Board	
	2014 DKK m	2013 DKK m	2014 DKK m	2013 DKK m	2014 DKK m	2013 DKK m	2014 DKK m	2013 DKK m	2014 DKK m	2013 DKK m
<b>Spar Nord Parent Company</b>										
<b>Assets</b>										
Loans, advances and loan commitments	-	-	11.2	188.2	484.7	1,293.3	42.3	41.5	8.7	4.8
Prepayments	-	-	-	153.4	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>11.2</b>	<b>341.6</b>	<b>484.7</b>	<b>1,293.3</b>	<b>42.3</b>	<b>41.5</b>	<b>8.7</b>	<b>4.8</b>
<b>Liabilities</b>										
Deposits	23.8	20.6	60.4	48.5	1,159.6	945.8	10.7	9.5	5.5	6.0
<b>Total</b>	<b>23.8</b>	<b>20.6</b>	<b>60.4</b>	<b>48.5</b>	<b>1,159.6</b>	<b>945.8</b>	<b>10.7</b>	<b>9.5</b>	<b>5.5</b>	<b>6.0</b>
<b>Off-balance-sheet items</b>										
Guarantees issued	-	-	-	-	145.6	246.8	0.6	0.6	-	-
Other obligating agreements	-	-	-	541.4	-	-	7.2	-	0.1	-
Collateral accepted	-	-	-	-	-	-	22.4	19.1	4.1	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>541.4</b>	<b>145.6</b>	<b>246.8</b>	<b>30.2</b>	<b>19.7</b>	<b>4.2</b>	<b>-</b>
<b>Income statement</b>										
Interest income	-	-	4.1	3.4	14.3	2.0	0.7	0.7	-	-
Interest expenses	-	-	0.1	0.1	21.0	56.4	0.1	0.1	0.1	0.1
Fees, charges and commissions received	-	-	0.3	0.3	-	0.4	0.3	0.2	0.1	0.1
Dividends received	-	-	25.6	70.4	100.0	250.0	-	-	-	-
Other income	2.9	2.8	8.5	13.0	-	0.9	-	-	-	-
Other expenses	-	-	201.0	192.7	5.9	8.5	-	-	-	-
<b>Total</b>	<b>2.9</b>	<b>2.8</b>	<b>-162.6</b>	<b>-105.7</b>	<b>87.4</b>	<b>188.4</b>	<b>0.9</b>	<b>0.8</b>	<b>0.0</b>	<b>0.0</b>

# NOTES

Related parties with significant influence are shareholders with holdings exceeding 20% of Spar Nord, or where significant influence is considered to exist due to other factors. Note 26 contains a list of group enterprises.

The Danish and foreign companies in the Group are jointly taxed, which means that the Parent Company is liable for the payment of Danish corporate income tax. In 2014, joint tax contributions in the amount of DKK 66.1 million (2013: DKK 186.1 million) were transferred between the companies.

The interest rate for loans and advances to associates ranged from 3.78-6.76% in 2014 (2013: 3.99-6.72%) and from 1.64-5.45% (2013: 1.62-5.45%) for loans and advances to group enterprises. Moreover, for the subsidiary Spar Nord Leasing A/S, interest rates for the cost of funds + a premium have been agreed. In 2014, the interest rate ranged between 1.64-5.45% (2013: 1.62-5.45%).

Commitments and transactions with members of the Board of Directors and Executive Board comprise personal commitments of such parties and of their related parties. Commitments and transactions with retired and new members of the Board of Directors and Executive Board have been recognized up to and including the date of retirement and as from the date of appointment, as the case may be.

The interest rate for loans and advances to the Board of Directors ranged from 0.51-8.51% in 2014 (2013: 0.49-7.75%) and from 2.51-2.63% (2013: 2.49-2.60%) for loans and advances to the Executive Board.

The Group and the Parent Company	Executive Board		Board of Directors	
	2014	2013	2014	2013
Loans and advances	0.5	0.8	22.2	27.6
Unutilized loan and surety commitments	8.3	4.0	27.3	13.9
Guarantees issued	0.0	0.0	0.6	0.6
<b>Total loans and advances, loan commitments and guarantees</b>	<b>8.8</b>	<b>4.8</b>	<b>50.1</b>	<b>42.1</b>

No transactions were concluded during the year with members of the Board of Directors, the Executive Board or executive staff members, other than transactions involving salary, emoluments, etc., securities trading and loans and furnishing of security. More details regarding the remuneration of the Board of Directors, the Executive Board and executive staff members appear from notes 13 and 14.

The respective shareholdings of the Executive Board and the Board of Directors appear from note 51.

Transactions between related parties, including credit facilities, are concluded on an arm's length basis.

Related parties holding at least 5% of the Bank's share capital at end-2014 comprise the Spar Nord Foundation, Aalborg, with a holding of 18.5% (2013: 18.5%), Nykredit Realkredit A/S, Copenhagen, with a holding of more than 10.0% (2013: 10.0%), and Wellington Management Company LLP, Boston, MA, and FMR LLC, Boston, MA, both with a holding of more than 5.0%.

The figures above do not include debt to related parties in the form of issued bonds. Such bonds are bearer securities, which means that Spar Nord does not know the identity of the holders. Spar Nord shares may be registered in the name of the holder.



# NOTES

## NOTE 51 MANAGEMENT'S HOLDINGS OF SPAR NORD SHARES \*)

	31.12.14	31.12.13
	Number of shares	Number of shares
<b>Board of Directors</b>		
Torben Fristrup	34,300	34,300
Per Nikolaj Bukh	16,200	16,200
Kaj Christiansen	7,800	7,800
Kjeld Johannesen (took office on 23 April 2014)	8,000	-
Laila Mortensen	0	0
Carsten Normann (retired on 23 April 2014)	-	2,760
Fritz Dahl Pedersen	1,800	1,800
Ole Skov	7,054	7,054
Jannie Skovsen	7,404	7,624
Gitte Holmgaard Sørensen	2,486	2,486
Hans Østergaard	5,193	5,193
<b>Executive Board</b>		
Lasse Nyby	48,064	48,064
Bent Jensen	8,383	8,383
John Lundsgaard	65,633	65,633
Lars Møller	62,960	62,960

\*) The holdings include all shares held by all members of the household

## 52 POST-BALANCE-SHEET EVENTS

No significant events have occurred after 31 December 2014.

## 53 FAIR-VALUE INFORMATION FOR FINANCIAL INSTRUMENTS

### The Group

Financial instruments are recognized in the balance sheet either at fair value or amortized cost. The table below breaks down the individual financial instruments by valuation method.

	31.12.14	31.12.13	31.12.14	31.12.13
	Fair value	Amortized	Fair value	Amortized
	DKK m	cost	DKK m	cost
	DKK m	DKK m	DKK m	DKK m
<i>Financial assets</i>				
Cash balances and demand deposits with central banks	0.0	985.7	0.0	326.5
Receivables from credit institutions and central banks	0.0	3,970.6	0.0	3,212.4
Loans, advances and other receivables at amortized cost	0.0	35,947.6	0.0	37,648.1
Bonds at fair value	20,234.0	0.0	18,810.4	0.0
Shares, etc.	1,416.8	0.0	1,215.5	0.0
Assets linked to pooled schemes	10,853.8	0.0	9,052.3	0.0
Positive fair value of derivative instruments	2,005.3	0.0	1,393.9	0.0
<b>Total</b>	<b>34,509.9</b>	<b>40,903.9</b>	<b>30,472.1</b>	<b>41,187.0</b>
<i>Financial liabilities</i>				
Payables to credit institutions and central banks	0.0	10,337.4	0.0	8,102.8
Deposits and other payables	0.0	42,235.8	0.0	41,830.5
Deposits in pooled schemes	10,853.8	0.0	9,052.3	0.0
Issued bonds at amortized cost	0.0	22.6	0.0	301.6
Other non-derivative financial liabilities at fair value	1,758.4	0.0	1,822.1	0.0
Subordinated debt	0.0	1,708.3	0.0	3,002.4
Negative fair value of derivative instruments	2,077.6	0.0	1,362.0	0.0
<b>Total</b>	<b>14,689.8</b>	<b>54,304.1</b>	<b>12,236.4</b>	<b>53,237.3</b>

### Financial instruments recognized at fair value

The fair value is the amount at which a financial asset may be traded between knowledgeable, willing parties in an arm's length transaction. If there is an active market, the market price is used by way of a listed price or price quotation. If a financial instrument is quoted in a market that is not active, the Bank bases its valuation on the most recent transaction price. Adjustment is made for subsequent changes in market conditions, for instance, by including transactions in similar financial instruments that are assumed to be motivated by normal business considerations. For a number of financial assets and liabilities, no effective market exists. In this case, the Group uses an estimated value, taking into account recent transactions in similar instruments and using discounted cash flows or generally accepted estimation and valuation techniques based on market conditions at the reporting date.

A small portfolio of bonds has been valued using a basket of reference bonds combined with an assessment of the probability of loss on the underlying asset portfolio, or prices determined by third-party valuers.

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

When valuing unlisted derivative instruments, the initial customer margin, etc. is amortized over the remaining term to maturity. At the end of 2014, the customer margin, etc. not yet amortized amounted to DKK 63.1 million (2013: DKK 48.4 million).

# NOTES

## Day-1 gains or losses

	2014	2013
	DKK m	DKK m
Unamortized customer margin at 1 January	48.4	54.7
Net development in amortization of customer margin	14.7	-6.3
<b>Unamortized customer margin at 31 December</b>	<b>63.1</b>	<b>48.4</b>

Unlisted shares recorded at fair value, see note 24, 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.

31.12.14	Listed prices Level 1 DKK m	Observable prices Level 2 DKK m	Non-observable prices Level 3 DKK m	Total DKK m
<i>Financial assets</i>				
Bonds at fair value	8,404.4	11,829.6	0.0	20,234.0
Shares, etc.	106.7	5.2	1,304.9	1,416.8
Assets linked to pooled schemes	9,228.3	1,625.5	0.0	10,853.8
Positive fair value of derivative instruments	0.0	2,005.3	0.0	2,005.3
<b>Total</b>	<b>17,739.4</b>	<b>15,465.6</b>	<b>1,304.9</b>	<b>34,509.9</b>
<i>Financial liabilities</i>				
Deposits in pooled schemes	0.0	10,853.8	0.0	10,853.8
Other non-derivative financial liabilities at fair value	1,478.9	279.5	0.0	1,758.4
Negative fair value of derivative instruments	0.0	2,077.6	0.0	2,077.6
<b>Total</b>	<b>1,478.9</b>	<b>13,210.9</b>	<b>0.0</b>	<b>14,689.8</b>

## 31.12.13

<i>Financial assets</i>				
Bonds at fair value	8,392.2	10,346.4	71.8	18,810.4
Shares, etc.	140.1	7.2	1,068.2	1,215.5
Assets linked to pooled schemes	7,706.9	1,345.4	0.0	9,052.3
Positive fair value of derivative instruments	0.0	1,393.9	0.0	1,393.9
<b>Total</b>	<b>16,239.2</b>	<b>13,092.9</b>	<b>1,140.0</b>	<b>30,472.1</b>
<i>Financial liabilities</i>				
Deposits in pooled schemes	0.0	9,052.3	0.0	9,052.3
Other non-derivative financial liabilities at fair value	1,729.6	92.5	0.0	1,822.1
Negative fair value of derivative instruments	0.0	1,362.0	0.0	1,362.0
<b>Total</b>	<b>1,729.6</b>	<b>10,506.8</b>	<b>0.0</b>	<b>12,236.4</b>

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

- In case of listed prices, the fair value is fixed at the listed price or the price quoted 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 elements, and also market data in some cases.

Shares are valued according to the following principles:

- In case of listed prices, the fair value is fixed at the price quoted by a recognized exchange or another external party.
- In case of pricing based on observable inputs, the fair value is calculated in accordance with the provisions of shareholders' agreements, etc. or inputs based on actual trades.
- 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 future expected cash flows. 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. A reclassification has been made from level 2 to level 3.

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

A transfer is made between the categories in the valuation hierarchy if an instrument is classified differently on the reporting date as compared to the beginning of the financial year. Any reclassification is considered to have been made as of the reporting date. Apart from the reclassification of shares referred to above and the reclassification of Skandinavisk Data Center A/S to Shares, no significant transfers were made between the categories in 2013 and 2014. The reclassification of Skandinavisk Data Center A/S from Equity investments in associates to Shares has resulted in Skandinavisk Data Center A/S being measured at fair value, equal to the discounted value of the selling price. The adjustment to fair value is included in market-value adjustments for the year.

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 trades completed. The fair value is often based on the companies' book equity (net asset 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 financial statements as presented.

Level 3	31.12.14			31.12.13		
	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	961.1	5.8	338.0	914.8	32.0	121.4
Bonds	0.0	0.0	0.0	0.0	0.0	71.8

## Sensitivities

Percentage change of fair value if the results of the companies change by 10%	0.3	-	-	0.5	-	-
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A substantial portion of the shares included under "Other" are valued based on the discounting of future expected cash flows from dividends or selling prices.

# NOTES

NOTE

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

In 2014, the Bank recognized unrealized market-value adjustments of DKK 55.7 million (2013: DKK 24.8 million) in respect of unlisted shares and bonds valued on the basis of non-observable inputs.

	2014 DKK m	2013 DKK m
Carrying amount at 1 January	1,140.0	1,167.9
Market-value adjustments in the income statement	237.6	46.2
Market-value adjustments in other comprehensive income	0.0	0.0
Purchase	201.6	40.2
Sale	468.8	118.5
Transferred to/from Level 3	194.5	4.2
<b>Carrying amount at 31 December</b>	<b>1,304.9</b>	<b>1,140.0</b>
Market-value adjustments in the income statement of assets held at the reporting date	55.7	24.8

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 in non-observable inputs, reclassified from level 2 to level 3. This reclassification has resulted in a restatement of the comparative figures.

Market-value adjustments in the income statement are recognized under the item Market-value adjustments.

Interest income on interest-based assets is recognized in the income statement under Interest income and is not included in the above statement.

Dividends on shares are recognized in the income statement under Dividends on shares, etc. and are not included in the above statement.

## Financial instruments recognized at amortized cost – fair value information

	31.12.14 Carrying amount DKK m	31.12.14 Fair value DKK m	31.12.13 Carrying amount DKK m	31.12.13 Fair value DKK m
<i>Financial assets</i>				
Cash balances and demand deposits with central banks *)	985.7	985.7	326.5	326.5
Receivables from credit institutions and central banks *)	3,970.6	3,970.6	3,212.4	3,212.4
Loans, advances and other receivables at amortized cost *)	35,947.6	36,051.4	37,648.1	37,755.0
<b>Total</b>	<b>40,903.9</b>	<b>41,007.7</b>	<b>41,187.0</b>	<b>41,293.9</b>
<i>Financial liabilities</i>				
Payables to credit institutions and central banks *)	10,337.4	10,337.4	8,102.8	8,102.8
Deposits and other payables *)	42,235.8	42,226.0	41,830.5	41,926.3
Issued bonds at amortized cost *)	22.6	22.6	301.6	301.6
Subordinated debt *)	1,708.3	1,752.7	3,002.4	2,987.1
<b>Total</b>	<b>54,304.1</b>	<b>54,338.7</b>	<b>53,237.3</b>	<b>53,317.8</b>

\*) Level 3 in the fair-value hierarchy

The vast majority of amounts due to the Group, loans and advances, and deposits may not be assigned without the prior consent of customers, and an active market does not exist for such financial instruments. Consequently, the Group bases its fair-value estimates on data showing changes in market conditions after the initial recognition of the individual instrument that affect the price that would have been fixed if the terms had been agreed at the reporting date. Other parties may make other estimates.

The Group discloses information about the fair value of financial instruments at amortized cost on the basis of the following assumptions:

- For a number of the Group's deposits, loans and advances, the interest rate depends on interest developments.
- The fair value of loans and advances is calculated on the basis of a qualified estimate, taking into account that the Bank continuously adapts its loan terms to existing market conditions. The impairment recognized is assessed to correspond to the fair-value adjustment for the specific credit risk, based on an assessment of the Bank's total individual and group-based impairment.
- The fair value of fixed-rate deposits is calculated based on the interest rate for similar deposits.
- The fair value of issued bonds and subordinated debt is adjusted for listed debt at the most recent transaction price, while unlisted debt is recorded at amortized cost based on a qualified estimate.

## 54 RISK MANAGEMENT

The Spar Nord Group is exposed to a number of risks in various categories.

The most important categories of risks are as follows:

- Credit risk: The risk of loss due to the fact that counterparties are in full or partial breach of their payment obligations.
- Market risk: The risk of loss because the fair value of the Group's assets and liabilities varies with changes in market conditions.
- Liquidity risk: The risk of loss because the Group cannot meet its payment obligations via the ordinary liquidity reserves.
- Operational risk: The risk of financial loss owing to deficient or erroneous internal procedures and processes, human or system errors, or losses as a result of external events.

The following notes to the Annual Report contain the quantitative information regarding the Group's credit, market, liquidity and operational risks.

For more details, please refer to the unaudited Risk Report at [www.sparnord.com/riskreports](http://www.sparnord.com/riskreports).

## NOTE 55 CREDIT RISK

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

In 2014, Spar Nord made no major changes in assumptions, objectives, policies, exposures and calculation methods, etc. as compared to the year before.

**Credit policy**

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

It is the Group's policy that all credit must be granted on the basis of insight into the customers' financial position and that creditworthiness – the customer's ability and will to meet current and future obligations – is a key parameter in all customer relations.

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

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

In its endeavours to ensure sound risk diversification of its credit exposure, Spar Nord has introduced a number of internal targets. The Group does not want to be exposed to individual customers or industries that might solely and separately jeopardize the Bank's independence. Consequently, Spar Nord has introduced a cap on credit facilities at DKK 500 million, of which the unsecured share of credit exposure may not exceed DKK 175 million in respect of any facility.

Exposures to financial institutions under supervision are not comprised by this restriction.

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

In addition, the Group has introduced some trade and industry limitations. One of them is a long-term objective specifying that agricultural facilities may not exceed 10% of the Group's loans, advances and guarantees, and that property exposures must amount to a lower share of the Group's loans, advances and guarantees than the average for Danish financial institutions. Finally, Spar Nord also strives to maintain the share of retail customers at a level that is higher than the sector average and which amounts to more than 30% of the Group's total loans, advances and guarantees.

**Credit control and credit risk monitoring**

The credit facility process at Spar Nord is centrally managed. The decentralized credit authorization limits go up to DKK 10 million for existing customers. As concerns new customers, the facility authorization rights are typically half of that for existing customers. The powers of authority in the credit area are governed by two factors: the individual local managers' ability and requirements and the wish that a certain share of authorizations from the local banks is to be dealt with by Credit Rating.

Customer advisers, in consultation with local managers, handle day-to-day management of the Bank's credit risks. If a credit facility exceeds the local loan approval limits, it will be passed on and dealt with by Credit Rating, the Credit Committee (General Manager of Credit Rating and an Executive Board member) or the Board of Directors.

Credit Rating may authorize facilities up to DKK 20 million for existing customers and DKK 10 million for new customers. The Credit Committee may authorize all facilities up to DKK 60 million, and up to DKK 30 million for new customers. All credit facilities in excess of DKK 60 million and all credit facilities exceeding DKK 30 million for new customers must be authorized by the Board of Directors.

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

The Credit Quality Department reviews all new retail customer facilities above DKK 100,000 and all new business customer facilities above DKK 300,000. New customers with weak credit quality are registered on an ongoing basis.

The Group has developed IT tools for controlling and monitoring credit risks. The Bank's credit analysis system is used for monitoring purposes, and key data regarding credit facilities and customers' financial affairs are recorded in it. This is done to detect danger signals at an early stage as well as to monitor changes in the credit quality of portfolios and organizational units.

Every month a statistically-based rating of both retail and business customers is performed. Rating systems have been introduced in all the Bank's departments, and these tools are used at the local level to grant credit facilities. Thus, customers in the rating groups accorded the least risk exposure are likelier to be given higher credit limits or extensions than those with the greatest risk exposure. In addition, the systems are used for managing overdrafts and for pricing purposes.

No rating models have been developed for Spar Nord Leasing's customers to manage existing agreements.

Whenever a credit rating is made, it is essential to ensure that the customer can pay interest and repay the debt without collateral having to be realized. Based on this approach, loan and credit facilities are granted primarily on the basis of ability and willingness to pay interest and repay the debt, and secondarily on the basis of the collateral provided. Mortgages and charges on real property, securities and vehicles make up the most common type of collateral.

**Impairment**

Spar Nord has defined a long list of risks that constitute an objective indication of impairment. Some risks are registered automatically in the systems, while others are registered manually by customer advisers and credit staff members.

All significant loans and advances and those slated for credit quality review are re-evaluated individually. Credit-flagged loan facilities of less than DKK 250,000 are automatically reviewed using an algorithm based on the customer's financial key figures and the Bank's rating systems. All loans and advances that have not been impaired on an individual basis are assigned to groups having uniform credit risk exposure. If the review discloses objective indications of impairment (OII), an impairment loss is recognized. Impairment is calculated as the difference between the carrying amount of loans and advances and the present value of anticipated repayments on the loan. A credit facility need not be in default before impairment is recognized and approval procedures regarding any new extension of credit are tightened.

As an important element in its risk management procedures, the Bank flags all credit facilities showing any signs of default risk. Steps are taken to normalize or wind up flagged credit facilities. Credit facilities are primarily flagged as a result of local initiatives, but action may also be taken at central level. Lists with candidates for flagging are sent to the individual advisers twice a year.

Groups of impairment losses are recognized when objective indications show that expected future losses exceed the loss expected upon loan establishment. Accordingly, in addition to objective indications of impairment for a group, group impairment losses are basically recognized when customers are transferred to other risk groups.

Customers are divided into groups on the basis of the Bank's rating systems.

Interim impairment takes place on all facilities handed over to the Bank's internal debt-collection department, but the portion of a facility covered by sound, easily realizable collateral is not subjected to interim impairment.

Doubtful loans – loans for which interest accruals have been suspended because full collection of the principal is unlikely or because no interest has been paid for an extensive period of time – are subject to special scrutiny, and if repayment is considered doubtful and loss unavoidable, the loan is categorized as partially or fully impaired and uncollectible. Interest on the parts of facilities that have been written down for impairment is not recognized as income. If lenient terms are granted to customers in financial difficulty, this will be considered an objective indication of impairment, and individual impairment will be recognized in respect of that facility.

For more details, please refer to the unaudited Risk Report at [www.sparnord.com/riskreports](http://www.sparnord.com/riskreports)

# NOTES

**Spar Nord  
The Group  
31.12.14  
DKK m**      **Spar Nord  
The Group  
31.12.13  
DKK m**

## Credit exposure (carrying amounts)

The Group's credit exposure (carrying amounts) is composed of the following balance-sheet items and off-balance-sheet items

### Credit risk, loans, advances and guarantees

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m
<b>Balance-sheet items</b>		
Loans, advances and other receivables at amortized cost	35,947.6	37,648.1
Impairment account for loans, advances and other receivables	1,811.1	1,593.1
<b>Off-balance-sheet items</b>		
Guarantees, etc.	10,239.9	5,380.0
Impairment account for guarantees	33.9	2.4
<b>Credit exposure (carrying amounts), loans, advances and guarantees, total</b>	<b>48,032.5</b>	<b>44,623.6</b>
<b>Financial credit risk</b>		
Bonds at fair value	20,234.0	18,810.4
Receivables from credit institutions and central banks	3,970.6	3,212.4
Positive fair value of derivative instruments, financial companies	729.2	482.3
<b>Credit exposure (carrying amounts), financial credit risk, total</b>	<b>24,933.8</b>	<b>22,505.1</b>

### Breakdown of the Group's exposures by business area

The customer portfolio is divided into four groups as part of the ongoing risk monitoring:

- 1) Banking activities – retail customers, 2) Banking activities – business customers,
- 3) Financial customers, and 4) Leasing activities.

As appears from figure 1 above, there was a DKK 3.9 billion increase in 2014 in retail customers' facilities, of which DKK 3.6 billion is attributable to an increase in guarantees and DKK 0.3 billion to an increase in lending, equal to a growth in lending of 1.5%. During the same period, the arrangement of mortgage-credit loans to the same customer group increased by DKK 3.1 billion, which means that total lending to retail customers rose by 5.1% in 2014.

Business customers' facilities rose by DKK 1.8 billion, equal to an increase of 7.6%.

The decline in financial customers' facilities is due mainly to a decline in reverse lending.

The Group's total loans, advances and guarantees before offsetting of impairment amounted to DKK 48.0 billion (2013: DKK 44.6 billion). The development appears from figure 1.

### THE GROUP'S EXPOSURE BY CATEGORY

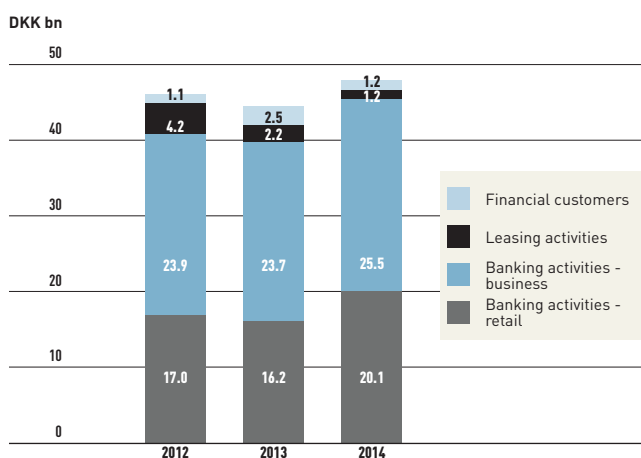


Figure 1

## Classification of customers

Spar Nord has developed methods and IT tools for controlling and monitoring credit risks. One tool used for monitoring purposes is the Bank's credit analysis system, in which key data regarding credit commitments and customers' financial affairs is recorded. This is done to detect danger signals from exposures at an early stage, while also monitoring portfolios and organizational units.

Rating systems have been introduced in all the Bank's departments and are also used for credit granting at the local level, in the sense that customers in the best rating groups can be given higher credit limits than those with the poorest rating. In addition, the systems are used for managing overdrafts and serve as a guide for pricing purposes.

Customers are classified according to risk as an element in the Group's processing of credit applications, with customers being divided into 11 risk categories. Two risk categories are reserved for loan default customers, defined as exposures that are subject to writedowns, impairment or for which interest accruals have been suspended. The other borrowing customers are classified into categories 1 to 9 based on various rating models. These models are used to measure the probability that the customer will default within a time horizon of 12 months.

The model applied to business customers employs four components: An accounting component used to risk classify the customer based on his most recent financial statements. A behavioural component that classifies the customer based on his account behaviour and credit authorization history. A component based on a business profile, with the classification of the customer being based on a qualitative assessment of significant key areas, such as management, market, etc. The fourth component is a cyclical element that is used to adjust the classification based on cyclical trends.

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

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

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

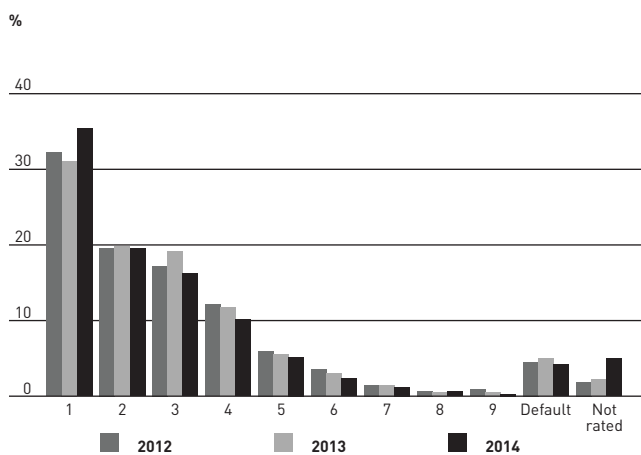
Moreover, Spar Nord applies a qualitative risk classification, credit watchlists, in which the Spar Nord adviser flags any credit facility showing signs of default risk. For retail customers, these signs of default risk may for instance be divorce, unemployment, etc., and for business customers they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

If a customer is flagged in the credit watchlist and is not in default, the customer will be downgraded by one rating category; it should be noted that a customer flagged in the credit watchlist does not qualify for rating in the best categories (one and two).

Public-sector customers and financial customers are not included in the risk classification described above.

New business customers with no available financial statements (primarily newly established companies) are not rated for the first six months. Likewise, some new retail customers will not be subjected to application scoring, and thus not rated, for the first six months.

## RETAIL CUSTOMERS' FACILITIES BY RATING GROUP \*)



\*) As from 2013, including customers taken over from Sparbank, excluding SparXpres.

Figure 2

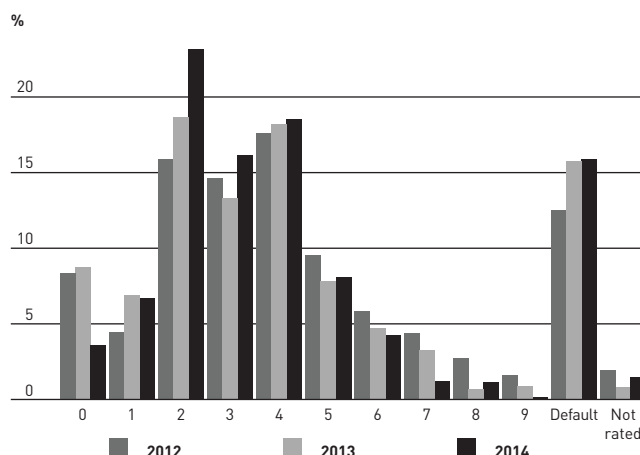
## AVERAGE RISK GROUP \*)

	2014	2013	2012
Average risk group	2.7	2.8	2.9

\*) Exposure after impairment

Figure 4

## BUSINESS CUSTOMERS' FACILITIES BY RATING GROUP \*)



\*) As from 2013, including customers taken over from Sparbank

Figure 3

## AVERAGE RATING GROUP \*)

	2014	2013	2012
Average rating group	4.2	4.3	4.6

\*) Exposure after impairment and excluding public-sector customers

Figure 5

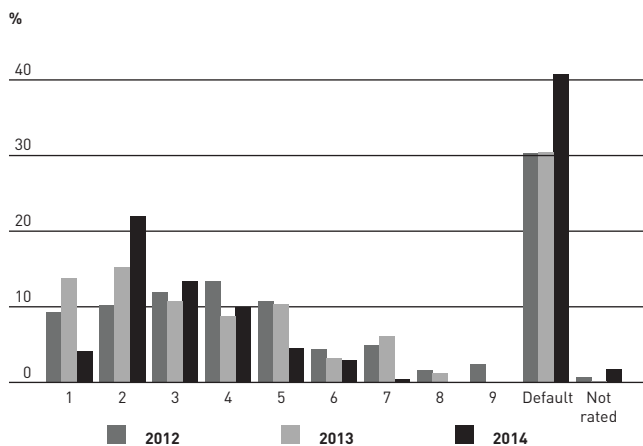
As appears from figure 2, the average credit quality improved slightly from 2013 to 2014. The average rating has been calculated at 2.7, a minor decline on 2013.

Figure 3 shows that the average credit quality has improved continuously in the past two years. The average rating group was calculated at 4.2 at end-2014.

## Agriculture

The Group's overall exposure to the agricultural sector was DKK 3.9 billion at end-2014, equal to 8.0%. At end-2013, the exposure to the sector was DKK 3.9 billion, equal to 8.7%. Thus, the overall exposure to the agricultural sector remained unchanged from end-2013 to end-2014. The development reflects an increase in guarantees of DKK 0.3 billion and a decline in lending of DKK 0.3 billion.

## AGRICULTURAL EXPOSURE BY RATING GROUP \*)



\*) Banking activities

Figure 6

## AVERAGE RATING GROUP AGRICULTURE \*)

	2014	2013	2012
Average rating group	5.5	4.9	5.4

\*) Banking activities (exposure after impairment)

Figure 7

As appears from the figure, the average credit quality worsened in 2014 after an improvement occurring in the period from 2012 to 2013. However, the credit quality at end-2014 does still not reflect the drop in settlement prices. This development will not really make an impact on the models until the settlement prices have been disclosed in the financial statements presented by the customers.

Because of the deterioration in settlement prices for the agricultural sector, the Bank reassessed its agricultural exposure in mid-January 2015. The assessment was also made in light of the Danish Financial Supervisory Authority's principle regarding a "triggering event". The assessment resulted in a DKK 100 million writedown for impairment of the agricultural facilities. The impairment relates both to pig producers, who will be adversely impacted by the declining settlement prices propelled by the trade crisis between the EU and Russia, and milk producers, who are also impacted by declining settlement prices. In concrete terms, a substantial share of the Bank's agricultural exposures subject to OII are expected to suffer a negative cash flow in 2015, and some customers are also expected to encounter difficulties paying off their loans.

Spar Nord pursues the principle that once agricultural customers do not comply with the breakeven prices of DKK 9.50/kg fixed by the Bank for pork, and DKK 2.60/kg for milk, this is defined as OII. Breakeven prices are calculated based on financing at a 4% fixed interest rate for all the interest-bearing debt, regardless of the concrete financing chosen for a specific exposure. If realistic budgets cannot be drawn up on these conditions, the exposure will be subjected to an impairment calculation.

The Bank values agricultural property on the basis of the land values determined by the Danish Financial Supervisory Authority, which range from DKK 125,000 to DKK 160,000 in the Bank's market area. The farm buildings are valued in relation to their age, condition and future-proof production volume. Other agricultural assets such as livestock, stocks, equipment, etc. are recognized at 80% of their carrying amount. A 5% haircut is applied to the above-mentioned values.

The Group's total impairment of agricultural loans amounted to DKK 610.8 million, compared to DKK 456.7 million at end-2013, equal to 15.8% for 2014 and 13.3% for 2013.

Losses of DKK 114.5 million were recognized in 2014 against DKK 82.4 million in 2013.

The agricultural sector has been operating under harsh conditions in recent years, which has necessitated major writedowns for impairment. The sector was still considered to face major problems at end 2014.

Overall, the portfolio of agricultural customers is still considered to be spread satisfactorily across production lines.

# NOTES

## Concentration risk

Exposure to a single customer or a group of related customers, after adjusting for the impact of credit risk reduction and exceptions, etc., may not exceed 25% of the adjusted own funds according to CRR. Based on the Danish Financial Supervisory Authority's Diamond Test Model, the sum total of exposures amounting to 10% or more of the adjusted own funds after deductions may not exceed 125% of own funds. However, this calculation may exclude exposures to financial institutions that do not exceed EUR 150 million after deductions. The Bank reports large exposures to the Danish Financial Supervisory Authority and the EBA on a quarterly basis to comply with these rules.

The Bank has internally introduced a more conservative cap on exposures of DKK 500 million. Exposures to trading partners in the financial sector are not included for the purpose of calculating the Group's cap of DKK 500 million. The Spar Nord Group has not had exposures to non-financial businesses or groups that exceed these limits.

The table below shows credit exposures to groups totalling 10% or more of adjusted own funds calculated according to CRR, adjusted for the impact of credit reduction and exceptions, etc.

Credit exposure *)	2014 No.	2014 DKK m	2014 %	2013 No.	2013 DKK m	2013 %
The Spar Nord Group	Number of groups	Exposure	Exposure	Number of groups	Exposure	Exposure
DKK m						
Exposures > 10% of adjusted own funds calculated according to CRR **)	0	0.0	0.0	2	2,166.2	26.2

\*) Total exposure has been calculated in accordance with the Danish Financial Supervisory Authority's guidelines on the reporting of financial statements.

\*\*) For 2013, exposure was calculated pursuant to section 145 of the Danish Financial Business Act.

## LOANS, ADVANCES AND GUARANTEES BROKEN DOWN BY SIZE OF FACILITY \*)

DKK m	Number 2014	Number 2013	Share in % 2014	Share in % 2013
0 - 0.1	53,357	52,574	1.4	1.5
0.1 - 0.5	32,813	34,047	11.1	13.0
0.5 - 1.0	10,375	10,110	10.3	11.2
1.0 - 5.0	7,800	6,150	25.5	21.2
5.0 - 10.0	827	744	8.8	8.6
10.0 - 20.0	403	364	8.4	8.4
20.0 - 50.0	246	218	12.1	11.6
50.0 - 100.0	69	59	7.5	7.6
100.0 -	47	44	14.9	16.9
<b>I alt</b>	<b>105,937</b>	<b>104,310</b>	<b>100.0</b>	<b>100.0</b>

\*) Excl. reverse transactions and SparXpres

Figure 8

A breakdown by facility size shows that the Group's portfolio of loans, advances and guarantees is well-diversified, as 57.0% (2013: 55.8%) is attributable to facilities of less than DKK 10 million, and as the Group only has 47 exposures (2013: 44) of more than DKK 100 million.



# NOTES

## COLLATERAL ACCEPTED

The Group wants to reduce the risk attaching to individual exposures by accepting collateral, such as mortgages and charges over physical assets, securities and guarantees, etc. whenever possible. Mortgages on real property, securities and vehicles make up the most common type of collateral. Mortgages on real property make up by far the most important collateral type provided to the Bank. Mortgages on real property consist mainly of mortgages on private housing.

## MORTGAGES WITH POSITIVE EQUITY

	2014		2013	
	DKK bn	Share in %	DKK bn	Share in %
Private housing	9.3	51.9	9.4	58.7
Summer cottages	0.8	4.7	0.9	5.6
Agriculture	2.8	15.4	2.7	16.9
Offices and businesses	2.7	15.2	1.9	11.9
Other	2.3	12.8	1.1	6.9
<b>Total</b>	<b>17.9</b>	<b>100.0</b>	<b>16.0</b>	<b>100.0</b>

Figure 9

## GEOGRAPHICAL BREAKDOWN OF MORTGAGES

	%	
	2014	2013
The Capital Region	12.0	10.7
Mid-Jutland Region	20.3	18.6
North Jutland Region	45.1	51.1
Region Zealand	8.0	7.7
Region South Denmark	11.7	9.1
International activities	2.9	2.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Figure 10

The Group monitors the value of the collateral furnished on an ongoing basis. If the risk attaching to a counterparty increases, the collateral is subjected to a particularly critical scrutiny. The value is assessed based on the expected price to be fetched in a compulsory sale of the collateral less any expenses arising from its realization.

The Bank's evaluation of mortgages on rental properties is based on the capacity of the properties to generate a return. Various requirements are made with regard to the rate of return, depending on the use of the property, the condition of the buildings and the physical location in Denmark. Residential rental property is valued on the basis of a required rate of return in the 5.5-10,0% range.

## THE GROUP'S CREDIT EXPOSURE SHOWN BY UNSECURED SHARE OF CREDIT EXPOSURE

	Spar Nord The Group 2014	Spar Nord The Group 2013
<b>Unsecured share of credit exposure, %</b>		
< 10%	30.2	25.4
10 - 50%	20.2	15.3
50 - 75%	12.1	12.4
> 75%	37.5	46.9
<b>Average unsecured share of credit exposure, %</b>	<b>50.1</b>	<b>53.9</b>

Excess coverage by mortgages and other charges in respect of any facilities is not included.

The decline in the unsecured share of credit exposure is due mainly to the major increase in guarantees in 2014, in that guarantees are primarily characterized as particularly secure claims. The reduction in leasing and reverse transactions had the opposite effect.

# NOTES

## THE GROUP'S UNSECURED SHARE OF CREDIT EXPOSURE

Line of business	2014		2013	
	DKK m	%	DKK m	%
Public authorities	925.2	99.8	2,091.5	99.9
Agriculture, hunting and forestry	1,172.7	30.4	1,265.9	32.4
Fisheries	64.9	50.4	94.6	56.8
Industry and raw mat. extraction	1,339.4	49.1	1,177.2	66.3
Energy supply	811.0	43.8	1,074.4	57.8
Building and construction	764.5	48.8	921.1	53.7
Trade	2,480.3	64.0	2,614.9	74.0
Transport, hotels and restaurants	742.0	43.1	648.7	35.8
Information and communication	73.6	64.3	113.8	81.9
Financing and insurance	1,613.3	58.3	841.9	24.7
Real estate	2,818.4	52.1	2,807.8	58.0
Other business areas	1,888.8	65.4	2,148.2	68.8
<b>Business customers, total</b>	<b>14,694.1</b>	<b>52.8</b>	<b>15,800.0</b>	<b>55.7</b>
<b>Retail customers, total</b>	<b>9,381.8</b>	<b>46.5</b>	<b>8,262.4</b>	<b>50.9</b>
<b>Total</b>	<b>24,075.9</b>	<b>50.1</b>	<b>24,062.4</b>	<b>53.9</b>

Figure 11

In the event that Spar Nord calls up collateral that cannot easily be converted to cash, the Bank pursues the policy of attempting to dispose of such assets as soon as possible.

In 2014, the Group repossessed equipment and properties worth DKK 20.0 million (2013: DKK 67.5 million) in connection with non-performing loans.

The leased assets are valued and depreciated on an ongoing basis. Thus, in periods of declining prices for leased assets, the collateral calculated for the Group's leasing activities is reduced.

## THE SPAR NORD GROUP COLLATERAL AND CATEGORY

Collateral accepted	2014 DKK m	2013 DKK m
Credit exposure, carrying amount	48,032.5	44,623.6
Value of collateral	23,956.6	20,561.2
<b>Unsecured, total</b>	<b>24,075.9</b>	<b>24,062.4</b>
<b>Type of collateral</b>		
Properties	11,368.4	10,359.6
Custody accounts / securities	1,473.2	2,998.8
Guarantees / suretyships	294.6	303.9
Vehicles	718.6	1,357.8
Cash	629.8	833.6
Other collateral	2,668.9	577.8
<b>Collateral used, total</b>	<b>17,153.5</b>	<b>16,431.5</b>
Spec. secured trans. (mortgage-credit inst. guarantees)	5,705.7	2,305.2
<b>Total collateral accepted, excl. Spar Nord Leasing</b>	<b>22,859.2</b>	<b>18,736.7</b>
Collateral accepted, leasing activities	1,097.4	1,824.5
<b>Total</b>	<b>23,956.6</b>	<b>20,561.2</b>

Figure 12

The reason that the property value under mortgages broken down by property type is calculated at DKK 17.9 billion (2013: DKK 16.0 billion) and that only DKK 11.4 billion (2013: DKK 10.4 billion) is recorded as collateral on the properties in the table above is that the DKK 17.9 billion (2013: DKK 16.0 billion) is the amount mortgaged to the Bank and recorded as collateral, while the DKK 11.4 billion (2013: DKK 10.4 billion) is the share actually used for calculating collateral regarding a facility. Some facilities are smaller than the collateral value, and collateral has also been provided by customers who do not currently have any facilities.

# NOTES

Impairment account	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<i>Individual impairment of loans and advances</i>				
Individual impairment, beginning of year	1,535.3	1,230.3	1,432.3	1,086.9
New individual impairment	641.9	811.0	615.9	763.3
Reversal of individual impairment losses	296.6	281.2	247.2	210.5
Previously written down, now definitively lost	324.3	317.7	297.4	295.4
Interest on impaired loans and advances taken to income	92.2	92.9	89.6	88.0
<b>Individual impairment, end of year</b>	<b>1,648.5</b>	<b>1,535.3</b>	<b>1,593.2</b>	<b>1,432.3</b>
<i>Groups of impairment losses, loans and advances</i>				
Groups of impairment losses, beginning of year	57.8	97.4	50.5	81.9
New groups of impairment losses	109.8	0.8	109.8	0.8
Reversal of groups of impairment losses	5.0	40.4	0.2	32.2
<b>Groups of impairment losses, end of year</b>	<b>162.6</b>	<b>57.8</b>	<b>160.1</b>	<b>50.5</b>
<i>Total impairment of loans and advances</i>				
Impairment, beginning of year	1,593.1	1,327.7	1,482.8	1,168.8
New impairment	751.7	811.8	725.7	764.1
Reversal of impairment losses	301.6	321.6	247.4	242.7
Previously written down, now definitively lost	324.3	317.7	297.4	295.4
Interest on impaired loans and advances taken to income	92.2	92.9	89.6	88.0
<b>Impairment, end of year</b>	<b>1,811.1</b>	<b>1,593.1</b>	<b>1,753.3</b>	<b>1,482.8</b>
<i>Impairment recognized in the income statement</i>				
New impairment	751.7	811.8	725.7	764.1
Reversal of impairment losses	301.6	321.6	247.4	242.7
Losses without prior impairment	187.5	285.4	176.9	230.5
Carried to income, previously written off	66.2	59.8	58.7	46.2
<b>Recognized in the income statement</b>	<b>571.4</b>	<b>715.8</b>	<b>596.5</b>	<b>705.7</b>
<i>Provisions for losses on guarantees</i>				
Provisions, beginning of year	2.4	2.3	2.4	2.3
New provisions	33.9	0.9	33.9	0.9
Reversal of provisions	2.4	0.8	2.4	0.8
<b>Provisions for losses on guarantees, end of year</b>	<b>33.9</b>	<b>2.4</b>	<b>33.9</b>	<b>2.4</b>
<i>Provisions for losses on guarantees recognized in the income statement</i>				
New provisions	33.9	0.9	33.9	0.9
Reversal of provisions	2.4	0.8	2.4	0.8
Losses without prior provisions	0.0	0.0	0.0	0.0
<b>Recognized in the income statement</b>	<b>31.5</b>	<b>0.1</b>	<b>31.5</b>	<b>0.1</b>
<b>Impairment account for loans, advances and provisions for guarantees, total</b>	<b>1,845.0</b>	<b>1,595.5</b>	<b>1,787.2</b>	<b>1,485.2</b>
<i>Impairment, other credit risks</i>				
Impairment, other credit risks, beginning of year	10.5	0.0	10.5	0.0
New impairment	0.0	10.5	0.0	10.5
Reversal of impairment losses	0.0	0.0	0.0	0.0
<b>Impairment, other credit risks, total</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>
<b>Impairment account for loans, advances, provisions for guarantees and other credit risks, total</b>	<b>1,855.5</b>	<b>1,606.0</b>	<b>1,797.7</b>	<b>1,495.7</b>
<b>Impairment of loans, advances and receivables, etc.</b>				
<i>The total recognition in the income statement under impairment of loans, advances and receivables, etc. can be broken down as follows:</i>				
Receivables from credit institutions	0.0	10.5	0.0	10.5
Impairment of loans, advances and receivables	571.4	715.8	596.5	705.7
Provisions for losses on guarantees	31.5	0.1	31.5	0.1
<b>Total impairment of loans, advances and receivables, etc.</b>	<b>602.9</b>	<b>726.4</b>	<b>628.0</b>	<b>716.3</b>
<i>Non-performing loans</i>	301.0	432.4	284.9	416.6
<i>Interest on impaired receivables is calculated on the impaired balance only</i>				
Interest on impaired loans and advances taken to income	92.2	92.9	89.6	88.0

# NOTES

Credit facilities and impairment by industry	2014				2013			
	Exposure The Group		Total impairment		Exposure The Group		Total impairment	
	DKK m	%	DKK m	%	DKK m	%	DKK m	%
<i>Business customers</i>								
Public authorities	926.8	1.9	0.0	0.0	2,094.6	4.7	0.0	0.0
Agriculture, hunting, forestry and fisheries	3,988.8	8.3	612.5	33.2	4,073.3	9.1	459.2	28.8
Industry and raw materials extraction	2,725.6	5.7	64.0	3.5	1,775.3	4.0	56.1	3.5
Energy supply	1,853.0	3.9	11.5	0.6	1,857.7	4.2	7.9	0.5
Building and construction	1,565.5	3.3	91.1	4.9	1,717.0	3.8	87.4	5.5
Trade	3,878.5	8.1	108.0	5.9	3,532.9	7.9	99.3	6.2
Transport, hotels and restaurants	1,719.9	3.6	82.2	4.5	1,812.3	4.1	60.3	3.8
Information and communication	114.4	0.2	2.3	0.1	138.9	0.3	1.4	0.1
Financing and insurance	2,769.1	5.8	79.5	4.3	3,408.1	7.6	76.1	4.8
Real estate	5,410.7	11.2	300.0	16.2	4,844.4	10.9	266.4	16.6
Other business areas	2,887.8	6.0	79.2	4.3	3,123.6	7.0	119.8	7.5
<b>Business customers, total</b>	<b>27,840.1</b>	<b>58.0</b>	<b>1,430.3</b>	<b>77.5</b>	<b>28,378.1</b>	<b>63.6</b>	<b>1,233.9</b>	<b>77.3</b>
<i>Retail customers, total</i>	20,192.4	42.0	414.7	22.5	16,245.5	36.4	361.6	22.7
<b>Loans, advances and guarantees, total</b>	<b>48,032.5</b>	<b>100.0</b>	<b>1,845.0</b>	<b>100.0</b>	<b>44,623.6</b>	<b>100.0</b>	<b>1,595.5</b>	<b>100.0</b>
<i>Of which groups of impairment losses</i>								
Retail customers			28.4	17.5			31.7	54.7
Business customers			134.2	82.5			26.1	45.3
<b>Groups of impairment losses</b>			<b>162.6</b>	<b>100.0</b>			<b>57.8</b>	<b>100.0</b>

In connection with the Group's ongoing credit risk management, groups of impairment losses are not allocated to various industries but instead recognized as a combined item, broken down by retail and business customers, as groups of impairment losses have been calculated based on rating models.

Individually impaired loans, etc.	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
	<i>Loans, advances and receivables</i>			
Sum total of individually impaired loans, advances and receivables	4,037.2	3,490.2	3,914.5	3,202.2
Impairment of loans, advances and receivables	1,648.5	1,535.3	1,593.2	1,432.3
Carrying amount of loans, advances and receivables	2,388.7	1,954.9	2,321.3	1,769.9
<i>Guarantees</i>				
Sum total of individual provisions for guarantees	299.9	146.9	299.9	146.9
Provisions for guarantees	33.9	2.4	33.9	2.4
Carrying amount of guarantees	266.0	144.5	266.0	144.5

The impairment account for individual impairment shown by cause of impairment	2014		2013	
	Credit exposure before impairment DKK m	Impairment DKK m	Credit exposure before impairment DKK m	Impairment DKK m
	The Group			
<i>Individual impairment of loans, advances, receivables and guarantees</i>				
Insolvent liquidation	125.5	68.5	192.9	90.4
Collection or suspension of payments	173.9	100.6	124.9	40.4
Other financial difficulties	4,037.7	1,513.3	3,319.3	1,406.9
<b>Individual impairment of loans, advances, receivables and guarantees, total</b>	<b>4,337.1</b>	<b>1,682.4</b>	<b>3,637.1</b>	<b>1,537.7</b>

# NOTES

## The impairment account for individual impairment shown by cause of impairment

Parent Company	2014		2013	
	Credit exposure before impairment DKK m	Impairment DKK m	Credit exposure before impairment DKK m	Impairment DKK m
<i>Individual impairment of loans, advances, receivables and guarantees</i>				
Insolvent liquidation	103.4	54.1	163.1	72.7
Collection or suspension of payments	173.0	97.7	108.3	36.3
Other financial difficulties	3,938.0	1,475.3	3,077.7	1,325.7
<b>Individual impairment of loans, advances, receivables and guarantees, total</b>	<b>4,214.4</b>	<b>1,627.1</b>	<b>3,349.1</b>	<b>1,434.7</b>

Virtually all cases of insolvent liquidation, suspension of payments and collection proceedings are attributable to business facilities.

The collateral for individually impaired loans and for past-due loans that have not been individually impaired does not differ significantly from the Bank's other collateral.

## CLAIMS DUE, BUT NOT IMPAIRED

The Group	Total			
	Over-drawn 31.12.14	Secured 31.12.14	Over-drawn 31.12.13	Secured 31.12.13
DKK m				
0 - 30 days	153.4	140.3	155.7	122.2
31 - 60 days	14.6	14.0	9.1	7.5
61 - 90 days	2.7	2.7	4.6	2.5
> 90 days	7.5	7.4	24.3	18.0
<b>Total</b>	<b>178.2</b>	<b>164.4</b>	<b>193.7</b>	<b>150.2</b>

## CLAIMS DUE, BUT NOT IMPAIRED

Parent Company	Total			
	Over-drawn 31.12.14	Secured 31.12.14	Over-drawn 31.12.13	Secured 31.12.13
DKK m				
0 - 30 days	151.3	138.3	147.9	115.2
31 - 60 days	13.8	13.2	6.7	5.2
61 - 90 days	2.7	2.7	4.6	2.5
> 90 days	6.0	6.0	17.2	11.6
<b>Total</b>	<b>173.8</b>	<b>160.2</b>	<b>176.4</b>	<b>134.5</b>

The collateral has been calculated using the Bank's collateral registration system, in which all collateral is recorded on the basis of a conservative valuation.

# NOTES

## Unauthorized overdrafts

Developments in unauthorized overdrafts are monitored on an ongoing basis at the Bank. During the past few years, this monitoring has been tightened up as a result of economic trends. The development can be seen from figures 13 and 14 below, which include a trendline for developments from month to month in the past two years. Throughout the period, unauthorized overdrafts for both retail and business customers remained at a low level, averaging about 0.5% and 0.3%, respectively, of loans and advances granted by Spar Nord's Local Banks. This is considered satisfactory in light of economic trends.

### RETAIL CUSTOMERS - LOCAL BANKS – DEVELOPMENT IN UNAUTHORIZED OVERDRAFTS/ EXP. PAST DUE

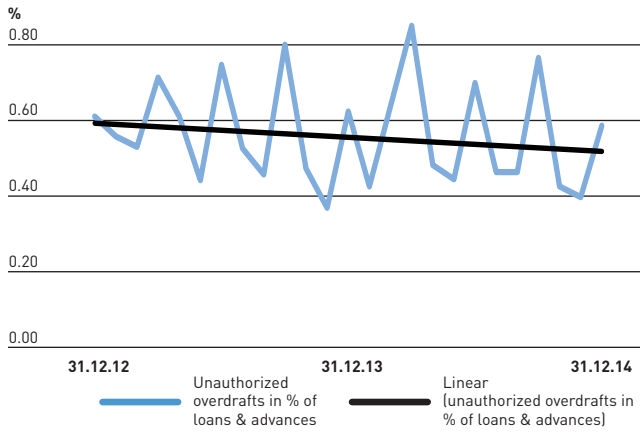


Figure 13

### BUSINESS CUSTOMERS - DEVELOPMENT IN UNAUTHORIZED OVERDRAFTS/EXP. PAST DUE

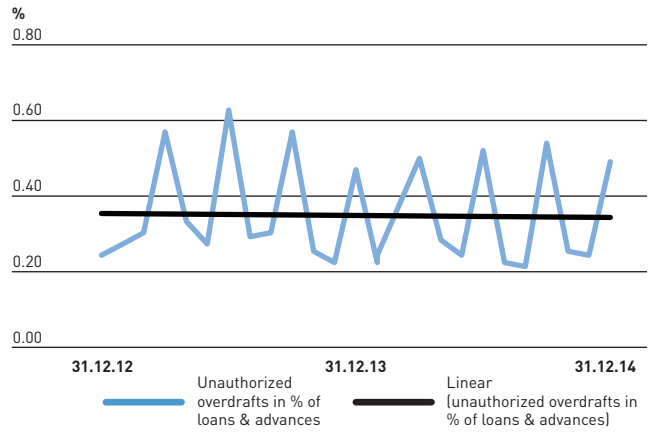


Figure 14

# NOTES

## Financial credit risk

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

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

<b>FINANCIAL CREDIT RISK THE GROUP</b>	<b>31.12.14 Carrying amount DKK m</b>	<b>31.12.13 Carrying amount DKK m</b>	<b>31.12.14 Risk portfolio DKK m</b>	<b>31.12.13 Risk portfolio DKK m</b>
AAA	18,758.4	17,053.9	17,271.4	14,530.1
AA	1,155.8	672.9	1,155.8	672.8
A	3,278.9	2,680.0	3,278.9	2,680.1
BBB	1,359.0	1,695.0	1,353.7	1,692.4
BB	76.6	12.2	76.7	12.2
B	26.8	31.5	26.8	31.5
CCC	0.7	0.8	0.7	0.8
CC	0.0	1.7	0.0	1.7
Unrated	262.7	346.2	261.9	346.7
Unallocated	14.9	10.9	14.9	10.9
<b>Total financial credit risk</b>	<b>24,933.8</b>	<b>22,505.1</b>	<b>23,440.8</b>	<b>19,979.2</b>

Overall, Management's assessment is that Spar Nord's credit exposure to financial counterparties remains at a moderate level, as 92.9% (2013: 89,5%) of the financial credit risk is attributable to counterparties with a rating of A or higher.

## Bond portfolio

The Group's bond portfolio is the most significant source of financial credit risk.

## BOND PORTFOLIO BY ISSUER TYPE

<b>THE GROUP</b>	<b>31.12.14 Carrying amount DKK m</b>	<b>31.12.13 Carrying amount DKK m</b>	<b>31.12.14 Risk portfolio DKK m</b>	<b>31.12.13 Risk portfolio DKK m</b>
Mortgage-credit bonds	17,137.1	15,073.1	15,981.6	12,813.8
Financial issuers	2,542.7	3,091.0	2,538.2	3,089.2
Other issuers	291.9	180.9	291.2	180.9
Government bonds	262.3	465.4	-70.0	200.5
<b>Total</b>	<b>20,234.0</b>	<b>18,810.4</b>	<b>18,741.0</b>	<b>16,284.4</b>

Calculated as risk portfolio, Spar Nord's bond portfolio is composed of 85.3% mortgage-credit bonds (2013: 78.7%), 13.5% bonds from financial issuers (2013: 19.0%) and 1.2% from other issuers (2013: 2.3%).

## BOND PORTFOLIO BY RATING

<b>THE GROUP</b>	<b>31.12.14 Carrying amount DKK m</b>	<b>31.12.13 Carrying amount DKK m</b>	<b>31.12.14 Risk portfolio DKK m</b>	<b>31.12.13 Risk portfolio DKK m</b>
AAA	16,961.1	15,188.9	15,474.1	12,665.1
AA	464.1	211.7	464.1	211.6
A	1,472.2	1,761.8	1,472.2	1,761.8
BBB	1,138.0	1,592.8	1,132.7	1,590.2
BB	75.2	12.2	75.3	12.2
B	26.8	12.7	26.8	12.7
CCC	0.7	0.8	0.7	0.8
CC	0.0	1.7	0.0	1.7
Unrated	95.9	27.8	95.1	28.3
<b>Total</b>	<b>20,234.0</b>	<b>18,810.4</b>	<b>18,741.0</b>	<b>16,284.4</b>

# NOTES

## Receivables from credit institutions

The other major source of financial credit risk is receivables from credit institutions and central banks. In this area, Spar Nord's exposure is typically to central banks with a triple A rating or Danish banks with which the Bank's Trading, Financial Markets & the International Division has a customer relationship.

## RECEIVABLES FROM CREDIT INSTITUTIONS BY PRODUCT TYPE

THE GROUP	31.12.14 Carrying amount DKK m	31.12.13 Carrying amount DKK m	31.12.14 Risk portfolio DKK m	31.12.13 Risk portfolio DKK m
Reverse transactions	1,797.3	1,865.0	1,797.3	1,865.0
Deposits and unlisted bonds	550.0	257.1	550.0	257.1
Subordinated loans	5.9	5.5	5.9	5.5
Current accounts	113.6	112.3	113.6	112.3
CSA accounts, etc.	1,473.5	913.6	1,473.5	913.6
Commercial foreign business	20.7	32.5	20.7	32.5
Undisclosed	9.6	26.4	9.6	26.4
<b>Receivables from credit institutions</b>	<b>3,970.6</b>	<b>3,212.4</b>	<b>3,970.6</b>	<b>3,212.4</b>
Positive fair value of derivative instruments, financial institutions	729.2	482.3	729.2	482.3
<b>Total</b>	<b>4,699.8</b>	<b>3,694.7</b>	<b>4,699.8</b>	<b>3,694.7</b>

## RECEIVABLES FROM CREDIT INSTITUTIONS BY RATING

THE GROUP	31.12.14 Carrying amount DKK m	31.12.13 Carrying amount DKK m	31.12.14 Risk portfolio DKK m	31.12.13 Risk portfolio DKK m
AAA	1,797.3	1,865.0	1,797.3	1,865.0
AA	691.7	461.2	691.7	461.2
A	1,806.7	918.2	1,806.7	918.2
BBB	221.0	102.2	221.0	102.2
BB	1.4	0.0	1.4	0.0
B	0.0	18.8	0.0	18.8
Unrated	166.8	318.4	166.8	318.4
Unallocated	14.9	10.9	14.9	10.9
<b>Total</b>	<b>4,699.8</b>	<b>3,694.7</b>	<b>4,699.8</b>	<b>3,694.7</b>

91.4% (2013: 87.8%) of Spar Nord's receivables from credit institutions concerns institutions with an A rating or higher. Of the total receivables from credit institutions of DKK 4.7 billion (2013: DKK 3.7 billion), 38.2% (2013: 50.5%) is attributable to institutions with an AAA rating, 14.7% (2013: 12.5%) to institutions with an AA rating, and 38.5% (2013: 24.8%) to institutions with an A rating.

Receivables from credit institutions with no rating are mainly attributable to the Danish financial institutions that perform their clearing through Spar Nord.



## NOTE 56 MARKET RISK

Market risk is defined as the risk that volatility in market conditions will change the market value of the Bank's assets and liabilities. Market risks are a consequence of the Bank's open positions in the financial markets and may be categorized as interest-rate risk, equity risk, exchange-rate risk, commodity risk and liquidity risk. Market risks are managed and hedged primarily by Spar Nord's Trading, Financial Markets & the International Division.

In 2014, Spar Nord made no major changes in assumptions, objectives, policies, exposures and calculation methods, etc. as compared to the year before.

Spar Nord's Board of Directors determines the overarching policies, frameworks and principles for risk management. The policies are concerned with identifying and estimating various types of market risk. The frameworks indicate specific limits on the extent of risk the Bank is ready to assume. The principles establish the methods to be used in calculating the various risk targets. The Board of Directors receives continuous reporting on risk developments and the utilization of allocated risk limits.

The aim of the market risk policy is to ensure that Spar Nord has a market risk that at all times bears an appropriate relation to its capital base. Moreover, the market risk policy must ensure that the Bank continuously handles and manages its market risks on the basis of appropriate and updated procedures.

For its management of market risks, the Bank has established a three-tier instruction hierarchy. At the first tier, the Board of Directors issues the definition of the limits for the Spar Nord Group to the Executive Board. At the second tier, the Executive Board delegates limits to the other entities of the Group, with the Trading, Financial Markets & the International Division being the distinctly largest entity. At the third and last tier, the executives of the Trading, Financial Markets & the International Division are granted the limits within which they may operate.

The Middle Office function of the Finance & Accounts Department is responsible for estimating, monitoring, controlling and reporting market risks to the Board of Directors and the Executive Board. Market risks are controlled and monitored through an integrated risk management system. Procedures for ongoing follow-up on all types of market risk are in place for all entities that are subject to the instructions and any failure to adhere to these instructions is reported further up in the hierarchy. To ensure independence, the Middle Office function has no position-taking authority. All trades are settled by Spar Nord's Back Office Department according to the guidelines issued by the Danish Financial Supervisory Authority regarding functional separation.

As part of the instruction hierarchy, a number of limits have been set that are used to manage risks. In the long term, these limits are influenced by the Bank's business development. The most important limits applicable at the end of 2013 allow the Bank to:

- have a net interest-rate risk of 2.3% measured in relation to the Bank's core capital (Tier 1) incl. hybrid core capital after deductions, in case of a 1% increase in the interest rate;
- acquire bonds, measured in terms of the risk portfolio, for DKK 22 billion;
- acquire listed shares for DKK 250 million.

**Interest-rate risk**

The interest-rate risk is the risk of loss due to fluctuating interest rates. The majority of Spar Nord's interest-rate risks derive from activities involving ordinary banking transactions, such as deposits and lending, as well as trade and position-taking in a number of interest-related products. Most of these activities incorporate simple interest-rate products such as interest swaps, bonds, futures and standard interest-rate options.

The interest-rate risk is calculated on the basis of the target duration and agreed cash flow. For managing the portfolio of Danish mortgage-credit bonds, the Bank uses model-based key risk indicators that provide for the inherent option element. For interest-rate options, the above-mentioned key indicators are supplemented by the most important risk factors expressing the sensitivity of the option premium based on the underlying parameters.

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

The interest-rate risk broken down by currency and duration is shown below, where the interest-rate risk denotes the expected loss on interest-rate positions due to a change in the interest rate of 1 percentage point.

**INTEREST-RATE RISK SHOWN BY TERM TO MATURITY AND CURRENCY (DKK M)**

2014	Less than 3 mths	3 mths - 1 year	1 year - 3 years	3 years - 7 years	Over 7 years	Total
DKK	10.2	11.1	14.9	14.0	-34.4	15.8
EUR	-1.0	1.4	-5.3	14.3	11.7	21.1
USD	2.6	-0.5	0.5	0.6	0.7	3.9
GBP	0.0	0.0	0.1	0.5	0.0	0.6
NOK	-0.3	-0.1	0.0	0.0	0.1	-0.3
CHF	-1.2	0.2	-3.9	3.3	0.0	-1.6
JPY	0.0	-0.2	-0.3	0.0	-0.1	-0.6
SEK	0.0	0.1	0.6	0.6	0.0	1.3
Miscellaneous	0.0	-0.1	0.0	0.0	0.0	-0.1
<b>Total</b>	<b>10.3</b>	<b>11.9</b>	<b>6.6</b>	<b>33.3</b>	<b>-22.0</b>	<b>40.1</b>

2013	Less than 3 mths	3 mths - 1 year	1 year - 3 years	3 years - 7 years	Over 7 years	Total
DKK	13.6	-25.8	-25.5	8.3	23.4	-6.0
EUR	3.6	-9.8	-6.5	-5.0	5.9	-11.8
USD	1.3	0.5	0.4	-3.8	0.0	-1.6
GBP	0.0	-0.1	0.0	0.0	0.0	-0.1
NOK	-0.1	0.3	-0.1	0.0	0.0	0.1
CHF	-1.2	-0.6	-0.8	0.2	0.0	-2.4
JPY	0.0	-0.4	-0.3	0.0	0.0	-0.7
SEK	1.3	0.1	-0.1	0.4	0.0	1.7
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>18.5</b>	<b>-35.8</b>	<b>-32.9</b>	<b>0.1</b>	<b>29.3</b>	<b>-20.8</b>

As appears from the table, the Group is mainly exposed to DKK and EUR (2013: DKK and EUR). It also appears that since end-2013, the interest-rate risk has gone from being negative in the amount of DKK 20.8 million to being positive in the amount of DKK 40.1 million at end-2014.

If the yield curves are displaced parallel to each other upwards by one percentage point, a negative interest-rate risk would impact the shareholders' equity positively. In 2014, the interest-rate risk would have impacted the shareholders' equity positively by just under 1.0% (2013: 1.6%) as a maximum and negatively by 1.9% (2013: -0.4%) if interest rates were to increase by one percentage point.

# NOTES

## Foreign-exchange risk

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

The foreign-exchange risk is illustrated by the table below. The calculation is based on the assumption that all exchange rates develop unfavourably for the Bank by 2%.

FOREIGN-EXCHANGE RISK	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
Assets denominated in foreign currencies, total	8,469.0	8,542.8	8,460.7	8,442.1
Liabilities denominated in foreign currencies, total	3,887.2	3,686.5	3,881.0	3,675.4

Foreign-exchange risk broken down by currency:

EUR	-5.8	-1.6	-5.8	-1.6
SEK	-0.8	-2.2	-0.8	-0.5
USD	-1.9	-2.2	-1.9	-2.2
GBP	-0.1	-0.1	-0.1	-0.1
CHF	-0.1	0.0	-0.1	0.0
NOK	-0.1	-0.5	-0.1	-0.5
JPY	-0.7	-1.4	-0.7	-1.4
Other currencies	-0.1	-0.5	-0.1	-0.4
<b>Foreign-exchange risk regarding financial instruments, etc., total</b>	<b>-9.6</b>	<b>-8.5</b>	<b>-9.6</b>	<b>-6.7</b>

The foreign-exchange risk denotes the loss in million DKK that the Spar Nord Group would incur if the exchange rate developed negatively by 2% relative to the Bank's exposure.

As appears from the table, the overall foreign-exchange risk for the Group was DKK 9.6 million at end-2014, which is DKK 1.1 million higher than at end-2013.

The foreign-exchange risk has increased in EUR.

## EQUITY RISK

The equity risk is the risk of loss due to fluctuating share prices, calculated as the net value of long and short positions in shares and share-related instruments.

The equity positions have been determined depending on whether they are included in the trading portfolio or not.

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m
<i>Equity risk in the trading portfolio:</i>		
Listed shares in the trading portfolio	106.7	140.1
Unlisted shares in the trading portfolio	13.2	18.3
<b>Total shares in the trading portfolio</b>	<b>119.9</b>	<b>158.4</b>

The shares in the trading portfolio are shares acquired with a view to trading.

*Shares outside the trading portfolio:*

Shares in credit and financing institutions	890.3	709.6
Shares in unit trust management companies	81.4	82.1
Shares in pension institutions	2.2	19.2
Shares in data supplier	184.9	0.0
Shares in payment services business	47.1	182.7
Other shares	91.0	63.5
<b>Shares in strategic partners, total</b>	<b>1,296.9</b>	<b>1,057.1</b>
Realized gains *)	182.1	2.0
Unrealized gains	52.6	25.2
<b>Total associates</b>	<b>941.3</b>	<b>997.3</b>
<b>Total shares outside the trading portfolio</b>	<b>2,238.2</b>	<b>2,054.4</b>

\*) Of which the gain on sale of shares in Nets amounts to DKK 178.0 million

# NOTES

NOTE Shares outside the trading portfolio are characterized in that they have not been acquired with a view to trading. In addition, a distinction is made between shares in associates and shares in strategic partners.

Shares in associates include Nørresundby Bank A/S in which Spar Nord has a 54.8% interest, but due to voting right restrictions this interest is considered to give significant influence only, and not control.

Of Spar Nord's shares outside the trading portfolio, only the shares in Nørresundby Bank A/S are officially listed. The carrying amount of the Nørresundby Bank A/S shares amounted to DKK 866.2 million at 31 December 2014, and the market value of the shares amounted to DKK 1,052.4 million at 31 December 2014.

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

In several of the sector companies, the shares are reallocated such that the ownership interest of the banks will reflect the business volume of the relevant bank with the sector company. Typically, this reallocation is made based on the net asset value of the sector company in question. The recognized value of these shares is changed when new information is available that supports a change of valuation. In other sector companies, the shares are not reallocated, but instead measured based on a recognized valuation method. The adjustments of the values of the shares in these companies are also recognized in the income statement.

	Spar Nord The Group 31.12.14 DKK m	Spar Nord The Group 31.12.13 DKK m	Spar Nord Parent Company 31.12.14 DKK m	Spar Nord Parent Company 31.12.13 DKK m
<i>Shares included in the trading portfolio:</i>				
Long positions	119.9	158.4	119.9	158.4
Short positions	2.4	9.1	2.4	9.1
<b>Gross portfolio</b>	<b>122.3</b>	<b>167.5</b>	<b>122.3</b>	<b>167.5</b>

Reference is made to note 24 regarding the amount of shares recognized according to the fair-value option.

## SENSITIVITY ANALYSIS

The sensitivity information shows the impact of isolated changes in interest rates and prices of shares in the trading portfolio, while the impact of changes in exchange rates is shown for positions both in and outside the trading portfolio.

	Impact on equity		Impact on the income statement	
	31.12.14 %	31.12.13 %	31.12.14 DKK m	31.12.13 DKK m
- Interest increase of 1 percentage point	-0.5	-0.8	-37.7	-53.1
- Interest decrease of 1 percentage point	0.5	0.8	37.7	53.1
- Share price decrease of 10%	-0.1	-0.2	-9.1	-11.9
- Exchange-rate fluctuation of 2% in unfavourable direction	-0.1	-0.1	-7.2	-6.4

The impact on the income statement has been calculated after tax.

The impact on shareholders' equity is equal to the impact on profit or loss, calculated after tax. There is no direct impact on the shareholders' equity, as there are no held-to-maturity investments.

The percentage changes in interest rate, share prices and foreign-exchange rates shown in the sensitivity analysis have been calculated in relation to the shareholders' equity at the end of the year.

The sensitivity analysis shows the impact of changes in the interest rate, share prices and foreign-exchange rates.

The sensitivity to interest-rate changes has been calculated based on changes in the net interest-rate risk relative to shareholders' equity.

The sensitivity to share price decreases has been calculated based on the Bank's equity portfolio.

## 57 LIQUIDITY RISK

In 2014, Spar Nord made no major changes in calculation methods, policies and exposures, etc. as compared to the year before.

The Bank is generally exposed to liquidity risks when lending, investment and funding activities result in a cash flow mismatch.

Liquidity risk means that the Bank cannot meet its payment obligations, while also meeting the statutory liquidity requirements. Moreover, a liquidity risk exists if the lack of financing/funding prevents the Bank from adhering to the adopted business model, or if the Bank's costs for procurement of liquidity rise disproportionately.

The Group performs cash management by currently monitoring and controlling the Bank's short-term and long-term liquidity risks, based on four elements:

- Strategic liquidity
- Cash resources
- Contingency liquidity plan
- Stress test

Other elements are:

- Funding structure
- Moody's "12-month scenario with no access to funding"

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

### Strategic liquidity

Spar Nord calculates the Bank's strategic liquidity as deposits excl. repo transactions, senior loans, issued bonds, subordinated debt and shareholders' equity, less lending excl. reverse transactions. Moreover, subordinated debt, senior loans and issued bonds due within 12 months are not included in the calculation of strategic liquidity.

The Group aims to have excess liquidity coverage pursuant to the statutory requirement of minimum 50%, corresponding to the threshold value applied in the Danish Financial Supervisory Authority's Diamond Test Model, and a funding structure that stays within the threshold value for Funding Ratio in the Diamond Test Model.

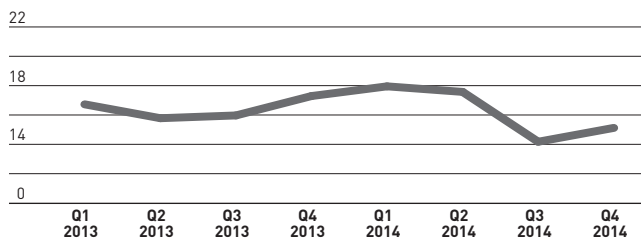
The Finance & Accounts Department is responsible for calculating, monitoring and checking that the Bank's liquidity risk does not exceed the instruction limits. It regularly reports to the Board of Directors, the Executive Board, the Danish Financial Supervisory Authority and Danmarks Nationalbank.

Spar Nord's strategic liquidity is used to measure the Bank's long-term liquidity position.

# NOTES

## STRATEGIC LIQUIDITY

DKK bn



At end-2014, the Bank had strategic liquidity of DKK 15.0 billion, a DKK 2.3 billion decrease on end-2013 when strategic liquidity was determined at DKK 17.3 billion.

The reduction in strategic liquidity was attributable mainly to the redemption of both senior funding and subordinated debt, while the reduction of leasing activities had an opposite effect. In terms of liquidity, the year's development in deposits and loans of DKK 0.4 and 0.6 billion, respectively, almost balanced.

Subsequently, the strategic liquidity has been specified for the individual constituent parts for end-2014 and -2013, respectively.

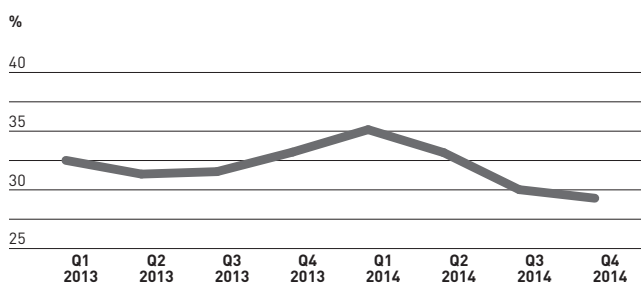
STRATEGIC LIQUIDITY	Spar Nord	Spar Nord
	The Group	The Group
	31.12.14	31.12.13
	DKK m	DKK m
Deposits, banking activities	42,235.8	41,830.5
Senior loans	68.9	3,079.2
Issued bonds	22.6	301.6
Subordinated debt	1,708.3	3,002.4
Shareholders' equity	7,033.0	6,532.7
<b>Generation of cash</b>	<b>51,068.6</b>	<b>54,746.4</b>
Loans and advances, banking activities	34,351.4	33,772.9
Loans and advances, leasing activities	1,132.4	2,089.6
<b>Loans and advances (banking and leasing activities)</b>	<b>35,483.8</b>	<b>35,862.5</b>
Senior loans, issued bonds and subordinated debt having a term to maturity of less than 12 months	630.6	1,537.8
<b>Strategic liquidity</b>	<b>14,954.2</b>	<b>17,346.1</b>

### Cash resources

Spar Nord's management of short-term liquidity is intended to ensure adequate, free liquidity to ensure that at all times the Bank lives up to the minimum liquidity requirement pursuant to section 152 of the Danish Financial Business Act and complies with the 50% limit determined in the Danish Financial Supervisory Authority's Diamond Test Model. Free liquidity is defined as uncollateralized liquid securities, deposits on demand with credit institutions, certificates of deposit and cash balances. To this should be added binding credit commitments from other credit institutions.

Pursuant to section 152 of the Danish Financial Business Act, a bank's free liquidity must amount to at least 15% of its on-demand payables and at least 10% of the reduced liabilities (other than provisions) and guarantee commitments. As concerns Spar Nord, the excess coverage relative to the requirement that the free liquidity must at least amount to 15% of the Bank's on-demand payables has always been somewhat larger than the excess coverage relative to the 10% requirement. The compliance ratio relative to the requirement that the free liquidity must amount to at least 10% of the reduced liabilities (other than provisions) and guarantee commitments constituted 28.6% at end-2014 (2013: 33.1%).

## COMPLIANCE RATIO RELATIVE TO THE 10% REQUIREMENT (SECTION 152(2))



### Contingency liquidity plan

Spar Nord has prepared an emergency liquidity plan pursuant to the Danish Executive Order on Management and Control with Financial Institutions. This plan contains a catalogue of possible courses of action to strengthen the Bank's liquidity in a critical situation. The catalogue contains a more detailed description of the expected impact and time span of the individual actions. The emergency liquidity plan enters into force if the Group can only meet the predetermined liquidity instructions with difficulty and with resulting sharply increased funding costs.

### Stress test

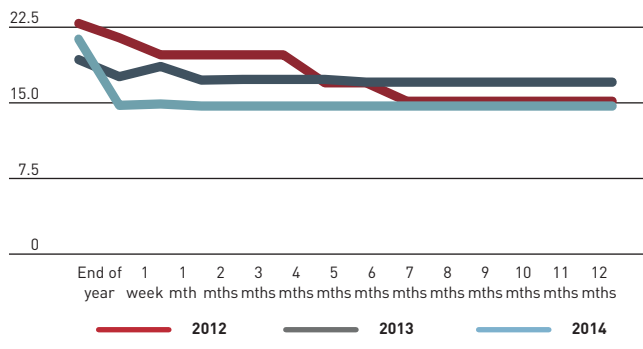
In addition to the Bank's liquidity management models, the Bank prepares internal stress tests. The stress tests span a 12-month period and are calculated using three permanently defined scenarios: A business-specific, a market-specific and a mixed scenario.

In addition, the Bank performs a stress test corresponding to Moody's "12-month scenario with no access to funding". This scenario operates on the assumption that the Bank has no access to capital markets during the period of calculation, for which reason senior loans, issued bonds and subordinated debt cannot be refinanced on maturity. On the other hand, the stable deposits base remains an accessible financing source, while only a moderate reduction in the Bank's assets is assumed.

As appears from the figure below, the Group has positive liquidity for the full 12-month period.

## MOODY'S 12-MTH SCENARIO WITH NO ACCESS TO FUNDING

DKK bn



### Funding structure

The Group's operations are predominantly funded through four funding sources:

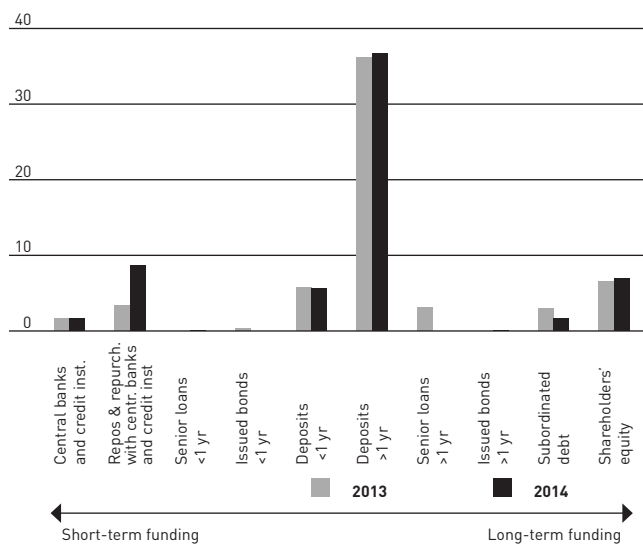
- Customer deposits
- Loans from or repo transactions with other credit institutions and Danmarks Nationalbank (the central bank)
- Issued bonds and senior loans
- Subordinated debt and shareholders' equity.

Customer deposits remain the Bank's largest funding source, at end-2014 amounting to 68.9% (2013: 70.0%) of the Bank's total funding, approximately the same level as at end-2013. At end-2014, the sum of the Bank's subordinated debt and shareholders' equity aggregated DKK 8.7 billion, equal to 14.3%, representing a decrease of 1.6 percentage points relative to end-2013. In total, the Bank's long-term funding (funding with a term to maturity of more than one year) amounts to 74.2%, which is 7.4 percentage points down on end-2013. The reduction of the Bank's long-term funding is primarily attributable to the redemption of subordinated debt and premature redemption of the Bank's LTRO facility with Danmarks Nationalbank.

At end-2014, the Bank had senior funding for DKK 0.1 billion.

## FUNDING STRUCTURE

DKK bn



## FUNDING

DKK m / %	2014	2013	2014	2013
Centr. banks and credit inst.	1,672.5	1,625.9	2.7	2.7
Repos and repurchases w/ centr. banks and credit inst.	8,596.0	3,397.7	14.0	5.7
Senior loans <1 year	0.0	0.0	0.0	0.0
Issued bonds <1 year	22.6	278.5	0.0	0.5
Deposits <1 year	5,567.4	5,699.8	9.1	9.5
Deposits >1 year	36,668.4	36,130.7	59.8	60.5
Senior loans >1 year	68.9	3,079.2	0.1	5.2
Issued bonds >1 year	0.0	23.1	0.0	0.0
Subord. debt	1,708.3	3,002.4	2.8	5.0
Shareholders' equity	7,033.0	6,532.7	11.5	10.9
<b>Total</b>	<b>61,337.1</b>	<b>59,770.0</b>	<b>100.0</b>	<b>100.0</b>

# NOTES

Balance-sheet items broken down by expected time to maturity	2014		2013	
	<1 year DKK m	>1 year DKK m	<1 year DKK m	>1 year DKK m
<b>Assets</b>				
Cash balances and demand deposits with central banks	985.7	0.0	326.5	0.0
Receivables from credit institutions and central banks	3,914.7	55.9	3,156.9	55.5
Loans, advances and other receivables at amortized cost	17,011.3	18,936.3	19,435.5	18,212.6
Bonds at fair value	15,651.4	4,582.6	9,986.9	8,823.5
Shares, etc.	108.0	1,308.8	140.1	1,075.4
Equity investments in associates	0.0	941.3	0.0	997.3
Assets linked to pooled schemes	1,307.9	9,545.9	1,325.9	7,726.4
Intangible assets	14.0	210.4	12.1	201.8
- Investment properties	147.7	0.0	167.7	0.0
- Corporate properties	11.7	525.6	13.5	498.2
Land and buildings, total	159.4	525.6	181.2	498.2
- Operating lease assets	10.8	3.8	13.1	12.8
- Other property, plant and equipment	43.9	61.5	46.1	74.8
Other property, plant and equipment, total	54.7	65.3	59.2	87.6
Current tax assets	92.6	0.0	58.4	0.0
Deferred tax assets	11.5	7.9	8.5	13.9
Temporary assets	41.2	0.0	120.3	0.0
Other assets	953.6	2,066.5	892.6	956.0
Prepayments	272.9	0.0	252.6	0.0
<b>Total</b>	<b>40,578.9</b>	<b>38,246.5</b>	<b>35,956.7</b>	<b>38,648.2</b>
<b>Liabilities</b>				
Payables to credit institutions and central banks	10,268.5	68.9	5,023.6	3,079.2
Deposits and other payables	5,567.4	36,668.4	5,699.8	36,130.7
Deposits in pooled schemes	1,307.9	9,545.9	1,325.9	7,726.4
Issued bonds at amortized cost	22.6	0.0	278.5	23.1
Other non-derivative financial liabilities at fair value	1,758.4	0.0	1,822.1	0.0
Temporary liabilities	0.0	0.0	0.1	0.0
Other liabilities	2,671.8	1,979.8	2,671.0	996.5
Deferred income	27.8	0.0	32.3	0.0
<b>Total liabilities other than provisions</b>	<b>21,624.4</b>	<b>48,263.0</b>	<b>16,853.3</b>	<b>47,955.9</b>
Provisions for deferred tax	43.0	82.7	38.6	131.2
Provisions for losses on guarantees	43.7	0.0	12.2	0.0
Other provisions	14.7	12.6	66.2	12.4
Subordinated debt	609.6	1,098.7	1,265.0	1,737.4
<b>Total</b>	<b>22,335.4</b>	<b>49,457.0</b>	<b>18,235.3</b>	<b>49,836.9</b>

Deposits comprise fixed-term deposits and demand deposits, etc. Fixed-term deposits are recognized at the maturity date. Contractually, demand deposits have ultra-short maturity, but are considered a stable funding source with an expected time to maturity of more than one year.

Bonds are broken down by duration.

# NOTES

## Contractual term to maturity of financial liabilities

31.12.14	Carrying amount DKK m	Contractual cash flows DKK m	Within 1 year DKK m	1 - 5 years DKK m	More than 5 years DKK m
<i>Non-derivative instruments</i>					
Payables to credit institutions and central banks	10,337.4	10,345.4	10,269.6	14.4	61.4
Deposits and other payables	42,235.8	42,943.6	37,359.1	2,132.9	3,451.6
Deposits in pooled schemes	10,853.8	10,853.8	1,307.9	2,687.9	6,858.0
Issued bonds at amortized cost	22.6	22.6	22.6	0.0	0.0
Other liabilities, excl. derivative instruments	2,574.0	2,574.0	2,574.0	0.0	0.0
Subordinated debt	1,708.3	1,909.0	676.0	1,233.0	0.0
Irrevocable credit commitments and contingent liabilities	10,239.9	10,239.9	5,937.8	2,625.8	1,676.3
<b>Derivative instruments</b>					
Fair value of derivative instruments	2,077.6	2,000.1	527.8	788.6	683.7
<b>31 December before liabilities intended for sale</b>	<b>80,049.4</b>	<b>80,888.4</b>	<b>58,674.8</b>	<b>9,482.6</b>	<b>12,731.0</b>
Liabilities intended for sale	0.0	0.0	0.0	0.0	0.0
<b>31 December adjusted for liabilities for sale</b>	<b>80,049.4</b>	<b>80,888.4</b>	<b>58,674.8</b>	<b>9,482.6</b>	<b>12,731.0</b>

31.12.13	Carrying amount DKK m	Contractual cash flows DKK m	Within 1 year DKK m	1 - 5 years DKK m	More than 5 years DKK m
<i>Non-derivative instruments</i>					
Payables to credit institutions and central banks	8,102.8	8,123.2	5,030.8	3,008.6	83.8
Deposits and other payables	41,830.5	42,742.9	34,338.5	4,513.4	3,891.0
Deposits in pooled schemes	9,052.3	9,052.3	1,325.9	2,243.1	5,483.3
Issued bonds at amortized cost	301.6	304.3	281.8	22.5	0.0
Other liabilities, excl. derivative instruments	2,305.5	2,305.5	2,305.5	0.0	0.0
Subordinated debt	3,002.4	3,319.4	1,411.3	1,908.1	0.0
Irrevocable credit commitments and contingent liabilities	5,380.0	5,380.0	2,257.3	1,840.2	1,282.5
<b>Derivative instruments</b>					
Fair value of derivative instruments	1,362.0	1,313.7	356.0	590.3	367.4
<b>31 December before liabilities intended for sale</b>	<b>71,337.1</b>	<b>72,541.3</b>	<b>47,307.1</b>	<b>14,126.2</b>	<b>11,108.0</b>
Liabilities intended for sale	0.1	0.1	0.1	0.0	0.0
<b>31 December adjusted for liabilities for sale</b>	<b>71,337.2</b>	<b>72,541.4</b>	<b>47,307.2</b>	<b>14,126.2</b>	<b>11,108.0</b>

The maturity analysis shows the contractual, undiscounted cash flows and comprises agreed payments, including principal and interest.

As concerns liabilities with variable cash flow, such as floating-rate financial liabilities, the information is based on the conditions existing on the reporting date.

Issued bonds at amortized cost and subordinated debt are deemed to fall due at the time when the Spar Nord Group may choose between redeeming the debt or paying an increased interest rate/increased redemption price. If the Spar Nord Group instead chooses to extend the loans, interest only of DKK 86.1 million (2013: DKK 208.5 million) falls due for payment within 1 year, DKK 344.3 million (2013: DKK 833.9 million) within 1-5 years, and DKK 1,898.4 million including repayments of DKK 1,708.0 million (2013: DKK 3,220.6 million including repayments of DKK 2,973.0 million) after 5 years. Combined, the Spar Nord Group has subordinated debt with a perpetual term totalling DKK 550.0 million (2013: DKK 1,815.0 million). For loans with a perpetual term, no interest has been calculated for the period after five years in the supplementary information shown above. The annual interest on loans with a perpetual term amounts to DKK 28.0 million (2013: DKK 150.6 million).

As regards deposits in pension pools, only the customers' deposits in the pension pools are allocated, as future yields for pension pool participants depend on the return on pooled assets. The dates when the obligations fall due are correlated to the assets in the pension pools.

Payments regarding irrevocable credit commitments and guarantees fall due if a number of predetermined conditions have been met. Such payment obligations have been recognized at the time when the agreements expire.

Under the agreements made, customers can usually demand repayment of their deposits at short notice. However, in practice they are considered a stable funding source, as amounts disbursed largely equal deposits received.

The above-mentioned breakdown by term to maturity has been based on the earliest date when a demand for payment can be made.

## NOTE 58 OPERATIONAL RISK

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

All activities in the organization are subject to operational risks.

### **Operational risk policy**

Spar Nord's Board of Directors has introduced a policy for operational risk, the aim of which is to provide an overview of the Group's operational risks, minimize the number of errors and thus reduce the Group's losses incurred from operational errors.

### **Management, monitoring and reporting**

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

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

Throughout the Group, events that result in a loss of more than DKK 10.000 are recorded and categorized, and identified risks are recorded on an ongoing basis, followed up by reporting to the Risk Review Officer, the Executive Board and the Board of Directors.

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

### **Compliance**

Operational risks include compliance risks, which means the risk that the Bank is not being operated according to legal and statutory requirements, standards in the market and good business ethics.

Spar Nord has an independent compliance function charged with assisting Management in ensuring that the Group complies with applicable legislation, market standards and internal rules and procedures. This serves to identify and reduce the risk that sanctions are imposed on the Bank, that its reputation is compromised, or that the Bank or its customers suffer significant financial losses.

The Compliance Department regularly reviews critical business procedures with a view to assessing risks and making recommendations to limit individual risks.

The Compliance function is managed by a Head of Compliance (a law graduate), who answers to the Executive Board and submits reports to the Board of Directors. This function is manned by representatives from a cross-section of the Bank's business areas. An overall policy and annual programme for the function's activity have been approved by the Board of Directors.

### **Fraud**

In view of the regular reporting provided to the Bank's Board of Directors and Executive Board, it is Management's opinion that the Bank has a satisfactory level of measures to counter the risk of being exposed to fraud.

### **IT security**

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

Spar Nord's activity in the area of IT security is based on regulatory requirements as well as consideration for day-to-day operations. All IT installations running at Spar Nord and its service providers must operate according to documented running schedules and guidelines. Operation must be safe and stable, which will be ensured through the highest possible degree of automation and continual capacity adjustments. For service providers, this must be ensured by means of written agreements. The Bank's IT security work includes the preparation of emergency plans and recovery procedures aimed to ensure continued operation at a satisfactory level, in the case of extraordinary events.

### **Capital needs**

The capital needed to cover Spar Nord's operational risks is calculated using the basic indicator approach. In 2014, the operational risk amounted to 11.7% (2013: 13.0%) of total risk exposure, ending at DKK 5,716.0 million at end-2014 (2013: DKK 5,557.5 million), which results in a capital requirement of DKK 457.3 million (2013: DKK 444.6 million).



## NOTE 59 CAPITAL MANAGEMENT

The Bank's objectives of capital management are:

- to comply with the statutory requirements regarding the Bank's capital adequacy;
- to ensure that the Bank will at all times have adequate capital to support future activities and growth;
- to maintain a relatively high core capital (Tier 1) ratio and thus keep the dependency on subordinated debt at a moderate level.

In 2014, Spar Nord made no major changes in assumptions, objectives and policies compared to the year before. In connection with the entry into force of the CRR Regulation on 1 January 2014 and the amendments to the Danish Financial Business Act at the beginning of 2014 as part of the implementation of the CRD IV Directive into Danish legislation, the Bank's capital targets were reassessed, which did not result in any changes. The Bank's capital targets, most recently adjusted in Q3 2012, are thus considered to harmonize with the new capital adequacy rules.

During the year under review, the Bank met all statutory capital adequacy ratios.

Since Q3 2012, the Bank's internal targets have been:

- to have a minimum Common Equity (Tier 1) ratio of 12.0%
- to have a minimum total capital ratio of 15.0%

Moreover, the Bank intends to have a total capital ratio that is at least 3 percentage points higher than the Bank's solvency need ratio (the ICAAP result). The capital targets have been fixed to ensure that any deep cyclical recession, unexpectedly heavy credit losses or major interest-rate fluctuations will not cause the total capital ratio to drop below the statutory minimum requirement.

During the year under review, the Bank's Common Equity (Tier 1) ratio ranged from 13.0-14.2% (2013: 12.8-14.1%) and thus exceeded the Bank's current internal target of minimum 12.0%. Correspondingly, the internal target of a total capital ratio of minimum 15.0% has been met, as it remained within the 15.0-19.4% band during the year (2013: 16.2-19.4%).

Capital management is based on the methods of accounting and financial ratios developed by the Basel Committee, which have been incorporated into Danish legislation. Management currently monitors the Bank's capital adequacy. The figures calculated at the end of each quarter for the Bank's own funds, total risk exposure and capital adequacy ratios, including the calculation of the Bank's individual solvency need are reported to the Danish Financial Supervisory Authority in accordance with existing rules.

The Bank's individual solvency need is an expression of the Bank's own assessment as to how high the total capital ratio should be to safeguard depositors against losses. Since the end of 2012, the Bank has based the calculation of its individual solvency need on the so-called 8+ method. This method is based on the statutory minimum requirement of 8.0% of the total risk exposure (Pillar I) plus add-ons for risks and matters not fully reflected in the calculation of total risk exposure. Thus, it is assumed that ordinary risks are covered by the 8% requirement, and that it must therefore be determined which additional risks the Bank may have that warrant an add-on to the capital requirement (Pillar II); see the guidelines from the Danish Financial Supervisory Authority in this respect.

The Bank's core capital (Tier 1) consists of its share capital, proposed dividend and retained earnings. Hybrid core capital and supplementary capital in the form of subordinated debt are included in the calculation of the Bank's own funds. A number of deductions are made in connection with calculating the Bank's Common Equity (Tier 1) and core capital, incl. hybrid core capital, and own funds. Such deductions consist primarily of proposed dividend, intangible assets and equity investments in other credit institutions as well as subordinated loan capital provided to other credit institutions.

The total risk exposure is the calculated risk associated with the Bank's business areas. Total risk exposure is calculated as follows: assets, items subject to a market risk, and exposures in the form of guarantees are weighted on the basis of standard weights that depend on the type of the individual items and counterparty, with due provision being made for any collateral provided. To this should be added a supplement to cover the Bank's operational risks.

Own funds are specified in the Statement of changes in equity.

The maturity profile for the Bank's subordinated debt appears from note 38.

The Group continuously assesses the need for adapting the capital structure, including the Bank's goals, policies and processes.

For more details, please refer to the unaudited Risk Report at [www.sparnord.com/riskreports](http://www.sparnord.com/riskreports)

# NOTES

## NOTE 60 POOLED SCHEMES

	Pension pools DKK m	Other pools DKK m	Spar Nord The Group 2014 DKK m	Spar Nord The Group 2013 DKK m	Spar Nord Parent Company 2014 DKK m	Spar Nord Parent Company 2013 DKK m
<b>INCOME STATEMENT</b>						
<i>Interest income/premium on forward transactions:</i>						
Cash deposits	3.4	0.1	3.5	2.4	3.5	2.4
Other bonds	107.6	1.3	108.9	109.5	108.9	109.5
<b>Total interest income</b>	<b>111.0</b>	<b>1.4</b>	<b>112.4</b>	<b>111.9</b>	<b>112.4</b>	<b>111.9</b>
<i>Dividends on:</i>						
Shares, etc.	65.9	0.7	66.6	50.1	66.6	50.1
Unit trust certificates	21.3	0.3	21.6	0.0	21.6	0.0
<b>Total dividends</b>	<b>87.2</b>	<b>1.0</b>	<b>88.2</b>	<b>50.1</b>	<b>88.2</b>	<b>50.1</b>
<i>Market-value adjustments of:</i>						
Other bonds, etc.	62.3	1.0	63.3	-73.2	63.3	-73.2
Shares, etc.	601.0	6.2	607.2	863.3	607.2	863.3
Unit trust certificates	21.5	0.2	21.7	-48.3	21.7	-48.3
Currency	170.7	1.8	172.5	-63.6	172.5	-63.6
<b>Total market-value adjustments</b>	<b>855.5</b>	<b>9.2</b>	<b>864.7</b>	<b>678.2</b>	<b>864.7</b>	<b>678.2</b>
<b>Fees, charges and commissions paid</b>	<b>110.8</b>	<b>1.2</b>	<b>112.0</b>	<b>95.0</b>	<b>112.0</b>	<b>95.0</b>
<b>Profit/loss for the pools</b>	<b>942.9</b>	<b>10.4</b>	<b>953.3</b>	<b>745.2</b>	<b>953.3</b>	<b>745.2</b>
<b>BALANCE SHEET DISCLOSURES</b>						
<b>Assets</b>						
Cash deposits	878.7	10.3	889.0	599.0	889.0	599.0
Other bonds	4,593.0	57.2	4,650.2	4,266.6	4,650.2	4,266.6
Other shares, etc.	4,680.0	49.0	4,729.0	3,484.9	4,729.0	3,484.9
Unit trust certificates	533.9	7.2	541.1	668.3	541.1	668.3
Other assets	44.0	0.5	44.5	33.5	44.5	33.5
<b>Total assets</b>	<b>10,729.6</b>	<b>124.2</b>	<b>10,853.8</b>	<b>9,052.3</b>	<b>10,853.8</b>	<b>9,052.3</b>
<b>Liabilities</b>						
Total deposits	9,942.9	115.6	10,058.5	8,363.7	10,058.5	8,363.7
Other liabilities	786.7	8.6	795.3	688.6	795.3	688.6
<b>Total liabilities</b>	<b>10,729.6</b>	<b>124.2</b>	<b>10,853.8</b>	<b>9,052.3</b>	<b>10,853.8</b>	<b>9,052.3</b>

# NOTES

## NOTE 61 PERFORMANCE INDICATORS AND FINANCIAL RATIOS

The Danish Financial Supervisory Authority's layout and ratio system

### THE SPAR NORD GROUP

#### PERFORMANCE INDICATORS

DKK m

#### INCOME STATEMENT

	2014	2013	2012	2011	2010
Net income from interest, fees, charges and commissions	2,809.9	2,902.7	2,259.3	2,169.6	2,126.4
Market-value adjustments	363.1	192.8	232.8	115.3	235.1
Staff costs and administrative expenses	1,837.9	1,667.2	1,573.8	1,509.9	1,504.1
Impairment of loans, advances and receivables, etc.	602.9	726.4	667.2	473.6	550.2
Profit/loss on equity investments in associates and group enterprises	104.1	77.6	86.7	44.9	40.5
Profit/loss for the year	613.6	536.1	223.8	274.8	105.0

#### BALANCE SHEET

Loans and advances	35,948	37,648	39,058	38,702	39,952
Shareholders' equity	7,033	6,533	5,975	4,627	4,374
Total assets	78,825	74,605	79,146	70,081	67,436

#### FINANCIAL RATIOS

##### Own funds

Total capital ratio, %	15.0	19.4	15.5	14.0	13.4
Core capital (Tier 1) ratio, %	13.3	17.4	15.1	13.3	13.2

##### Earnings

Return on equity before tax	%	10.4	10.7	5.5	7.7	3.1
Return on equity after tax	%	9.0	8.6	4.2	6.1	2.5
Income/cost ratio		1.27	1.26	1.12	1.16	1.06
Return on assets	%	0.8	0.7	0.3	0.4	0.2

##### Market risk

Interest-rate risk	%	0.6	-0.3	-1.1	-0.5	0.1
Foreign-exchange position	%	2.6	3.7	1.4	6.9	2.9
Foreign-exchange risk	%	0.0	0.0	0.0	0.1	0.1

##### Credit risk

Loans and advances relative to deposits	%	67.7	74.0	79.8	103.4	108.3
Loans and advances plus impairment rel. to deposits	%	71.1	77.1	82.5	106.5	111.1
Loans and advances rel. to shareholders' equity		5.1	5.8	6.5	8.4	9.1
Increase in loans and advances for the year	%	-1.1	-7.9	1.7	-3.1	4.3
Excess coverage rel. to statutory cash ratio requirement	%	186.0	230.7	211.5	163.9	109.1
Large exposures as % of own funds	%	0.0	26.2	16.5	0.0	0.0
Impairment ratio for the year		1.3	1.6	1.4	1.1	1.2

#### THE SPAR NORD BANK - SHARE

##### DKK per share of DKK 10

Earnings per share for the year	4.9	4.3	2.5	3.4	1.3
Net asset value (NAV) per share	56	52	48	58	54
Dividend per share	1.60	1.00	0.00	0.00	0.00
Share price/earnings per share for the year	11.8	11.4	10.4	6.8	33.1
Share price/NAV per share	1,0	0,9	0,5	0,4	0,8

Share-based financial ratios have been multiplied by an adjustment factor due to the capital increase in 2012.

Ratio definitions appear from note 62.

# NOTES

## PERFORMANCE INDICATORS AND FINANCIAL RATIOS

The Danish Financial Supervisory Authority's layout and ratio system

### SPAR NORD BANK, THE PARENT COMPANY

#### PERFORMANCE INDICATORS

DKK m

#### INCOME STATEMENT

	2014	2013	2012	2011	2010
Net income from interest, fees, charges and commissions	2,722.4	2,783.8	2,121.8	1,959.5	1,950.3
Market-value adjustments	184.0	177.2	230.9	114.1	237.7
Staff costs and administrative expenses	1,814.5	1,620.3	1,500.1	1,390.3	1,410.7
Impairment of loans, advances and receivables, etc.	628.0	716.3	599.0	404.4	449.9
Profit/loss on equity investments in associates and group enterprises	365.2	162.7	112.5	69.8	37.8
Profit/loss for the year	613.3	537.5	224.1	273.8	106.0

#### BALANCE SHEET

Loans and advances	35,345	36,787	37,241	37,572	39,051
Shareholders' equity	7,033	6,533	5,975	4,627	4,375
Total assets	79,691	74,850	78,756	68,822	66,414

#### FINANCIAL RATIOS

##### Own funds

Total capital ratio, %	14.9	19.1	15.0	13.8	13.2
Core capital (Tier 1) ratio, %	13.1	17.2	14.6	13.2	13.0

##### Earnings

Return on equity before tax	%	10.2	10.7	5.3	7.2	3.2
Return on equity after tax	%	9.0	8.6	4.2	6.1	2.5
Income/cost ratio		1.26	1.26	1.13	1.17	1.06
Return on assets	%	0.8	0.7	0.3	0.4	0.2

##### Market risk

Interest-rate risk	%	0.3	-0.3	-1.1	-0.5	0.1
Foreign-exchange position	%	2.6	4.4	2.0	7.8	2.8
Foreign-exchange risk	%	0.0	0.0	0.0	0.0	0.1

##### Credit risk

Loans and advances relative to deposits	%	65.2	71.3	75.5	100.4	105.8
Loans and advances plus impairment rel. to deposits	%	68.4	74.2	77.9	103.0	108.2
Loans and advances rel. to shareholders' equity		5.0	5.6	6.2	8.1	8.9
Increase in loans and advances for the year	%	-0.3	-5.7	-0.1	-3.8	4.8
Excess coverage rel. to statutory cash ratio requirement	%	182.6	228.1	211.5	166.3	111.9
Large exposures as % of own funds	%	0.0	26.3	16.6	0.0	0.0
Impairment ratio for the year		1.3	1.6	1.3	0.9	1.0

#### THE SPAR NORD BANK - SHARE

##### DKK per share of DKK 10

Earnings per share for the year	4.9	4.3	2.5	3.4	1.3
Net asset value (NAV) per share	56	52	48	58	54
Dividend per share	1.60	1.00	0.00	0.00	0.00
Share price/earnings per share for the year	11.8	11.4	10.4	6.8	33.1
Share price/NAV per share	1.0	0.9	0.5	0.4	0.8

Share-based financial ratios have been multiplied by an adjustment factor due to the capital increase in 2012.

Ratio definitions appear from note 62.

## NOTE 62 RATIO DEFINITIONS

### Total capital ratio

Own funds in per cent of total risk exposure.

### Core capital (Tier 1) ratio

Core capital (Tier 1) in per cent of total risk exposure.

### Common Equity (Tier 1) ratio

Common Equity (Tier 1) in per cent of total risk exposure.

### Return on equity before tax

Profit/loss before tax in per cent of average shareholders' equity. The average shareholders' equity is calculated as a simple average of the shareholders' equity at the beginning of the year and at the end of the year.

### Return on equity after tax

Profit/loss after tax in per cent of average shareholders' equity. The average shareholders' equity is calculated as a simple average of the shareholders' equity at the beginning of the year and at the end of the year.

### Income/cost ratio (the Danish Financial Supervisory Authority's definition)

Net income from interest, fees, charges and commissions, Market-value adjustments, Other operating income and Profit/loss on equity investments in associates and group enterprises in per cent of Staff costs and administrative expenses, Depreciation, amortization and impairment of intangible assets and property, plant and equipment, Other operating expenses and Impairment of loans, advances and receivables.

### Return on assets

Profit/loss after tax in per cent of total assets.

### Interest-rate risk

Interest-rate risk in per cent of core capital (Tier 1) after deductions.

### Foreign-exchange position

Foreign-exchange indicator 1 in per cent of core capital (Tier 1) after deductions.

### Foreign-exchange risk

Foreign-exchange indicator 2 in per cent of core capital (Tier 1) after deductions.

### Loans and advances plus impairment rel. to deposits

Loans and advances + impairment in per cent of deposits.

### Loans and advances relative to deposits

Loans and advances in per cent of deposits.

### Excess coverage rel. to statutory cash ratio requirement

Cash balances, Demand deposits with Danmarks Nationalbank (the central bank), Absolutely secure and liquid demand deposits with credit institutions and insurance companies, Uncollateralized certificates of deposit issued by Danmarks Nationalbank and Secure and liquid (listed) uncollateralized securities in per cent of 10% of Reduced liabilities (other than provisions) and guarantee commitments.

### Large exposures as per cent of own funds

Sum total of large exposures in per cent of own funds, adjusted for exposures to credit institutions, etc. below EUR 150 million after making allowance for credit risk reduction and exceptions, etc.

### Impairment ratio for the year

Impairment for the year in per cent of loans and advances + guarantees + impairment.

### Increase in loans and advances for the year

Increase in loans and advances from the beginning of the year to the end of the year, excl. repos, in per cent.

### Loans and advances rel. to shareholders' equity

Loans and advances/shareholders' equity.

### Earnings per share for the year

The profit/loss for the year after tax/average number of shares. The average number of shares is calculated as a simple average of the shares at the beginning of the year and at the end of the year.

### Net asset value (NAV) per share

Shareholders' equity/number of shares, excl. treasury shares.

### Dividend per share

Proposed dividend/number of shares.

### Share price relative to earnings per share for the year

Share price/earnings per share for the year.

### Share price relative to net asset value (NAV)

Share price/NAV per share.

### Cost share of core income

Operating expenses, depreciation and amortization/Core income.

### Cost share of core income, incl. impairment of loans and advances

Operating expenses, depreciation and amortization + Impairment of loans and advances, etc./Core income.

### Rate of return, %

Year-end price – year-end price the year before + dividend the year before in per cent of the year-end price the year before.

### Price/earnings

Year-end price/Earnings per share for the year.

### Earnings per share

The profit/loss for the year after tax/average number of shares in circulation, excl. treasury shares. The average number of shares is calculated as a simple average of the shares at the beginning of the year and at the end of the year.

### Diluted earnings per share

Profit/loss for the year after tax/average number of shares in circulation, incl. dilutive effect of share options and contingently issuable shares.

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.

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